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DEPARTMENTS OF TREASURY AND POST OFFICE AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1971

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEPARTMENTS OF TREASURY AND POST OFFICE AND EXECUTIVE OFFICE APPROPRIATIONS

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OTTO E. PASSMAN, Louisiana
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AUBREY A. GUNNELS, *Staff Assistant to the Subcommittee*

Part 3

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

EMERGENCY FUND FOR THE PRESIDENT

EXECUTIVE OFFICE OF THE PRESIDENT

EXPENSES FOR MANAGEMENT IMPROVEMENT

TAX COURT OF THE UNITED STATES

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DEPARTMENTS OF TREASURY AND POST OFFICE AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1971

MONDAY, MARCH 16, 1970.

COMPENSATION OF THE PRESIDENT
THE WHITE HOUSE OFFICE
SPECIAL PROJECTS
EMERGENCY FUND FOR THE PRESIDENT
EXPENSES OF MANAGEMENT IMPROVEMENT

WITNESSES

ROBERT P. MAYO, DIRECTOR
JAMES R. SCHLESINGER, ACTING DEPUTY DIRECTOR
DWIGHT A. INK, ASSISTANT DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR, OFFICE OF BUDGET REVIEW
JAMES M. FREY, EXECUTIVE ASSISTANT DIRECTOR
VELMA N. BALDWIN, DIRECTOR OF ADMINISTRATION
JOHN M. PINCKNEY, BUDGET AND MANAGEMENT OFFICER

Mr. STEED. The committee will be in order.

The committee is in session today to consider budget requests for the executive department.

We are glad to have Mr. Robert P. Mayo, the Director of the Bureau of the Budget, and his staff with us.

Mr. Director, if you would like to identify your colleagues for the record, then we will proceed with the business at hand.

INTRODUCTION OF WITNESSES

Mr. MAYO. Yes, sir. On my immediate left is Mr. James R. Schlesinger, who is Acting Deputy Director for the Bureau of the Budget. On his left is Mr. Dwight A. Ink, Assistant Director in charge of the Office of Executive Management.

On my immediate right is Mr. James M. Frey, who is Executive Assistant Director of the Bureau of the Budget. On his right is Mr. Samuel M. Cohn, Assistant Director for Budget Review. Behind him we have Mrs. Velma N. Baldwin, Director of Administration, and Mr. John M. Pinckney, Budget and Management Officer.

Mr. STEED. Off the record.

(Discussion off the record.)

COMPENSATION OF THE PRESIDENT

Mr. STEED. Since the first item is an automatic item—the compensation of the President—I have no questions.

COMPENSATION OF THE PRESIDENT

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Compensation of the President (costs—obligations) (object class 11.1)	195	250	250
Financing: Budget authority (appropriation)	195	250	250
Relation of obligations to outlays: Obligations incurred, net	195	250	250

Mr. STEED. Do you have any comment, Mr. Director?

Mr. MAYO. I have no particular comment. I think we are all aware of the fact that it's $250,000, of which $50,000 is an expense allowance, which, however, is just as taxable as the $200,000.

Mr. STEED. Do any of you gentlemen have any questions?

Mr. ROBISON. No questions, Mr. Chairman.

Mr. EDWARDS. No questions.

Mr. CONTE. No, Mr. Chairman.

Mr. COHELAN. No, sir.

A. THE WHITE HOUSE OFFICE
B. SPECIAL PROJECTS

Mr. STEED. Then we will turn to the next item, the White House Office. If you would like to make a statement on this item, we would be glad to hear from you.

Mr. MAYO. Yes, Mr. Chairman.

JUSTIFICATION OF THE BUDGET ESTIMATES

THE WHITE HOUSE OFFICE

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities: Administration (cost-obligations)	3,136	3,940	8,550
Financing: Unobligated balance lapsing	93		
Budget authority	3,229	3,940	8,550
Budget authority:			
Appropriation	3,229	3,630	8,550
Proposed supplemental for civilian pay act increase		310	
Relation of obligations to outlays:			
Total obligations incurred, net	3,136	3,940	8,550
Obligated balance, start of year	156	215	255
Obligated balance, end of year	−215	−255	−275
Outlays, excluding pay increase supplemental	3,077	3,600	8,520
Outlays from civilian pay act supplemental		300	10

OBJECT CLASSIFICATION (In thousands of dollars)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	2,114	2,841	6,750
Positions other than permanent	249	200	
Other personnel compensation	200	253	375
Total personnel compensation	2,563	3,294	7,125
Personnel benefits: Civilian employees	156	183	570
Traveling expenses of the President	40	40	75
Travel and transportation of persons	21	35	110
Rent, communications, and utilities	100	140	200
Printing and reproduction	182	140	290
Other services	2	3	10
Supplies and materials	62	65	120
Equipment	10	40	50
Total obligations	3,136	3,940	8,550

SALARIES AND EXPENSES—PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	250	250	548
Full-time equivalent of other positions	5	5	
Average number of all employees	220	208	548
Average GS grade	7.7	7.9	7.7
Average GS salary	$8,810	$9,055	$9,568

CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM FUNDS AVAILABLE TO THE WHITE HOUSE OFFICE—DETAIL OF PERSONNEL COMPENSATION

	1969 actual (number)	1970 estimate (number)	1971 estimate (number)
GRADES AND RANGES			
Executive level II, $42,500	14	14	14
Ungraded	3	3	67
GS–17, $28,976 to $32,840	1	1	1
GS–16, $25,044 to $31,724	2	2	5
GS–15, $21,589 to $28,069	2	2	10
GS–14, $18,531 to $24,093	5	5	6
GS–13, $15,813 to $20,555	5	5	9
GS–12, $13,389 to $17,403	11	24	25
GS–11, $11,233 to $14,599	12	8	33
GS–10, $10,252 to $13,330	14	14	34
GS–9, $9,320 to $12,119	39	34	53
GS–8, $8,449 to $10,987	22	19	34
GS–7, $7,639 to $9,934	32	32	70
GS–6, $6,882 to $8,943	25	24	59
GS–5, $6,176 to $8,030	36	36	79
GS–4, $5,522 to $7,178	20	20	30
GS–3, $4,917 to $6,393	5	5	10
GS–2, $4,360 to $5,665	2	2	5
GS–1, $3,889 to $5,057			4
Total permanent positions	250	250	548
Unfilled positions, June 30 (—)	32	42	
Total permanent employment, end of year	218	208	548
HIGHER LEVEL POSITIONS			
Executive level II, $42 500:			
Counselor to the President			2
Assistant to the President			3
Assistant to the President for national security affairs			1
Assistant to the President for domesitc affairs			1
Deputy assistant to the President for domestic affairs			1
Director of communications for the executive branch			1
Special consultant to the President			1
Special assistant to the President	8	8	4
Special counsel to the President	3	3	
Legislative counsel to the President	1	1	
Administrative assistant to the President	1	1	
Deputy press secretary to the President	1	1	
GS–17, $28,976 to $32,840:			
Special assistant to the President			1
Executive assistant	1	1	
GS–16, $25,044 to $31,724:			
Executive clerk	1	1	1
Administrative officer (chief usher)	1	1	1
Deputy assistant to the President			1
Assistant to the director of communications for the executive branch			2

THE WHITE HOUSE

The 1971 estimate is a new departure proposed in the interest of candor and accuracy, to give the Congress and the Nation a long overdue appreciation of White House costs and needs. For the first time in many years this estimate combines into one appropriation the actual White House Office staff costs that traditionally have been dispersed and obscured. In fiscal year 1970 and prior years a considerable segment of White House Office staff costs have not been readily apparent, as many White House staff personnel have been paid from the appropriations of other Federal agencies. The President's special projects fund has also been drawn on year after year to augment funds for the regular White House Office staff complement. This practice must be discontinued in order to restore the President's flexibility to deal with the special problems that the fund is provided to meet.

So that the total costs of White House Office staff operations can be clearly seen and accurately measured in future years, the 1971 budget request provides direct funding for all regular office staff assistance and administrative services within the "Salaries and expenses, White House Office" appropriation.

In connection with a general tightening in the executive branch, the requested level provides for a decrease from the actualities of 1970 both in staff and funds. Appropriate adjustments have been made in the employment and accounts of those agencies from which details have been provided the White House in prior years. Funds and end-of-year employment for the consolidated White House Office appropriation on a comparable basis with 1970 are shown in the following table:

	1970		1971	
	Amount	Employment	Amount	Employment
Salaries and expenses, White House Office	$3,940	208	$8,550	548
Special projects	2,240	95		
Personnel detailed from other Federal agencies	2,820	273		
Total	9,000	576	8,550	548

A separate special projects appropriation is retained, to be utilized by the President for special requirements such as those of a nonrecurring nature and those outside the normal responsibility of other funded program areas.

SPECIAL PROJECTS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities: Administration (cost—obligations) (object class 25.0)	1,363	2,500	1,500
Financing: Unobligated balance lapsing	137		
Budget authority (appropriation)	1,500	2,500	1,500
Relation of obligations to outlays:			
Obligations incurred, net	1,363	2,500	1,500
Obligated balance, start of year	70	128	128
Obligated balance, end of year	−128	−128	−128
Adjustments in expired accounts			
Outlays	1,305	2,500	1,500

SPECIAL PROJECT

This fund is used by the President for staff assistance on special problems which arise from time to time but cannot be considered the responsibility of an existing agency.

General Statement

Mr. Mayo. For many years, White House Office staff costs have been only partially financed by the appropriation "Salaries and expenses, the White House Office." Many staff personnel have been paid from appropriations to other Federal agencies under the statutory provision authorizing temporary detailing to the White House Office (3 U.S.C. 107). Since 1956, the Special Projects appropriation has also been used on occasion to augment the White House Office staff complement in new areas of activity.

CONSOLIDATION OF REQUEST

The 1971 budget proposes a consolidation in the White House Office appropriation of the financing of all regular White House Office staff and administrative costs. This would include the costs of civilian personnel paid by other Federal agencies who are now on detail full time to the White House Office, and the costs of personnel paid from the Special Projects appropriation who are performing continuing, full-time functions for the White House Office. Appropriate adjustments have been made in the funds and employment of those agencies which have provided details to the White House Office.

This new approach permits a more candid and accurate portrayal of the regular, recurring White House Office costs, and restricts the use of the special projects appropriation to the purpose for which it was initially conceived—to provide the President flexibility to deal with special problems that may arise from time to time.

FISCAL YEAR 1971 BUDGET REQUEST

The 1971 estimate of $8,550,000 for the White House Office represents a reduction of $450,000 from the comparable 1970 level of $9 million.

I might add that the President himself made that cut when we were going through the budget review.

The amount of $9 million consists of $3,940,000 in the White House Office appropriation, $2,240,000 in the Special Projects appropriation, and $2,820,000 for personnel detailed from other agencies. Employment for 1971 is estimated at 548, 28 less than the comparable figure for 1970. The reductions in funds and employment reflect application to the White House Office budget of the tight budget policy applied throughout the executive branch.

LANGUAGE CHANGES

Two changes are requested in the appropriation language for the White House Office account. The dollar limitation on the use of consultant services and other personnel services without regard to the provisions of law regulating the employment and compensation of persons in the Government service is increased from $250,000 to $2,250,000. The Special Projects appropriation language, which contains these provisions without dollar limitation, has provided an essential degree of flexibility in hiring staff personnel. With the transfer of the financing of a significant number of personnel from the

Special Projects appropriation to the White House Office appropriation, an increase in the dollar limitation is necessery to enable continued utilization of these employees subject to the same provisions of law under which they were hired. The primary effect of this language change is to maintain for the President the same degree of flexibility that now exists. It does not increase that flexibility.

The second language change would set a limitation of $75,000 for Presidential travel. The current limitation of $40,000 was established in 1948. Cost increases since that time have made the limitation grossly inadequate.

I shall be happy to answer your questions on this request.

CONSOLIDATION OF REQUEST

Mr. STEED. Mr. Mayo, the consolidation of these three sources of White House assistance isn't entirely new. There have been times in the past when there were some consolidations in this area, isn't that right?

Mr. MAYO. There have been consolidations before. I seem to recall that President Truman undertook one back in 1948, wasn't it, Sam—somewhere along in there?

Mr. COHN. In 1947.

Mr. MAYO. But I don't think, unless my memory serves me incorrectly, that there has ever been an effort as complete as this to recognize what you might call the overuse of details and overuse of special projects people for things which are, indeed, not temporary.

The use of both of these ways of getting things done over and above the appropriation to the White House has grown over the years. I don't think it is the proper way for the President to display the costs of running his office.

FLEXIBILITY

Mr. STEED. I have always had a feeling that this borrowing of personnel from the other agencies has never provided us with a real look at how much of that sort of thing has been going on. Of course, then, the special projects part of it has always been a matter of curiosity and interest without too much enlightenment.

But, as I have studied the use of the special projects account, it seems to have served a very useful purpose in enabling the President to meet unexpected or unanticipated programs where he thought necessary.

Will you have that sort of flexibility under the budget consolidated like this? Where will be your margin to handle some new and unanticipated problem that might develop after the budget has been adopted and the fiscal year is underway?

Mr. MAYO. We do suggest in the President's budget, Mr. Chairman, the continuation of $1,500,000 in the appropriation for Special Projects which, having been cleansed—if I may use the word —of the expenditures for more or less permanent staff assistance, will be more appropriately available to fulfill the purpose of flexibility that you just mentioned. This will be a million dollars less than the amount appropriated for fiscal year 1970. We think this is a desirable way of, shall we say, straightening out the accounts.

Mr. STEED. Well, it has been my impression that when you use people from the various departments, it hasn't been so much the matter of another way to staff but it has been to get the expertise that these particular individuals had.

I would assume that you would have to continue this call on expertise and manpower to some degree. Would this change here? We are talking about reimbursement of the agencies in circumstances where their personnel still were needed in the White House activities.

Mr. MAYO. I am sure arrangements of that type would be made, Mr. Chairman; of course, there is no attempt to deny——

Mr. STEED. We are talking of those that are used on a more temporary or short-term basis?

Mr. MAYO. Yes. We want to be sure that they are used, however, on a short-term temporary basis, and there would be no denying the use of people for their expertise on special detail.

We want to be very careful that the temporary detail doesn't turn into a permanent assignment.

There are postal people, as you know, in the White House. Although technically you might say that what we are talking about here would place those postal people on the White House payroll, maybe indeed that wouldn't take place because if, instead of being a mailroom, this is in effect a postal substation, the Post Office would run it on their rules, even though it is permanent.

I hasten to add that, even though we have moved in the direction here of a full disclosure of the White House budget, I wouldn't hesitate for a moment to remind all of us that the Secret Service and the Park Service and the General Services Administration and, indeed, other agencies have an input into the actual conduct of the business of the White House, the care of the grounds, and necessary security. Those costs are not in here. They are still in the agency budgets.

Mr. STEED. As you know, the House and Senate maintain postal facilities, and while we fund them and operate them, they are still actually an extension of the postal service itself.

Mr. MAYO. I know.

Mr. STEED. So I imagine this would be of somewhat the same nature.

Mr. MAYO. I think we would have to recognize an exception there. It's a little different than in some of the others. This is not an easy line to draw, and yet we feel—I say we—the President feels, because we have discussed this at some length, that this is the best way to bring all this out in the open and to move forward on a more honest basis—not that other people before him have been dishonest; it's merely that the system kind of grows.

MILITARY STATIONED AT THE WHITE HOUSE

Mr. COHELAN. Will the gentleman yield?

Mr. Mayo, how about the mess, the military you put in the White House? Will that be included in there?

Mr. MAYO. No; it will not. There is still significant military input in the White House and the Secretary of Defense has told me that he has this under very careful review right now. It's an independent item.

Mr. COHELAN. Are you going to be able to separate out the sum of those costs as opposed to what you're proposing here?

Mr. MAYO. We haven't tackled that problem. The Wall Street Journal has done a tabulation for us of the "real" cost of the White House, and I can't say that I have tried to go back and check a lot of their guesses. We haven't really gotten into that phase of it yet, figuring that this is the most obvious part and we would like to clean this up this year.

Mr. COHELAN. In round numbers, what does it involve in terms of positions?

Mr. MAYO. I don't know.

OTHER OBJECTS COSTS

Mr. STEED. Mr. Mayo, in addition to the staff part of this item that we have been discussing, it also covers communications, travel, supplies, equipment, and so forth.

Mr. MAYO. Yes.

Mr. STEED. And I would assume that these items would go up also for two reasons. One is that it's just a general thing that they go up in all types of government activities, but also because of the consolidation.

Mr. MAYO. Yes, they do.

Mr. STEED. What part of the total amount here identifies itself, other than staff?

Mr. MAYO. I have here a sheet that summarizes the figures for 1970 and 1971, totaling in this case for 1970, the $3,940,000 and in 1971, the $8,550,000. We find that the increase in personnel compensation is from $3,294,000 to $7,125,000. That is an increase of roughly $3,800,000.

Since the total increase in the figures I gave is $4,600,000, obviously there is another $800,000 which reflects things like the personnel benefits of civilian employees of almost $400,000; an increase in travel and transportation of persons of $75,000; rent, communications, and utilities of $60,000; printing and reproduction of $150,000; supplies and materials, $55,000; and then smaller amounts.

There would have been some increase, even without the consolidation, but the significant jump is because of the consolidation.

Mr. STEED. In the physical properties outside of the White House itself, the Executive Offices, does the White House area have the same service from GSA that other agencies of the Government have?

Mr. MAYO. The GSA takes care of the physical facilities; yes.

Mr. STEED. In other words, if you needed to remodel offices or change the internal arrangements they do that for you?

Mr. MAYO. Yes.

SPECIAL PROJECTS

Mr. STEED. In this special projects account, if you are consolidating this, is it anticipated that the language that has been in the bill heretofore which has a transfer authority would still be needed?

Mr. MAYO. I am not sure what you mean by a transfer authority.

Mr. STEED. The practice of using money from this fund to actually in effect, beef up the staff and its activities when special projects become more and more a permanent, on-going thing than it is just a project.

Mr. MAYO. Yes, sir.

Mr. STEED. Would you think that there needs to be any elimination of that language, or should it be retained?

Mr. MAYO. I would urge retention of it under the circumstances. I think it provides useful flexibility.

USE OF FUND

Mr. STEED. Could you give us any information on what use would be made of the fund under this new setup as against the old practices?

Mr. MAYO. The only item that I am aware of now that is really predictable is that some of the $1.5 million for 1971 would be used for the President's Intelligence Advisory Board, which keeps the President advised with respect to the total foreign intelligence effort and reports periodically to the President its findings and appraisals and recommendations for achieving increased effectiveness of the U.S. foreign intelligence effort.

This is, I think, an appropriate use of the funds of the Special Projects appropriations. We have $260,000 in the present budget for that purpose, and I would suggest that something in that order of magnitude would be necessary in 1971. It is, indeed, a special project that doesn't seem to fit well anywhere else.

I have no knowledge at this point of what other special projects may be coming up during the year, and I would also add that—again if my memory serves me correctly, Mr. Chairman—much of this money typically reverts or expires, and I'm not using the right technical words, but anyway it lapses at the end of the fiscal year.

Mr. STEED. If an amount of money is taken out of the special projects fund for a special project, that would not only cover the personnel costs but any other costs that the particular project would involve?

Mr. MAYO. I think that is a fair statement.

Mr. STEED. Like supplies and that sort of thing?

Mr. MAYO. Yes.

Mr. STEED. Would it be used to reimburse people from other Government agencies, or to pay for the use of people outside the Government who are brought in on this special job basis?

Mr. MAYO. I believe it could be used in both ways.

OFFICIAL REPRESENTATIONS

Mr. STEED. It also contains a provision for $10,000 that could be allocated within the Executive Office for official representation. Wouldn't it be more efficient to make this part a part of the regular White House Office appropriation? It really isn't a special project. It would seem to me that it's a rather permanent need.

Mr. MAYO. It is a permanent need, but again it's a need that doesn't seem to have an appropriate home. This representation, Mr. Chairman, and the moneys involved in this, are used throughout the entire Executive Office of the President, including the Office of Emergency Preparedness, the Office of Economic Opportunity, the Special Representative for Trade Negotiations, my office, the National Security Council, and Dr. McCracken's office, so that less than half of this indeed refers directly to the White House Office in terms of the 1969 allotment, for instance.

ADMINISTRATION OF THE FUND

Mr. STEED. Who is the Government official with the power to decide when and what amount of this fund is to be used? Is this inherent in the President also, or does he delegate this?

Mr. MAYO. Yes. It is inherent in the President himself. Jim, can you give a more full answer to that?

Mr. FREY. I believe one of the President's assistants advises the President on the use of this money and the allotment among the units of the Executive Office. I don't know which assistant that is, though.

Mr. MAYO. It's done in the White House. We don't determine, for instance, whether we get $200 or $300. This is not in our power.

Mr. STEED. I remember on one occasion when Mr. Johnson was President, he got a little bit upset when his budget director suggested on some matter that came up that funds from this source could be made available, and in that case the President took a dim view of the fact even the Director of the Bureau of the Budget was assuming any right to tell him how to use this fund.

So I have assumed that this was one item that the President sort of carried around in his own pocket and reserved the right to make final decisions.

Mr. MAYO. I didn't know myself what the items were until I began to get ready for this hearing. I was not in on the decision in that regard. It came from the White House.

Mr. STEED. Is it the intention under this new setup now for this million and a half level to remain unchanged?

Mr. MAYO. Yes. This assumes a degree of inflation control, however.

Mr. STEED. Then, of course, under that approach the practice in years gone by, of letting the unused part lapse, would still remain?

Mr. MAYO. Yes.

Mr. STEED. Will the use of this system still make known to the committee how many personnel become involved and what funds of this amount are used?

Mr. MAYO. Yes.

Mr. STEED. Mr. Robison?

Mr. ROBISON. Mr. Mayo, I would like to congratulate both you and the President for attempting, as you have done, to bring to us and the subcommittee—and through us to the Congress—a more candid and accurate portrayal of what the White House operation actually costs, at least in large part.

Mr. MAYO. Thank you.

COSTS OF PRESIDENCY

Mr. ROBISON. You did mention the Wall Street Journal reference to all this. While I would be the last one in the world to seek, in any way, to embarrass the President, the attempt that the Wall Street Journal made a few days ago to better assess the actual operating costs of the White House did bring up matters that are now in the public domain, and matters that undoubtedly will be further discussed. It does seem to me, Mr. Chairman—unless there is some objection on the part of the members of the subcommittee—that it might be well for us to put this article in our record.

This is to show that we have at least considered the broader aspects of this operation, and it may help lead us into some further thoughts as to how we can bring a still more candid and accurate portrayal of the cost of this operation to both Congress and the Nation.

Mr. STEED. Without objection, we will make it a part of the record at this point.

(The information follows:)

[Reprinted from the Wall Street Journal, Tuesday, March 10, 1970]

NIXON'S BILLS—COSTS OF PRESIDENCY ARE PUT AT $70 MILLION, BUT NO ONE IS CERTAIN

SHARK NET IN FLORIDA, STAFF OF 1,500 AND JETS INCLUDED; BUT SOME THINGS ARE FREE—'MANSION' IS NOW 'RESIDENCE'

(By John Pierson)

WASHINGTON.—President Nixon had been in office just a year, and 60 staff members were gathered in his Oval Office to mark the anniversary. The President surveyed the crowd. Then, turning with mock astonishment to H. R. Haldeman, the White House chief of staff, he asked: "Can we afford all these people?"

For $70 million a year, indeed they can.

That's roughly—very roughly—what it costs nowadays to keep the President of the United States staffed, housed, protected, transported, rested, and in touch wherever he is. It includes everything: Staff salaries, postage, heat, laundry, state dinners for 200, flower arrangements, firewood, the Secret Service, Air Force One, and the shark net off Mr. Nixon's bayside house at Key Biscayne, Fla. Included, too, is the biggest item of all, a special communications network that extends to the Presidential homes in Florida and California and anywhere else the Chief Executive may travel.

"Very roughly" is the only way to put the total cost. Unlike most other parts of the Government, the Presidency has no single, comprehensive budget. Some of the biggest outlays are contained—often concealed—in the spending totals of the Army, the Air Force, the Treasury, Interior, and other departments. Congress, which normally asks searching questions about most Government spending, subjects the President's own expenditures to only the mildest scrutiny.

KEEPING MUM

Thus, without the cooperation of the White House or of other agencies spending money on its behalf, estimating the real costs of the Presidency requires not only detective work but also some educated guesses. It's only fair to say that, in declining to give full details and in muzzling the agencies, the Nixon White House is behaving the same as its recent predecessors.

Herb Klein, Director of Communications for the executive branch, explains the reticence this way: "A million dollars may not seem like much in Washington where people get used to dealing in billions, but it's a lot to a man in San Diego," which is Mr. Klein's hometown.

Ronald Ziegler, the White House Press Secretary, speaks of the need to "maintain security" and the difficulty of "breaking out" the President's share of another agency's budget. He also expresses fear that Mr. Nixon will get all the blame if he suddenly owns up to things that have been going on quietly for years. "People would think he's the first President ever to paint the White House or use a helicopter," says Mr. Ziegler, explaining his refusal to disclose the costs of redecorating the inside of the Executive Mansion after Mr. Nixon took office or of maintaining the Presidential helicopters.

As a matter of fact, comparing Mr. Nixon with earlier Presidents would surely show him spending more on some things but less on others. It costs more to fly Mr. Nixon to his vacation home in San Clemente, Calif., than it cost to fly President Kennedy to Cape Cod. But Mr. Nixon has drastically reduced the operations of the official White House photographer from the days of Lyndon Johnson.

A LITTLE BLACK BOOK

While Mr. Nixon has failed to make good on his campaign pledge to have a small White House staff, indications are that considerable attention is being paid to economy. One White House man relates how he went to see Mr. Haldeman to seek replacements for some people he had lost in a staff reshuffle. Peering into a little black book, Mr. Haldeman replied without a smile: "Since you've already lost some, maybe you won't have to lose any more."

Behind the fear of a public outcry if the actual costs of the Presidency should come to light is a strong suspicion among some White House men that many Americans resent the idea of a high-living President. Mr. Ziegler's disclosure, for example, that it cost $250,000 to set up a suite of offices next to Mr. Nixon's California home resulted in a flurry of angry letters. The fact that a well-rested President is better able to perform his duties apparently made little difference to the letter-writers.

So now Presidential aides never miss a chance to stress Mr. Nixon's desire to "take Government to the people" by trips to California and elsewhere. And officials recently announced a "long-planned" decision to use "the Western White House," as they call it, for Government meetings when Mr. Nixon isn't there.

NO MORE YACHTS

A policy of soft-pedaling some of the more splendid Presidential perquisites may also have been behind the decision, in the new budget, to call the Executive Mansion the "Executive Residence." Moreover, a press release referred to the two Presidential yachts, the 92-foot "*Patricia*" and the 64-foot "*Julie*," both purchased in the Truman administration, as "cabin cruisers."

Assuming the White House has gauged the public temper right, Mr. Nixon may have performed an act of political courage in January when he admitted in the new budget that there are 340 persons working for him but drawing their pay from other departments. White House staff costs, as the budget pointed out, "have traditionally been dispersed and obscured." The practice of "detailing" aides to the White House from elsewhere in Government is said to have begun in earnest under Franklin Roosevelt.

Under the bookkeeping change ordered by Mr. Nixon, the White House staff for the fiscal year starting July 1 will jump to 548 from 208 and the budget to $8,550,000 from $3,940,000. The changes were required "in the interest of candor and accuracy," the budget said, and to give Congress and the Nation "a long overdue appreciation" of White House costs and needs.

But to get a fuller appreciation of residential costs requires going beyond the budget for the "White House office," which doesn't include a lot of things. It doesn't include the National Security Council whose staff under Mr. Nixon and Henry Kissinger has grown from 47 to 75 and whose budget has leaped from $668,000 to $2,150,000. (Even that figure doesn't reflect the NSC's true cost, since half of its professionals draw their salary from the Departments of State and Defense and the Central Intelligence Agency.)

This budget doesn't include 39 people on Vice President Agnew's staff who mainly help him carry out Presidential assignments. Their services are expected to cost $630,000 in the coming year.

It doesn't include 75 carpenters, plumbers, electricians, flower arrangers, housekeepers, butlers, cooks, doormen, pantry maids, and others who work in the Executive Mansion for a total of $1,100,000 a year.

It doesn't include 15 gardeners, caretakers, stonemasons, and other National Park Service workers who keep up the White House Grounds, designated as a national park, at a cost of about $200,000 annually.

It doesn't include 150 military personnel detailed to the White House to doctor the President, drive the White House cars, handle communications gear, run the mess and do other tasks at an undisclosed cost. The military detail at the White House is so scattered, insiders say, that Brig. Gen. James Hughes, Mr. Nixon's military aide, had a terrible time even finding them all when he first arrived.

FLYING FIRST CLASS

In all, a former White House official estimates, 1,500 people directly support the President; this estimate is based on the number invited to one of LBJ's staff Christmas parties.

About the only figure in the published White House budget that stands up under scrutiny is the President's salary: $200,000. The budget lists $75,000 for his annual traveling expenses. But that doesn't begin to cover the free transportation provided for the President and his family by the Air Force, the Army and the Marines.

Round-trip flying time between Washington and San Clemente on Air Force One is about 9 hours and 10 minutes, and the Air Force figures the cost at $977 an hour, which brings the total to something less than $9,000. But the realism of that per-hour figure is open to question; if Mr. Nixon were to fly the same plane to a political rally, the Republican National Committee would be billed at the hourly rate of $1,632. Neither figure includes the many hours Air Force One and its 15-man flight crew spend standing by on the ground.

In addition, when the President is staying out of town, there are daily courier flights from Washington for staff members, Cabinet officials and mail. The courier plane is usually a Jetstar, whose costs are figured at $377 an hour.

Air Force One and the Jetstar are but 2 of 27 planes assigned to fly top Government officials and foreign dignitaries at an estimated cost of $10,105,000 this year. Mr. Ziegler and the Air Force aren't saying how much of this is traceable to the Presidency, but it may be considerable. The White House uses some of these planes, for example, to round up friendly Congressmen, even from overseas, for close votes, and to transport the President's wife and children.

Also, congressional hearings on Air Force appropriations mention an item of $3,261,000 for a variety of missions including "Presidential support cargo," presumably the President's armor-plated limousine, which is flown around the United States and sometimes overseas when he's traveling.

HELICOPTER SERVICE

Marine Corps helicopters ferry Mr. Nixon between the White House and Camp David, the Presidential retreat in the Maryland mountains. Army choppers carry him between Homestead Air Force Base near Miami and Key Biscayne. The two services share the job of providing helicopters at San Clemente.

Besides declining to discuss the cost of Presidential helicopters, Mr. Ziegler doesn't say what it costs to maintain a pool of 20 cars and 40 Army drivers to carry top White House staffers between home and office. The cars, at least, are a bargain, since the auto companies, for the sake of "good will," rent them to the White House for 50 cents each a year. Ford Motor Co. spent $500,000 making the President's limousine but rents it to the Secret Service for $100 a month.

Possibly the biggest understatement in the published White House budget is the $200,000 listed for "rent, communications, and utilities." Not included therein is the White House Communications Agency, a branch of the Army Signal Corps, informally called Waca. The agency operates a military switchboard at the White House. It has installed phone lines and switchboards in Key Biscayne and San Clemente and mans them around the clock whether Mr. Nixon is there or not.

A Waca man operates the special communications gear aboard Air Force One, which is capable of sending all kinds of messages, coded and uncoded. When the President travels, a planeload of Waca men precedes him, installing White House lines everywhere he's expected to go. The network even extended to a phone floating in President Johnson's pool at the LBJ ranch.

While the White House refuses to talk about Waca's budget, an aide of President Johnson recalls a figure of $35 million a year.

PROTECTING THE PRESIDENT

Protecting the President is a big item, which has grown bigger since the Kennedy assassination. Including the 275-man White House police, the Secret Service has a budget of $42,953,000 for the coming year. The police budget is about $3,100,000, but a spokesman declines to say how much of the rest is for Presidential protection, for fear of revealing the strength of the protective detail. The majority of the Service's 800 agents, it should be noted, spend most of their time chasing counterfeiters and only protect the President when he comes to their part of the country.

It's known that the Coast Guard patrols off Key Biscayne and San Clemente when Mr. Nixon is in residence, and the Air Force and Marines probably take special protective measures when Air Force One is in Florida or California. But

the White House is mum on these costs. Nor does it even acknowledge the existence of a cave, rumored to be in Virginia, where the President can go and run the Government in case of nuclear attack.

The Government's housekeeping agency, the General Services Administration, maintains the East and West Wings, the business part, of the White House, as well as the Executive Office Building next door where many White House staffers work. The GSA's "buildings management fund" showed income of $16,987,069 from the Executive Office of the President in 1968. But officials won't say how much of that comes from the White House and how much from the Budget Bureau and other agencies that are formally part of the Executive Office of the President.

The $290,000 budgeted for White House printing is certainly understated. The State Department, for example, footed the bill to produce an attractive, illustrated booklet, "Atlantic Consultation," with excerpts from Mr. Nixon's statements on his trip to Europe last spring. Predecessor Johnson financed some printing out of a separate budget for "special projects."

In 1968, the last full year of his Presidency, Mr. Johnson spent $801,000 on "special projects," including staff salaries and pens used as gifts. Mr. Nixon sharply increased this item to $2.5 million during his first full year in order to finance such new ventures as the Urban Affairs Council and the Cabinet Committee on Economic Policy. This coming year, with all staff to be paid from the White House budget, special projects are due to drop to $1.5 million.

A HELICOPTER PAD

Some of the costs of Mr. Nixon's vacation homes have come to light. The helicopter pad, built on pilings in the bay off his Key Biscayne house, cost $342,358. Mr. Ziegler stresses that the President hadn't asked for the pad but that the Secret Service had insisted on it. The Secret Service pays $3,000 a month to lease two houses for its agents in the Nixon compound.

In addition to the $250,000 it cost to set up the offices at the Western White House, the Government leases the buildings for $54,000 a year, which also goes toward purchasing them. Operating costs are less than $100,000 a year, Mr. Ziegler says.

Camp David, which includes a swimming pool, bowling alley and tennis courts, is a top-secret Navy installation, and the White House isn't talking about the President's share of the costs. Nor does it reveal what the Navy spends to maintain the two Presidential yachts.

Not everything the President does, however, costs the taxpayer money. Entertainers perform for free at state dinners. Film distributors donate movies to be shown in the White House theater. The American Booksellers Association recently contributed 250 books. And 2 years ago an anonymous donor gave enough china to serve 216 people.

Mr. COHELAN. What is the date on that?

Mr. ROBISON. I don't know if I can tell you.

Mr. COHN. March 10.

Mr. ROBISON. Sam knows. I imagined he would.

Mr. STEED. Off the record.

(Discussion off the record.)

Mr. STEED. Mr. Robison, you had the floor before we got off on this tangent. You just got through getting the Wall Street Journal's article in the record.

CAUSE OF BUDGET INCREASE

Mr. ROBISON. Mr. Chairman, I am well aware of the principles of comity as between the legislative branch and the executive branch. I am well aware, also, of the fact that the job of being President of the United States is, in my mind anyhow, the biggest job in the world.

The President should certainly have all the facilities and all the people and all the equipment that he needs to perform that job in the best possible way he can. The Wall Street Journal article that will be in the record, Mr. Mayo, does point out one thing that I think is correct, in suggesting that it is something of an act of political courage on the part of Mr. Nixon to have admitted—as you do now in the new budget—that there are 340 persons working for him that have been drawing their pay from other departments.

This sort of thing, in the end result in this new budget before us, produces a budget increase from last year's $3,940,000 figure to $8,550,000 in White House personnel; an increase from 208 persons to 548, as I understand it.

Mr. MAYO. Yes.

UNIDENTIFIED COSTS OF PRESIDENCY

Mr. ROBISON. Then the Wall Street Journal article goes on to suggest that, even though this is an improvement and an act of political courage, it may still well be that the actual costs of the Presidency run somewhere in the neighborhood of $70 million, suggesting in explanation of this fact that some of the biggest outlays that do not come before us, and are not in the budget that we are talking about today, are contained in the spending totals of the Army, the Air Force, the Treasury, for instance—and, of course, we know about that, because that is mainly the Secret Service operation, which is so essential—as well as the Department of Interior, and some other departments.

Have you attempted to make any survey on your own as to whether this $70 million estimate is anywhere near accurate; or is it almost impossible to do?

Mr. MAYO. I would say it's almost impossible to do. As I had indicated earlier, it's my understanding that the Department of Defense is looking over the degree to which its budget is tapped, not so much in terms of the dollars as in personnel. How do you ascertain the cost of the Marine Band or the Strolling Minstrels, or whatever they are called, and various groups that perform at the White House and this sort of thing? It is rather difficult to ascertain.

Mr. ROBISON. If it is anywhere near accurate to suggest that, for the Presidency, the overall cost of the operation is running at about $70 million a year, it would also be equally fair to say, I presume, that this is nothing new.

Mr. MAYO. No.

Mr. ROBISON. That for several years at least, the same operation has cost roughly the same amount, if you bring into the picture all these other things that the Wall Street Journal article attempts to cover. Wouldn't that be right?

Mr. MAYO. Oh, yes. And the Marine Band has been around for quite a few years. And we are all very proud of it. And we are all very proud of the White House and the fact that the grounds look reasonably nice. The fertilizer on the White House grounds, I don't think, is in these figures. Is it in these figures?

Mr. COHN. Yes.

FIREWOOD

Mr. CONTE. In that article, they mention firewood. That is a small item, but they don't buy firewood; do they?

Mr. MAYO. Yes; they buy firewood.

Mr. COHELAN. Why not?

Mr. MAYO. There are fireplaces in the President's office that are going all the time.

Mr. CONTE. I know he likes a fire. So I read in the paper that he likes a fire. And so do I. But I imagine with our Park Services, now, that is a little item. I hope you will make a note of it, but that Park Service could bring enough wood over there to keep the White House warm for a hundred years.

I know I take some of that once in a while. I see it along side the rod where they have cut down a tree. I fill up my car, because I know they are going to throw it away. Why don't you make a little note to have the Park Service bring over a load of firewood?

Mr. ROBISON. Even if they did that, then the cost to the Park Service would still be in Mr. Pearson's overall figures.

Mr. CONTE. That is wrong and, like the Marine Corps Band, taxpayers get the use of the Marine Corps Band. We all had them in our district at one time or another. So you can't allocate the whole Marine Corps Band for the White House.

The trees are going to be chopped down here by the Park Service and that wood is either going to be thrown away or carted off. So it might be a lot closer to cart it over to the White House. Maybe we could save a hundred dollars or so a year.

Mr. MAYO. Let me hasten to add that I know they use wood in the White House. I inadvertently said they buy wood. I have no knowledge. They may be doing exactly what you say. I just don't know.

Mr. CONTE. Sure. A thing like this makes it look ridiculous, that they are going to go out buying firewood. I doubt that they buy it.

Mr. COHN. I don't think they do. Throughout the article these are not all incremental costs. A lot of the costs, such as defense communications, which do go into the White House and are so attributed in the article, are costs we would have anyway, even if they didn't go through the White House. These are not the incremental costs of the Presidency. They are a combination of various kinds of costs, and much of the attribution is on a proportional or average cost basis.

SPECIAL COMMUNICATIONS NETWORK

Mr. ROBISON. I think Mr. Cohn makes an especially pertinent point, because the article we have been referring to does say, on the other items of expense, that one of the bigger items is the special communications network that extends to the Presidential homes in Florida and California and anywhere else the Chief Executive travels.

Well, it has to, literally, and it absolutely has to in this day and age, because this is the defense network on which we not only depend for the security of this Nation but the world to a large extent as well, and here is a cost that has to go on and on, and I don't know in whose budget it is. Where is it, Mr. Cohn—in Defense somewhere, I suppose?

Mr. COHN. Yes, sir.

Mr. ROBISON. But nevertheless, it is part of the overall cost of being President.

Mr. COHELAN. Will the gentleman yield?

Mr. ROBISON. Yes.

DUPLICATION

Mr. COHELAN. I recall we have 44 budget people looking at the Pentagon, which seems to me another story and a real problem. How do you identify, if you do, duplication even at the level of the White House, where you've got the Defense input and the Defense Intelligence Agency input with a lot of these other advisories in terms of the intelligence and the communications that the President gets? What I am saying is, how do you avoid duplication?

Mr. MAYO. We do our best to have in effect, a crosscut review of all of the items that could indeed result in duplication. We try to make sure to do everything in our power to eliminate duplication. We are never going to eliminate it completely but we can at least bring it down to a minimum.

Mr. COHELAN. But you have a lot to say about it really.

Mr. MAYO. Yes, we do. We have quite a bit to say in terms of the interrelationship between the various departments to be sure they are not, so to speak, running over each other.

Off the record.

(Discussion off the record.)

CONSOLIDATED BUDGET COSTS

Mr. ROBISON. In any event, Mr. Mayo, insofar as you have brought us this year some consolidation of those items that are clearly identifiable as a part of the White House operation, even on the basis of those consolidated figures, the budget request you are making represents a reduction as I understand it, of some $450,000 from what the comparable 1970 consolidated figures would have been.

Mr. MAYO. That is correct.

Mr. ROBISON. And it is also a reduction, insofar as employment is concerned, 28 persons down to the new 548 total level.

Mr. MAYO. Yes.

Mr. ROBISON. So, we will understand that with respect to these 548 people, this does not, of course, include all of the people that are performing other duties of one kind or another for the President, closely related to the White House operation, including for instance, those people that are working for the National Security Council. That is another budget item separately before us; is that correct?

Mr. MAYO. That is correct.

Mr. ROBISON. And there are still other similar employees more or less closely related in their work to the White House, that are not included in the 548, such as the staff of the President's office of Science and Technology, and perhaps some others of this sort.

Mr. MAYO. Office of Emergency Preparedness and Council of Economic Advisers are two more cases.

BREAKDOWN OF PERSONNEL COSTS

Mr. ROBISON. With respect to the 548, is it possible for you to give us, without going to too much trouble, some sort of a breakdown on

them? I notice than Ron Zigler, the White House press secretary, said sometime ago there were 112 members of the White House staff that he said ranked as high, all of them, as assistant to the President? Do you know whether that is so?

Mr. MAYO. In the appendix to the budget there is a table giving the actual salary ranges going from the executive level II at $42,500, which is the highest, of course, that can be paid, through the entire list down to grade 1. The 1971 figures are complete and add to the full 548. The 1970 figures merely add to the 250 that is consistent with the $3,940,000.

This is in the appendix of the budget and it lists counselors to the President, assistants to the President, the Assistant to the President for National Security Affairs, et cetera.

Mr. COHELAN. I have been working it out. It comes down to plus 81 changes in G–12. Changes in G–11 and lower are 217. The gentleman might want to interrogate on some of these add-ons which are fairly substantial ones, being the ungraded ones which is plus 65.

Mr. ROBISON. I will let the gentleman from California ask his own questions.

This 28 includes, do they not, some clerk-typists?

Mr. MAYO. Yes.

PRESIDENTIAL MAIL LOAD

Mr. ROBISON. I have a constituent who within the last month wrote a latter to the President demanding some answers to some of the current political issues today, among which was one along these lines: "If the recent Labor-HEW appropriation bill was inflationary, why is not the cost of running the war in Vietnam inflationary?" The kind of "answer" looked for is hard for any President to give. Since he didn't get a response directly from the White House to this letter of his, which was about a two-page letter, he got so annoyed he ran the letter as an advertisement in the local paper saying the "silent majority" will not stay silent much longer because even when one of its members writes to the President and asks questions he doesn't get any answer. What sort of mail load does the White House have? How many letters of this sort or comparable sort does the President get? And how is the operation set up to try to respond to those when it can?

Mr. MAYO. The White House mail operation would essentially be that of a funnel except for the tip of the iceberg, so to speak, where it is essential that an assistant to the President, for instance, respond. Most of the letters—and I am going to let Jim Frey respond to this a little more specifically—are, of course, referred to the particular department that is most directly concerned. On many occasions, we think, since they can't figure out what else to do with some of the letters, they come over to us and we get the privilege of answering them if they have any dollar signs involved.

Mr. ROBISON. Or they go to Treasury.

Mr. MAYO. Oh, yes. Mostly, we get those which cross agency lines. It is difficult to refer a letter to HEW if it also involves Labor and so forth.

Jim, do you want to add to this?

Mr. FREY. Just to add a footnote. In terms of White House referrals of letters to the Bureau of the Budget these may run 1,000, 2,000,

or 3,000 a month. If we get that many, the total referred around the Government must be quite substantial. I don't know the exact figure.

Mr. STEED. I believe the Secret Service told us the White House mailroom handled about 3 million items a year.

Mr. ROBISON. Packages and letters, or just packages?

Mr. STEED. Everything.

Mr. FREY. Some of those letters referred to us or to the other agencies would be for direct response, and in some cases the request from the White House would be to prepare a letter for signature in the White House. They make that judgment.

Mr. ROBISON. Some of these people, then, probably are responding to letters that come in from citizens?

Mr. FREY. Yes.

Mr. ROBISON. And others get replies channeled to other agencies for response from them?

Off the record.

(Discussion off the record.)

Mr. ROBISON. Do any of you know whether or not there is some effort made to keep the President advised about the nature of his correspondence?

Mr. MAYO. Yes.

Mr. ROBISON. So, he knows in general how the mail is running for or against something, and certain key letters perhaps are pulled out of a stack of a couple of hundred or a thousand that come in on a day on any one subject, so he has some idea of how people are feeling and reacting.

Mr. MAYO. Yes. Remember after the Vietnam speech in the fall the pictures in the papers. The President carried the whole response and put it on his desk, and you could barely see the President behind the stacks of mail that came in. He has a real interest and is a fast reader and does get into specifics.

Mr. ROBISON. I have no further questions, Mr. Chairman.

Mr. STEED. Mr. Cohelan?

ADDITIONAL UNGRADED POSITIONS

Mr. COHELAN. Mr. Mayor, in connection with the schedule on standard form 306 White House Office, salaries and expenses, consolidated schedule of personnel compensation, I have worked out the increments and on the ungraded it is plus 64 and I am wondering what that means and why the concentration of 64 add-ons. You go from three in the 1970 budget to 64 add-ons in ungraded.

Mr. MAYO. Yes. The reason for that is again that no particular effort was made, it is my understanding, in the special projects group to specifically grade many of the positions. That merely means that if the White House wanted to offer somebody a job at $12,000 a year they just went ahead and did it regardless of whether that was a step in the civil service pay schedule. It wasn't just to be frivolous that it was done that way. That was merely a product of another process that gave them more flexibility. They don't have to go through rules and regulations that are probably necessary for the majority of Government employees. It gives them a flexibility they wouldn't otherwise

have and that is why you find a figure as large as the 67 for ungraded positions.

Mr. COHELAN. How do we get a feeling for what the salary range is?

Mr. MAYO. I suppose you can divide people into dollars and get a pretty good idea, although we don't have a dollar figure either for ungraded. I would hesitate to even guess.

Mr. COHELAN. Is it above the G–12 line or below the G–12 line?

Mr. MAYO. I would think it is all over the board.

Mr. COHELAN. So, it would be the full array?

Mr. MAYO. Yes. It would be true just as much of a girl to come in and do extra work. They would just offer at the rate of $6,000 a year, say, and again they keep the flexibility of hiring and firing. I stand amended. There are 67 ungraded positions filled under this authority. Thirty-six of these positions are at the equivalent of salary of GS–16 or higher.

Mr. COHELAN. So, the remainder are below the line?

Mr. MAYO. Yes.

Mr. COHELAN. These assignments would be in various categories for the needs of the President?

Mr. MAYO. Yes. He might want to get a lawyer in for a particular job, and just have him for 3 or 4 months and they would need a different kind of a man to succeed him on a different kind of a job, and they would just make a bargain—OK, you come at $25,000 a year, and stay for 3 months or maybe it will be 4 months, and we will pay you that salary.

Mr. COHELAN. Does that answer explain, say, just in selecting this out of GS–15, where you have an add-on of eight, the difference between ungraded and a classified rating?

Mr. MAYO. I don't think we could do the subtraction precisely.

Mr. COHELAN. Would the classified rating be more or less a permanent employee as opposed to perhaps a temporary employee?

Mr. MAYO. I think that is a fair statement in some circumstances.

SECRETARIAL SUPPORT

Mr. COHELAN. Down below, I am interested in some of the increments. Say GS–10 goes up 20, GS–7 goes up 38 and GS–5 goes up 43. Can you give me a little detail on that? What is going on here?

Mr. MAYO. Those are details—stenographers and so forth—from other departments.

Mr. FREY. I think it should be added while those sheets show increases in positions, they are not really increases. The increase shows here only because positions previously paid out of Special Projects or on detail from other agencies are now going to be paid out of the White House account.

Mr. COHELAN. We are changing the accounting system and these positions are actually being transferred into another bookkeeping position.

Mr. FREY. In comparable terms there is actually a decrease from 1970 to 1971.

Mr. COHN. I was surprised, when I saw this during the time we were making the budget review, because I had thought the details from other agencies were almost completely for agency experts where they were assigned more or less permanent positions in the White House and not just borrowed to handle the big flood of mail. When we

looked at them we found many of them were doing housekeeping chores in the White House permanently, and were on the payroll of another agency. There were typists and messengers just being borrowed permanently and on the Defense payroll or Post Office payroll or HEW payroll presumably for a temporary detail. Most of them weren't experts being borrowed.

INCLUSION OF MORE IDENTIFIABLE COSTS

Mr. COHELAN. To the best extent possible, what we are doing here today is acting on your request to identify a portion of this. There is still a remainder some of which has been cataloged by Mr. Robison and it, of course, not only includes Secret Service, National Intelligence Agency, but it also includes Defense because some of the permanent operations connected with communications, et cetera. My question follows from that information observation. Is it conceivable that some of the identifiable activities that are permanent could be included in this group?

Mr. MAYO. Possibly. I am not sure that there would be any particular advantage of the Secret Service, for instance, being folded in.

Mr. COHELAN. I think of much more mundane things. For example, you do have a White House chef, you have a White House staff for food service. Why do we have to have the Navy mess down there doing it?

Mr. MAYO. It is a separate operation in the sense that entertainment in the White House and serving the family is separate and, of course, it is physically half a block away to the White House mess.

Mr. COHELAN. I understand the functions, I am trying to identify an area where you might possibly put this under this tent by maybe having somebody else perform the service. For example, why couldn't civilian types do that as opposed to defense types? It is a traditional thing, I know, but when you are trying to do this kind of bookkeeping for identification purposes, it seems to me, it can be functionally related.

Mr. STEED. If the gentleman will yield, part of this is in the fact that the Navy mess, for example, traditionally charges and collects from the patrons, and, of course, this is required in the White House mess. This is a function that they are already geared up and organized to do, receiving money in exchange for the food. This is part of the need for it because there would be no way that the White House kitchen staff itself could collect moneys and handle funds that way, because that is not part of their function.

Mr. COHELAN. That may very well be the answer.

Mr. MAYO. It would be a little difficult to charge President Pompidou for his dinner.

CENTRALIZATION OF GOVERNMENT OPERATIONS

Mr. COHELAN. Finally, Mr. Director, on the question of the philosophy of the administration, isn't this a move in the direction of further centralization when I think I read some place where the President said he was not going to further centralize Government operations?

Mr. MAYO. I would consider this was a recognition of centralization that already had taken place when he arrived rather than any effort

to further centralization. All we are doing is fitting into a degree of centralization already there.

Mr. COHELAN. And you are consolidating and pulling it all together.

Mr. MAYO. Yes.

Mr. COHELAN. That is all, Mr. Chairman.

Mr. STEED. Mr. Conte?

CONSOLIDATION OF BUDGET

Mr. CONTE. I want to join my colleague here from New York in commending the President in getting this consolidation of the White House appropriations. I plan to say something about this when we get on the floor of the House. I think it is a very courageous and forward-looking step on his part.

Mr. STEED. If the gentleman will yield, I think it is well to spell out what he has done is tightened up and identified publicly what is already there. There is nothing new here.

Mr. CONTE. The new part is itself an honest budget.

Mr. MAYO. He is letting the sun shine on it instead of keeping it in the shade, that is all.

EXECUTIVE REORGANIZATION

Mr. CONTE. If the President's executive reorganization bill gets through, and it is up here now, what will you do? Come in for a supplemental on that?

Mr. MAYO. Yes. That would be the plan and this would involve both the Bureau of the Budget, which we will be discussing on Thursday, and also the Domestic Council, where some people would be transferred out of the White House salaries and expenses appropriation and set up with some augmentation in a separate appropriation for the Domestic Council.

Mr. CONTE. I am wondering, Mr. Chairman, if that passes before we pass this bill, would that be tacked on here or would you have to come in with a supplemental?

Mr. MAYO. It is 60 days before we will know for sure, from March 12—it is 60 calendar days excluding the spring recess, or July 1, whichever is later.

Mr. COHN. It depends on the timing. It depends on when you are ready, where this bill is at the time, and when we are ready. I believe we would discuss with you what to do at that time. Sometimes if a bill is in the Senate and sitting there, and if it is all right with you, we might send an amendment to the Senate. On the other hand, if you prefer, we could send a supplemental to you. At the time we would discuss it and see what is the pleasure of the House committee, and we will proceed in accordance with the way we all think is appropriate.

Mr. STEED. It would be nice if we could expedite the thing in one package but since we are talking about a starting date of July 1 it would be possible for the supplemental to be cleared prior to that date even though the bill had already passed and the new program could all be available to the President at that time.

Mr. CONTE. I have no further questions.

Mr. STEED. Mr. Edwards?

BENEFITS OF CONSOLIDATED BUDGET

Mr. EDWARDS. Thank you, Mr. Chairman. There will be those who will look at the pure dollar figure this year compared with the previous year, and I wonder if we can say that there are comparable justification sheets going before other subcommittees showing a corresponding reduction on those justification sheets for the employees that will now be taken under the White House umbrella.

Mr. MAYO. The reduction has indeed been made in the major agencies involved. Whether their sheets will show this specifically I don't know.

Mr. COHN. I don't know if they will show it explicitly. Let me tell you quite frankly, we have had problems with several of the agencies involved reconciling the precise number. An agency, when it seeks money, and I am sure you have this experience, tells us how many it thinks it has working at the White House. But when we say we will put them on the White House payroll, then they tell us how few they have working there. This is understandable, because it is a question of how many are really filling permanent jobs and how many are on temporary details and are coming back. So, in some cases we rather arbitrarily told the agencies how many we were adjusting, and how they should reflect the adjustments in their own justifications before the subcommittees. They do know how many we took out that we thought were permanently detailed to the White House. We did that with each of the major agencies.

Mr. EDWARDS. At least the Bureau of the Budget took into account these transfers in trying to put the budget together.

Mr. COHN. Yes, sir.

Mr. EDWARDS. Thank you, Mr. Chairman.

EMERGENCY FUND FOR THE PRESIDENT

Mr. STEED. Now we will take up the emergency fund for the President.

EMERGENCY FUND FOR THE PRESIDENT

PROGRAM AND FINANCING

[In thousands of dollars]

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Emergency programs (program costs, funded)[1]	232	1,157	1,000
Change in selected resources[2]	157	−157	
Total obligations	389	1,000	1,000
Financing: Unobligated balance lapsing	611		
Budget authority (appropriation)	1,000	1,000	1,000
Relation of obligations to outlays:			
Obligations incurred, net	389	1,000	1,000
Obligated balance, start of year	3	238	373
Obligated balance, end of year	−238	−373	−423
Adjustments in expired accounts	−2		
Outlays	152	865	950

[1] Includes capital outlays as follows: 1969, $1,000.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, 0; 1969, $157,000; 1970, 0; 1971, 0.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
EMERGENCY FUND FOR THE PRESIDENT			
Undistributed: Reserved for future allocations		550	1,000
ALLOCATION ACCOUNTS			
Personnel compensation:			
Permanent positions	3		
Positions other than permanent	85	264	
Other personnel compensation	3	3	
Special personal services payments	19		
Total personnel compensation	110	267	
Personnel benefits: Civilian employees	5	15	
Travel and transportation of persons	11	46	
Rent, communications, and utilities	7	23	
Printing and reproduction	61	59	
Other services	187	37	
Supplies and materials	3	3	
Equipment	5		
Total obligations, allocation accounts	389	450	
Total obligations	389	1,000	1,000
Obligations are distributed as follows:			
Reserved for future allocations		550	1,000
Advisory Commission on an All-Volunteer Armed Force	200	250	
Cabinet Task Force on Oil Import Control	39	200	
National Commission on the Causes and Prevention of Violence	125		
President's Advisory Council on Executive Organization	25		

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	5		
Average number of all employees	17	17	

JUSTIFICATION OF ESTIMATES FOR 1971

EMERGENCY FUND FOR THE PRESIDENT

An appropriation of $1 million is requested for the emergency fund for the President for fiscal year 1971. The purpose is to furnish the President with funds necessary to meet emergencies affecting the national interest, security, or defense which may arise at home or abroad.

The President, in directing the widespread and complex machinery of the Federal Government, may be faced at any time with sudden emergencies and unforeseen problems which affect the national interest, security or defense. He must have funds at his disposal to deal with such emergencies or problems when they arise. Congress has recognized this need for providing a contingent fund of this character for many years. The funds provided for the day-to-day operation of the President's immediate office are not intended to be sufficient to meet this type of situation.

Amounts could be included in regular budget proposals if it were possible to foresee the situations that would require prompt use of this fund by the President. It is and will continue to be the practice to restrict any items charged to this account to amounts for emergency needs which cannot be met from regular budget accounts. Despite such a restrictive policy, however, the total amount must be adequate to meet contingencies. Under present conditions, and considering the size and scope of the Government's operations, it is felt that the minimum amount which would be appropriate to provide for the President as an emergency fund for fiscal year 1971 is $1 million.

In fiscal year 1970, $1 million has been available for allocation from this fund. Through January 17, 1970, a total of $950,000 had been allocated during

the current fiscal year leaving a balance of $50,000 for the remainder of fiscal year 1970. The repayment of an allocation by the President's Advisory Council on Executive Organization will increase this balance by $500,000 in January.

In summary, the current status of the emergency fund for the President is as follows:

Emergency fund for the President

Appropriated in Executive Office Appropriation Act, 1970	$1,000,000
Total allocations as of Jan. 17, 1970	950,000
(Advisory Commission on an All-Volunteer Armed Force—To develop plans for eliminating conscription, Aug. 4, 1969	250,000
(Cabinet Task Force on Oil Import Controls—To study oil import control policies, July 22, 1969	200,000
(President's Advisory Council on Executive Organization—To study the organization of the Executive Branch, July 11, 1969	[1] 500,000
Balance available as of Jan. 17, 1970	50,000

[1] To be repaid in January 1970.

Mr. Mayo, do you have a statement you want to make on this item?

Mr. MAYO. Yes, sir.

Mr. STEED. You may proceed.

GENERAL STATEMENT

Mr. MAYO. Mr. Chairman and members of the committee, the Emergency Fund for the President is used by him to meet emergencies affecting the national interest, security, or defense.

The annual appropriation for this purpose has historically been $1 million, the amount which is requested for fiscal year 1971.

As Chief Executive, the President may have to deal swiftly and effectively with sudden emergencies and unforeseen problems which affect the national interest, security, or defense and which do not fall within the scope of the regular activities of any agency. Congress has recognized this need by providing a contingency fund for many years. Funds for the day-to-day operation of the President's immediate office are not intended to be adequate to meet this type of situation.

It is and will continue to be the practice to restrict the use of this appropriation to emergency needs which cannot be met from regular budget accounts. At the same time, of course, the appropriation should be adequate to meet emergency situations as they occur.

Allocations from the emergency fund for the President during fiscal year 1970 consist of the following:

Advisory Commission on an All-Volunteer Armed Force	$250,000
Cabinet Task Force on Oil Import Controls	230,000
Council on Environmental Quality	200,000
Balance available	320,000

This present balance of $320,000 reflects several changes since the submission to this committee of the original justification materials early in February. The $500,000 allocated to the President's Advisory Council on Executive Organization has been repaid to the Emergency Fund from an appropriation specifically for the salaries and expenses of the Council. That is why it does not show up above. A repayment is also contemplated for the $200,000 allocation to the Council on Environmental Quality, which was made on February 11, in order to get

them started. On that date, an additional $30,000 allocation was made to the Cabinet Task Force on Oil Import Control to enable it to continue its review and complete preparation of its report.

I shall be glad to answer your questions on the emergency fund.

PURPOSE AND THE REFUND

Mr. STEED. In the case of the President's Advisory Council on Executive Organization they have obtained their own budget. This reimbursement was made possible even though the Advisory Council still is, in a sense, an ad hoc type of agency.

Mr. MAYO. That is correct.

Mr. STEED. Basically most of the usages of this fund either deal with ad hoc type of problems or in the form of an advance to some urgently needed activity that contemplates reimbursement at a later date?

Mr. MAYO. That is correct.

Mr. STEED. The outlook at the present time indicates there will be some lapse of this fund, doesn't it?

Mr. MAYO. Yes, insofar as we can tell at the present time.

Mr. STEED. And at the end of the fiscal year any funds unused do lapse?

Mr. MAYO. Yes, sir.

Mr. STEED. Obviously, in activities as you mention here, that require staff work, most of this money has to be used for personnel purposes?

Mr. MAYO. Yes, sir.

Mr. STEED. And I suppose, as in all cases, the usual expenses that connect with an activity such as supplies and so forth; travel and what have you, are also included.

Mr. MAYO. Yes, sir.

Mr. STEED. Are there ever any cases of the use of this fund that are not directly and personally OK'd or approved by the President?

Mr. MAYO. I am not aware of any.

Mr. STEED. This new staffing plan we have been discussing would in no wise affect the traditional operation of this item?

Mr. MAYO. No; this is over and above.

Mr. STEED. Mr. Robison?

Mr. ROBISON. I have no questions, Mr. Chairman.

Mr. STEED. Mr. Cohelan?

Mr. COHELAN. No questions.

EXPENSES OF MANAGEMENT IMPROVEMENT

Mr. STEED. We will go to the item of "Expenses of management improvement."

EXPENSES OF MANAGEMENT IMPROVEMENT

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Improving the management of executive agencies (program costs, funded)	571	580	490
Change in selected resources [1]	−97	−30	
Total obligations	474	550	490
Financing:			
Unobligated balance available, start of year	−566	−442	−242
Unobligated balance available, end of year	442	242	102
Budget authority (appropriation)	350	350	350
Relation of obligations to outlays:			
Total obligations incurred, net	474	550	490
Obligated balance, start of year	206	105	180
Obligated balance, end of year	−105	−180	−220
Outlays	575	475	450

[1] Selected resources as of June 30 are as follows: unpaid undelivered orders, 1968, $199,000; 1969, $102,000; 1970, $72,000; 1971, $72,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
EXPENSES OF MANAGEMENT IMPROVEMENT			
Undistributed: Reserved for future allocations		505	490
ALLOCATION ACCOUNTS			
Personnel compensation:			
Permanent positions	75	8	
Total personnel compensation	75	8	
Personnel benefits: Civilian employees	5	1	
Other services	394	36	
Total obligations, allocations accounts	474	45	
Total obligations	474	550	490
Obligations are distributed as follows:			
Reserved for future allocations		505	490
Bureau of the Budget	428	43	
Department of State	46	2	

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	4	2	
Average number of all employees	4	1	

JUSTIFICATION OF ESTIMATES FOR 1971 FOR EXPENSES OF MANAGEMENT IMPROVEMENT

The 1971 budget estimate for the appropriation to the President for "Expenses of management improvement" is $350,000. The purpose of the appropriation is to cover "expenses necessary to assist the President in improving the management of executive agencies and in obtaining greater economy and efficiency through the establishment of more efficient business methods in Government operations."

When the President's Management Improvement Fund was established by the enactment of the 1954 supplemental appropriation, the principle was accepted that the President should not be in a position where the lack of funds would keep him from taking prompt action to initiate solutions to management problems or to effect administrative improvements in the operations of the executive branch. It was recognized that a continuing source of funds for those purposes is necessary and desirable, and that additional appropriations, would be requested in subsequent years as required.

Since 1953, the Congress has made fourteen appropriations totaling $4,090,000 for that purpose—each remaining available until expended. The original appropriation was for $500,000. Subsequent appropriations were to restore the unallocated funds to approximately that level. No requests were made for fiscal years 1956, 1958, and 1959, because funds to be carried over from preceding years were considered adequate. Appropriations made to date are as follows:

Table of appropriations

Supplemental Appropriation Act, 1954	$500,000
Independent Offices Appropriation Act, 1955	300,000
General Government Matters Appropriation Act, 1957	400,000
General Government Matters Appropriation Act, 1960	125,000
General Government Matters Appropriation Act, 1961	165,000
General Government Matters, Department of Commerce, and Related Agencies Appropriation Act, 1962	350,000
Treasury-Post Office Departments and Executive Office Appropriation Act, 1963	200,000
Executive Office Appropriation Act, 1964	100,000
Executive Office Appropriation Act, 1965	300,000
Executive Office Appropriation Act, 1966	250,000
Executive Office Appropriation Act, 1967	350,000
Executive Office Appropriation Act, 1968	350,000
Executive Office Appropriation Act, 1969	350,000
Executive Office Appropriation Act, 1970	350,000
Total	4,090,000

As of the end of fiscal year 1969, the fund contained $285,876. The 1970 appropriation of $350,000 made a total of $635,876 available in the fund at the start of fiscal year 1970. Unexpended balances returned to the fund from completed projects to date in fiscal year 1970 have totalled $63,922.

Allocations from the fund to date in this fiscal year are as follows:

Allocations to date

Study of effective organization for management in executive departments and agencies	$40,000
Presidential advisers on organization and administrative improvements (President's Advisory Council on Management Improvement)	10,000
Study of the administrative support operations of the White House Office	30,000
Total	80,000

A number of projects to be financed from the fund are certain to develop during the remainder of this fiscal year and the next. Our present estimate is that an additional $450,000 will be allocated during the remainder of this fiscal year. This would require an appropriation of $350,000 to restore the fund to approximately $500,000 at the start of fiscal year 1971.

Since 1953, sixty-four projects have been financed from these appropriations. Forty-five of the projects have been undertaken under the sponsorship of the Bureau of the Budget, most of these involving active agency collaboration. Nineteen have been the responsibility of agencies that have received allocations made from the appropriation by the Director of the Bureau of the Budget, exercising authority delegated to him by the President.

The four allocations outlined below, totaling $93,000 were made from the fund during the calendar year 1969. Three of the allocations were for projects conducted or supervised by the Bureau of the Budget. One allocation was to the General Services Administration to finance a study of administrative support operations of the White House Office.

Management information system for the Executive Office of the President.—Allocations from the fund, augmented by Bureau of the Budget personnel and resources, were used to conduct initial studies to design and develop management information systems for the Executive Office—principally the Bureau of the Budget, the Council of Economic Advisers, and the White House. The overall purpose of such systems is to insure that top Executive Office decisionmakers, particularly the President, the Director of the Bureau of the Budget, and the Chairman of the Council of Economic Advisers, are provided with timely and accurate information for decisionmaking and problem-solving. Part of this effort was carried out under contract with a consulting firm. On February 5, 1968, the Director allocated $325,000 for this project. On September 9, 1968, he allocated another $175,000 for it. On March 17, 1969, he allocated an additional $13,000.

Study of effective organization for management in executive departments and agencies.—This project, being conducted by a contractor, has three related purposes. The first is to determine what are the principal problems of departmental management as experienced and perceived by such key participants as the Secretary, Under Secretary, Assistant Secretaries, Assistant Secretaries for Administration, and the heads of the principal bureaus or programs within the departments. The second is to review the authority, functions, personnel, status or mode of utilization of the Office of Assistant Secretary for Administration to determine whether the position or its responsibilities should be continued, changed, or replaced. The third purpose and primary objective of the study is to discover possible lines of development in the departmental organization and structure which will render the department head's task and responsibilities more manageable and his leadership more effective.

Presidential advisers on organization and administrative improvements.—The purpose of this allocation is to finance a proposed President's Advisory Council on Management Improvement. The Council will meet at regular intervals and recommend to the President and the Director of the Bureau of the Budget improved methods and procedures, including modern management techniques, that can be effectively introduced and applied to Government operations. Staff support will be provided by the Bureau of the Budget.

Since January 20, 1961, there have been six allocations from the Management Improvement Fund, totaling $255,000, to an account for expenses necessary in obtaining advice to the President and the Director of the Bureau of the Budget on the basic organization and coordination of the executive branch of the Government, methods and systems for improving the effectiveness, efficiency, and economy of administration throughout the Government, and related matters. Since the account was first established, a number of advisers and consultants have been employed and financed from the account. On November 6, 1969, an allocation of $10,000 was made to the account which, with the balance in the account as of that date, is available to finance the Council's operation for 1 year.

Study of the administrative support operations of the White House Office.—This study, being conducted by a contractor, is to review the existing administrative support organization, administrative procedures, communications control mechanisms, project and assignment control and identification mechanisms, use of office equipment, and use of support personnel of the White House Office to make sure that the most responsive, economical, and effective administrative support is provided. On December 6, 1969, an allocation of $30,000 was made to the General Services Administration (contracting agent for the study) to finance the initial review of these operations to determine the major possibilities for improvement.

This appropriation has a direct value to the President in assisting him in conducting the affairs of the executive branch in the most businesslike manner pos-

sible. In view of the nature of this appropriation request, it is not possible to indicate a specific program of matters that will be studied, specific allocations and agencies to which they may be made, or the manner in which particular studies will be conducted. Under policies applied to the administration of this appropriation, needed projects will be financed by the appropriation only when it is impractical or inappropriate to finance them by other means and only if they have as their objective improved service to the public at minimum cost, definite economy and greater efficiency in agency operations, or significant improvement in the President's capacity to manage the executive branch. Emphasis will be placed on those projects which will produce identifiable savings or other concrete and measurable results.

Mr. STEED. Do you have a statement on this?
Mr. MAYO. Yes.
Mr. STEED. You may proceed.

GENERAL STATEMENT

Mr. MAYO. The 1971 budget request for the appropriation to the President for "Expenses of management improvement" is $350,000.

PURPOSE AND BACKGROUND

This appropriation is to cover "expenses necessary to assist the President in improving the management of executive agencies and in obtaining greater economy and efficiency through the establishment of more effective business methods in Government operations."

This appropriation is to provide the President with funds which will enable him to initiate prompt action, whenever the need or opportunty arises, directed toward improvement of the organization, management, or conduct of governmental activities. He has assigned responsibility for the administration of this fund to the Bureau of the Budget.

In the Supplemental Appropriation Act of 1954 the Congress appropriated $500,000 to establish this fund. Since then, additional appropriations have been made so as to maintain the fund at about that level. The balance at the close of fiscal year 1969 was $285,876. The fiscal year 1970 appropriation of $350,000 made a total of $635,876 available at the start of fiscal year 1970. An additional $63,922 of unexpended balances of previous allocations has been returned to the fund during this fiscal year. Thus, a total of $699,798 has become available during the current fiscal year.

To date, in fiscal year 1970, allocations have totaled $200,000. Our present estimate is that additional allocations of another $350,000 will be made by the end of this fiscal year. Thus, approximately $150,000 would remain in the fund at the close of this fiscal year. The budget request for 1971 of $350,000 would restore the fund to approximately $500,000, the point at which we have tried to maintain the fund at the start of each fiscal year.

Allocations from the fund since July 1, 1969, have been for the following purposes:

Study of effective organization for management in executive departments and agencies	$40,000
Presidential advisers on organization and administrative improvements—President's Advisory Council on Management Improvement	10,000
Study of administrative support operations of the White House Office	30,000
Comprehensive review of Federal statistics program: President's Commission on Federal Statistics	120,000

The Commission on Federal Statistics has yet to be announced, but the formation of the Commission is just about complete.

The allocation for the review of Federal statistics programs by the President's Commission on Federal Statistics was made subsequent to our submission of the justification of estimates to the committee.

The requested appropriation for fiscal year 1971 includes funds for continuation of the President's Advisory Council on Management Improvement and for continuation of the Commission on Federal Statistics to completion of its review of Federal statistics programs. Undoubtedly the President, the Bureau of the Budget, and the agencies will want to initiate a number of other studies to help achieve greater efficiency and economy. Although every project does not result in direct and immediate cash savings, none is undertaken unless it is expected to result in either longrun economies, or improvements in the quality of the job done, or both.

We will continue to use this fund in a prudent manner. Before a project which is requested by an agency head is approved, we will assure ourselves that there is no appropriate means of financing it within the agency's appropriations. We will try to make certain that definite and identifiable improvements will result. The nature of this program prevents an identification of the specific projects which are likely to be undertaken in fiscal year 1971. We expect, however, that the opportunities for its effective use will be as numerous as they have been in recent years. The requested appropriation of $350,000 will return the fund to approximately the $500,000 level, and will permit us to take advantage promptly of opportunities for achieving improved management when they arise.

Mr. Chairman, I now stand ready to answer any questions which you or other members of the committee may have.

ADMINISTRATION OF THE FUNDS

Mr. STEED. Here again, when a decision is made to use funds from this account, who makes the decision? Is this another matter that does and must have the President's personal approval?

Mr. MAYO. He has delegated that to me but it bears the Presidential stamp of approval with me acting here as his agent.

Mr. STEED. The Treasury Department, as you know, has for many years had a management improvement program that has had, I think, some very heartening and dramatic results. They have been able to document many improvements and especially manpower savings as well as money savings.

Mr. MAYO. I know.

Mr. STEED. Do you have any such report from this fund like that?

Mr. MAYO. These are more specialized, and I don't think we have anything that would really fulfill what you are asking for specifically. We can talk to each of the different projects that have been so financed.

Mr. STEED. If such reports do become available they probably would be helpful to have them made of record.

Mr. MAYO. Yes. I think in most cases the reports do become available, not in terms of our collecting them in one document, but, for instance, there will be a report, I assume, on the President's Advisory

Council on Management Improvement that will be forthcoming and certainly this will be true with the President's Commission on Federal Statistics. The study of administrative support operations of the White House Office, I think, is in a little different category, however.

STUDY OF DECISIONS

Mr. STEED. You mentioned a new activity of studying this field of decisions.

Mr. MAYO. Yes, sir.

Mr. STEED. I can readily see an opportunity here to make some gains. There is no limit or no dearth of opportunity for the use of this sort of activity in the Government, is there?

Mr. MAYO. No, sir. We have to restrain ourselves. There are all sorts of imaginative projects that can be suggested here.

CUTTING DOWN PAPER WORK

Mr. STEED. I have one that I gratuitously suggest if you run out of any other ideas, and that is to figure out how we could use fewer forms and less paper in the Government.

Mr. MAYO. Yes, sir; that falls within the scope of the President's Advisory Council on Management Improvement, which Mr. Ink might want to say a word about, since we have become geared up within the last 72 hours as a practical coincidence here. Meetings were held Friday and Saturday to get the new council going. And paperwork is one of the subject matters.

Mr. INK. I might say, Mr. Chairman, that the management improvement program you mentioned in Treasury is a part of an effort throughout the executive branch. The management improvement program applies to each department and agency. In some departments including Treasury, it has been more successful than in others. And the area you just mentioned, paperwork and reporting, is an area that has defied efforts at improvement more than most. And it happens to be the area that the President has directed us to give added impetus to as a part of the broadening and strengthening of the Government-wide management improvement effort which we are just now getting underway with the help of the President's Advisory Council the Director just referred to.

Mr. MAYO. I would also add, Mr. Chairman, that much of the paperwork generated by the Government is either in response to things that the President and his immediate advisers feel he must have, or that the Congress and the staff of the Congress feel they must have. So, we are meeting ourselves coming around the corner all the time when we stamp out paperwork and we add paperwork. I hope we at least modernize it in this process of turnover.

AMOUNT OF PAPERWORK IN GOVERNMENT

Mr. STEED. Mr. Director, I may only be confessing my own limitations, but I had occasion with Congressman Bow of Ohio, when he and I were in charge of the legislative budget, to go all through the Capitol Building one time. He was very interested in having this place

fireproofed, and due almost entirely to his zeal about it, we finally accomplished the major fireproofing project. As we did this we found enormous quantities of what had been some very fine staff work of making and writing reports and having great masses of paper accumulated. I couldn't help but feel as we went along, as I do from day to day, how wonderful all of this would be if anybody had time to read it and make any use of it. Knowing my own limitations, I have a suspicion that there are others that have the same problem. So, sometimes we are drowning ourselves in this sort of thing. All of this, I guess, has merit but I just suspect a great deal of it never gets used because nobody ever finds the time to try to absorb it.

Mr. MAYO. That is very true.

Mr. INK. Not only that, but when we find areas in which they do try to absorb it and then at the expense of doing more important things, they spend so much time reading the details contained in the reports they don't really find out whether the programs are working or not. They get lost and smothered in the paper. As Mr. Cohelan knows, this is true in Federal aid programs.

Mr. STEED. There is another angle, too. This aggravates the citizens generally sometimes and any diminishing in this field is bound to have some favorable public reaction as opposed to the dollars involved themselves.

Mr. MAYO. We have an Office of Statistical Policy in the Bureau of the Budget. As you know, Mr. Chairman, we have revitalized that group and they concern themselves with this problem directly, sometimes to the distaste of the agencies—we are trying to be policemen by making sure that corporations and others have time to do their own business as well as the Government's.

OFFICE OF STATISTICAL POLICY

Mr. COHELAN. Mr. Director, can you expand on that? Who is on this committee and how are they selected, and do they have any academic advisory input?

Mr. MAYO. You mean the President's Commission on Advisory——

Mr. COHELAN. Yes.

Mr. MAYO. I would like to defer to Mr. Ink on that, who knows them all by first name by now.

Mr. INK. I think he is not referring to the President's Advisory Council on Management Improvement.

Mr. COHELAN. I am talking about the statistical office, the internal group.

Mr. MAYO. This is our internal group. And Julius Shiskin, who is Assistant Director of the Bureau of the Budget for Statistical Policy, was appointed to this position by me last summer. He was over at Census before that. He, with Assistant Director Maurice Mann, who isn't here today, in effect, rides herd over not only the timing and the coordination of Federal statistical programs generally, that is, over the Census and the Office of Business Economics, the Bureau of Labor Statistics, the Department of Agriculture and so forth, but also reviews the questionnaires sent out even by the regulatory agencies, Federal Trade Commission, FCC, and so forth, to be sure they are as streamlined as possible and that they are sufficiently unique and

important to justify the effort rather than just another report in different language for something where we already have the information.

Mr. COHELAN. That must be an astounding task.

Mr. MAYO. It is. We have about 23 professionals working in this field and it is an astounding task. It involves an awful lot of different angles.

Mr. COHELAN. You have Commerce, Labor, with all of the input there.

Mr. MAYO. Statistics out of the Treasury, too. You have timing problems. On some things maybe statistics of income would be quite satisfactory in fulfilling the need, but by the time the statistics of income, even with speeded up timing, are available, they are useless for current decisionmaking purposes. So, you have to go out and do sampling and this sort of thing. We are involved in being sure that if some information is available in streamlined fashion through a Census effort in the decennial census we just don't go out the next year and ask the same questions over again.

This is in a sense a policeman effort. We not only work on improving the standards of what they ask for, we are also trying to get all the requests, first of all, stated clearly and with a minimum of compliance problems by the respondent.

Mr. COHELAN. Within the field there are technical areas where you might have conflicts.

Mr. MAYO. Yes.

Mr. COHELAN. And in terms of how you employ the statistical technique that is going to be used. How do you resolve those conflicts. Do you resolve them?

Mr. MAYO. They are basically resolved in our office through a cooperative process. If George Shultz, the Secretary of Labor, and Maurice Stans, the Secretary of Commerce, have a different view on something that touches both, I typically try to mediate that view. I don't know of any issue certainly in the last year or so that has gone to the President for decision. He assumes we are big enough boys to figure out things like this by ourselves.

Mr. COHELAN. Does that internal group have any kind of plug-in with what the academic community is doing in the field of statistics?

Mr. MAYO. Yes. And, of course, the President's Commission on Federal Statistics, which the President has supported enthusiastically by the way, is designed to upgrade the type of statistics we have available for decisionmaking as well as for information purposes. I hope that we will have something to announce in the next months or so on that. Basically, our Commission is aboard, but we are still looking for the right executive director, and that is pretty important, before we get the boat sailing.

ADMINISTRATION OF THE FUND

Mr. STEED. Mr. Mayo, you show four permanent positions in 1969 and two in 1970 and none for 1971. I assume these people have been the ones that actually were engaged in the mechanics of the fund itself rather than the project the moneys were assigned to.

Mr. MAYO. That is correct.

Mr. STEED. Does this mean you are taking this phase of it into your own shop?

Mr. MAYO. I think that is a fair statement.

Mr. STEED. Unlike the emergency fund and the special projects fund which lapse if unused, this is a fund in which the money remains available until expended. Is there any particular reason why that was set up in this fashion?

Mr. MAYO. That is a question I haven't particularly thought of. Jim, do you have a handy answer?

Mr. FREY. I am not familiar with the background on that decision.

Mrs. BALDWIN. I think it was historically set up that way so there wouldn't need to be a full amount appropriated each year but we try to keep it at $500,000.

Mr. MAYO. Some of these projects go over a fiscal year or two. The emergency fund is basically anticipatory.

Mr. FREY. I might add on your question on personnel, to clarify the record. I believe that no personnel show in 1971 because no allocations have been made. The two permanent positions in 1970 are staff for the President's Advisory Council on Management Improvement.

Mr. STEED. Like all of these others, if an allocation is made for a specific purpose that money that is assigned covers consultation fees, salaries, and other types of expenses involved in that particular activity.

Mr. MAYO. Yes.

Mr. STEED. Mr. Robison?

Mr. ROBISON. I have no questions.

Mr. STEED. Mr. Cohelan?

RESULTED MANAGEMENT IMPROVEMENT EFFORT

Mr. COHELAN. The thing that worries me, Mr. Director, is what we have done and how we have implemented the findings we have in terms of management improvement. I think the chairman asked that question, but I didn't quite understand the answer.

Mr. MAYO. Perhaps we are kind of at the wrong point of the cycle for me to be responsive to it either, in that we are just starting with the new Management Improvement Council for the President, and anything I told you about what we had done up to this point would be more in description of what my predecessors have been involved in.

Mr. COHELAN. One of the things that the Bureau of the Budget was involved in which excited many of us on this committee was trying to pull things together in terms of lateral communications.

Mr. MAYO. Yes.

Mr. COHELAN. For example, you take the regional office, Sam Hughes testified here last year at some length, and the Oakland task force was a fine illustration of it, of trying to pull things together so that one hand knew what the other was doing. That seems to me so obvious, but I was shocked when I saw the table of organization of regional offices.

Mr. MAYO. Pretty bad.

Mr. COHELAN. Wherein some little hideaway and politically powerful agency reports directly to Washington. You got directors out

there who are really paymasters instead of having any kind of policy decisionmaking authority.

Then, as I recall, in one county in California, and there are many others that probably fall in this category, there was an enormous expenditure and when you summed up all of the Federal activity that was expended in the area it was well over a billion dollars from the Federal sector, and yet there were activities, say, like HEW not communicating with OEO, not communicating with HUD, and right down the line or say nothing of the Economic Development Agency and it was the darndest patchwork. Some of the Bureau of Labor Statistics, for example, for a long time for a lot of institutional and personality reasons, had its own way of operating. Of course, I was a great fan of one of the incumbents. But when you look at the total picture in terms of management improvement you have to be a genius to figure out what has to be done. Somebody has to bite the bullet and use good old business school techniques which, of course, when you boil it down you are talking about management and decisionmaking, and you are talking about guts.

Mr. MAYO. That is right.

Mr. COHELAN. And frankly, one of the things that bothers me is that we have got a lot of talent in this Federal Government, and I mean that from the bottom of my heart, but frequently there it is, there it sits because they have to wait for Washington to do something.

Mr. MAYO. We feel this very strongly and as you know, the management functions of the Bureau of the Budget kind of slid downhill over the years after being a fairly important function toward the end of World War II if I remember correctly. A couple of years ago we set up an Office of Executive Management, but we did not find someone who could be a head for it. Sam Hughes tried to wear both hats, and indeed, did it very ably to the extent any man can wear two hats, until the new administration, when we brought Dwight Ink over from Housing. He is now carrying the ball on the regional organization problem, and now is in a position, particularly with the new reorganization plan proposal, to follow through with some of the other phases of coordination that you have mentined. As you say, it doesn't require a genius to identify the problem. At times, however, even though identifying the problem may be simple, it does require a genius to get a solution, because you get a lot of blank faces, and I-can't-do-that approach.

Mr. COHELAN. Aren't we talking about politics? There are strong constituencies in the Government. Let's name some: Agriculture, Forestry, National Park Service—everyone has their own constituency, labor, statistics and so on. All I am getting at with this business, which is well intended, and I am all for it—I am not trying to be an obstructionist, but I really am searching to find out how you get a handle on this thing because it might elude us, we may already have the information and just are not prepared to do something. Things that need to be done.

Mr. MAYO. We have made progress already, and I think we have encouraged the agencies individually to make quite a bit of progress. The interagency problem is the real difficulty here. I think as we become more adequately staffed, we can do more on this problem. We

will talk about this later in the week. It is one of the reasons we are asking for a few more people in the Bureau of the Budget for 1971. And having talked too much, Dwight, I think you should say a few things.

Mr. INK. We think we are doing something. You mentioned last year that we discussed the desire to get some standard boundaries among some of these agencies that have to work so close together. The President announced that this would be done over an 18-month period. We are in midstream and it is moving along about on schedule. By the end of the summer the five agencies, HEW, HUD, Labor, OEO, and the Small Business Administration will in fact, have common regional boundaries throughout the Nation; they will in fact have their regional offices in the same cities throughout the Nation. That is merely a foundation, as you well know, for the more important things that have to follow. Of those things we believe the most important is the one that you mentioned—getting more delegation out to the field. We will talk about this more on Thursday when we talk about what we feel we must do during the coming year. But this is one of the most important because we are wasting the time of the citizens, we are wasting the time of Federal, State, and local people because of details having to come into Washington and be acted upon by people who don't understand the States and the communities that these programs are dealing with. That contributes as much as anything I have seen to redtape and to delays, and delays mean money.

IMPLEMENTATION OF MANAGEMENT INPROVEMENTS

Mr. COHELAN. You see, doesn't this really come back to the thrust of my original observation and question? You know we really have the information we need, don't we, on what we need to do to improve. Isn't it a matter of setting about doing it?

Mr. INK. In one sense we have too much information, and some of the data that is coming in is in such detail and sliced so many different ways that the people who have responsibility for the program really can't see the woods for the trees. So, part of the review is to look at that problem. The data come in from so many different sources. We get, for example, reports in from communities a half a dozen different ways, stating that they are duly constituted legal bodies. We don't have to have that reported five or six times to the Federal Government. Their population figures are reported time after time. There are other areas of information in which the data which are probably more important and more germane actually don't emerge. So, it is a mixture. In all of this, it is important and that is one of the reasons the Presidential Commission is being set up—to make sure as you plan ahead for the kind of data which is basic and is essential, that we try to minimize the burden on the people who are providing the data and also assure the privacy of individuals.

Mr. COHELAN. I don't want to belabor this except to make one final comment. I think we have an awful lot of information and I think your testimony here indicates that. Among other things, one of the most commendable activities that I have been aware of in the Federal service is the Federal seminar that you have, one of them being held

at the University of California. I have had the great privilege to lecture there on successive years. I have also had the great privilege of enjoying and meeting some of the top executives in the Federal service and as I have said before, I am a great admirer of the quality of people we have in the service. But, when we have these off-the-record seminars with top Federal executives, you know, 15's and up, they are all professional people. The big beef is that they can go so far at the local level and then they have to sit around and wait for Washington, or there is a great deal of hopes raised about a certain special project and it gets all worked up out there and then it is all hung up in Washington. Point: We know an awful lot and it seems to me we ought to use what we have got. I am making a speech now, forgive me. I am really making a plea.

Mr. INK. I must say we welcome it because our thinking moves very much in the same direction.

Mr. COHELAN. Thank you, Mr. Chairman.

DECENTRALIZATION OF RESPONSIBILITY

Mr. ROBISON. Let me raise one cautionary point here in respect to this decentralization of responsibility and authority, which I think is what you are basically talking about. Some experience is already being developed, at least to my knowledge, where if you pass the decision-making power on down to the regional level there are some people there who are pretty hesitant about using such powers for fear they will make a mistake. They have been so conditioned through all the years of their governmental service to expect somebody higher up to make the tough decisions, and to bear the blame, if there is to be blame, for having made a wrong decision that a lot of them will just sit and hesitate. I think in the long run, they still wait for Washington to tell them what to do. You have a serious human problem here, and I don't know how you are going to get around it. It is one I think we ought to pay attention to.

Mr. INK. Some of them will. Decentralization is not something that can or should be done overnight, because there has to be the capability at the local level to exercise that responsibility. If the authority is placed at a level at which you do not have the capability to exercise it, you are probably going to end up recentralizing it. This has happened in some instances. We think it is very important to have the people, the machinery and the guidelines out to the field and the means for Washington to review what is done in the field, not on the basis of a lot of individual actions but on the basis of whether the program is moving or isn't moving. In any event, there are always problems with any kind of a system one sets up. None of them work perfectly.

Off the record.

(Discussion off the record.)

SUMMER WHITE HOUSE

Mr. STEED. Mr. Director, ever since I have known about Presidents we have always had the summer White Houses that they have used. We are familiar, of course, with the Presidents being domiciled at the

White House and a sort of overnight facility at Camp David. Then, in addition to that, each President has seen fit to provide himself other places that he can spend part of the year. Currently, San Clemente and Key Biscayne are the two that President Nixon has chosen. Since questions have come up as a result of a great deal of publicity that goes with the movements of the President and where he stays, could you provide for the record, a little narrative of the acquisition of these two?

Mr. MAYO. I will be glad to.

(The information follows:)

The properties at Key Biscayne, Fla., and San Clemente, Calif., were acquired by the President with private funds for his personal use as residences. In order to protect the President and his family, as provided by law, and in order that the President may effectively conduct the business of the Nation wherever he is, it has been necessary that the Federal Government provide certain special facilities and equipment at these locations.

CONCLUSION

Mr. STEED. On behalf of the committee, I want to thank you for being here today and your very fine cooperation and the information you have given us.

Mr. MAYO. Thank you, sir. It is a pleasure to be here.

Mr. STEED. The committee will adjourn until 10 o'clock in the morning.

TUESDAY, MARCH 17, 1970.--

PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION

WITNESSES

ANDREW M. ROUSE, ACTING EXECUTIVE DIRECTOR
NORMAN J. McKENZIE, ADMINISTRATIVE OFFICER
HOWARD SCHNOOR, DIRECTOR, GOVERNMENT ORGANIZATION STAFF

Mr. STEED. The committee will be in order.

The committee is in session today for further consideration of the budget request for the executive branch. This morning we will take up the item for the President's Advisory Council on Executive Organization.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

PRESIDENT'S ADVISORY COUNCIL
ON EXECUTIVE ORGANIZATION

Salaries and Expenses

Budget Appendix Page		19 69 actual	19 70 estimate	19 71 estimate
	President's Advisory Council on Executive Organization			
61	Salaries and Expenses	--	1,000,000	500,000

The President appointed the Advisory Council on Executive Organization on April 5, 1969. The President made available $35,000 in Fiscal Year 1969 and $500,000 in Fiscal Year 1970 from the "Emergency Fund for the President" to get the Council started, and until it could submit a request for supplemental appropriation of $1,000,000 for Fiscal Year 1970. The Council received a supplemental appropriation of $1,000,000 in Fiscal Year 1970 and repaid $500,000 to the "Emergency Fund for the President" for the Fiscal Year 1970.

Under the terms of the President's mandate, the Council is (1) undertaking a thorough review of the organization of the executive branch in light of today's changing requirements of government; (2) seeking solutions to organizational problems which arise from among the many departments, offices, agencies, and other separate organizational units in the executive branch; and (3) evaluating the effectiveness of the organizational relationship of the Federal Government to states and cities in carrying out the many domestic programs in which the Federal Government is involved.

The Council has recommended to the President certain changes in his Executive Office, and has submitted its views with respect to several other matters as well. The Council is currently studying the organizational problems of the agencies responsible for the Federal social programs, the regulatory agencies, the agencies responsible for natural resources and the environment and others.

STANDARD FORM 300
Bulletin No. A-11, Rev. 64
300-101

PRESIDENT'S ADVISORY COUNCIL
ON EXECUTIVE ORGANIZATION

Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code 03-55-1452-0-1-903	1969 actual	1970 estimate	1971 estimate
Program by Activities:			
10 Review and evaluation of Executive Branch organization (costs-obligations)	---	1,000	500
Financing:			
40 Budget authority (appropriation) .	---	1,000	500
Relation of obligations to outlays:			
71 Obligations incurred, net	---	1,000	500
72 Obligated balance, start of year .	---	---	70
74 Obligated balance, end of year (-)	---	-70	---
90 Outlays	---	930	570

STANDARD FORM 304
May 1969, Bureau of the Budget
Circular No. A-11, Revised.
304-103

PRESIDENT'S ADVISORY COUNCIL
ON EXECUTIVE ORGANIZATION

Salaries and Expenses

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 03-55-1452-0-1-903	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	---	415	210
11.3 Positions other than permanent	---	110	55
11.5 Other personnel compensation	---	26	13
11.8 Special personal services payments	---	10	5
Total personnel compensation		561	283
Personnel benefits:			
12.1 Civilian	---	38	19
[illegible]			
21.0 Travel and transportation of persons	---	105	50
22.0 Transportation of things	---	2	1
23.0 Rent, communications, and utilities	---	26	15
24.0 Printing and reproduction	---	5	60
25.0 Other services	---	246	64
26.0 Supplies and materials	---	5	3
31.0 Equipment	---	12	5
[illegible]			
[illegible]			
[illegible]			
[illegible]			
[illegible]			
[illegible]			

99.0 Total obligations	---	1,000	500

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

PRESIDENT'S ADVISORY COUNCIL
ON EXECUTIVE ORGANIZATION

Salary and Expenses

PERSONNEL SUMMARY

Identification code 03-55-1452-0-1-903	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions .	---	30	30
Full-time equivalent of other positions	---	7	3
Average number of all employees . . .	---	35	18
Average GS grade	---	11.4	11.4
Average GS salary	---	$14,987	$14,987
Average salary of ungraded positions	---	$38,000	$38,000

STANDARD FORM 306
July 1966, Bureau of the Budget
Circular No. A-11, Revised.
306-102

PRESIDENT'S ADVISORY COUNCIL
ON EXECUTIVE ORGANIZATION

Salaries and Expenses

DETAIL OF PERMANENT POSITIONS

03-55-1452-0-1-903	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level III, $40,000	1	1	1
Executive level V, $36,000	1	1	1
Rates established by the Chairman comparable to GS grades:			
GS-16, $25,044 to $31,724	2	2	2
GS-15, $21,589 to $28,069	4	4	4
GS-14, $18,531 to $24,093	4	4	4
GS-13, $15,812 to $20,555	2	3	3
GS-12, $13,389 to $17,403	1	1	1
GS-11, $11,233 to $14,599	1	1	1
GS-10, $10,252 to $13,330	1	1	1
GS-9, $9,320 to $12,119	2	2	2
GS-7, $7,639 to $9,934	9	10	10
GS-6, $6,882 to $8,943	1	1	1
GS-5, $6,176 to $8,030	1	1	1
Total permanent positions	5	30	30
Unfilled positions, June 30	25	0	- 30
Total permanent employment, end of year	30	30	---
HIGHER LEVEL POSITIONS			
Executive level III, $40,000 Executive director	1	1	1
Executive level V, $36,000 Deputy executive director	1	1	1
GS-16, $25,044 to $31,724 Senior staff associates	2	2	2

INTRODUCTION OF WITNESSES

Mr. STEED. We are pleased to have the Acting Director, Mr. Rouse, and his Administrative Officer Mr. McKenzie and Mr. Schnoor, from the Bureau of the Budget organization staff.

Mr. Rouse, if you would like to proceed at this time with your general statement, we will then have some questions.

GENERAL STATEMENT

Mr. ROUSE. I have a brief statement, Mr. Chairman.

I am pleased to have the opportunity to testify before you today on behalf of the President's Advisory Council on Executive Organization, for which we are seeking appropriation for the fiscal year 1971.

The President appointed the Advisory Council on Executive Organization on April 5, 1969, to undertake a thorough review of the organization of the executive branch of the Government. The Council is dealing with both immediate and long-range needs for organizational changes to make the executive branch a more effective instrument of public policy.

The Council is considering: (1) the organization of the executive branch as a whole in light of today's changing requirements of Government; (2) solutions to organization problems which arise from among the many departments, offices, agencies, and other separate executive organizational units; and (3) the organizational relationships of Federal Government to States and cities in carrying out the many domestic programs in which the Federal Government is involved.

The President named as Chairman of the Council, Roy L. Ash, president of Litton Industries, Inc. He named as members of the Council George Baker, former dean of Harvard University's Graduate School of Business Administration; former Texas Governor, John B. Connally, of the Houston law firm of Vinson, Elkins, Weems & Searls; Frederick R. Kappel, chairman of the executive committee, American Telephone & Telegraph Co.; Richard M. Paget, president of the management consultant firm of Cresap, McCormick & Paget; and Walter N. Thayer, president of Whitney Communications Corp.

The council currently has a staff of 38 full-time and eight part-time employees. In addition, it seeks, from time to time, the assistance of the Bureau of the Budget and other agencies in carrying out its studies. The Council has direct access to the President.

STUDY GROUPS

The Council has established study groups in several major areas to review and evaluate the organization of Federal activities dealing with:

Social programs.
Regulatory agencies.
Law enforcement.
Narcotics.
Natural resources and the environment.
Foreign economic policy.

REORGANIZATION PLAN

The Council has completed its studies of the organization of the Federal activities dealing with organized crime and oceanography and have reported to the President. Based on recommendations made by the Council, the President submitted to Congress on March 12, 1970, a reorganizational plan that recommends organizational changes in his Executive Office.

BUDGET REQUEST

The Council received $1 million supplemental appropriation for fiscal year 1970 and is requesting $500,000 for fiscal year 1971. The Council presently plans to make its major recommendations for changes in the executive branch of the Government by midyear 1970 and will assist with the implementation of those changes approved by the President during the last half of 1970.

SUPPLEMENTAL

The President may direct the Council to consider organizational problems in other areas of the executive branch, in which case the work schedule of the Council may be extended. In such a case, we would then submit a request to you for a supplemental appropriation for fiscal year 1971 for salaries and expenses of this additional period.

Mr. Chairman, we urge that your committee take favorable action on this request for funds to continue the Council's work during the first half of fiscal year 1971.

Thank you.

LEGAL AUTHORITY

Mr. STEED. First, Mr. Rouse, what is the legal authority under which the Council was created? Was this a Presidential Executive order?

Mr. SCHNOOR. It was a Presidential announcement.

Mr. STEED. Could you furnish the texts of that for the record?

Mr. SCHNOOR. We can.

(The information follows:)

[From the weekly compilation of Presidential Documents, Apr. 11, 1969]

PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION

ANNOUNCEMENT OF APPOINTMENT OF CHAIRMAN AND MEMBERS OF THE COUNCIL, APRIL 5, 1969

The President announced today the appointment of a President's Advisory Council on Executive Organization to undertake a thorough review of the organization of the executive branch of Government.

Named as Chairman of the Council was Roy L. Ash, president of Litton Industries, Inc., Beverly Hills, Calif.

Members are Dean George Baker of Harvard University's Graduate School of Business Administration, Boston, Mass.; former Texas Governor, John B. Connally, now a member of the Houston law firm of Vinson, Elkins, Weems & Searls; Frederick R. Kappel, chairman of the executive committee, American Telephone & Telegraph Co., New York; and Richard M. Paget of the New York management consultant firm of Cresap, McCormick & Paget.

At the President's direction, the newly formed Advisory Council on Executive Organization—which follows by only 8 days the President's signing of the

Reorganization Act, one of the first completed actions of the 91st Congress—will provide overall and specific recommendations for improved effectiveness. It will deal with both immediate and long-range needs for organizational changes to make the executive branch a more effective instrument of public policy.

The Council will consider: (1) the organization of the executive branch as a whole in light of today's changing requirements of government; (2) solutions to organizational problems which arise from among the 150-plus departments, offices, agencies, and other separate executive organizational units; and (3) the organizational relationships of the Federal Government to States and cities in carrying out the many domestic programs in which the Federal Government is involved.

Although it is planned that staff assistance will be provided by the Budget Bureau's Office of Executive Management, the Council will have direct access to the President. Contacts with the Congress, the States, and localities, and other interested entities will be handled through established government channels.

The Council will work closely with the Office of Intergovernmental Relations established by the President under the supervision of the Vice President to serve as the liaison between State and local governments and the President.

Mr. Ash has called the first meeting of the Council for April 10 in Washington, D.C.

Mr. Ash has been president of Litton Industries, Inc., since 1961. He was vice president from 1953 to 1958 and executive vice president from 1958 to 1961.

Prior to serving as an executive with Litton Industries, Mr. Ash was chief financial officer of Hughes Aircraft Co., from 1949 to 1953. He was affiliated with Bank of America from 1936 to 1942 and again from 1947 to 1949, and has served as a member of the board of directors.

He has also been a director for various Litton subsidiaries.

Mr. Ash was graduated from Harvard University in 1947 with a master of business administration degree.

His civic activities include membership on the board of regents for Marymount College and Loyola University, board member for St. John's Hospital in Santa Monica, and membership on the Los Angeles World Affairs Council and the American Management Association.

Ash was born in Los Angeles, Calif., on October 20, 1918. He married the former Lila M. Hornbek on November 13, 1943. They have five children. Their residence is Beverly Hills, Calif.

Mr. Ash worked with President-elect Nixon after the November election on ways in which to improve management and efficiency in Government.

Dean Baker graduated from Harvard University in 1925 and received his doctor of philosophy degree in 1934. He has served Harvard since 1925 and was named dean of the Graduate School of Business Administration in 1962. He has served in many departments of the executive branch; in 1947 he was named vice chairman of the President's Air Policy Commission, and from 1946 to 1956 served as the U.S. member of the United Nations Transport and Communications Commission. Dean Baker married Ruth P. Bremer in 1926; they have four children.

The Honorable John B. Connally served as Secretary of the Navy in 1961, and as Governor of Texas from 1962 until 1969. Prior to 1950, he was president and general manager of the Austin radio station KVET and administrative assistant to the then Senator Lyndon B. Johnson. Governor and Mrs. Connally have three children.

Mr. Kappel began with Northwestern Bell Telephone Co. in 1924. He held several positions with Northwestern Bell until 1949 when he was selected as an assistant vice president of American Telephone & Telegraph Co. He became president in 1956 and in 1967 was elected chairman of the executive committee. Mr. Kappel has served as Chairman of the President's Committee on Postal Organization, and also as Chairman of the Commission on Executive, Legislative, and Judicial Salaries.

Married to the former Ruth Carolyn Ihm, they have two children.

Mr. Paget was a partner in the management consultant firm of Booz, Allen, & Hamilton before assuming his present position with Cresap, McCormick, & Paget, in New York. He holds a bachelor of science degree from Northwestern University. He serves as a director of the Prudential Insurance Co. of Great Britain and Atlas Chemical Industries; and as a trustee of the U.S. Trust

Co., the Union Dime Savings Bank, and the Metropolitan Museum of Art, all of New York. He is chairman of the board of trustees of the Parsons School of Design, New York. He and Mrs. Paget, the former Inez Bouvea, have two children.

NOTE: The announcement was released at Key Biscayne, Fla.

PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION

ANNOUNCEMENT OF APPOINTMENT OF WALTER N. THAYER AS SPECIAL CONSULTANT TO THE PRESIDENT AND MEMBER OF THE COUNCIL, JUNE 2, 1969

The President today announced the appointment of Walter N. Thayer of Rye, N.Y., as a Special Consultant to the President, and as a member of the President's Advisory Council on Executive Organization. Thayer, 59, will have the responsibility for securing and organizing the Council's staff and directing its activities. He will be devoting essentially all his time to this activity for the next 3 months and will continue to devote such time following this period as may be required by the work of the Council.

The other members of the Commission are: Roy Ash, chairman; Dean George Baker, Harvard University; former Texas Gov. John B. Connally; Frederick R. Kappel, chairman of the Executive Committee of American Telephone & Telegraph; and Richard Paget, of the management consulting firm of Cresap, McCormick and Paget.

The Council is considering: (1) the organization of the executive branch as a whole in light of today's changing requirements of government; (2) solutions to organizational problems which arise from among the 150-plus departments, offices, agencies, and other separate executive organizational units; and (3) the organizational relationships of the Federal Government to States and cities in carrying out the many domestic programs in which the Federal Government is involved.

Thayer will work closely with the Office of Intergovernmental Relations established by the President and under the supervision of the Vice President, as well as the Bureau of the Budget's Office of Executive Management.

Thayer is president of Whitney Communications Corp. and a partner in Whitcom Investment Co. He was graduated from Colgate University in 1931 and received his LL.B. from Yale in 1935. Following graduation from law school he became a special assistant to the Attorney General of New York. He joined the law firm of Donovan, Leisure, Newton and Lumbard in New York City in 1936 and remained with the firm until 1937 when he became assistant U.S. Attorney for the Southern District of New York. In 1938, Thayer rejoined the firm of Donovan, Leisure, Newton and Lumbard. From 1941 until 1942, he served as an attorney with the Lend-Lease Administration in Washington, D.C., and was a member of the Harriman mission in London from 1942 to 1945. He served as General Counsel to the Foreign Economic Administration during 1945.

From 1946 until 1955 he was a partner in the firm of Thayer and Gilbert in New York City. Thayer became a partner in J. H. Whitney and Co. in 1955, and served as president of the New York Herald Tribune from 1961 until 1966.

Thayer was married to the former Jeanne Cooley Greeley in 1945.

Mr. ROBISON. Out of curiosity, what is the difference between an Executive order and a Presidential announcement?

Mr. SCHNOOR. This is merely a matter of format. An Executive order appears in the Federal Register. A Presidential announcement or statement normally only appears in the Weekly Compilation of Presidential Documents, which is a less formal publication.

Mr. STEED. Isn't it true that the announcement format is used on activities that are more or less on an ad hoc basis rather than the onging permanent activities?

Mr. SCHNOOR. Yes, sir; the temporary study groups are usually announced. For example, there were some 18 task forces that the President set up last fall to consider various elements of Government programs and make recommendations to him. They were all announced by the President. They were not established in Executive orders.

BUDGET REQUEST

Mr. STEED. Of the original $1 million you got in the supplemental, $500,000 was to reimburse the emergency fund for the advance made from that fund to get the Council started?

Mr. SCHNOOR. That is correct.

Mr. STEED. So, actually, with the amount you are asking now you will be talking in terms of a total expenditure of a million dollars.

Mr. MCKENZIE. There was $35,000 that came from the President's emergency fund in fiscal year 1969. Then there was the $500,000 that came from the emergency fund, which has been refunded. So, in fiscal year 1970, yes, we have a million dollars of appropriations.

Mr. STEED. A casual reading would sound like a million and a half.

Mr. MCKENZIE. Yes, sir, a million dollars for fiscal year 1970 and $500,000 for fiscal year 1971.

Mr. ROBISON. By virtue of the fact that the $500,000 has been repaid to the emergency fund for the President?

Mr. MCKENZIE. Yes, sir.

Mr. STEED. You are now thinking in terms of just concluding work underway. The remark you made about maybe needing a supplemental will hinge entirely on whether or not additional requests for action by the Council are made by the President.

Mr. ROUSE. That is correct, Mr. Chairman.

TERMINATION OF COUNCIL

Mr. STEED. As of now, what would be the anticipated termination date of the Council?

Mr. ROUSE. Roughly December of this year.

Mr. STEED. Meaning, as I understand your statement, that most of your research and study work will have been completed, the recommendations made and the last several months participation in getting whichever recommendations the President adopts into motion.

Mr. ROUSE. That is correct. We anticipate, Mr. Chairman, that our recommendations on the studies mentioned in my statement will go forward to the President before the end of this fiscal year. As I am sure you are aware, from that point on we are only at first base. There is the process of explaining them to the President to the extent that they need to be further amplified. There may need to be modifications or additional work done on any of these studies and there may be work which the President would like us to undertake to implement these studies such as preparing legislation or Executive orders.

BREAKDOWN AND EXPENSES

Mr. STEED. You made reference to the number of people on board. How does your budget break down in terms of pay and the other expenses like communicatitons, equipment, office space, et cetera?

Mr. ROUSE. Would you like that for 1970 or 1971?

Mr. STEED. I think your experience during this fiscal year will suffice.

Mr. ROUSE. Of the million dollars in 1970, $561,000 will be spent for personnel compensation; $415,000 of it for permanent positions; $110,000 was for positions other than permanent; and $36,000 for other personnel or special personnel services.

OFFICE SPACE

Mr. STEED. Where did you get office space? Are you in the Executive Office Building?

Mr. ROUSE. We are in three locations at this point. Part of the staff is in the Executive Office Building itself, part of it is in the new Executive Office FOB–7, and we have rented space at 801 19th Street NW.

RECOMMENDATIONS MADE

Mr. STEED. How many formal recommendations have you already made to the President?

Mr. ROUSE. We have submitted five memorandums of recommendations to the President.

Mr. STEED. And how many more are in the making?

Mr. ROUSE. Seven.

Mr. STEED. Are any of these at a point to where making their nature known to the committee would not be in violation of the administrative communication rule?

Mr. ROUSE. The seven to which I referred, Mr. Chairman, are areas in which even our Council hasn't yet acted. So that the direction of those recommendations is still very uncertain.

Mr. STEED. As I understand it, the major recommendation up to now has been one already submitted to the Congress known as the Domestic Council.

Mr. ROUSE. Yes; Reorganization Plan No. 2 of 1970.

Mr. STEED. Can you identify any of the other recommendations at this stage?

Mr. ROUSE. That we have already made to the President?

Mr. STEED. Yes.

Mr. ROUSE. We have made recommendations to the President in the field of oceanography. We have made recommendations to the President in the area of the organization of the U.S. attorney's office, particularly with respect to the organized crime problem. We have made recommendations in the area of the overseas jurisdiction of the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs of the Treasury Department. We have made recommendations to the President with respect to certain other areas of the Executive Office of the President, the Marine Council, the National Aeronautics and Space Council, the Office of Science and Technology, and certain nonstatutory bodies within the Executive Office, such as the Youth Council and the Committee on Consumer Interests.

TRANSFER OF THE BUREAU OF NARCOTICS

Mr. STEED. As you know, this particular subcommittee has been interested a long, long time in the matter of narcotics, and we were very strongly opposed to the move that transferred the Bureau of Narcotics out of Treasury. Of course, we still have to be concerned with this problem because of the activities that automatically involve Customs, since all narcotics are produced outside of the continental limits of the United States and could not be a crime problem in this country unless they had first been smuggled across the border.

I see in the paper today where the Bureau of Immigration and Naturalization and the border patrol are asking for more manpower because of their involvement in this problem. So, in the total application of trying to cope with it we find three agencies of the Government involved. Can you give us any outline of what the Council is thinking on how these three fields of interest will mesh together?

Mr. ROUSE. Mr. Chairman, after the Council made its recommendations to the President with respect to the very limited area of the overseas jurisdiction of the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs, it also said that it was going to undertake a study of the whole organization of the Federal Government in the narcotics area. We now have such a study underway. It is one of the seven on which we are yet to report to the President.

Some of our Council members, I think it would not be inappropriate to say, are disturbed by the fragmentation of the Federal Government's effort in this area. They are also disturbed by the fact that this whole narcotics problem is not yet being handled by the Federal Government as the systems problem that it is. That is a currently popular word, but it is the fact that you have to handle both the supply and the demand side of the thing pretty much at the same time. One way to do something about reducing the attractiveness of narcotics to organized criminals, others overseas and in this country is to do something about curbing the demand for it in the United States. So, we are looking at both sides of it. We have a team of four men who are working in this area, all four of them very qualified.

Among the alternatives that we are looking at, one of five or six, is the merger of all of the investigative activities involved in this particular area either outside of where they are currently located or within one of the departments that has responsibility in this area. It is not only, incidentally, Immigration and Naturalization, but also Customs and BN & DD who are heavily involved in this area, and the National Institute of Mental Health who have a huge stake in it, the Office of Education has a large involvement in it and the Federal Bureau of Investigation who are just beginning to get involved.

Mr. STEED. As we view it "dangerous" drugs are already inside the country and they constitute an altogether different kind of a ball game in the field of crime than narcotics, since narcotics originate outside the country. One of the reasons for opposing this movement of the very small Bureau of Narcotics out of Treasury was the fact that it worked well there because of the task force ability that it gave Treasury to cope with that phase of the problem the most efficiently.

Once the material gets into the country and becomes a crime-in-the-street sort of thing Treasury should have no further particular responsibility other than the collaboration with those agencies of law enforcement per se that deal with this along with all sorts of problems that spring out of it.

The expertise, we believe, is a special need, and we have worked with people engaged in this activity for many years, starting from the source until it crosses the border. I think that we have been pretty well exonerated in our position by the fact that since the Narcotics Bureau was taken out of Treasury the narcotics problem in this country has

become a great deal worse than it was. We had a feeling that the program that we were carrying on was most effective, and I think that the country has had to pay a pretty price for what I think was an erroneous and foolish move.

I think the capability of the Department of Justice and other agencies to carry out their part of this problem could have been obtained in a better way than to cripple the ability of the Treasury effort. How you are going to combat smuggling without involving the Bureau of Customs is beyond my ability to understand. Any other way you try to cope with it is a duplication of what they are already doing, and they have already developed that capability to a high degree.

Smuggling involves all sorts of things, narcotics being just one of them. But because of the peculiar nature of that particular thing many, many years ago, somebody in their wisdom saw fit to develop an agency with just that particular expertise. And my reaction to the inside knowledge we were able to get over many years was that it was working very effectively, and I don't think we help ourselves a bit when we cripple one of our major front line defenses in order to enhance the capability of another agency that just doesn't have the opportunity to combat the problem at that stage.

Very deliberately we never let the Bureau of Narcotics get very large because we didn't want to dilute the work they were doing by letting them try to cope with the problem in the streets. That is a police problem. We wanted to confine it to the problem up to and until it crossed the border on the theory that an ounce of prevention is worth many pounds of cure and I think the records through the years show this.

It is an interesting thing that for a number of years, for instance, the number of known narcotic addictions for children under 16 had been decreasing. Immediately after this transfer was made the number of known addictions among children under 16 skyrocketed. We are not on top of it yet.

There may be other factors, social and otherwise, that contributed to this outburst, but it is still an accepted fact that you can't make an addict out of an American child until and unless the materials that cause that addiction have gotten into the country.

We were receiving cooperation from about 86 nations, through Interpol, and I thought we had a very effective program going. This subcommittee took the initiative to expand the ability of the Bureau of Narcotics to operate at the source of narcotics with foreign governments, and it was a very small item of cost. I think it was about $360,000 a year. I believe from the records you can find that probably no expenditure of Federal funds you can identify resulted in a greater savings in terms of the crime that was prevented because the materials to cause crime never got here. And, of course, the human suffering is incalculable. One year an estimate was made that narcotics intercepted on their way to the American market, had they arrived, could have multiplied themselves into something like a hundred million dollars worth of crime in the streets. If you can prevent that with an expenditure of $360.000 I contend that is a bargain. But we have lost that ball game because of these changes.

Now we are in the process of having to approve additional manpower for Customs to fill the gap because of their involvement in narcotic

smuggling. This is something that all the thinkers in the world are not going to eliminate because that is where the action is, that is where you lost the battle. To weaken them means you are playing into the hands of those who are engaged in smuggling and getting it here in the first place.

This does become a joint problem inside the country, but they are not a joint problem outside of the country because of the origin of the drug itself.

I don't know how this subcommittee in any responsible way can refuse to heed the needs of Customs to perform their mission, if we don't include capability in their manpower to cope with this part of a problem that they are the only agency of the Government combatting. The list of things that people are trying to smuggle in is almost as broad as the items of import themselves, and this is just one of many. And they are the only agency we have that worked in this area in its total. So, I don't know what the Council's reaction to it is, because I hope that we don't wind up making bad matters worse. We have made enough mistakes already, I think.

Mr. CONTE. Will you yield?

Mr. STEED. Yes.

ACTION OF COUNCIL IN NARCOTICS

Mr. CONTE. Can we ask some questions here? What has the Council done in the field of narcotics?

Mr. ROUSE. The Council made a recommendation to the President which had to do specifically with the narrow problem of the overseas jurisdiction of the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs. In making that recommendation it expressed concern about the overall ability of the Federal organization to control the problem of narcotics, not just for the narrow problem but as I said a moment ago, for both the supply side of this problem, the side which the chairman alludes to, and the demand side, and expressed the belief that the two were both very important and needed to relate to one another in terms of how the Federal Government organized to deal with this problem.

We now have, and immediately after our memorandum to the President on the narrow subject, put together a team of four men who are working exclusively in the area of a Federal organization for narcotics. That work is not completed and probably will not be completed for another 6 to 8 weeks.

RELEASE OF COUNCIL'S RECOMMENDATIONS

Mr. CONTE. Can we see the memo you sent to the President?

Mr. ROUSE. The memoranda which the Council writes to the President, Mr. Conte, are, as I am sure you are aware, privileged. We are not permitted to direct them to anybody. I wish we could.

Mr. EDWARDS. Not even Jack Anderson?

Mr. ROUSE. You mean that columnist fellow? No; not even Jack Anderson.

Mr. CONTE. This committee can't get it?

Mr. SCHNOOR. It will be a White House decision at sometime as to whether or not various reports of this Council and other task forces will be released.

Mr. STEED. We are faced here on the committee with a decision that involves a sizeable increase in manpower to Customs. If, for instance, through your recommendation, they are going to have their "wings clipped" in what they feel their needs are, then we could by agreeing to the request now before us, be approving manpower that they wouldn't be permitted to use.

Mr. CONTE. We already have.

Mr. STEED. We have a serious problem involving a sizable amount of money that is in this ball park.

Mr. ROUSE. For the Customs agency?

Mr. STEED. Yes. One of the reasons why their need for manpower is before us and why they have gotten Bureau of the Budget approval and submitted it to us is because of the additional problem of not having the Bureau of Narcotics with some four of five hundred people any longer available to them, in the direct sense that it was. So, it leaves the Treasury task force idea short of a particular expertise.

I think it is valid for us to believe in attacking the problem that the nearer the source of its origin you get, the more effective combating it becomes and certainly the less the cost. So, there has to be a conspiratorial sort of a situation for an illegal narcotic to go from where it is grown and produced to the point where it crosses our border. I don't think anybody can expect the Customs people to stand there blind and uninformed and still make sure that of all of the hundreds of thousands of items crossing our border; none of them contain narcotics without prior knowledge. To examine everything that comes into the country would be an astronomical job.

Mr. ROUSE. I am bound to say this particular problem of the overseas jurisdiction of BN–DD and Customs strikes me as—let me back up. This Council didn't seek to look at this question. It wouldn't have in a million years put it on its list of priorities. The reason it wouldn't have is that there are enormous organizational problems facing this Government and this particular problem, this overseas problem in the narcotics area, is a problem which has occupied successive Attorneys General and Secretaries of the Treasury, successive chiefs of the Bureau of Narcotics and Bureau of Customs, God knows how many untold man years of bureaucracy time in waging a jurisdictional battle which at the present moment involves 45 people and roughly a half a million dollars in expenditures overseas. It is the kind of issue, which if I may quote Fred Kappel for a moment, one of the members of our Council, should have been resolved a long time ago by two guys sitting down opposite one another at a table and somehow or another squaring off, if necessary, to resolve how they were going to handle the information flow between their two Bureaus. That it has reached the proportion it has reached, doesn't speak well for either the Bureaus or either of the Departments or anybody else that has been involved in this sorry business. The plain fact is that the overseas information developed by either the Bureau of Customs or the Bureau of Narcotics should be freely available to

both, and the fact that it isn't, may reflect just what I think you believe it does reflect, Mr. Chairman, and that is because they are not in the same department they are not working well together. But it may reflect a host of other things.

IMPACT OF TRANSFER OF COAST GUARD

Mr. STEED. We were assured, for instance, Mr. Rouse, when they took the Coast Guard out of Treasury that the need for air, land, and water transportation that these Treasury enforcement task forces needed would be available; all they would have to do would be to let the Coast Guard know and they would come running. What has happened? We have been faced every year with more requests for more aircraft, more watercraft, more other transportation for Customs, for Secret Service, for the Internal Revenue Service, because they didn't have any more of this capability and it wasn't working out the way they wanted it. Unfortunately, when you deal with these kinds of criminals where great sums of money are involved, you don't have time to go through the redtape of channels to get somebody to help you.

Mr. ROUSE. The plain fact is that they are better organized than we are.

ROLE OF BUREAU OF CUSTOMS

Mr. STEED. We were pretty well organized and got disorganized because of what, I call, for lack of a better word, a kind of empire building inside the Government.

I don't know how I could sit here and chair this particular subcommittee in a responsible manner and turn down what I know Customs must have to do the job that we expect of them. We go out into the field; we just don't sit here in this room. We have been all over the world with these people and watched them at work and seen firsthand the sort of problems they are involved with. For instance, a narcotics agent overseas picked up a lead that caused several movie stars have to pay a lot of duty on some very expensive dresses they obtained in Italy and tried to smuggle into the country. So, the way this thing meshes and crosses in the field of smuggling is pretty fantastic.

Mr. ROUSE. Yes.

Mr. STEED. Jewel smugglers through Africa and into Holland and into this country is a constant problem of Customs. How you can just on paper separate one from the other is beyond me. Anyone who knows the day-to-day operations would realize that you cannot separate one function from the other.

Mr. ROUSE. Mr. Chairman, if I might make the suggestion, you would do them both a favor if in considering the Customs request you were to make a specific point of asking them to develop some mechanism which would lead to the interchange of information between them on a routine regular basis. We are not talking about a lot of people here. Currently, we are talking about 40 people overseas.

Mr. CONTE. If I may, Mr. Chairman, I think it is more than 40 people overseas. Let me say at the outset that I agree with you. Two men should be able to sit down and iron this thing out, but unfortunately,

that hasn't happened and you may need some outside intervention. But, it is more than overseas. It is more than 40 men. You take the case of marihuana or heroin coming over the Mexican border. It may be you don't want to nail that guy at the border. You may want him to come in and then make the case in California instead of Mexico. Recently Customs made a very big seizure in California. They came over the Mexican border. A customs agent chartered a plane and followed the peddlers in the plane from Laredo, Tex., to California without sleeping or refueling. It was a fantastic feat with a twin engine Cessna airplane. There they made the seizure and got the people on the other end of the case, which is very, very important.

I told Customs I have been on this subcommittee 12 years, and both with the old narcotics bureau and with Customs, worked on a lot of cases. When I was out in the field, I spent 2 or 3 days with them when they were working on the case. I have seen the actual operation and that is what I wish the Ash committee had the opportunity to see rather than sitting in the room saying this doesn't make sense or there is duplication. I can see the thinking.

Mr. ROUSE. I don't mean to interrupt, but the team of people who worked on this saw many people. They spent more than 3 weeks overseas talking to both Bureau of Narcotics and to Customs people. They talked to everybody in Washington.

Mr. STEED. Nobody in the Council sought any views or reactions of this subcommittee and we have probably been dealing with this more intimately than any other segment of the Congress for many years.

TRANSFER OF BUREAU OF NARCOTICS

Mr. CONTE. After Mr. O'Brien and President Johnson appointed Mr. Kappel to lead a study on Post Office reorganization, they were up here plenty. I imagine they talked to you, Mr. Chairman. I know they talked to me and picked my brains on what was wrong with the Post Office Department, but no one from your Council ever came to this committee. We have had primary responsibility in this particular area for many years. The Bureau of Narcotics was transferred out of Treasury into the Justice Department only a few years ago. And believe me, I read Time magazine this week, and you should read it, about kids going on heroin. It is absolutely frightening to read in that article that John Ingersoll doesn't have enough men to cope with the problem. You should go back to see what the little cadre of narcotic agents did when they were under Treasury and what they stopped coming into this country and compare that record with what Ingersoll's outfit is doing now. There is no comparison. I want the Ash Council to look into that. I want them to give me some figure on what they are doing now with the men they have compared with the personnel we had under Anslinger and what we did then.

RELEASE OF COUNCIL'S RECOMMENDATIONS

The other thing is, I certainly feel we should have that report to the President, and I am asking for it. If you don't want to give it to me, that is all right. However, I want the record to show I am asking for it. We appropriated $8,750,000 in a supplemental budget

recently for Customs, mainly for narcotics. And I am not going to blow the taxpayers' money like this without knowing where it is going. I think it is important for this committee to have this information. Maybe we ought to cut them $30 million if they are not going to have any jurisdiction in narcotics. After all, we handle your budget. And I want to know what you are doing and what the Ash Council is doing before I appropriate a nickel for you. You are not just coming up here and giving me a song and dance without giving me any evidence of what you are doing. I want some of your worksheets.

Mr. ROUSE. Mr. Conte, I can promise two things. First, since we are still in the midst of a study, the men working on it will be up to talk to you, to each of you and any of you that want to contribute to it. Secondly, I will check, and that is all I can promise, as to the availability of the BN–DD customs report.

ROLE OF BUREAU OF CUSTOMS

Mr. STEED. Mr. Rouse, let me try to clear up for you the problem we face. We have to pass judgment on requests for manpower that costs a lot of money, and we don't have this whole ball game. We try to know what our agencies are doing so we can make a better judgment. We don't want to be cutting just for the sake of cutting, and we don't want to be allowing just for the sake of allowing. We would like to feel like our judgments are sound. We believe this is a crucial problem of the country and that efforts ought to be made to cope with it. But we have a feeling, which justified all of these decisions we made in years gone by involving enormous amounts of money in total, that we were helping cope with this problem. We are getting a feeling that in this area we are just walking in the dark. We are not interested in what name you call it or what umbrella it is under. If the end results don't came out in the public interest the whole thing is a waste.

Yet, if you take into account the whole mission of Customs, the responsibilities that they alone perform, and then try to just for the sake—for whatever reason I am unable to fathom—say that this particular part of that mission is no longer of any concern to them until and unless somebody else in their judgment saw fit to contact them, I think this is just unrealistic.

The consumer side of this problem that you refer to, we have always taken the position, and that is one of the reasons why we held down the Bureau of Narcotics, that once it gets in the country this is somebody else's ball game. It involves all of these things you are talking about. You have got to make the public understand more about the dangers of it, you have got to beef up your law enforcement facilities at the local and State and Federal level and the actions of your courts and all of that. But we are only concerned with this one item—the fact that there are no narcotics produced inside the continental United States. They must be imported; they must be smuggled across the border. And the agency that mans our ramparts is Customs. To try to turn any of that problem over to anybody else begs the question, it seems to me. It is where the action is. It is like a woven piece of cloth. All smuggling crisscrosses. So, I can't see how they can do an effective checking job at the border unless they have some means of knowing what is approaching the border.

Mr. ROUSE. There is no question about that.

Mr. STEED. And the amount of manpower involved in prior information was of no great consequence in terms of the dollar costs. The cooperation that we were able to build with 86 other nations, I think, is a priceless asset that we certainly lost in 1 year because of this transfer. A few years ago, this whole international bit, working with foreign governments, enabled the total effort to take over 5 tons of opium out of the pipeline before it reached our borders. That would have been rendered down into 1 ton of heroin and 1 ton of heroin would feed every known addict in this country for 6 to 7 months. To me that is a preventive effort that is fantastic. We haven't been able to do that since this transfer was made. The problem has multiplied since then, and to me it is a tragic circumstance.

And knowing where we think the only effective way to deal with it lies, we have been inclined to be fairly generous in our reaction to Customs requests for manpower to fill that gap. We think that the rest of it in that area is a needless and a foolish duplication of Federal effort. The emphasis got, in my opinion, in the wrong place. I feel very strongly about this, because I don't know of anybody in the entire Congress that by necessity has had to live as close to this problem for as many long years as this subcommittee has. Apparently, they took everybody's advice but ours when they decided to start juggling it around and still are.

REORGANIZATION PLAN NO. 2

One item we can go into some detail is reorganization plan No. 2. Can you give us any additional information about the concept and the expectations of the realization of this plan.

Mr. ROUSE. Yes; I can go into some detail on that, if you would like.

PRESIDENT'S REORGANIZATION MESSAGE

Mr. ROBISON. Mr. Chairman, at this point would it not be wise, and serve a purpose for our record, if we could include here a copy of the President's message.

Mr. STEED. I think this would be very good at this point.

Mr. ROBISON. The message sent to Congress on March 12, 1970.

Mr. STEED. We will put the whole statement in the record.

Mr. SCHNOOR. There is also a summary document released by the White House.

Mr. STEED. Very well, that may be inserted in the record.

(The information follows:)

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

We in government often are quick to call for reform in other institutions, but slow to reform ourselves. Yet nowhere today is modern management more needed than in government itself.

In 1939, President Franklin D. Roosevelt proposed and the Congress accepted a reorganization plan that laid the groundwork for providing managerial assistance for a modern Presidency.

The plan placed the Bureau of the Budget within the Executive Office of the President. It made available to the President direct access to important new management instruments. The purpose of the plan was to improve the administration of the Government -- to ensure that the Government could perform "promptly, effectively, without waste or lost motion."

Fulfilling that purpose today is far more difficult -- and more important -- than it was 30 years ago.

Last April, I created a President's Advisory Council on Executive Organization and named to it a distinguished group of outstanding experts headed by Roy L. Ash. I gave the Council a broad charter to examine ways in which the Executive Branch could be better organized. I asked it to recommend specific organizational changes that would make the Executive Branch a more vigorous and more effective instrument for creating and carrying out the programs that are needed today. The Council quickly concluded that the place to begin was in the Executive Office of the President itself. I agree.

The past 30 years have seen enormous changes in the size, structure and functions of the Federal Government. The budget has grown from less than $10 billion to $200 billion. The number of civilian employees has risen from one million to more than two and a half million. Four new Cabinet departments have been created, along with more than a score of independent agencies. Domestic policy issues have become increasingly complex. The interrelationships among Government programs have become more intricate. Yet the organization of the President's policy and management arms has not kept pace.

Over three decades, the Executive Office of the President has mushroomed but not by conscious design. In many areas it does not provide the kind of staff assistance and support the President needs in order to deal with the problems of Government in the 1970s. We confront the 1970s with a staff organization geared in large measure to the tasks of the 1940s and 1950s.

One result, over the years, has been a tendency to enlarge the immediate White House staff -- that is, the President's personal staff, as distinct from the institutional structure -- to assist with management functions for which the President is responsible. This has blurred the distinction between personal staff and management institutions; it has left key management functions to be performed only intermittently and some not at all. It has perpetuated outdated structures.

Another result has been, paradoxically, to inhibit the delegation of authority to Departments and agencies.

A President whose programs are carefully coordinated, whose information system keeps him adequately informed, and whose organizational assignments are plainly set out, can delegate authority with security and confidence. A President whose office is deficient in these respects will be inclined, instead, to retain close control of operating responsibilities which he cannot and should not handle.

Improving the management processes of the President's own office, therefore, is a key element in improving the management of the entire Executive Branch, and in strengthening the authority of its Departments and agencies. By providing the tools that are needed to reduce duplication, to monitor performance and to promote greater efficiency throughout the Executive Branch, this also will enable us to give the country not only more effective but also more economical government -- which it deserves.

To provide the management tools and policy mechanisms needed for the 1970s, I am today transmitting to the Congress Reorganization Plan No. 2 of 1970, prepared in accordance with Chapter 9 of Title 5 of the United States Code.

This plan draws not only on the work of the Ash Council itself, but also on the work of others that preceded -- including the pioneering Brownlow Committee of 1936, the two Hoover Commissions, the Rockefeller Committee, and other Presidential task forces.

Essentially, the plan recognizes that two closely connected but basically separate functions both center in the President's office: policy determination and executive management. This involves (1) what Government should do, and (2) how it goes about doing it.

My proposed reorganization creates a new entity to deal with each of these functions:

-- It establishes a Domestic Council, to coordinate policy formulation in the domestic area. This cabinet group would be provided with an institutional staff, and to a considerable degree would be a domestic counterpart to the National Security Council.

-- It establishes an Office of Management and Budget, which would be the President's principal arm for the exercise of his managerial functions.

The Domestic Council will be primarily concerned with <u>what</u> we do; the Office of Management and Budget will be primarily concerned with <u>how</u> we do it, and <u>how well</u> we do it.

<u>Domestic Council</u>

The past year's experience with the Council for Urban Affairs has shown how immensely valuable a Cabinet-level council can be as a forum for both discussion and action on policy matters that cut across departmental jurisdictions.

The Domestic Council will be chaired by the President. Under the plan, its membership will include the Vice President, and the Secretaries of the Treasury, Interior, Agriculture, Commerce, Labor, Health, Education and Welfare, Housing and Urban Development, and Transportation, and the Attorney General. I also intend to designate as members the

Director of the Office of Economic Opportunity and, while he remains a member of the Cabinet, the Postmaster General. (Although I continue to hope that the Congress will adopt my proposal to create, in place of the Post Office Department, a self-sufficient postal authority.) The President could add other Executive Branch officials at his discretion.

The Council will be supported by a staff under an Executive Director who will also be one of the President's assistants. Like the National Security Council staff, this staff will work in close coordination with the President's personal staff but will have its own institutional identity. By being established on a permanent, institutional basis, it will be designed to develop and employ the "institutional memory" so essential if continuity is to be maintained, and if experience is to play its proper role in the policy-making process.

There does not now exist an organized, institutionally-staffed group charged with advising the President on the total range of domestic policy. The Domestic Council will fill that need. Under the President's direction, it will also be charged with integrating the various aspects of domestic policy into a consistent whole.

Among the specific policy functions in which I intend the Domestic Council to take the lead are these:

-- Assessing national needs, collecting information and developing forecasts, for the purpose of defining national goals and objectives.

-- Identifying alternative ways of achieving these objectives, and recommending consistent, integrated sets of policy choices.

-- Providing rapid response to Presidential needs for policy advice on pressing domestic issues.

-- Coordinating the establishment of national priorities for the allocation of available resources.

-- Maintaining a continuous review of the conduct of on-going programs from a policy standpoint, and proposing reforms as needed.

Much of the Council's work will be accomplished by temporary, ad hoc project committees. These might take a variety of forms, such as task forces, planning groups or advisory bodies. They can be established with varying degrees of formality, and can be set up to deal either with broad program areas or with specific problems. The committees will draw for staff support on Department and agency experts, supplemented by the Council's own staff and that of the Office of Management and Budget.

Establishment of the Domestic Council draws on the experience gained during the past year with the Council for Urban Affairs, the Cabinet Committee on the Environment and the Council for Rural Affairs. The principal key to the operation of these Councils has been the effective functioning of their various subcommittees. The Councils themselves will be consolidated into the Domestic Council; Urban, Rural and Environment subcommittees of the Domestic Council will be strengthened, using access to the Domestic Council staff.

Overall, the Domestic Council will provide the President with a streamlined, consolidated domestic policy arm, adequately staffed, and highly flexible in its operation. It also will provide a structure through which departmental initiatives can be more fully considered, and expert advice from the Departments and agencies more fully utilized.

Office of Management and Budget

Under the reorganization plan, the technical and formal means by which the Office of Management and Budget is created is by re-designating the Bureau of the Budget as the Office of Management and Budget. The functions currently vested by law in the Bureau, or in its director, are transferred to the President, with the provision that he can then re-delegate them.

As soon as the reorganization plan takes effect, I intend to delegate those statutory functions to the Director of the new Office of Management and Budget, including those under section 212 of the Budget and Accounting Act, 1921.

However, creation of the Office of Management and Budget represents far more than a mere change of name for the Bureau of the Budget. It represents a basic change in concept and emphasis, reflecting the broader management needs of the Office of the President.

The new Office will still perform the key function of assisting the President in the preparation of the annual Federal budget and overseeing its execution. It will draw upon the skills and experience of the extraordinarily able and dedicated career staff developed by the Bureau of the Budget. But preparation of the budget as such will no longer be its dominant, overriding concern.

While the budget function remains a vital tool of management, it will be strengthened by the greater emphasis the new office will place on fiscal analysis. The budget function is only one of several important management tools that the President must now have. He must also have a substantially enhanced institutional staff capability in other areas of executive management -- particularly in program evaluation and coordination, improvement of Executive Branch organization, information and management systems, and development of executive talent. Under this plan, strengthened capability in these areas will be provided partly through internal reorganization, and it will also require additional staff resources.

The new Office of Management and Budget will place much greater emphasis on the evaluation of program performance: on assessing the extent to which programs are actually achieving their intended results, and delivering the intended services to the intended recipients. This is needed on a continuing basis, not as a one-time effort. Program evaluation will remain a function of the individual agencies as it is today. However, a single agency cannot fairly be expected to judge overall effectiveness in programs that cross agency lines -- and the difference between agency and Presidential perspectives requires a capacity in the Executive Office to evaluate program performance whenever appropriate.

The new Office will expand efforts to improve interagency cooperation in the field. Washington-based coordinators will help work out interagency problems at the operating level, and assist in developing efficient coordinating mechanisms throughout the country. The success of these efforts depends on the experience, persuasion, and understanding of an Office which will be an expediter and catalyst. The Office will also respond

to requests from State and local governments for assistance on intergovernmental programs. It will work closely with the Vice President and the Office of Intergovernmental Relations.

Improvement of Government organization, information and management systems will be a major function of the Office of Management and Budget. It will maintain a continuous review of the organizational structures and management processes of the Executive Branch, and recommend needed changes. It will take the lead in developing new information systems to provide the President with the performance and other data that he needs but does not now get. When new programs are launched, it will seek to ensure that they are not simply forced into or grafted onto existing organizational structures that may not be appropriate. Resistance to organizational change is one of the chief obstacles to effective government; the new Office will seek to ensure that organization keeps abreast of program needs.

The new Office will also take the lead in devising programs for the development of career executive talent throughout the Government. Not the least of the President's needs as Chief Executive is direct capability in the Executive Office for insuring that talented executives are used to the full extent of their abilities. Effective, coordinated efforts for executive manpower development have been hampered by the lack of a system for forecasting the needs for executive talent and appraising leadership potential. Both are crucial to the success of an enterprise -- whether private or public.

The Office of Management and Budget will be charged with advising the President on the development of new programs to recruit, train, motivate, deploy, and evaluate the men and women who make up the top ranks of the civil service, in the broadest sense of that term. It will not deal with individuals, but will rely on the talented professionals of the Civil Service Commission and the Departments and agencies themselves to administer these programs. Under the leadership of the Office of Management and Budget there will be joint efforts to see to it that all executive talent is well utilized wherever it may be needed throughout the Executive Branch, and to assure that executive training and motivation meet not only today's needs but those of the years ahead.

Finally, the new Office will continue the Legislative Reference functions now performed by the Bureau of the Budget, drawing together agency reactions on all proposed legislation, and helping develop legislation to carry out the President's program. It also will continue the Bureau's work of improving and coordinating Federal statistical services.

Significance of the Changes

The people deserve a more responsive and more effective Government. The times require it. These changes will help provide it.

Each reorganization included in the plan which accompanies this message is necessary to accomplish one or more of the purposes set forth in Section 901(a) of Title 5 of the United States Code. In particular, the plan is responsive to Section 901(a)(1), "to promote the better execution of the laws, the more effective management of the Executive Branch and of its agencies and functions, and the expeditious administration of the public business;" and Section 901(a)(3), "to increase the efficiency of the operations of the Government to the fullest extent practicable."

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The reorganizations provided for in this plan make necessary the appointment and compensation of new officers, as specified in Section 102(c) of the plan. The rates of compensation fixed for these officers are comparable to those fixed for other officers in the Executive Branch who have similar responsibilities.

While this plan will result in a modest increase in direct expenditures, its strengthening of the Executive Office of the President will bring significant indirect savings, and at the same time will help ensure that people actually receive the return they deserve for every dollar the Government spends. The savings will result from the improved efficiency these changes will provide throughout the Executive Branch -- and also from curtailing the waste that results when programs simply fail to achieve their objectives. It is not practical, however, to itemize or aggregate these indirect expenditure reductions which will result from the reorganization.

I expect to follow with other reorganization plans, quite possibly including ones that will affect other activities of the Executive Office of the President. Our studies are continuing. But this by itself is a reorganization of major significance, and a key to the more effective functioning of the entire Executive Branch.

These changes would provide an improved system of policy making and coordination, a strengthened capacity to perform those functions that are now the central concerns of the Bureau of the Budget, and a more effective set of management tools for the performance of other functions that have been rapidly increasing in importance.

The reorganization will not only improve the staff resources available to the President, but will also strengthen the advisory roles of those members of the Cabinet principally concerned with domestic affairs. By providing a means of formulating integrated and systematic recommendations on major domestic policy issues, the plan serves not only the needs of the President, but also the interests of the Congress.

This reorganization plan is of major importance to the functioning of modern government. The national interest requires it. I urge that the Congress allow it to become effective.

RICHARD NIXON

THE WHITE HOUSE,

March 12, 1970.

REORGANIZATION PLAN NO. 2 OF 1970

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, March 12, 1970, pursuant to the provisions of chapter 9 of title 5 of the United States Code.

PART I. OFFICE OF MANAGEMENT AND BUDGET

Section 101. Transfer of functions to the President. There are hereby transferred to the President of the United States all functions vested by law (including reorganization plan) in the Bureau of the Budget or the Director of the Bureau of the Budget.

Sec. 102. Office of Management and Budget. (a) The Bureau of the Budget in the Executive Office of the President is hereby designated as the Office of Management and Budget.

(b) The offices of Director of the Bureau of the Budget and Deputy Director of the Bureau of the Budget, and the offices of Assistant Directors of the Bureau of the Budget which are established by statute (31 U.S.C. 16a and 16c), are hereby designated Director of the Office of Management and Budget, Deputy Director of the Office of Management and Budget, and Assistant Directors of the Office of Management and Budget, respectively.

(c) There shall be within the Office of Management and Budget not more than six additional officers, as determined from time to time by the Director of the Office of Management and Budget (hereinafter referred to as the Director). Each such officer shall be appointed by the Director, subject to the approval of the President, under the classified civil service, shall have such title as the Director shall from time to time determine, and shall receive compensation at the rate now or hereafter prescribed for offices and positions at Level V of the Executive Schedule (5 U.S.C. 5316).

(d) The Office of Management and Budget and the Director shall perform such functions as the President may from time to time delegate or assign thereto. The Director, under the direction of the President, shall supervise and direct the administration of the Office of Management and Budget.

(e) The Deputy Director of the Office of Management and Budget, the Assistant Directors of the Office of Management and Budget designated by this reorganization plan, and the officers provided for in subsection (c) of this section shall perform such functions as the Director may from time to time direct.

(f) The Deputy Director (or during the absence or disability of the Deputy Director or in the event of a vacancy in the office of Deputy Director, such other officials of the Office of Management and Budget in such order as the President may from time to time designate) shall act as Director during the absence or disability of the Director or in the event of a vacancy in the office of Director.

Sec. 103. Records, property, personnel, and funds. The records, property, personnel, and unexpended balances, available or to be made available, of appropriations, allocations, and other funds of the Bureau of the Budget shall, upon the taking effect of the provisions of this reorganization plan, become records, property, personnel, and unexpended balances of the Office of Management and Budget.

PART II. DOMESTIC COUNCIL

Sec. 201. Establishment of the Council. (a) There is hereby established in the Executive Office of the President a Domestic Council, hereinafter referred to as the Council.

(b) The Council shall be composed of the following:

The President of the United States
The Vice President of the United States
The Attorney General
Secretary of Agriculture
Secretary of Commerce
Secretary of Health, Education, and Welfare
Secretary of Housing and Urban Development
Secretary of the Interior
Secretary of Labor
Secretary of Transportation
Secretary of the Treasury

and such other officers of the Executive Branch as the President may from time to time direct.

(c) The President of the United States shall preside over meetings of the Council: Provided, That, in the event of his absence, he may designate a member of the Council to preside.

Sec. 202. Functions of the Council. The Council shall perform such functions as the President may from time to time delegate or assign thereto.

Sec. 203. Executive Director. The staff of the Council shall be headed by an Executive Director who shall be an assistant to the President designated by the President. The Executive Director shall perform such functions as the President may from time to time direct.

PART III. TAKING EFFECT

Sec. 301. Effective date. The provisions of this reorganization plan shall take effect as provided by section 906(a) of title 5 of the United States Code, or on July 1, 1970, whichever is later.

SUMMARY OF EXECUTIVE OFFICE REORGANIZATION PLAN

The President has long been concerned about the need to improve the functioning of the Executive Branch. To develop sound and fresh approaches, he appointed last April the President's Advisory Council on Executive Organization under the Chairmanship of Roy Ash. Shortly thereafter, the President concluded with the Council that a most important opportunity for improvement was in the Executive Office of the President itself -- a conclusion reached in several previous administrations as well.

THE EXECUTIVE OFFICE OF THE PRESIDENT

The Executive Office of the President was created over thirty years ago and has grown without adequate design or planning. Improvements in the Executive Office would provide a strong impetus for improving the operations of the entire Executive Branch.

Under the guidance of the President, the Ash Council's study of the Executive Office lasted for some eight months. Extensive interviews were conducted with many past and present officials of the President's office and other agencies of the Executive Branch, and with distinguished authorities outside of government. Studies over the past thirty years were analyzed along with a wide variety of other written material.

The President is in agreement with the unanimous recommendations of the Ash Council study and is submitting to the Congress Reorganization Plan 2 of 1970. The basic objective of the Plan is to modernize the Executive Office in a way that strengthens the role of the agencies by providing the support the President needs particularly in:

- Development of domestic policies and programs
- Program performance and coordination
- Evaluation of existing programs and improvement in the flow of information about them
- Formulation of programs for recruitment, training, and development of executive talent

THE OFFICE OF MANAGEMENT AND BUDGET

The Reorganization Plan transfers to the President all functions vested by law in the Bureau of the Budget and designates the Bureau as the

Office of Management and Budget. The intention is that the President will delegate the functions of the Bureau to the new Office and that additional staff resources will be sought for the non-budgetary aspects of the Office's work. This new Office, in addition to its units which work on the budget and program evaluation, will probably have five units whose work will involve:

1. program coordination
2. legislative reference
3. executive development
4. organization and management systems
5. management information systems

The Plan authorizes Level V officers for the new Office of Management and Budget to be appointed by the Director subject to the President's approval, in the classified civil service.

THE DOMESTIC COUNCIL

Late last year the President created the post of Assistant to the President for Domestic Affairs and developed the "mission oriented" approach for forming specific project groups to analyze policy options. The Reorganization Plan enhances these steps by establishing a Domestic Council which brings together under one roof many of the sources for developing domestic policy and designing specific programs.

The Cabinet level Council will be chaired by the President and includes the Vice President and the heads of nine departments (all but State, Defense and the Post Office), although additions can be made by the President as he desires: e.g., the Postmaster General and the Director of the Office of Economic Opportunity. He might want to name heads of agencies without cabinet status from time to time. The plan provides for an Executive Director who shall be an assistant to the President and direct the Council staff.

The Domestic Council and its staff will serve as a pool from which to create various committees or groupings that will advise the President in an integrated way on domestic policy. It can be an important adjunct to the direct contact between the President and the agency heads.

ANTICIPATED BENEFITS

When the Reorganization Plan takes effect there will be:

- Reduction in the number of separate councils, groups and committees now advising the President on domestic policies and coordination
- Improvement in the President's capability to deal with the complex management, organization, and administrative issues raised by the problems and programs of the 1970's
- Significant long-run savings from these improvements
- More effective and appropriate use of the President's personal White House staff
- Reversal of the trend toward operational decision-making in the White House. This will permit greater reliance upon the agencies.

PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION (PACEO)

CREATION:

Appointed by President Nixon, April 5, 1969

MANDATE:

To review organization of Executive Branch and its links with state and local governments.

MEMBERS:

- Roy L. Ash, Chairman -- President, Litton Industries, Beverly Hills, California
- Dr. George P. Baker -- Former Dean, Graduate School of Business Administration, Harvard University, Boston, Massachusetts
- Hon. John B. Connally -- Lawyer, Vinson, Elkins, Weems, & Searls, Houston, Texas; Former Governor of Texas
- Frederick R. Kappel -- Chairman of Executive Committee, American Telephone & Telegraph Company, New York, Chairman of the Board; International Paper Company
- Richard M. Paget -- President, Cresap, McCormick & Paget, New York (Consultants)
- Walter N. Thayer -- President, Whitney Communications Corp., New York; Partner, Whitcom Investment Company

LOCATION:

Room 100, Executive Office Building, Washington, D. C.

STAFF:

- Murray Comarow, Executive Director -- Former Vice President, Booz, Allen and Hamilton; former Executive Director of Federal Power Commission; former Executive Director of President's Commission on Postal Organization
- Andrew M. Rouse, Deputy Executive Director -- former Director, Resources Planning Staff, Bureau of the Budget and former Senior Associate, Arthur D. Little, Inc.

Size of professional staff has varied with number of studies being conducted. Presently about 25, with backgrounds in law, political science, business, management consulting, government service, journalism, medicine, teaching, and university administration.

METHOD:

- Study groups for each of seven different organizational issues
- Intensive interviews within and outside government
- Review and analysis of previous studies and other documents
- Individual recommendations to President on a continuing basis, as appropriate

STUDY GROUPS:

- Executive Office of the President
- Social Programs
- Organized Crime
- Regulatory Agencies
- Environment and Natural Resources
- International Trade
- Drug Abuse

COUNCIL MEMBERS PARTICIPATION:

Monthly meetings of 1-3 days period plus individual time of each member.

AVAILABILITY OF PACEO MEMORANDA:

No single overall Council report. Memoranda are submitted to the President as they are completed. He will decide as to their release.

BUDGET:

$930,000 for FY 1970

TENURE:

Council expects to complete major portion of work by June 30, 1970; will be out of business by December, 1970.

Mr. ROUSE. I think the best way to understand what the reorganization plan is, is to go back what the Council and the President went through as they took a look at the requirements for conducting a modern Presidency.

After all, the machinery available to the President has not changed very much in a great many years, but the programs of the Federal Government have changed very markedly. We are now involved in things we were never involved with 15 years ago. The President manages things and has relationships with other jurisdictions—States, and cities, and what have you—that the Constitution never intended that he have. While it is substantively important that he carry out the role given to him with all this legislation, he also has to have the tools available to him to make those programs work.

Mr. ROBISON. If you will let me interrupt, I am not sure it would be proper to say "the duties and responsibilities the Constitution never intended he have."

Perhaps "contemplated he would never have" would be better. I assume all these programs he is operating under will be held, or have been held, constitutional.

Mr. ROUSE. You are right. If it is possible to substitute the word "contemplated" for whatever the words I used. But I think you get the point. At the same time as the budget has grown from $10 to $200 billion and the number of programs that need to be administered have grown in a similar order of magnitude, the Executive Office of the President has become a much more narrowly involved body. While the Budget and the Accounting Act contemplates that the Bureau of the Budget would carry out many, or assist the President in carrying out many of his management functions, the press of just preparing the budget every year, and all the things that are associated with it, have long since occupied most of the time of the Bureau of the Budget.

The preparation of the budget, apportionment and the other things that are associated with the budget, long ago became the preoccupying activity of the Bureau. What happened was that these other management tools that it was contemplated the President would exercise through the Bureau atrophied. What were some of those tools? The Bureau of the Budget at one time was very much involved in the development and on-going consideration of organization and management systems throughout the executive branch. In recent years it has been much less involved, although within the past year under Howard Schnoor and Dwight Ink, there has been a rennaissance. Let me give you an example. The President sent to Congress his message on environment, which included 36 or so programs, some of them new, some amplifications of existing programs. With respect to those 36 programs the Organization and Management Systems Division of the Budget Bureau was asked to comment on only two, and in those cases because an Executive order was required which they have the responsibility for drafting. There has not been an on-going concern or involvement of this well-trained staff for giving advice on what appropriate procedures and what appropriate organizations might be for carrying out programs which the President is about to recommend to the Congress.

We need to do more of that so that we avoid the problems we have today in carrying out much of the legislation of the past 10 years. That suggests a second function. We need to be able to evaluate programs better than we do. We need to know whether they are working. That can be a political issue clearly. After all, the guy who decides whether something is working or not, who puts the data together and analyzes it in certain ways, can sometimes make it say anything he wants it to say. We protected, we hope, against that possible danger by making the reorganized Bureau of the Budget, the Office of Management and Budget, primarily responsible for carrying out evaluations, by making the Domestic Council, which is after all the President's policy recommending body, responsible, if I might put it this way, for evaluating the evaluation. In other words, taking out whatever bias estimate exists in it and applying whatever perspectives need to be applied from the President's point of view.

A third thing that needs to be done—and Mr. Gunnels referred to this before we started our meeting and it is an important function—no matter how far down the road we are able to go in grant consolidation or joint funding or revenue sharing, most of which are probably quite a ways off, there will always be instances down at the local level where things are not working. Let me take an example from your home State, Mr. Chairman. In Muskogee, Okla.—is that in your district?

Mr. STEEL. No, it is not in my district.

Mr. ROUSE. In Muskogee, Okla., the mayor is a businessman. He owns a store in the town. He works at it most of the day. He is a mayor as a part-time responsibility. He also has a one-man staff. He wanted to get an urban renewal grant for part of the main street of Muskogee, and requested the usual materials. The materials came and they were that thick. He could not in a month of Sundays have prepared an adequate application as against those requirements, nor could we with his assistant.

He tried, and 2 years later he was still trying to get the application in the form that would be accepted. What do we need in the executive office? We need a man who can go to Muskogee, Okla., or any other place in the United States, where a man is having trouble getting something done, and help him do it. He is not a guy that goes down there with authority to force people to do anything. But he is a guy who would take the mayor of Muskogee to the regional office of HUD or the district office, and say this particular application is something you can do on the basis of the information you now have in 2 hours. For goodness sake, let us sit down and do it. Alternatively there are many issues, because so many of our programs are interagency issues or cross agency lines, where two agencies at the local level are just not agreeing with one another, and things get bottlenecked and gummed up because you cannot break that lock and there is not anybody there to conciliate or bargain or arbitrate, if you will.

One of the things we would like to see built into the Executive Office of the President is the Office of Program Coordination, a small group of roughly 30 men, who will be available in Washington to go into the field and break logjams and bottlenecks and help to get things done. Once again I want to reiterate they do not go there with any authority other than the authority of their own persuasiveness, their own knowledge of the situation, and, indeed, their ability to report back to the Director of their office.

Mr. COHELAN. If the chairman will yield, I am wondering, what makes you think we haven't got that right now under the present state of organization? What do you think the Bureau of the Budget is all about?

Mr. ROUSE. The Bureau of the Budget examiners spend less than 5 percent of their time in the field.

DECISIONMAKING

Mr. COHELAN. I know, but this committee had something to do with that. We do not want them in the field all the time. We want decisionmakers out there. We have talent in this Government all over the place but they are often reluctant to make a decision. The thing you are talking about is not going to do it, because when you really get down to it what you are talking about is power. Somebody has got to make a decision. Most of that Regional talent are sitting and waiting for some news from Washington. It does not make any difference whether it is the Democrats or the Republicans. The thing that depresses me is that we have structurally studied this Government until we are purple. We know what the answers are. It is decisionmaking and the process of decisionmaking. In a Government as vast as this there are going to be powerful personalities and they are going to influence decisions. Yesterday we went through this with the Bureau of the Budget. Out in California we have had an interagency program to try to get cross communication and lateral communication between the whole region and we find there are all kinds of anomalies.

You have directors that are paymasters and you have directors that are policymakers. Many of them do not even talk to each other. You have small agency activities hidden in the Government that report directly back to Washington, and they become little baronies. This has all come out in the course of the Oakland Task Force studies. I want to be as cooperative as I can. I agree with most everything that has been said here. But I think for us to assume that there is going to be a "deus ex machina" that is going to come in and solve these problems by some new structure of organization is just a dreamboat proposition.

Mr. ROUSE. You know I agree with everything you said. I think the fault is mine in not giving the kind of analogy for this operation that I think is appropriate. The best analogy I can think of is that these fellows are something like industrial expediters or labor conciliators. Labor conciliators do not go anywhere with any power, but because they are there, they frequently get things done, or help to get things done. They do not make a decision. But they help the guy who is there to make a decision.

Mr. COHELAN. Where does he get his authority?

Mr. ROUSE. He does not go to the field with authority. It is very informal. But he is there when he is needed in specific cases. He is there to provide a communication link between two guys who are not talking to each other.

The point you raised about the differing authorities of the regional directors is quite an appropriate one. As you know, the HUD regional director has a considerable amount of authority in the field, while the HEW regional director is really not even the holding company for the 55 HEW organizations that report directly back to their principals in Washington. Nevertheless, if there were a man available to go out

and to get these fellows to talk to one another, not only the regional directors but some of those 55 people that are making life difficult around a specific problem, you have an umbrella that allows some of these men to forget some of their differences, or to put them aside.

Mr. COHELAN. I understand the technique perfectly. I lived in that kind of a world for many years. But I want to know this. How do you think that executive is going to get these fellows to make a decision unless the guy at the top knocks their heads together?

Mr. ROUSE. Sometimes that may be required.

DOMESTIC COUNCIL

Mr. STEED. Mr. Rouse, let me give you a couple of for instances to see if what I expect this Domestic Council to accomplish is correct. I had a matter called to my attention this morning about a sewage disposal project in my district where the expenditure of about $250,000 of Government money is involved. How this happened I have not found out yet, but through some Government requirement the inspector for this work is with a poverty program and the man they furnished is a minority group guy who cannot read or write. So the contractor is wondering whether if any difficulties developed the fact that he passed inspection of this sort would alleviate him of any blame. How that kind of an inspector gets into an antipollution program I have not found out yet, but I was told this was so. That is one case.

Another case is that one of the agencies we supervise, the IRS, is trying to provide itself with three additional data processing centers to handle tax returns, one to be located at Fresno, Calif. That site was selected because at a center of this sort because of the big peak along in April of the arrival of the tax returns it is efficient to have a lot of part-time or temporary employees. The annual workload is much lower than this one peak. They found through experience that to locate a facility of this sort where this type of temporary labor is not available is a very sad mistake. They made this selection on the basis that there are two colleges in this area, and this happens to be the source of the best type of temporary labor for this sort of function that they have ever been able to come up with.

Everything was fine until a matter was injected into it of an urban renewal project many miles away from the selected site. Since this is a sort of ghetto situation, the demand has now been made that this facility be located in that area. Unfortunately, as much as we want to help disadvantaged people, this particular type of work does not lend itself to that sort of a social movement. We have one agency of the Government now wanting to go one way, and the user agency, the Internal Revenue, unwilling to go that way because they feel that because of the proximity of the labor market that it is self-defeating.

How we get social reform mixed up into a purely technical operation or function of the Government that is of the highest priority I am unable to understand. Are we going to be able to have an agency here now that can referee this sort of thing? Is this what we are shooting at?

Mr. ROUSE. That is a good example. Referee in that particular case may not be too bad a word. It is not a referee in the sense that a regulatory commission would build a record over an issue of this sort.

But it seems to me that one of these men might very well be the kind of guy who would try to objectively weigh the arguments on both sides, and in this case make recommendations not to his boss necessarily, and maybe not even make recommendations. He might go to the Chief of the IRS and to whoever the other agency is and tell them what he thinks.

Mr. STEED. The way I feel about that is this: We think we know what these functions of Internal Revenue are and what they require and how they can be of service to the Government. I just would not tolerate using this sort of activity as a social reform tool. Having said that I think you will see my record is that I voted for all sorts of money in other ways to help social reform. I am not opposed to it. I think to try to use the wrong function for it is just the height of foolishness.

I would not be a party to using the Government's money in such a way that an agency's primary mission is sacrificed to some other mission.

Mr. ROUSE. You would not argue, Mr. Chairman, that there are not some instances, however, where a project might serve both purposes.

Mr. STEED. The very next project you bring up might have the exact application. It could be foolish not to make a two-bird-with-one-stone approach. This comes up all the time in one form or another. I have been a strong advocate of this council idea, and I had hoped that it would provide a new tool to mesh these things together and eliminate these frictions and make a total contribution to more efficiency in what we are trying to do in all these areas.

IMPORTANCE OF COMMUNICATION IN GOVERNMENT

I have another instance. My district is the sort that lends itself to what we call the small watershed treatment and soil conservation. We are way ahead of most of the country in planning and being at a point, where with construction funds, we could accomplish a great deal in this desirable program. If you look at the record, you will find that when you start dealing with total pollution that soil conservation is the base from which you start to stop pollution. If you do not get the silt out of the streams, there is not much point getting other things out of the stream either. Here is what amounts to, under another name, an on-going, long-lived, antipollution function. Now we are starting out to do a number of other things to combat pollution. Already you can see where the tail is going to wag the dog. There will be funds available for certain phases of it in this same area that is more than the need, whereas here the one base thing, the foundation on which everything rests, they are still starving for funds.

By a quirk of legislative act, there is a little phrase in the law which builds a Chinese wall between these two approaches. And that is that the Watershed Act says that for the purpose of building these control structures, that no other Government funds may be used. So there are going to be many areas where the ongoing, or the total application of the whole pollution concept is going to be thwarted by just this one little phrase. You get into rural water systems, you get into soil conservation under the watershed control phase, you get into the land

treatment of the individual farm owner phase. Then you come into sewage disposal, into water systems for small municipalities.

Mr. ROBISON. And the Corps of Engineers program.

Mr. STEED. Yes. There again if you are going to lick the problem across the board you cannot have walls between these functions. They ought to be meshed.

Mr. ROBISON. If I might make an observation, it almost seems to me that the tenor of our remarks indicates that it is going to be very difficult for this Council to go out of business as it has hoped to do by December 31 of this year. It almost seems to me, once we begin to decide where we are going to reorganize and reform, it becomes very difficult for us to stop.

Mr. ROUSE. The Council's hope is that it will be able to go out of business then, leaving behind in this organization and management group, revived and enhanced within the Office of Management and Budget, the mechanism to carry on in a regular manner.

ROLE OF DOMESTIC COUNCIL

Mr. STEED. Obviously, these problems, if you followed them to the ultimate, would lend themselves to a decision by the President. President Truman told me once that at any given time he was 32 people. We are now told that the current President if he diagramed himself, he would find out that at any given time he is 48 different people. Obviously, this means that some presidential functions must be delegated.

I think the reason I have been such an ardent advocate of the Council idea, thinking that we have some concept of how the National Security Council works in that area, is the possibility that something of the same approach ought to work in the domestic area.

Mr. ROUSE. That is exactly the analogy.

Mr. STEED. So you cannot make the President of the United States get into what I would guess you would call for lack of better phrase, "chickenfeed type of problems," but these are problems. The way I read it, one Department goes to its White House contact and makes a good case for itself, another Department has another White House contact. They may not be in lateral communication between the two sources of contact at the White House. So we get a narcotics problem as the result thereof, and we get pollution problems, inter-city problems, and all kinds of problems. Plus the fact that as this thing multiplies itself, the example you used of the local fellow not knowing how to use it becomes the worst problem.

I think every member of the Congress finds himself having to be somewhat of this kind of a trouble-shooter you are talking about, because once his constituents call on him he cannot ignore it. Even when he begins to try to approach a multiple agency situation in Government, my experience has been that you do not double the red tape by having two agencies, you triple it. It gets to be a real problem sometime how you finally get something unwound so it can go ahead. There ought to be a better mechanism. It is not just cutting out duplication. It is meshing what has several facets to it that different

agencies are better equipped to do that particular thing than the others, but they never seem to all fit together in a completed product.

I hope that my concept of what this Council's great challenge and opportunity is correct, because if there is anything between here and the White House, it is crying out for a better answer than we have now in this area.

I am hoping that this would get into this need and that is why I have been probably one of the strongest advocates of a Council idea. Mr. Robison?

EXECUTIVE REORGANIZATION PROPOSAL

Mr. ROBISON. Thank you, Mr. Chairman.

We gave Mr. Rouse an opportunity some moments ago to explain the executive reorganization proposal. He got started on that task and then we sidetracked him considerably. I do not think time is going to permit us, in the balance of the morning, to allow him to go back into this in great detail. But, since the Presidential message of March 12 is going to be a part of the record, I think we can let that message and the words thereof speak for itself.

Let me summarize what I understand to be the heart of this reorganization plan. But before doing that, let me ask you, Mr. Rouse, whether or not it would be fair to say that this is the main fruit that has so far developed from the efforts of the Council. It is, is it not?

Mr. ROUSE. That is correct.

Mr. ROBISON. In your judgment this will be one of the major efforts at reorganization that the Council will be able to achieve? In my own thought this is, perhaps, the key to turn first in the lock from which other benefits will flow.

Mr. ROUSE. Put that way, I agree, Mr. Robison.

Mr. ROBISON. For some obvious reasons, this is the area to which the Council first directed its attention, reasons beside the fact that the President, himself, felt this was an area of primary importance, is that right?

Mr. ROUSE. Yes, Sir.

ENACTMENT OF REORGANIZATION

Mr. ROBISON. This plan would go into effect, as I understand it, on August 9 unless one or the other House of Congress vetoes it.

Mr. SCHNOOR. It will be 60 days from the date of transmittal, plus whatever number of days are taken for the Easter recess.

Mr. ROBISON. I think it works out to August 9. I am not sure, but that is the information I have in front of me anyway. Let me say for myself, and for the record, that I think it is a good plan. I want to compliment the Council and the President, and you here, sir, today, and your other witnesses, for having brought it before us. I am strongly in favor of it and I hope it will go into effect at the earliest possible date.

As I recognize what it accomplishes, among other things it will set up in the executive branch of the Government a Domestic Council to be headed by a Presidential assistant for domestic affairs, John Erlichmann. This Council will supplant the existing Rural Affairs

Council, the Urban Affairs Council, and the Cabinet Committee on Environment. This Council is designed to be largely a counterpart to the National Security Council, and the whole purpose is to develop better coordination of domestic policy, is that correct?

Mr. SCHNOOR. That is correct.

MECHANICS OF REORGANIZATION

Mr. ROBISON. Besides which we are going to change the Bureau of the Budget, in name if not in concept, to the Office of Management and Budget. Peculiarly enough for some reason, that requires the functions now vested by law in the Bureau of the Budget to be transferred to the President, whereupon the President says it is his intention to redelegate all of those functions right back to the new Office of Management and Budget. Why do we have to do that? Does anybody know?

Mr. SCHNOOR. Mr. Robison, in order to have a reorganization plan you have to include one of the measures of reorganization, and the reorganization statute defines the measures of reorganization as transfers of functions, their consolidation, delegations of authority or the abolition of functions. In order to have the plan and the incidents thereto, which are the creation of the new Office of the Domestic Council, we had to have a measure of reorganization, and the reorganization to fulfill the statutory requirement is the transfer of the Bureau's functions to the President.

Mr. ROUSE. That is absolutely correct as a technical reason. There is an organizational reason for it as well. In the 1950's the Congress, through a reorganization plan gave to every head of an executive agency, with very limited exception authority to reorganize his own office by transferring to, for example, the Secretary of Agriculture the functions of all of the bureaus or agencies within the Department of Agriculture. It is intended to do the same thing for the President that has been done for his Cabinet officers in the past.

Mr. ROBISON. There could be an attempt to do some of these things by Executive order, I presume. But in order to do them in their totality, the reorganization plan approach is preferable in the minds of both the Council and the President, is that right?

Mr. ROUSE. That is correct.

BENEFITS OF REORGANIZATION

Mr. ROBISON. With respect to the Domestic Council to be set up in the Executive Office of the President, in the memorandum about all this that was submitted to this subcommittee some days ago, one of the stated anticipated benefits of the reorganization plan generally—and it might not refer here directly to the Council—was this: "Strengthening of those permanent agencies serving the Presidency rather than an incumbent President."

That is a good purpose. But can you clarify for me further what precisely is meant by that?

Mr. ROUSE. One of the interesting things about the President's office is that every time a President changes and we get a new President, the records of the past President all go with him to a Presi-

dential Library. I am backing into this in a fairly strange way, I suppose. But it is a mark of the fact that we lack an institutional memory particularly with respect to domestic policymaking. It is a reflection of the fact that we lack an institutional memory that we need to strengthen those formal elements of the President's Office which are associated with the making of domestic policy. Mr. Robison, there will be developed through the Domestic Council staff a continuum of information and of knowledge about how pieces of the domestic program fit together, and particularly how fiscal constraints affect what is possible and what is not possible. It seems foolish in this day and age for task forces, by whatever President, to present reports to the President which are not doable simply because they ask for programs that are just not fundable within any sort of reasonable economic and fiscal ground rules.

We want to avoid that, if we can, too.

In having an institution with a formal process annually reexamined by Congress through the appropriations process, you begin to develop the same sort of institution for giving the President policy advice in this domestic area as the Bureau of the Budget is for him in so many other areas.

The other part of this is to enhance and revive those pieces of the Bureau of the Budget, or those functions of the Bureau of the Budget, which have atrophied over the years. The result will be to give to the President advice about administering the executive branch that derives from all of the tools of management available to him, not merely from the budget. If I say that with too much emphasis, it is intended.

MANAGEMENT TOOLS

Mr. COHELAN. If the gentleman will yield, can you elaborate on that? I do not follow you there.

Mr. ROUSE. Yes, Mr. Cohelan.

Mr. COHELAN. The tools of management other than budget.

Mr. ROUSE. In almost any large organization the man who heads that organization will sometimes restructure it, or develop new procedures or processes, because situations have changed and new things are required. That does not have anything to do with money. It has to do with the way things happen from day to day. That is a function, developing organization and management systems, if I might put those terms on it, that have not been given the space, the effort and the emphasis that they require in the Government today. It is hoped that his organization by emphasizing that function, among others, will improve the President's ability to carry his responsibilities for administering the executive branch. Two, in almost any large organization the guy who runs it wants to know how well his divisions are doing. The President of the United States does not know that and very often agency heads do not know it either, because as you go down the hierarchy in any organization, people need to protect certain things. They are not being dishonest about it. They are just being very selective about the information they put together.

On a selected basis, where the programs are important to the President, or under attack in one way or another, in the press or what have

you, the President needs an objective view of how the program is doing. That is another tool—evaluation—that he needs. He needs better information systems in three senses. We need a system of information which is common to the President's Office, to the agencies and to the bureaus, at different levels, each with the ability to use much the same information, to know, for example, how they stand as against their appropriation, and to have some measure of output, even if it is a measure of the efficiency of their activity as opposed to the effectiveness of their activity.

There are programs that are important to the President. For example, this President is concerned about the number of Americans overseas. He probably wants to know, although I cannot speak for him, on a monthly basis or a quarterly basis how the program that he has developed to reduce the number of Americans overseas is going. He is not going to want that report on an on-going basis. A year from now if what he has undertaken looks like it is working, he may discontinue the report.

On certain programs he needs to have information which he would not ordinarily need. The Santa Barbara oil spill is another example of that kind of thing, where because people are very much concerned today with offshore oil and its effects on the shoreline and ecology he may want to have an on-going report on what is happening in that area.

A third thing is that the President needs to take the lead in helping agencies and others begin to use modern data management and data processing tools. There are certain efforts which would free people in the Bureau of the Budget to do the kind of evaluation task that I have just talked about, if we were able to produce the appendix of the budget, for example, automatically using modern data processing techniques. The Federal Assistance Catalog that is a joint product of OEO and the Bureau of the Budget could very quickly be reduced to a relatively automatic kind of operation which would produce much more accurate information, once the system were built.

Mr. ROBISON. I certainly agree with that.

Mr. ROUSE. There are other examples. The so-called Chinese table of the budget. The form changes from year to year, but that is another very complex job which takes many man-years of effort, which could be reduced I think in fairly short order, although I would not want to promise it, to a fairly automated procedure.

Also, the President needs this program coordination activity—the arbitrator-conciliator—because he needs to be able to demonstrate to people that things can get done.

Finally, he needs the ability to develop programs on a more on-going basis for motivating and providing meaningful careers for the career executive personnel of the executive branch of Government. He needs to be able to have a small group of people who are thinking continually about how we recruit people and how we make them more mobile within the executive branch, how we motivate them to do a better job, and how we make their careers more satisfying to them personally and in doing that, more useful to the Nation. But that needs to be done on an on-going basis. I want to emphasize the word program there, because nothing that this activity will do will deal with individuals. They will not be spotting people for promotion

or recommending people for moving around agencies or evaluating individuals. But they may be developing a system by which individuals may be evaluated by their own agencies, and so forth.

RELATIONS OF PRESIDENT AND CABINET

Mr. EDWARDS. If the gentleman will yield at this point, is this going to tend to bring the President and his Cabinet closer together, or is it in effect going to take them further apart?

Mr. ROUSE. We believe it will make the Cabinet as individuals and not as a body, much more relevant to policy making than they now are. Nothing contemplated here would detract from individual Cabinet member's access to the President. What is added, however, is a mechanism within which Cabinet members can get involved in policy recommendations much earlier in the game, with much longer time periods for developing policy, and in such a way as to get the perspectives of their colleagues on the cabinet into their own thinking. May I give you a specific example that may help?

Let us take "rail pax". This is a program for subsidization of passenger commuter transportation developed by the Department of Transportation.

Mr. ROBISON. It is still up in the air somewhere now.

Mr. ROUSE. Today the process by which this program would become a recommendation of the President to Congress is that the Secretary of Transportation would as he did, put together, a package program and it would go to the White House. The White House would then circulate that proposal to the Bureau of the Budget, to the Interstate Commerce Commission, to the Department of Housing and Urban Development, and other people concerned. What role do these people play with respect to that proposal? The role is a reactive one. More often than not it is a negative one. More often than not these kinds of proposals are seen as grabs by one Department of something which another Department is interested in, or an attempt to expand their own jurisdiction or something of that sort. So the responses are usually negative responses.

Usually the fuse on the development of a policy or program recommendation is a very short one because the program is developed under congressional imperatives, or because the President would like to get a program, for example, on urban mass transportation ready fairly quickly. At some point when all of these responses are brought back into the White House and analyzed there is only one person in the United States who can make the decision on the conflicts which now exist between departments, and that person is the President. The issue is resolved in a contentious atmosphere to which none of the Cabinet officers, with the possible exceptiton of the Secretary of Transportation in this instance, has given really adequate attention. What is the Domestic Council supposed to do that is different?

The Department of Transportation would still make a proposal. But now the President would say to the Secretary, the Secretary of Housing, and Urban Development, and the ICC Chairman, and others, you three men or four men become a subcommittee of the Domestic Council. Working with your own staffs and with part of the staff of the Domestic Council which we will assign to you, prepare a memo-

randum for me, which presents the alternatives to this proposal, or a recommendation, if you can agree on it. If you have dissents from the recommendation, please record those on the face of the memo rather than writing me another 200 page document on the subject. Get that memorandum to me in 6 to 8 weeks. Use whatever facilities you need in your own operation, within the Bureau of the Budget, the Domestic Council staff for this purpose, but come in with an agreed upon set of facts, if facts are in question.

What you have provided is a formal umbrella within which Cabinet officers can talk to each other, their staffs can talk to each other, about the formulation of this specific policy, rather than merely reacting to what one guy has already proposed. In this situation the Department of Transportation will obviously have a vested interest in this proposal. They may fight hard but they are not fighting hard at the President's desk. They may later on if it reaches that point. But most of these issues are going to get settled at the meetings these men have among themselves and the staffs among themselves. We are convinced we will get better policy. Two other things are important. When they sit down to work out this policy, they will have for the first time because of the way we would like to see the Domestic Council work, some idea of what reasonable fiscal and economic constraints are. You are not going to come in with a $12 billion program if $12 billion are not available for this kind of a program. They are going to be working within constraints and that very fact helps to bring people that are meeting on this subject back to some sort of sense of reality.

The second thing is that there will be time for these things. I am sure you are well aware that many of the key policy programs of all past administrations, and I am sorry to say even in this administration, have been prepared with much too short a time fuse. You are all aware of Joe Califano's efforts to develop ideas for the President's program through the task force mechanism. The Domestic Council is a culmination of those efforts of Califano, of the Kennedy administration and the Eisenhower administration where the idea started in the first place.

This is by no means a partisan kind of thing. It was a plank of both parties in 1968 that we need to have a more formal, a more consistent and better integrated way of developing domestic policy.

EXAMINATION OF DOMESTIC POLICY

Mr. ROBISON. Let me see if it is correct to say that insofar as it is ever possible under our system one goal is to help develop that policy outside of the field of politics to a certain extent, wouldn't you agree with that?

Mr. ROUSE. Not entirely, if I may, Mr. Robison. Let me say that within the framework of the structure in which these men are working politics is not a major factor. When the President's perspective needs to be applied to their results the President and the people who are most directly responsible to him, his immediate assistants, need to apply some political judgments. To that extent politics does play a role in it.

I hope that answers your question.

Mr. ROBISON. It does in part. I think it was Phillip Hughes, who used to be with the Bureau of the Budget, with whom I had a most interesting colloquy a couple of years ago about how programs are developed from ideas submitted to the President, and then in legislative proposals made to the Congress. Sometimes, of course, it works in the opposite way from Congress to President, but as I remember, it was his thought that too many of these proposals were based on purely political premises. If the Republican Party, or conversely the Democratic Party, would make the first move in a certain field they would get some "brownie points" with the electorate, or a favorable editorial in the New York Times. But what we really needed was machinery, and I think you are reaching toward it here, where domestic policy could be examined in its totality and more objectively. If this is our aim then it is a great idea, and it is in an area of need and we have to do something about it immediately.

Mr. ROUSE. You are absolutely right.

Mr. ROBISON. The compulsion to be "doing something" often is a political necessity of the moment, as the President or his advisers have viewed the situation.

Mr. ROUSE. I think that is correct.

INSTITUTIONAL MEMORY

Mr. ROBISON. I think what you were saying earlier about "institutional memory," may relate to this and gets back to that question of mine earlier—that this is something that might serve not just the President but the Office of the Presidency in a continuing sort of way.

Mr. ROUSE. Exactly.

Mr. COHELAN. If the gentleman would yield in that point, isn't the institutional memory principle in our Government supposed to be the civil service in much the same way as it is in the British parliamentary system, plus the legislature? There is a lot of institutional memory around here, and it is constantly interacting with the Executive. It seems to me there is an abundance of institutional memory if we employ it.

Mr. ROUSE. You are absolutely right. The examiners and the other professionals of the Bureau of the Budget are, within the Executive Office, a real mine of information. But part of the problem is that there are the civil servants in one group and the political officers of the President's immediate office——

Mr. COHELAN. Is the schedule "C" what he is talking about?

Mr. ROUSE. In the Domestic Council these two institutions will be interacting a good deal more frequently and on a give-and-take day-to-day basis. So that one knows what is available to the other and vice versa. I think it is true that many bureau chiefs and others—civil servants of high rank—are only waiting to serve any administration and want to. But they do not know what to do.

They sit there waiting for the word to come as to how they ought to go and it never comes. The point is if there is more interaction in the President's Office between these two, the policy-political people and the institutional people, two things get accomplished. First the example is set for the agencies and bureaus to encourage similar inter-

actions. And two, by virtue of that interaction, we hope, more direct information will get to the institutional people of the agencies, about what the President's policies are, what policies he is recommending, I should say, and more specifically what it is the President wants that man specifically to do about his job.

COUNCIL MEETINGS

Mr. ROBISON. We have given you this morning a sort of "dry run" of what you might have when you get to the Government Operations Committee. We have not asked you very many questions at all about your budget. So, how many Council meetings have there been?

Mr. ROUSE. The Council meets every month for 2 days at least and often 3. They will be here for example this week for 3 days—Thursday, Friday, and Saturday.

Mr. ROBISON. Are you getting good attendance on the part of all the members of the Council?

Mr. ROUSE. We have never had less than four of the six and we usually have all six.

Mr. ROBISON. Is there a continuing interest and a good deal of enthusiasm on their part for the job they have?

Mr. ROUSE. Each of the Council members has accepted responsibility for one or more of the studies. In addition to the Council meetings each spends substantial amount of time with the team of professionals working in each area.

Roy Ash and Dr. Baker, for example, were the Council members that took special responsibility for the Executive Office—Mr. Ash probably spent as much as 15 days over the past 6 months, in addition to Council meetings just working on this one problem.

REIMBURSEMENT OF COUNCIL MEMBERS

Mr. ROBISON. Are the Council members paid at the rate of $100 a day?

Mr. ROUSE. No; they are compensated only for their expenses. Isn't that correct?

Mr. MCKENZIE. They were authorized pay. They declined to accept pay. But they do receive in the majority of the cases travel expenses. Mr. Ash does not accept travel expenses.

Mr. ROBISON. He is to be congratulated for his service. With respect to the staff I think it would be well to identify the people you have in the higher level positions. Executive level 3 at $40,000, the Executive Director, who is he?

Mr. ROUSE. That is Mr. Murray Comarow. The Deputy Executive, Director, level 5, at $36,000, is me, Andrew Rouse.

Mr. ROBISON. Then there are two GS–16's with a pay range between $25,000 and $31,000; senior staff associates. Can you identify those persons?

Mr. ROUSE. One is Mr. Amory Bradford who heads up the team concerned with the natural resources and the environment. The other is Mr. Roger Golde, who has been doing our work in foreign economic policy and has also been the major staff contributor to the Executive Office study.

Mr. ROBISON. What was your background before you came on the staff, Mr. Rouse?

Mr. ROUSE. Prior to joining the staff I was Director of the Resources Planning Staff of the Bureau of the Budget, a staff which reported to the Director of the Bureau. That was a GS–17 level. Prior to that I was for 10 years with Arthur D. Little, Inc., in Cambridge, Executive Office study.

RECOMMENDATIONS OF THE COUNCIL

Mr. ROBISON. With respect to the operations that you have completed, I understand you to say you have submitted five memoranda, and one of them presumably was the memo on which this executive reorganization plan is based.

Mr. ROUSE. Two of them.

Mr. ROBISON. The other three were in what areas?

Mr. ROUSE. Oceanography, what we have called secondary activities of the Executive Office, and Bureau of Narcotics and Customs overseas.

Mr. ROBISON. The problem we have been talking about.

Mr. ROUSE. Yes.

Mr. ROBISON. There are seven yet in the making.

Mr. ROUSE. Yes.

Mr. ROBISON. Can you tell us what they are, or did you already?

Mr. ROUSE. I have not, but they are highlighted in my statement. Social programs, regulatory agencies, narcotics, the one we have talked about earlier, the broader subject, law enforcement, natural resources and the environment, foreign economic policy, and a final one on the Executive Office which will deal primarily with the Office of Emergency Preparedness.

CONSIDERATION OF ICC

Mr. ROBISON. Will the study being made of the regulatory agencies get to the question of the ICC, which that perennial gadfly, Ralph Nader, now says should be abolished. I am not going to ask you to comment on his suggestion, but does this study encompass agencies such as the ICC?

Mr. ROUSE. It encompasses eight regulatory agencies, among them the ICC, Maritime Commission, the Civil Aeronautics Board, the Securities and Exchange Commission, the Federal Communications Commission, the Federal Trade Commission and portions of the Atomic Energy Commission.

Mr. STEED. And the Federal Power Commission?

Mr. ROUSE. And the Federal Power Commission.

Mr. ROBISON. It is a very important area for us and the President to reconsider.

ENVIRONMENTAL STUDIES

Finally, Mr. Chairman, when you get into the environmental study, and begin to act like angels moving into areas that other people fear to tread into, if you think you have had problems already, you will have a lot more, or someone will, when we begin to discuss up here in Capitol Hill whether or not the Soil Conservation Service and the Corps of Engineers, for instance, and other such agencies are going

to be transferred to the Department of Interior, or whatever. So good luck to you in what you do.

Mr. ROUSE. Murray Comarow frequently says that it is a problem that one can only approach on one's knees. I think that is appropriate.

Mr. STEED. Mr. Cohelan?

Mr. COHELAN. Mr. Rouse, where is Mr. Comarow today?

Mr. ROUSE. He is in Chicago. He was called out of town quite abruptly and asked me to take his place today.

TOPICS OF STUDY

Mr. COHELAN. The summary states that on the basis of your budget here you are having your staff operations preparing for a phaseout, and there are pending some seven study designs in these selected areas.

Mr. ROUSE. Yes.

Mr. COHELAN. I am interested to know, if you know, why you did not select race relations as a problem?

Mr. ROUSE. Let me tell you how the Council went about selecting its areas of study. At the first meeting of the Council back in April 1969, they put together a list of a hundred, more or less, areas which required organizational effort. Civil rights was one of those areas. As you can well imagine there were a lot of others: Federal bank regulation, Indians, as a special problem, and so forth and so on, down the line. That list, the Council itself culled out, and ended up with 15 or 18, as I recall, areas which they thought were priority areas. They then discussed that list with the President and asked the President which areas he thought ought to be given attention.

The President indicated six or seven areas where he was having major problems. There are some areas where the President felt, and where the Council felt they ought not to study; not because there were not organizational problems, but because the problem was one which was so endemic to all activities of the Government that you did not want to organize around it. It was a subject which needed to be a continual concern in the administration of all agencies. Such an area was consumerism, for example, civil rights was another of those issues. Those are two that I can think of which seemed to be a problem for all agencies, and were not—while they may be a substantive issue of great importance—a problem susceptible to an organizational solution.

Mr. COHELAN. In other words your methodology in doing the design of your studies permitted you to select the categories with the final political judgment being made by the President.

Mr. ROUSE. That is correct. But having said that, I do not want to leave you with the impression that this criteria of whether the problem could be solved organizationally was ignored because it was an important consideration. If the council and the others with whom they talked felt it was susciptible to an organizational solution they left it on the list.

Mr. COHELAN. Obviously in selecting out of a universe of identifiable problems, you have one in the pipeline, which is before us, the reorganization plan, and you have seven proposals or recommendations under study. Obviously there is an awful lot left out so this is all you could manage under your warrant, is that right?

Mr. ROUSE. Yes, sir; with a staff of the size that we decided to lay on, it was just impossible to take on all of these subjects. You had to limit yourself somehow.

Mr. COHELAN. Is this to imply priority?

Mr. ROUSE. I do not think it would be inaccurate to say there was a sense of what the priorities were, yes.

TERMINATION OF THE COUNCIL

Mr. COHELAN. Are you going to be able to conclude your studies before the end of the year?

Mr. ROUSE. The end of the calendar year?

Mr. COHELAN. Yes.

Mr. ROUSE. Yes.

Mr. COHELAN. According to this you are going to be out of business. Do you anticipate being out of business?

Mr. ROUSE. We truly hope so.

Mr. COHELAN. Are you preparing for a phaseout?

Mr. ROUSE. We are scaling down the staff at the end of this fiscal year, and I think we will be out of business by December.

CONTRACT AND CONSULTANTS

Mr. COHELAN. Do you have occasion to contract out for any of your studies?

Mr. ROUSE. We have not contracted out in the sense of employing corporate contractors such as Arthur D. Little. We have not done anything of that sort. We have acquired the services of experts to assist in our work.

Howard Kahn is working in the natural resources area. We have had one very small consulting contract with a firm that is helping us to research the United States Code. It is a data processing activity. For example, they are helping us find out what all the legal reporting requirements are for agencies. As you can imagine going through the United States Code and trying to pick out all the laws which say somebody must report on something is just a horrendous task. This contractor has the United States Code on tape and using a key word index is able to get all this information out for us very quickly. I think that total contract is $8,000, is tht correct?

Mr. MCKENZIE. Actually $1,700 at this point.

GOVERNMENT OPERATIONS

Mr. COHELAN. I want to commend you for what you are doing and what you have already done, and I hope your efforts will yield excellent results. I must say, however, that a great man once taught me that no matter how awkward the structure of an institution, it was the men in the institution that really counted. We have some pretty awkward structures around here. In our very awkward system, but there are some economists and historians who say that our society would not have survived if we did not have outlets for some of the stresses and strains. Another observation is that there is nothing wrong with the politics of the process because this is the way in this

highly diverse society that we win consent. In terms of the structural and managerial details, I think it is absolutely essential that we continue to improve. However, when you boil it all down, it is a question of power and who is to make certain kinds of decisions. We know perfectly well, and I hope your studies are aware, that you have to face the legislature. The legislature is pretty closely involved with everything you are doing. In fact they may be responsible for some of the problems. I would be the last to deny that.

Of course, it does represent a distribution of power. For anybody to ignore that is missing an awful lot about how the American Government operates. I only mention it because seniority qua seniority no matter how restructured, will not get us away from power politics. Some well intentioned reformers seem unaware of this. I would think that the same applies to the Executive.

TALENT IN THE GOVERNMENT

The other observation I would make is one I made yesterday in connection with BOB. As I look at this Government after 12 years, there is a great amount of talent here. Able men, like you for example, are throughout the civil service. There is not a thing that we have talked about that they do not know. The Inter-Agency Group on the coast has been talking about it for a long time. You mentioned Bradford who is on your staff, he was one of the prime movers in the Oakland task force. Bob Pitts was the head of the Federal executive council out in the western region. I presume these things were going on all over the Government. The point is the ingredients are there.

The Federal executive seminar which has been institutionalized is a remarkable development. As I meet these men, I am greatly impressed with the sophistication and ability of these professionals in the Government. They know what is wrong. As you said, they are waiting for the "word" to come down. I have no objection to refining our retrieval processes and improving our communications and improving methods. But when you really get down to the nub of it, it is the quality of the decision that is made that is really going to count. That gets us into politics. It gets us into power. I stress there is nothing wrong with that. The notion that we can purify the process I think is wrong. This is part of our democratic arrangement. Let the argument go on, I say, because it is the way we come to decisions in this highly diverse social order on how we are going to order our priorities. I think the business of improving is a constant thing. But to expect too much of it can often become an alibi for bad policies.

Mr. ROUSE. No; and I agree with what you have said, Mr. Cohelan. I do not think there is anybody who believes that structuring anything corrects a problem. It may go a little way down the road to creating an environment in which some of these men that you talk about can do a better job. It may bring us a little bit more up to date. That is all the expectations really are—to help structure a new or different environment in which, in the case of this management and budget organization other things can get done than what now is done.

Mr. COHELAN. Mr. Rouse, you have been very helpful in explaining all of this, and I personally want to compliment you and to wish you well.

Mr. ROUSE. Thank you, Mr. Cohelan.

Mr. STEED. Mr. Edwards?

OCEANOGRAPHY STUDY

Mr. EDWARDS. Thank you, Mr. Chairman. In your study of oceanography, did the Council lean heavily on the work that had previously been done by the Marine Sciences Council and other such bodies, or were you completely independent in your look at it?

Mr. ROUSE. The Council and its staff read the reports of the Stratton commission and the work of the Marine Council and also talked to several members of the Stratton commission. But it came to its conclusions quite independently of the conclusions that the Stratton commission had come to on organization. Mr. Edwards, I really should clarify what the recommendations of the Council were because they are somewhat misunderstood, I think. The Council said to the President, and I can talk about this one because it is public, we really do not think you ought to do anything about this area now until after you have made up your mind as to how you want to proceed in this whole area of natural resources. Since you are going to do that soon, there really is not any imperative to action.

We then said, if, however, in your judgment you are forced to do something now, we suggest that you do not propose the creation of a new agency, as recommended by the Stratton commission, but rather include most of the functions which the Stratton commission would like to have grouped together in an existing department. The Department that we recommended they be grouped under was the Department of Interior. The Council also made one further very important recommendation, and that is, if you must do something, and if you agree with our recommendations, do not put them in the Department of Interior unless you have first gotten an internal restructuring of the Department of Interior underway so that it becomes a reasonable receptacle for a fairly sophisticated technical activity, a receptacle, which in my opinion it is not now.

NARCOTICS PROBLEM

Mr. EDWARDS You made a statement, and I do not think you followed up on it, that the Council never in a million years would have looked into the narcotics overseas problem. Will you follow up on this?

Mr. ROUSE. The Council's original charge in any area even remotely related to this had to do with organized crime. It dealt largely with how should the Federal Government organize itself to deal with organized crime. We concentrated our activity in looking at the offices of the U.S. Attorneys vis-a-vis the organization of the so-called strike forces. In the midst of doing that work, we were asked by the White House, to look at the overseas problem that lay between these two agencies, Narcotics and Customs, as to jurisdiction. This was because the problem had reached unusual proportions. As the chairman has pointed out, information that should have been flowing from one to the other and vice versa was not flowing.

As a result there was consternation on the part of foreign governments as to who they ought to deal with in the U.S. Government in this area, and there was some evidence that our effort was flagging as a result of this dispute. So the White House, and I think we all, wanted the dispute settled. But when one began to see what the dimensions of the dispute really were in terms of dollars involved, the

numbers of people, it seemed surprising that it had been allowed to reach the proportion that it had been allowed to reach.

STAFFING OF DOMESTIC COUNCIL

Mr. EDWARDS. Then concerning the proposed Domestic Council, where will the people come from that will go on the Council?

Mr. ROUSE. On the Council Staff or the Council?

Mr. EDWARDS. I am thinking of both. I am wondering if in effect these are going to be the President's men with a tenure as long as the President's tenure, or whether these will be civil service types who will continue on.

Mr. ROUSE. There are three components to the setup. One is the Council itself which is made up of Cabinet officers, obviously no tenure. The staff has two pieces. One piece is a political piece, essentially those men now in the White House who are advisers at one level or another to the President on domestic affairs. Those people have no tenure. They are political and leave at the President's behest. The other piece is an institutional piece, men from the classified civil service taking excepted positions, just as the National Security Council Staff is now recruited. This group of people may or may not survive the President. Our best guess is that 50 percent will survive simply because they have become very smart and very knowledgeable and very useful people who develop a reputation for objectivity and can remain apolitical.

"OTHER SERVICES"

Mr. EDWARDS. On your object classification for salaries and expenses, the second largest item after you pay the salaries of your permanent positions is called "Other Services." What generally comes in that category?

Mr. ROUSE. Can you give me the line item of that?

Mr. EDWARDS. It is Standard Form 304, the yellow sheet, 25.0.

Mr. ROUSE. There are five elements to that. One of them is payments to the GSA for administrative and logistical support, $7,000; rental of office equipment to include typewriters, Xerox equipment and other office machines, $6,000; installation and removal of office partitions, $5,000; contractual studies, $40,000. That is the largest part, and I might add parenthetically here that we probably will not spend any of that or very much of it. The last item, $6,000 for contingencies.

Mr. EDWARDS. If you do not spend the $40,000, what will happen to that?

Mr. ROUSE. It will go back to you.

Mr. EDWARDS. It is not available for you to use in other areas?

Mr. MCKENZIE. We could, but it would not appear at this point that we would have any other requirement for it. We have tried to build into the budget every requirement we know of.

Mr. ROUSE. Our problem is that we do not know, with regard to some of the things we are now doing, what needs may arise for special services after July.

Mr. EDWARDS. This is really a contingency.

Mr. ROUSE. It is. But to procure contractual services.

(Discussion off the record.)

TEMPORARY POSITIONS

Mr. EDWARDS. Finally, what is included in "positions other than permanent?"

That would be 11.3.

Mr. MCKENZIE. If I may, those would be our consultants; that is, intermittent consultants that we hire, that come in maybe 1 or 2 days a week for a period of time, or when actually employed, employees when we get ready for a Council meeting. We do not build a maximum staff, we build an operating staff and then supplement it when actually employed, when the workload gets heavy.

Mr. EDWARDS. If your Council members were accepting their $100 per diem, would that come under that heading?

Mr. MCKENZIE. Yes, sir.

Mr. EDWARDS. You have not built in any figures for that because they refuse to accept per diem?

Mr. MCKENZIE. That is correct, sir.

Mr. EDWARDS. Thank you, Mr. Chairman.

CONCLUDING REMARKS

Mr. STEED. Mr. Rouse, on behalf of the committee I want to express our appreciation for your appearance and your cooperation and the information you have given us. I think while comparatively speaking the amount of budget money we are talking about here today is very small, the interest shown in your activities indicates the feeling we have that the work you are doing has the potential of great impact on the Government, and eventually in terms of the cost of the Government. So I hope you will take that as more complimentary than otherwise.

Mr. ROUSE. I will, Mr. Chairman. I hope it was not too obvious that this was a first for me.

Mr. EDWARDS. I think we ought to say on the record the gentleman handled himself very well.

Mr. STEED. He did remarkably well. I think you are to be congratulated on the way you performed and the grasp you have of your subject matter. We must say in our opinion you acquitted yourself very well.

Mr. ROUSE. Thank you. It is nice to hear.

Mr. STEED. The committee will recess until 2 o'clock.

TUESDAY, MARCH 17, 1970.

OFFICE OF INTERGOVERNMENTAL RELATIONS

WITNESSES

GOV. NILS A. BOE, DIRECTOR, OFFICE OF INTERGOVERNMENTAL RELATIONS
ROBERT P. JANES, ASSISTANT DIRECTOR, OFFICE OF INTERGOVERNMENTAL RELATIONS
WILLIAM B. RICE, DIRECTOR OF ADMINISTRATION, OFFICE OF EMERGENCY PLANNING

Mr. STEED. The committee will be in order.

The committee is in session for the further consideraiton of the budget request of the executive branch. Today we take up the item for the Office of Intergovernmental Relations.

OFFICE OF INTERGOVERNMENTAL RELATIONS—SALARIES AND EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities: Advise and assist the Vice President on intergovernmental relations between Federal, State, and local governments (costs-obligations)		120	300
Financing: Budget authority (appropriation)		120	300
Relation of obligations to outlays:			
Obligations incurred, net		120	300
Obligated balance, start of year			10
Obligated balance, end of year		−10	−20
Outlays		110	290

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation: Permanent positions		83	171
Personnel benefits: Civilian employees		7	14
Travel and transportation of persons		10	30
Rent, communications, and utilities		4	15
Printing and reproduction		3	15
Other services		6	37
Supplies and materials		2	8
Equipment		5	10
Total olbigations		120	300

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions		9	9
Average number of all employees		4	9
Average GS grade		10.9	10.9
Average GS salary		$16,753	$16,617

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level IV, $38,000		1	1
Rates established by the Director, comparable to GS grades:			
GS–18, $33,495		1	1
GS–17, $28,976 to $32,840		1	1
GS–16, $25,044 to $31,724		1	1
GS–9, $9,320 to $12,119		2	2
GS–7, $7,639 to $9,934		2	2
GS–4, $5,522 to $7,178		1	1
Total permanent employment, end of year		9	9
HIGHER LEVEL POSITIONS			
Executive level IV, $38,000, Director		1	1
GS–18, $33,495, Deputy Director		1	1
GS–17, $28,976 to $32,840, Assistant Director		1	1
GS–16, $25,044 to $31,724, Executive Assistant		1	1

JUSTIFICATION OF ESTIMATES

OFFICE OF INTERGOVERNMENTAL RELATIONS

The Office of Intergovernmental Relations requests $300,000 for fiscal year 1971 to carry out the responsibilities assigned by Executive order of the President (No. 11455) of February 14, 1969, and as authorized by Public Law 91–186, approved December 30, 1969.

The purpose of the Office is to advise and assist the Vice President with respect to his intergovernmental relations responsibilities as the President's liaison with elected executive and legislative officials of State, city, and county governments.

This Office provides liaison also between the departments of the executive branch of the Federal Government and the elected officials of State and local government, serving as a focal point for continuing communication and the resolution of specific difficulties.

The requested funds are needed to maintain the necessary staff and cover the expenses of the operation of the Office.

DETAILED JUSTIFICATION OF ESTIMATE (BY OBJECT CLASS) FISCAL YEAR 1971

11. *Personnel compensation, $171,000.*—Provides for full-year salaries of nine permanent positions, as listed in "Detail of Permanent Positions" (last page).

12. *Personnel benefits, $14,000.*—Provides for contributions to retirement fund, health benefits, and group insurance.

21. *Travel and transportation, $30,000.*—Provides for transportation and per diem expenses incident to staff attendance at national and regional conferences with State and local officials.

23. *Communications (telephone, telegraph, and postage), $15,000.*—For telephone and telegraph services and postage costs, as required.

24. *Printing and reproduction, $15,000.*—For printing and/or reproduction of reports and publications, as needed.

25. *Other services, $37,000.*—Provides for reimbursement to GSA for administrative support services ($15,000); car rental ($1,000); and miscellaneous commercial contractual services ($21,000).

26. *Supplies and materials, $8,000.*—For office and operating supplies and related work materials, and periodicals.

31. *Equipment, $10,000.*—Provides for typewriters and other needed office equipment, and replacements.

Mr. STEED. We are delighted to have Director Boe with us. Governor, if you would like to identify your associates for the record, we will be pleased to have any statement you care to make.

INTRODUCTION OF WITNESSES

Governor BOE. Thank you, Mr. Chairman. I have with me Mr. Robert P. Janes, the assistant director of OIR, who was formerly chairman of the Board of County Commissioners of Hennepin County, Minneapolis, Minn. On my right we have Mr. William Rice, who is the Director of Administration, OEP, which is the agency helping us with budgetary and financial matters. We have not seen fit to employ personnel to take care of this work ourselves and are contracting it out.

I might say we have submitted a formal statement with respect to the history as well as the functions of the Office of Intergovernmental Relations. I believe each of you have such a copy. I will be glad to read it. However, in the interest of brevity, as I am sure you probably have other more important things to do after the busy hearings you have had, at your discretion this could be filed and I could answer any questions you have in mind.

(The statement follows:)

PREPARED STATEMENT

STATEMENT OF NILS A. BOE, DIRECTOR, OFFICE OF INTERGOVERNMENTAL RELATIONS BEFORE THE TREASURY, POST OFFICE, AND EXECUTIVE OFFICE SUBCOMMITTEE

Mr. Chairman and committee members. Thank you for the opportunity to appear before your committee today on behalf of our appropriation request for fiscal year 1971.

Mr. Chairman, the Office of Intergovernmental Relations was established by Executive order of the President on February 14, 1969, and received a congressional authorization in Senate joint resolution 117. We subsequently received an appropriation of $120,000 for the last half of the fiscal year.

By way of background, you will recall that the purpose of this Office is to provide a liaison between the executive branch of the Federal Government, its departments and agencies and the official representatives of State government including their political subdivisions. In short, the primary goal of this Office is to strengthen and coordinate Federal, State, and local relations.

The President has called this one of the most important objectives of this administration. Intergovernmental relations have become increasingly complex in recent years. New patterns of Federal-State-local relationships have emerged as major national programs have been enacted in new fields of activity like manpower training and area economic development, as well as new aid for the already established functions of local government such as mass transportation, water systems, and sewage treatment plants.

The rising tide of new expanded Government activity in the past quarter of a century has increased the importance of the principle of shared responsibilities among the levels of government. Traditionally, our American people have held centralized power in disfavor and placed great value in State and local units of government—close to the people. We are mindful of the historical fact that the States existed before the Nation. We are mindful of the historical fact that within this tradition there has always been shared responsibilities, power, and resources. To remind ourselves of this fact, we need only mention such things as grants-in-land to the States for public schools; joint funding for roads; and cooperative administration of the elements of our system of justice. In view of the expanded Government activities in the past quarter century, there is a new recognition that our federal system can adjust to the accelerating velocity of modern America and the complex new demands of our citizens.

Under previous administrations a system composed of two conduits for this important liaison function was provided. One conduit was designed for the Governors alone and operated through the Office of Emergency Preparedness. The Director of that agency, in addition to his regular duties, performed this

liaison function. The other conduit designed for mayors and county officials sought to provide them with a definitive point of contact through the Office of the Vice President. The creation of our Office of Intergovernmental Relations provides one conduit in place of the previous two.

Mr. Chairman, by combining these separate lines of communication into one office, we have helped facilitate and develop a method whereby State and local officials can be brought together in a closer working relationship and partnership with the Federal branch of Government as we seek solutions to the myriad of social and economic problems facing our Nation.

There is a cooperative and complementary relationship between our office and the Advisory Commission on Intergovernmental Relations which was first established as a permanent body by the Congress in 1959, and which includes representatives of Federal, State, and local governments as well as citizen members. We do not duplicate the Commission duties and work. We function cooperatively and in certain functions, such as research, we rely heavily upon the staff of the Commission rather than create a research capability of our own.

Currently this office is staffed by two other persons in addition to myself: a deputy director, Mr. Wendell Hulcher, the former mayor of Ann Arbor, Mich.; an assistant director, Mr. Robert Janes, the former chairman of the Hennepin County Board of Commissioners, Minneapolis, Minn. Each of these individuals brings to this office an expertise and experience with respect to the particular level of government which they served, as well as prior experience at the Federal level.

In addition the President, in his Executive order, has asked each Federal department and agency to designate and assign to the Office of Intergovernmental Relations an appropriate official who has broad general experience in his respective department or agency to assist in carrying out our Federal-State-local liaison functions and resonsibilities.

The Executive order also asked all Federal departments, agencies, interagency councils, and committees having an impact on intergovernmental relations as well as all Federal executive boards to extend full cooperation in assisting this office to carry out its responsibilities.

Operationally speaking, the Office of Intergovernmental Relations has been placed under the immediate supervision of the Vice President, who, as you know, has been given the responsibility for helping to administer many of the domestic functions of Government. The Office of Intergovernmental Relations is to assist and advise the Vice President in carrying out those responsibilities.

The Executive order creating this office assigns to the Vice President, in addition to his other duties, a number of important responsibilities in the field of Intergovernmental Relations. The Vice President is to act as the President's liaison with executive and legislative officials of State and local governments. He is to encourage and assist in facilitating maximum cooperation between and among the various Federal agencies and such other governments. The Vice President is to help make the Federal executive branch, especially those sectors having a direct impact on Intergovernmental Relations, to be more sensitive, receptive, and responsive to the views of State and local officials. The Vice President is to serve as the focal point of efforts by Federal departments, agencies, interagencies and councils to resolve specific difficulties that arise during the course of their relationships with State and local officials.

The Vice President is to work closely with and encourage the work of the Advisory Commission on Intergovernmental Relations and to inform the Council for Urban Affairs on general intergovernmental issues of an information, administrative or program nature so that the Council may more effectively advise and assist the President in respect to urban and domestic affairs.

The Office of Intergovernmental Relations under the supervision of the Vice President serves to advise and assist him with respect to those intergovernmental responsibilities, herein before referred to.

The Governors, mayors and county officials with whom we work express a need for being able to talk with someone in a central location in the executive branch who will listen to their problems and suggestions, exhibit understanding, and assist them in their contacts with Federal officials who can take action on their problems and suggestions.

We provide this listening and liaison service, working cooperatively with the members of the Cabinet and other agency heads and their designated representatives.

In accordance with the desires of the President, we help State and local officials attain access to the highest executive offices of the Federal Government, especially those having a direct impact on intergovernmental relations, so that Federal programs, policies and goals will be more responsive to their views and needs. Our office has an overriding objective of bringing together Federal, state and local governments in order to provide a more balanced system of Government.

During the past few months, we have sponsored consultation meetings between Federal officials and State and local officials. These have included, for example, discussion of proposals to implement the administrative reforms initiated by President Nixon, the Federal grants-in-aid processes, and possible proposals for revenue sharing. Other such consultation meetings have been held by Federal departments on matters for which they are responsible, such as housing by the Department of Housing and Urban Development. Our office encourages and cooperates in the department consultations.

Mr. Chairman, based upon our experience of 1 year in working with State and local officials and the Federal departments, clearly there is a distinct need for the services which we have been called upon to render. The functions specifically assigned to this office by the Executive order are as follows:

A. Serve as the clearinghouse for the prompt handling and solution of Federal-State-local problems brought to the attention of the President or Vice President by executive and legislative officers of State and local governments.

B. Identify and report to the Vice President on recurring intergovernmental problems of a Federal interdepartmental and interprogram nature.

C. Explore and report to the Vice President on ways and means of strengthening the headquarters and interagency relationships of Federal field offices as they relate to intergovernmental activities.

D. Maintain continuing liaison with intergovernmental units in Federal departments and agencies and with the staff of the Council for Urban Affairs, and provide the staff of the Council with information and assistance regarding issues arising in Federal-State-local relations.

E. Review procedures utilized by Federal executive agencies for affording State and local officials an opportunity to confer and comment on Federal assistance programs and other intergovernmental issues, and propose methods of strengthening such procedures.

It is respectfully submitted that the accomplishment of the foregoing objectives will be a major step forward in modernizing the "Federal system" of government to meet the exacting and ever-increasing social and economic challenges of our times.

Mr. Chairman, this office was initially appropriated $120,000 for the last half of the fiscal year.

The request now before the committee is for $300,000 which will permit the Office of Intergovernmental Relations to function at essentially the same level of operation for the entire fiscal year 1971 as that for which we were originally funded for the last 6 months of fiscal year 1970.

In conclusion, I would like to take this opportunity to express our thanks to you and the members of your committee for considering our request at this time.

General Statement

Governor Boe. Mr. Chairman and gentlemen, I know you recall the last part of November or first part of December of 1969 I appeared before you for the budget which was given to us for the last half of fiscal 1970. I certainly enjoyed the opportunity of having a most extensive discussion with regard to the general philosophy of intergovernmental relations, which I think was initiated by you, Mr. Chairman.

This office, as you know, is one which was created by Executive order of the President under date of February 14, 1969. His purpose was that of trying to coordinate and consolidate functions of the executive branch of Government, which had heretofore existed.

OFFICE OF EMERGENCY PREPAREDNESS

In the past there had been a liaison representative between the executive branch of the Federal Government and the States. This was the director of the Office of Emergency Preparedness. You will recall that formerly it was former Governor Buford Ellington, who is again now Governor of Tennessee, former Governor Ferris Bryant of Florida and former Governor Price Daniel of Texas.

PURPOSE OF OFFICE

As you also recall, as the many programs increased and as funding was made available to the various local subdivisions such as the cities and counties, President Johnson felt it was necessary there be designated a specific liaison representative between his office and the departments and agencies of the Federal Government and the cities, their mayors, the counties and their county executives and county organizations.

President Nixon felt it was not desirable to have what might be said to be two conduits of government from the local level to the executive branch of the Federal Government and, therefore, created what is now known as the Office of Intergovernmental Relations, and it is our purpose then as an office to serve as the liaison representative of the President and of each department and agency of Government with not only the States and their Governors but the cities, their mayors, the counties and their elected officials and the various representative legislatures of the States. So, we have consolidated everything into one office.

RELATIONS WITH STATE AND LOCAL OFFICIALS

Ours has been one which as I related to you, Mr. Chairman, last fall, in which there has been an attempt to help solve the day-to-day, "nuts-and-bolts" problems which confront the Governors, which confront mayors, and which confront the county officials. These are problems which have been caused because of the fact that they are some distance from Washington. There is the inability to have the line of communications directly between a local official and the appropriate official at the Federal level.

We attempt to see what we can do to help consolidate programs of government and attempt to see particularly if we cannot secure representation of the views and the opinions of the State and local officials in the formulation of legislation by the Congress of the United States and particularly with respect to the formulation and promulgation of rules and regulations on the part of the various departments and agencies of Government. Ours is a catalyst role.

LEVEL OF OPERATIONS

Mr. STEED. Your budget last year was $120,000 and that was on a part-year basis.

Governor BOE. It was a half year, sir.

Mr. STEED. You are asking for $300,000 this year for full-year funding.

Governor BOE. Yes.

Mr. STEED. Is this what you contemplate your regular level of operation will be?

Governor BOE. The answer to that would be yes, sir.

Mr. STEED. Is there any limitation in the resolution you referred to as to the amount that you could ask for?

Governor BOE. No, sir. I might say, Mr. Chairman, that this particular budget we are considering now for fiscal 1971 was being prepared at approximately the same time as we were preparing the budget to be submitted for fiscal 1970. And in so doing I certainly want to be honest and fair in that we weren't appreciative of either some of the obligations, or some of the costs that only experience can dictate. So what we have done, we have for the full fiscal year of 1971 doubled the half-year amount of 120 which would be 240 and there has been then roughly $60,000 more which we have taken into consideration as being necessary for such items as travel after we have had a chance to see what is going to be required by reason of attending conferences, for communications, and for the many other services we necessarily have to give.

LEGISLATIVE AUTHORITY

Mr. STEED. Do you have the public law number that resulted from the passage of this resolution?

Governor BOE. Unfortunately, we have only House Joint Resolution 757 and Senate Joint Resolution 117, neither of which is the ultimate resolution.

Mr. STEED. You can furnish that for the record.

Governor BOE. Yes, indeed.

(The information follows:)

PUBLIC LAW 91-186
91ST CONGRESS, S. J. RES. 117
DECEMBER 30, 1969

JOINT RESOLUTION To authorize appropriations for expenses of the Office of Intergovernmental Relations, and for other purposes

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be appropriated such sums as may be necessary for expenses of the Office of Intergovernmental Relations (referred to hereafter as the "Office"), established by Executive Order Numbered 11455 of February 14, 1969.

SEC. 2. The Director of the Office shall be compensated at a rate of basic compensation not to exceed the rate now or hereafter provided for level IV of the Federal Executive Salary Schedule.

SEC. 3. The Director of the Office is authorized—

(1) to appoint such personnel as he deems necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive services; and

(2) to obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code, at rates not to exceed the daily equivalent of the rate now or hereafter provided for GS-18.

Approved December 30, 1969.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-648 accompanying H.J. Res. 757.
(Committee on Government Operations).

SENATE REPORT No. 91-430 (Committee on Government Operations).

CONGRESSIONAL RECORD, volume 115 (1969):

September 29: Considered and passed Senate.
December 16: Considered and passed House, amended, in lieu of H.J. Res. 757.
December 23: Senate concurred in House amendment.

STATEMENT BY THE PRESIDENT ON SIGNING THE EXECUTIVE ORDER CREATING THE OFFICE OF INTERGOVERNMENTAL RELATIONS

THE WHITE HOUSE.

Today by Executive Order I have created a new office, the Office of Intergovernmental Relations, to operate under the immediate supervision of the Vice President. This Order provides a center through which one of the most important objectives of this Administration can be carried out: the strengthening of Federal, State and local relations.

By this action the Vice President will become more directly and vitally involved in our effort to move government closer to the people and to make it more responsive to their will.

Specifically, I have asked that, in addition to his other duties, the Vice President undertake responsibility for helping to administer the domestic functions of government in several critical areas.

He is to act as my liaison with the executive and legislative officials of State and local government.

He will encourage the development of maximum cooperation among the various Federal agencies and their State and local counterparts.

He is to help make the Federal executive more sensitive and receptive to the views of State and local officials and to serve as the focal point where specific difficulties may be resolved.

He is to work closely with and is to encourage the Advisory Commission on Intergovernmental Relations in its activities.

He is to inform the Council for Urban Affairs regarding general intergovernmental issues so that the Council may readily advise and assist me.

The Office of Intergovernmental Relations has been established to assist and advise the Vice President in carrying out these important responsibilities. It will aid the Vice President in his liaison responsibility between myself and the State and local officials.

Among its many functions, the Office will assure State and local officials access to the highest offices of the Federal government, especially those having a direct impact on intergovernmental relations, so that Federal programs, policies and goals will be more responsive to their views and needs. It will seek to strengthen existing channels of communication and to create new channels among all levels of government.

While aiding in the formulation of proposals to develop a broad and relevant dispersal of authority, the Office will be helping to create many centers of power in the place of one. Thus it will help to establish more decisionmaking authority at the Federal regional offices and will facilitate an orderly transfer of appropriate functions to State and local government.

Under the supervision of the Vice President, the Office of Intergovernmental Relations will have as its overriding objective the bringing together of Federal, State and local government in order to provide a more balanced system of government.

THE WHITE HOUSE

EXECUTIVE ORDER

ESTABLISHING AN OFFICE OF INTERGOVERNMENTAL RELATIONS

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and as President of the United States, it is ordered as follows:

Section 1. *Establishment of the Office.* (a) There is hereby established the Office of Intergovernmental Relations (hereinafter referred to as "the Office"). The Office shall be under the immediate supervision of the Vice President of the United States.

(b) In addition to his other duties, the Vice President shall act as the President's liaison with executive and legislative officials of State and local governments; encourage and assist in facilitating maximum cooperation between and among the various Federal agencies and such other governments; help to make the Federal executive branch, especially those sectors thereof having a direct impact on intergovernmental relations, more sensitive, receptive and responsive to the views of State and local officials; serve as the focal point of efforts by

Federal departments, agencies, and interagency councils and committees to resolve specific difficulties that arise in their relationships with such officials; work closely with and encourage the work of the Advisory Commission on Intergovernmental Relations; and inform the Council for Urban Affairs on general intergovernmental issues of an informational, administrative, or program nature so that the council may more effectively advise and assist the President with respect to urban affairs.

Sec. 2. *Functions of the Office.* The Office shall advise and assist the Vice President with respect to (1) intergovernmental relations generally, and (2) the responsibilities assigned to the Vice President specifically under section 1(b). In addition, the Office shall:

(a) serve as the clearinghouse for the prompt handling and solution of Federal-State-local problems brought to the attention of the President or Vice President by executive and legislative officers of State and local governments;

(b) identify and report to the Vice President on recurring intergovernmental problems of a Federal interdepartmental and interprogram nature;

(c) explore and report to the Vice President on ways and means of strengthening the headquarters and interagency relationships of Federal field offices as they relate to intergovernmental activities;

(d) maintain continuing liaison with intergovernmental units in Federal departments and agencies and with the staff of the Council for Urban Affairs, and provide the staff of the Council with information and assistance regarding issues arising in Federal-State-local relations; and

(e) review procedures utilized by Federal executive agencies for affording State and local officials an opportunity to confer and comment on Federal assistance programs and other intergovernmental issues, and propose methods of strengthening such procedures.

Sec. 3. *Administrative Arrangements.* (a) A person designated by the Vice President shall serve as Director of the Office. The Director shall perform such duties as the Vice President may from time to time direct.

(b) A person designated by the Vice President shall serve as Deputy Director of the Office and assist the Director in performing those duties assigned to him.

(c) All Federal departments, agencies, interagency councils and committees having an impact on intergovernmental relations, and all Federal Executive Boards, shall extend full cooperation and assistance to the Vice President and the Director of the Office in carrying out their responsibilities under this order. The Director shall, upon request, assist all Federal departments and agencies with problems that may arise between them and the executive agencies or elected officials of State and local governments.

(d) The head of each Federal department and agency shall designate an appropriate official with broad general experience in his department or agency to serve, upon request of the Vice President, as a point of contact in carrying out Federal-State-local liaison activities under this order.

Sec. 4. *Construction.* (a) Nothing in this order shall be construed as subjecting any department, establishment, or other instrumentality of the executive branch of the Federal Government or the head thereof, or any function vested by law in or assigned pursuant to law to any such agency or head, to the authority of any other such agency or head or as abrogating, modifying, or restricting any such function in any manner.

(b) This order supersedes Executive Order No. 11426 of August 31, 1968.

RICHARD NIXON.

THE WHITE HOUSE, *February 14, 1969.*

ACTIVITIES OF OFFICE

Mr. STEED. This sum pays your salaries and then it takes care of your rent, communications, equipment, supplies, and so forth, in addition to that?

Governor BOE. I feel from the experience we have had now—in other words, we have been in existence a year, and I feel, yes, for example, I don't think we should be required or it is expected that we go to every meeting, but we certainly should be going not only to

the national Governors' meetings, but to the regional meetings, to the League of Cities, the conference of mayors, the Association of Counties.

Then there has been a great deal of activity within the States throughout the country, in your own State, throughout the South and in the Midwest particularly, wherein the States are trying to make an effort on their own hook to see what they can do now to coordinate and consolidate the functions of municipal government within their own States. This is because of the realization that all of the errors aren't and haven't been those which existed between the Federal Government and State government. There has been a failure on the part of States and their own municipalities and counties to coordinate and synchronize their activities.

Off the record.

(Discussion off the record.)

PERSONNEL STRENGTH

Mr. STEED. How many positions are you funding here?

Governor BOE. We are funding, sir, three personnel, a director, a deputy director, and assistant director with the hope of having an executive assistant. That would be a total of four and at the same time having four stenographers or secretaries as well as a messenger-driver. At the present time we have three.

Mr. STEED. Where are your offices located?

Governor BOE. In the Executive Office Building, in the old State, War, and Navy Building adjoining the White House. We are located immediately down the hall from the Vice President's office.

RELATION WITH OTHER AGENCIES

Mr. STEED. The President has an Advisory Commission on Intergovernmental Relations. Do you have any elbow-rubbing experience with this activity or do you operate completely independently?

Governor BOE. We operate independently insofar as, let us say, the activities are concerned of our particular office.

Mr. STEED. Let me put it this way: Suppose in your experience of casework or "nuts and bolts," as you say, you came upon a situation where there was an obvious conflict or an obvious roadblock between two or three agencies of making something run properly and you wanted to recommend that this be changed so it would mesh together. Would you then submit that sort of recommendation to this intergovernmental relations body?

Governor BOE. The Advisory Commission?

Mr. STEED. Yes.

Governor BOE. Definitely so. Our relationship has been excellent. I might say we have an arrangement, agreed upon from the time of our original organization, wherein we could, will, and are utilizing their research expertise and services because we certainly did not want to go in and ask for research when ACIR, a comparable organization, has such an effective research staff at the present time.

Mr. STEED. Would it be a fair description that they deal in what might be generally categorized as theory and you deal in case history type things?

Governor BOE. Very definitely so.

Mr. STEED. Are all of your positions filled now?

Governor BOE. All except the ones designated as the executive assistant, his secretarial assistance, and a messenger driver.

CASE HISTORIES

Mr. STEED. Could you give us one or two case histories of the most unusual or most interesting things you have run into since you have been in business?

Governor BOE. I would like to give you one that is taking place right now.

Mr. STEED. All right.

SCOTLAND NECK, N.C.

Governor BOE. You know your good friend and associate, Congressman Fountain. He called last week and said he had a situation in the town of Scotland Neck, N.C., where they were having a situation which he said he didn't think anybody would believe until they saw it themselves. It was, in fact, a migration of blackbirds—you may have seen something of it in the paper—which includes starlings and cowbirds, of a quantity which he estimated conservatively as 4 to 6 million, roosting in a 40-acre tract just outside of the city of Scotland Neck, N.C. He had been trying to call every agency he could think of. The mayor of the city had also been trying to see what he could do with various State organizations.

I kind of hate to make this statement for the record, but I think probably it can go in in the spirit it is offered. I think it is human nature we oftentimes on boards, commissions, and agencies sometimes say, "Well, this isn't within our sphere and it belongs to somebody else." And this seemed to be the case.

Congressman Fountain called me and said—he is, as you know, a member of ACIR, and he said, "I remembered your office and it dawned upon me, that this might be a matter involving intergovernmental relations." Although this sounds peculiar, it certainly was, because within 2 days we were able to secure representatives in our office from Interior, from Agriculture, from HEW, Departments which had heretofore seemed to feel this was not within the limits of the law which had been passed and, therefore, could do nothing about it. We got them together. Congressman Fountain was down with his administrative assistant, the mayor of Scotland Neck came up and we chatted for about an hour and a half or 2 hours about this matter. I contacted Governor Scott of North Carolina, which was completely essential, because you must have the Governor's sanction and cooperation in order to get his departments and his agencies starting to move in here.

As a result, as of last Friday we had representatives from three Federal agencies down there, the State departments mobilized, and we were able, I think, through our intercession, to be able to get the three departments of our Federal Government, the State government

together and whether they can get the birds out or not, I am not sure, but at least they are working together.

I think this is tremendously important because this isn't exactly an isolated problem for a 40-acre tract down here in North Carolina. As the Department of Agriculture finally came to realize, this can become a national problem. This can happen in Ohio, where it has happened. One of the HEW boys admitted if the birds came back there to roost next fall, then technically and medically there could be a serious threat of an epidemic of encephalitis.

We start on a rather humorous tone and talk about 4 to 6 million blackbirds which were infecting a community with lice and coming into the homes and everything else. But suppose now we weren't able to get Government agencies together. It is too bad that you have to have an office to do this, but it is the facts of life. And it is just one thing which is most interesting. Congressman Fountain went down there. I believe they had quite a bit of publicity and display there. It is not our proposition to do that. We were able to enlist and serve as a catalyst to get the various agencies in here. I would suggest or urge that maybe if you have the opportunity, you visit with him and see what his impression was with regard to the services and functions of the office.

CARPINTERIA, CALIF.

I think I did tell you the last time we were here of our experience in California in regard to the village of Carpinteria. We were called by Governor Reagan and asked if we could give assistance to provide a means whereby they could seek the help they wanted; namely, when they were the victims of a flood a year and a half ago. They sought aid from SBA by way of small loans. SBA said we can't do this until you qualify under the requirement for a city of a certain size and you have to have sewer extensions. This required them to go to HUD.

Here you had a little small town composed of people almost entirely of Mexican descent, no one taking care of them, not having lawyers or representatives or lobbyists up here, the Governor thought maybe there should be something, available like our office designed for this purpose. As a result, we found that HUD had some rules in the books saying that No. 1 they had to put up half the cost. You would be amazed at what half the cost was; namely, $12,500. It was, in fact, so small that probably no one pays too much attention to it. The big thing was there was something in the law saying in order to qualify for a grant they had to guarantee, to assure there would be not reoccurrence of such occasion; namely, a flood. Probably if you were to follow this you would have to go to Congress and have a half million dollars appropriated for the building of dams up the draws and the valleys.

To make a long story short, we did get into this. We contacted Secretary Romney in person and much to his credit, he took a personal interest and got his regional office working on this immediately. There wasn't any requirement indicating the necessity to have a written guarantee there would never be a flood again; the $12,500 was matched and the $12,500 sewer grant was made. For the balance of

the project amount they are in with a grant request to the SBA. We have had a village that was able to be taken care of.

Mr. ROBISON. The next time I need to contact Secretary Romney I am going to do it through you. I have had a hard time getting him to answer his correspondence sometimes. Eventually, he will. I know he has a tremendous workload. But it looks to me like you can get where I can't.

Governor BOE. I don't say that. I guess maybe I get a little persistent, sir. These are situations with regard to the "nuts and bolts" problems.

KNOWLEDGE OF STATE AND LOCAL PROBLEMS

Mr. STEED. I imagine that even since you got started Congress has taken certain actions. One I have in mind is some of this crime in the street where grants are made available for the State and local authorities to help them train policemen and different types of activities to help us get ready to mount a stronger drive against forces of crime. When you have a new thing start that way, I guess there are many questions that need to be asked. The Department of Justice is involved and some of the other agencies are likewise involved.

Do you try to keep a file on things like this that the State and local governments get involved in so that you can keep informed about what is going on?

Governor BOE. A file to the extent that we certainly do have a record of those situations and circumstances that have been called to our attention or for which they have requested help. There is, Mr. Chairman, of course, and as you know, a difference of opinion with respect to the States as to how these grants should be made. Many of the municipalities feel there should be more grants made directly to them and not through the States. I believe, if I am not mistaken, that 85 percent of the Safe Streets Act funds are made by way of bloc grant to the States for distribution then among the local levels of government and 15 percent of the bloc grant funds are retained by LEAA for the purpose of making what they call discretionary grants to municipalities if they so choose. So, there is sort of a compromise in this respect. But I do hope, and we are trying to do whatever we possibly can, Mr. Chairman, to try to see if the concept of a bloc grant to a State can't be made to work, so that full attention will be given by that State to its political subdivisions.

PARTICIPATION IN SOLVING NEW PROBLEMS

Mr. STEED. What I was leading up to by citing a new thing in the initiation of a thing of this sort, the first case history, you are more or less plowing new ground, so to speak.

Governor BOE. Right.

Mr. STEED. Once a State has processed a piece of this sort of business it then knows the format and they wouldn't need you after that. It would pretty well take care of itself.

Governor BOE. It just depends, of course, as to what areas of difficulty they might get into.

Mr. STEED. Why I say this, my personal experience in the chores that come our way is that you always have the most trouble with the thing that is just starting.

Governor BOE. This is true.

POLLUTION PROBLEMS

Mr. STEED. Until the routine is developed and policies are clear cut the local agencies have more difficulty in getting their ducks in line, so to speak. Once a program begins to function a lot of business can be transacted then with very little difficulty. But it is always sort of a quagmire in the beginning of these far-spread programs. I suspect we will have quite a bit of this in the field of pollution because that covers such a wide variety of things.

Governor BOE. We have already tried, Mr. Chairman. In the formation of the Environmental Quality Commission the President has established under the direction of Russell Train, we have tried to bring in and request that Governors, mayors, and county officials could be brought in for the purpose of discussing and trying to consider the long-range formula that could and should be adopted in here under the theory that which may be necessarily new, to be administered at the local level, certainly is entitled to have some expression of thought given from that particular area.

POPULATION MIGRATION

Mr. STEED. As I read a lot about environmental control I keep coming back to one thing that I think the President and I are in wholehearted accord on. That is the origin of some of this problem, namely, the migration off the farms and out of the small communities into the metropolitan areas. For instance, here in Washington where you have certain types of problems, I think it would astonish people to know how few of the residents of the District of Columbia were born here. Most of them migrated here, forced by economic circumstances to go somewhere. We let the evolution of farming take place, we mechanized it, we displaced the need for human labor, but we didn't do anything about the human labor that got displaced. So, it went into cities, created ghettos, created all kinds of problems and now we are talking in terms of billons and billions of dollars it is going to cost to do something about it. It seems to me quite basic, like the President said, because at the same time we are trying to cope with the problems we have in the metropolitan areas. If we don't do something about stopping this migration by the time we get through solving this problem we will have created new ones. It seems to me it has to be an across-the-board approach.

HELPING SMALL COMMUNITIES

This, then, brings up many factors of how do you go about getting this attention directed to the small communities. You have just given two examples of how difficult it is for the small community to fight its own battle. It doesn't have the resources to be aware of what is avail-

able or how to get into the swim of it. So, it would seem to me, as time goes on, here is an area where your helping hand and guidance will be quite useful.

Governor BOE. I certainly agree. You have stated it absolutely accurately, sir.

COOPERATION BETWEEN FEDERAL AND STATE GOVERNMENTS

I would like to say that our country has grown by leaps and bounds. Our problems, economic, social, are certainly being compounded. I think it is so completely necessary that, if we are to have and continue to have the type of government we envision and hope for, we really make a true effort for a partnership in purpose between all levels of government—the Federal Government, the State government and local units of government. Because without that they are going to become competing entities and we are not going to get the maximum efficiencies.

For you gentlemen of Congress I would like to point out something which we are proud of, not what we were able to accomplish ourselves, but a principle, a philosophy that took place here during the past fall that I think hitherto has never existed. This is when the President called for the assistance of everybody in connection with the fight against inflation. He at that time asked the Governors and local units of government if we would not do everything possible to cut back and defer construction, construction on highways and other capital construction and not turn everything loose and just build the fires under the inflationary spiral.

I might say we worked quite hard with the governors. We didn't get a hundred percent compliance but I might say as of this time, insofar as highway construction is concerned relating to the Federal highway trust fund, the States voluntarily on their own initiative at the request of the President, deferred construction in the amount of $1,084 million. They deferred construction in other capital areas and sources of $1,009 million, I believe. So, it was close to a total amount of two and a quarter billion dollars in reality that the States themselves came in and said OK if you need help we are going to get behind you. This took political guts because they were sitting back there under the pressure of everybody who said we want this road here or this school here or this hospital there. They said, no, we are not going to build it now, we are going to hold back and cooperate with the Federal Government on this with the Congress and the President in this fight.

As you probably heard already the President today has now indicated—well, there hasn't been a freeze, but he has indicated the purpose and the continued need for this voluntary restriction on the part of the States is not necessary and they can continue again now with the normal plans.

The point I am trying to make is here we have an illustration where we have had States and local communities and the Federal Government walking side by side and really trying to work together to accomplish something.

Mr. STEED. Mr. Robison?

WORK LOAD

Mr. ROBISON. Governor Boe, you tell us in your prepared statement that you think there is a distinct need for the services which you have been called upon to render. Can you give us some better idea about your workload than you have so far, today, to bolster that argument? You told us about the blackbirds, for instance. I thought maybe the upshot of that would be when you got all of these people together to discuss the problem you would all get your shotguns together and go down and solve it.

Governor BOE. I did suggest that, sir.

Mr. ROBISON. And you have also told us just now about how your small agency, and it is a small one, was perhaps helpful to the President in spreading the word about slowing down State and local construction programs as an anti-inflationary measure.

We have to take your budget request to the House and if we are for it we will have to be able to defend it. I think we ought to know a little bit more about what you have done and what you think you can do beyond the general statement in your prepared statement about the need that all of us recognize for strengthening and coordinating Federal, State, and local relations, about the fact this is a more complex problem than it has been in the past, about the fact that you wish to and, on occasion as you have said, have consulted with Federal and State and local officers, and also that you advise the Vice President. What else do you do on a day-to-day basis?

Governor BOE. Let me say this. When you come in at 8 o'clock in the morning and get out at 7 or 7:30 at night and answer the telephones and get your appointments in here—I could give a log. I didn't bring one along here of what we have had.

For instance, here let me say this. It may not mean so much but this morning the presiding officer of the State Senate of Florida came in and wanted to discuss just generally so far as the State of Florida was concerned, what is the status with regard to certain things such as the welfare program, family assistance plan. They are interested in this with regard to their own budgetary problems down there. They are wondering about revenue sharing. We can't answer these questions, but we can certainly go and explain.

The Comprehensive Manpower Act is another they are interested in. These all vary.

I spent 2 hours with him this morning. This takes time.

We get a voluminous amount of mail coming more and more both from the mayors, from the country officials, from the State Governors. The Governors right now are greatly concerned with regard to the boxcar shortage out in the Midwest. I am very familiar with this problem, I come from there. No one pays a bit of attention to it. I will gather material concerning this matter together and to go to bat. I realize the ICC is a regulatory agency and I have some hesitancy to come in here and say, "We as an office, are going to start twisting your arm", but I feel there are means and methods whereby this information has to be made available in showing the critical urgency

of it, not only to the ICC, but also maybe to the office of the President himself.

Mr. ROBISON. That last example you gave is a good instance, it seems to me, where an agency such as yours, and where you as an individual operating at the high level you do, could be of considerable help, because in my area we know about the railroad car shortage. It is something everybody talks about like the weather, but nobody ever seems to be able to do anything about it.

GRAZING RIGHTS

Mr. STEED. Let me say one thing, I think you will have some familiarity with, Governor. All of my colleagues from out in the Midwest are beginning to get more and more contact from farmers about whether or not the thing they did last year of extending the grazing rights on Winter wheat for an extra 15 days will be granted. Have you had any inquiry in this area come to your attention yet?

Governor BOE. Not directly into this office.

Mr. STEED. This will involve a number of States. It is a policy matter, I suppose, with the Department of Agriculture. I was talking to Mr. Belcher and Mr. Camp and they have been getting letters and some of my friends in Kansas have. The drought last spring created this special problem. I don't know whether they will find that the circumstances would justify that extra 15 days of grazing this year or not.

Governor BOE. Of course, to that may I say that whether it be in Agriculture, whether it be Interior, or any department I am sure you gentlemen will appreciate that our function——

Mr. ROBISON. It could well be these matters will find an expression through the Governor's offices because they get involved in this sort of thing.

Governor BOE. Yes, and then we would try to see that every opportunity would be made and created whereby they could be speaking with the Secretary of Agriculture or his representatives. But, you see, we don't try to asume unto ourselves any guise of a super being and say this is what you better do. The first queries I got happened to come from two boards of county commissioners in this area.

METHODS OF OPERATION

Mr. ROBISON. Do you go out and look for problem areas, or do you wait until the phone rings and somebody tells you about them?

Governor BOE. We certainly don't go out and start saying "you must have some problems and please give them to us," because it seems the Governors and more of the cities are finding their way to the office and asking for help. We do, and this is the one reason why we put in an increase in the budget for travel—we try to attend, and sometimes two at least from the office try to attend the various conferences, whether it be the Governor's conference, regional or national.

GOVERNOR'S CONFERENCES

Mr. ROBISON. If you did not or do not attend these Governors' conferences, I think you should.

Governor BOE. We do. The fact of the matter is, when it was here, the mid-winter Governors meeting, we probably were not the hosts but you end up sort of taking care of the situation. At the summer national Governors conference we were there, the Vice President was there and the President came up. We attended the regional meetings of the Governors.

Mr. ROBISON. Have you made any speeches at any of these conferences?

Governor BOE. By all means. I spoke to the Midwest Governor's Conference. I had an hours' address to the Southern Governor's Conference at Williamsburg last September. I have been to the Western Governor's Conference, which was at Seattle. Mr. Janes was just out and spoke at the Western Regional Conference of the National Association of Counties in Nevada.

NATIONAL LEAGUE OF CITIES AND M.S. CONFERENCE OF MAYORS

Mr. ROBISON. What is the name of the other big association of mostly city people?

Governor BOE. National League of Cities and U.S. Conference of Mayors.

Mr. ROBISON. Your people have attended their conferences?

Governor BOE. Yes.

Mr. ROBISON. And from these get-togethers you pick up at least the general climate and atmosphere surrounding problem areas that deserve, you think, to be brought back to the attention of the Vice President and the President?

Governor BOE. Very much so. And we are brought in many times on what you might term executive sessions where they will hold them free from the press to just ask questions. We can't settle the policy of everything but at least, we can try to represent, I believe, what may be the view of the administration with regard to some of these things.

OMBUDSMAN

Mr. ROBISON. The big word that continues to float around the fringe here, and there is congressional interest in the subject, is the word ombudsman. If you recognize that term, do you think you perform that sort of function in your office?

Governor BOE. I would say we don't reach to the fullest extent because were we to do so we might be said to be usurping the constitutional statutory province and jurisdiction of many of the agencies and departments that are existing. In other words, if we are to go in and try to say to Agriculture, here is what you should do or here is what you should do in Interior or in Commerce or whatever it may be, I would have a feeling that we may be overstretching our function. Our job, I think, is to realize, does the State or city have a problem which needs attention at this level? If it does and we can't answer it for them, then our job is to see that the Governor or whoever it is, can come up and see Cliff Hardin or Secretary Maurice Stans or George Romney, whoever it is. I think it is about time that every person who is an elected official of government at whatever level he serves, has a right at some place or other to talk to someone at the higher level because it isn't an easy job down below either.

METHODS OF OPERATION

Mr. STEED. Instead of going in and telling them what they should do, you go and say here is a problem, can you do anything about it?

Governoe BOE. Right.

Another illustration: Apparently, out in your country, I am sure that you know there is oftentimes a great controversy with regard to wheat allotments, let's say. We have had suggestions by Governors. Governor Samuelson came in with a sugestion which I think deserved a lot of merit. I saw this suggestion was put into the course of communication whereby I am confident at least the President or his close advisers have had a chance to look at it. Whether this will be accepted or not, I don't know.

The State of Arkansas was very much disturbed and economically beset by a reduction again in rice quotas. They reached the point where they wanted to come up, including the Governor, and talk with the Bureau of the Budget and with representatives of Agriculture. We arranged this. But it wasn't for me to say whether or not the percentage of reduction was fair and correct. At least, we were able to give to the gentlemen, including the Governor, an opportunity to see the Director of the Bureau of the Budget and representatives of the Agriculture Department.

DUPLICATION OF EFFORT

Mr. ROBISON. You tell us you have a good relationhip and a cooperative one with the Advisory Commission on Intergovernmental Relations, which is an ongoing service in an area comparable to yours.

Governor BOE. Yes, sir.

Mr. ROBISON. You do not duplicate the Commission's duties and work. Can you amplify that a little bit? Do you know what they are doing and do they know what you are doing, for instance?

Governor BOE. I don't think they would know from day to day. I tried to say to the Chairman that ours is more of an action role as compared to a research role in the determination of theory and philosophy performed by ACIR.

Mr. ROBISON. You stay away from research as such, and are going to continue to stay away from it.

Governor BOE. We have had a working agreement with the endorsement of the full Commission, that within reason any problems on which we needed research services they would so do in our behalf.

RELATIONS WITH FEDERAL AGENCIES

Mr. ROBISON. In your prepared statement, you tell us that the Executive order which set up your operation required each Federal department and agency to designate and assign to your office some appropriate official with experience in that agency to assist in carrying out this liaison operation. These people are just on a standby basis; you call them up as you need them? They are not over there in your office?

Governor BOE. I think I went into this at our previous meeting last fall. As a practical matter, we don't have space to bring in a dozen men and give them offices. So, this is not with the fullest concurrence of the Vice President, who visualizes he would like to have them there, but he realizes the only person who could make room would be the President and that would mean to kick someone else out of the EOB. We did arrange to have them stay where they are. They are on call and it has worked out very satisfactorily as far as we are concerned.

PERSONNEL STRENGTH

Mr. ROBISON. All you really have then on your own payroll and working in your office operation, are the nine people that are shown on the green sheet here and you don't have the full nine at the moment.

Governor BOE. We don't have the full nine. We lack one of the men and one of the secretaries.

Mr. ROBISON. Regarding the higher level positions as shown here—executive level—the director, $38,000; is that you, sir?

Governor BOE. Yes.

Mr. ROBISON. And a GS–18 Deputy Director. Who is he?

Governor BOE. The former mayor of Ann Arbor, Mich., Wendell Hulcher.

Mr. ROBISON. Is he present?

Governor BOE. No.

Mr. ROBISON. The GS–17.

Governor BOE. He is Mr. Janes, Assistant Director, the former chairman of the Hennepin County Board of Commissioners, Minneapolis, Minn.

Mr. ROBISON. And a GS–16, executive assistant.

Governor BOE. We do not have.

Mr. ROBISON. Are you hoping to fill this position?

Governor BOE. We would like to, sir.

NEED FOR OIR

Mr. ROBISON. Do you see an ongoing need for this agency? I notice you said there is a need for your services but how about the ongoing need? I want to relate this specifically to what we heard about this morning, if you will permit me to do so, in relation to the reorganization of the Executive Office and the probability, if this plan goes through that there will be a change therein where the Bureau of the Budget becomes the Office of Executive Management, and that it presumably will have some field men who will go out and act as coordinators, expediters, or whatever, along that line perhaps doing pretty much what you have described to us you have done, in part. Have you thought ahead to that point if this plan comes into effect? How would you relate your efforts to the efforts of this expanded agency?

Governor BOE. I would say in answer to that question—and I did have the privilege of being personally briefed when the President called the group over and this was first announced at the White House and we sat and listened to the briefing. I certainly would say I don't think that it possibly paints the picture that the few words you have

indicated there gives to it. There is a tremendous need in the Bureau of the Budget, or wherever you want to put it, for an Office of Executive Management, I think particularly to spend its time consolidating and coordinating the many programs which I have said, and probably too bluntly, no one knows anything about. We tried to do it in our office but we are not set up for it, we don't have the staff to do this. I have tried through various means. I might as well be honest, I have been set down rather abruptly and that is as far as we got.

If this Office of Executive Management means to come in and coordinate and consolidate the various programs which we have and instead of arguing as to whether we have 572 as contrasted with 1,190, I have recognized that we have so many and so many duplicative programs that it is time someone sits down and puts some rhyme or reason into them, that we don't need 15 programs dealing with sewers. We can combine this in two or three programs and put it under one or two departments and you know where you can find them. This is what I call, yes, executive management so far as the Bureau of the Budget is concerned. I submit, Mr. Robison, that I don't think you are going to find too many Governors—I am using them as persons because I come from that group—I don't think you are going to find too many Governors who are going to be taking too kindly to the Bureau of the Budget or some division therein with some of the problems that they have which deal with matters which they feel they would like to have recourse to someone who maybe isn't sitting right next to the President or Vice President, but could at least get some message to them.

Mr. ROBISON. I grant you that at the level of Governor; but the mayor of the village out in California would probably deal in the future not with your people but more likely with the "expediter" from the new office.

Governor BOE. I would say we have had just the contrary experience. We have a mayor, and I probably should not mention the name of the city right now, but a rather large city. He says, "I have the right to see either the President or Vice President on a matter." As of this moment I don't think the time of either should be taken up. I think our office should be able to settle this and satisfy them with regard to the problem and we hope to do so. But remember this: Every man, whether he is a councilman or mayor or county commissioner, or probably even a school board member down there, feels that he has won his office by some ballots that have been marked by somebody and he has a certain degree of pride in the job he has and he kind of feels he wants to be represented and talk to someone up here.

CONGRESSIONAL RELATIONS WITH OIR

Mr. ROBISON. I might have asked this question last fall, but let me ask you now, anyhow. If we Members of Congress get into a situation where we cannot solve the complexities of intergovernmental relations with which we also deal on a day-to-day basis, are we welcome to come to you for assistance?

Governor BOE. Certainly. Many Members have done so; one being Congressman Fountain. We had the Congressman from Wisconsin, who called, and I feel sometimes we are probably out of our bailiwick.

So long as we have the time we are willing to do it. This was with regard to Hill-Burton funds, HEW, with regard to the hospital at Beloit, Wis., short $2.8 million and in rather drastic circumstances. We were able to work through HEW with some fine representatives, who in turn could help as to what the State could or could not do and brought some coordination on it; yes, this was through the request of a Congressman.

SPECIAL ASSISTANCE TO THE PRESIDENT

Mr. ROBISON. There is a new section in that part of the budget request that is going to be before us Thursday, for expenses necessary to enable the Vice President to provide assistance to the President in connection with "specially assigned functions," including services as authorized by 5 U.S.C. 3109, et cetera; a request for $700,000, a new item, and for 39 permanent positions. Do you know about this? The title is "Special Assistance to the President," and we will be talking about it Thursday. This is a new appropriation item for expenses necessary to enable the Vice President to provide assistance to the President in connection with "specially assigned" functions, one of which specifically says, "Presidential liaison with State and local officials and supervision of the Office of Intergovernmental Relations."

Would you now please relate this item to your operations?

Governor BOE. I would like to supply that for the record, if I may.

(The information follows:)

OFFICE OF THE VICE PRESIDENT,
Washington, March 18, 1970.

Hon. TOM STEED,
Chairman, Subcommittee on Treasury, Post Office and Executive Office, House Appropriations Committee, Washington, D.C.

DEAR CONGRESSMAN STEED: At the conclusion of the hearing before your subcommittee on Tuesday, March 17, relating to the proposed 1971 fiscal year budget of the Office of Intergovernmental Relations, it was requested that I comment upon the 1971 budget request for special assistance for the Vice President.

Presently and in the past staff personnel of the Office of the Vice President have been attached to various other departments and agencies of Government, and their salaries accordingly are and have been paid from such sources. The requested funds for an appropriation totaling $700,000 is presently being made in order that the 39 full-time staff personnel of the Office of the Vice President can be funded from one source.

In the statement of Robert Mayo, Director of the Budget, reference is made to the many functions concerning which the Vice President has been designated and/or granted supervisory powers. The enumeration of these functions should not be construed as indicating that further additional funding is being requested for the particular agency or commission in question.

The Office of Intergovernmental Relations in the same manner as the National Aeronautics and Space Administration, the Council on Youth Opportunity, the National Council on Indian Opportunity, and so forth, are presently funded by specific and individual appropriations made by the Congress of the United States. None of the requested appropriation of $700,000 will be used in connection with the administration of the Office of Intergovernmental Relations.

To no extent, therefore, are the budget request of OIR and the budget request for special assistance for staff members of the Vice President duplicative.

I might state the relationship between the Office of Intergovernmental Relations and the Vice President is direct, and that no intermediary or liaison staff personnel have been or will be necessary and required.

Sincerely,

NILS A. BOE,
Director, Office of Intergovernmental Relations.

Mr. STEED. Mr. Edwards?
Mr. EDWARDS. No questions, Mr. Chairman.

CONCLUSION

Mr. STEED. Governor, on behalf of the committee I want to express our appreciation for your appearance and the information you have given us. We have probably more sympathy with the work you are doing than many agencies that come up here because sometimes you sound like we are repeating some of our actions and problems because this business of being a bridge between those who ask and those who answer is quite a way of life with Members of Congress. The more of it you do the less of it some of us in Congress have to do in many instances.

We think that if you can do nothing else but just bring about some consolidation and coordination and streamlining in this big ball game of all of these different kinds of programs you will have done everybody a great service. So, we wish you well and thank you for your appearance.

Governor BOE. We thank you for the privilege of being able to appear again and taking up this much of your time.

WEDNESDAY, MARCH 18, 1970.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

WITNESSES

HON. L. H. FOUNTAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA
ROBERT E. MERRIAM, CHAIRMAN
WILLIAM R. MacDOUGALL, EXECUTIVE DIRECTOR
ELTON K. McQUERY, ASSISTANT DIRECTOR
JOHN SHANNON, ASSISTANT DIRECTOR
DAVID B. WALKER, ASSISTANT DIRECTOR
JAMES K. O'NEILL, BUDGET REPRESENTATIVE, GSA

Mr. STEED. The committee will be in order.

The committee is in session today to continue consideration of the budget request for the executive branch. We are taking up this afternoon the request for the Advisory Commission on Intergovernmental Relations.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS—SALARIES AND EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Advisory Commission on Intergovernmental Relations (program costs, funded)	570	620	610
Change in selected resources [1]	−19		
Total obligations	551	620	610
Financing:			
Receipts and reimbursements from: Federal funds	−4		
Unobligated balance lapsing	4		
Budget authority	551	620	610
Budget authority:			
Appropriation	551	575	610
Proposed supplemental for civilian pay act increases		45	
Relation of obligations to outlays:			
Obligations incurred, net	551	620	610
Obligated balance, start of year	78	61	61
Obligated balance, end of year	−61	−61	−76
Adjustments in expired accounts	−4		
Outlays, excluding pay increase supplemental	564	575	595
Outlays from civilian pay act supplemental		45	

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $43,000; 1969, $24,000; 1970, $24,000; 1971, $24,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	409	479	494
Positions other than permanent	3	4	4
Other personnel compensation	11	6	3
Total personnel compensation	423	489	501
Personnel benefits:			
Civilian	30	36	36
Travel and transportation of persons	25	20	17
Transportation of things	1	1	1
Rent, communications, and utilities	12	12	6
Printing and reproduction	19	20	18
Other services	34	35	24
Supplies and materials	7	7	7
Total obligations	551	620	610

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	28	32	32
Average number of all employees	28	31	32
Average GS grade	10.7	10.3	10.3
Average GS salary	$13,919	$14,642	$14,770

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level V, $36,000	1	1	1
Rates established by the Chairman comparable to GS grades:			
GS–18, $33,495	1	1	1
GS–17, $28,976 to $32,840	2	2	2
GS–16, $25,044 to $31,724	1	1	1
GS–15, $21,589 to $28,069	4	4	4
GS–14, $18,531 to $24,093	1	1	1
GS–13, $15,812 to $20,555		1	1
GS–12, $13,389 to $17,403	3	2	2
GS–11, $11,233 to $14,599	3	3	3
GS–9, $9,320 to $12,119	1	1	1
GS–8, $8,449 to $10,987	2	2	2
GS–7, $7,639 to $9,934		4	4
GS–6, $6,882 to $8,943	8	8	8
GS–5, $6,176 to $8,030	1	1	1
Total permanent positions	28	32	32
Unfilled positions, June 30	–1		
Total permanent employment, end of year	27	32	32
HIGHER LEVEL POSITIONS			
Executive level V, $36,000: Executive Director	1	1	1
GS–18, $33,495: Assistant Director	1	1	1
GS–17, $28,976 to $32,840: Assistant Director	2	2	2
GS–16, $25,044 to $31,724: Senior Analyst	1	1	1

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS—ADVANCES AND REIMBURSEMENTS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Indepth study project on metropolitan fiscal disparities	10	7	
Indepth study of local government capacity to finance urban mass transportation	4	75	
Total program costs, funded	14	82	
Change in selected resources [1]	2	–19	
Total obligations	16	63	
Financing:			
Receipts and reimbursements from: Federal funds	–75		
Unobligated balance available, start of year	–4	–63	
Unobligated balance available, end of year	63		
Budget authority			
Relation of obligations to outlays:			
Obligations incurred, net	–59	63	
Obligated balance, start of year	15	19	
Obligated balance, end of year	–19		
Outlays	–63	82	

[1] Selected resources as of June 30 are as follows: Unpaid Undelivered orders, 1968, $17,000; 1969, $19,000; 1970, none.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation: Positions other than permanent		15	
Personnel benefits:			
Civilian		1	
Travel and transportation of persons		2	
Rent, communications, and utilities		7	
Printing and reproduction	3	3	
Other services	13	32	
Supplies and materials		3	
Total obligations	16	63	

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Average number of all employees		1	

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS—CONTRIBUTIONS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Special project: Preparation of a compendium of all previous ACIR findings and recommendations on metropolitan problems—financed by Ford Foundation grant	22	3	
Special project: Development of techniques for measuring local government fiscal capacity and tax effort—financed by Ford Foundation grant	6	60	
Expanded ACIR information and other services to State and local governments—financed by State and other non-Federal contributions	8	37	60
Total obligations [1]	36	100	60
Financing:			
Receipts and reimbursements from non-Federal sources	−62		
Unobligated balance available, start of year		−26	−26
Unobligated balance available, end of year	26	26	26
Budget authority (appropriation—permanent, indefinite)		100	60
Relation of obligations to outlays:			
Obligations incurred, net	−26	100	60
Obligated balance, start of year		4	24
Obligated balance, end of year	−4	−24	−34
Outlays	−30	80	50

[1] Includes capital outlays as follows: 1969, $3,000; 1970, $3,000; 1971, none.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Positions other than permanent	13	30	
Other personnel compensation	1		
Special personal services payments	16		
Total personnel compensation	30	30	
Personnel benefits:			
Civilian	1	2	
Travel and transportation of persons	1	10	8
Rent, communications and utilities			5
Printing and reproduction	1	23	20
Other services		30	25
Supplies and materials		2	2
Equipment	3	3	
Total obligations	36	100	60

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Average number of all employees	1	2	

JUSTIFICATION OF THE BUDGET ESTIMATE

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Salaries and expenses

For expenses necessary to carry out the provisions of the act of September 24, 1959 (73 Stat. 703–706), [$575,000] *$610,000.*

(*Treasury, Post Office, and Executive Office Appropriation Act, 1970.*)

Budget estimate and justification for fiscal year 1971

1970 appropriation	$575,000
Change	+35,000
1971 estimate	610,000

General Statement

A. OBJECTIVES OF THE COMMISSION

The Advisory Commission on Intergovernmental Relations was established by Public Law 86–830 (September 24, 1959), as amended by Public Law 89–733 (November 2, 1966).

The Commission is composed of 26 members— three Members of the United States Senate, three Members of the United States House of Representatives, three private citizens, three officers of the executive branch of the National Government, four Governors, three State legislators, four mayors and three elected county officials. The President designates the Chairman and Vice Chairman from among the members.

The purpose of the Commission as set forth in the law is:

(1) Bring together representatives of the Federal, State, and local governments for consideration of common problems;

(2) Provide a forum for discussing the administration and coordination of Federal grant and other programs requiring intergovernmental cooperation;

(3) Give critical attention to the conditions and controls involved in the administration of Federal grant programs;

(4) Make available technical assistance to the executive and legislative branches of the Federal Government in the review of proposed legislation to determine its overall effect on the federal system;

(5) Encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation;

(6) Recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government; and

(7) Recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers.

B. EXPANSION OF ACIR ACTIVITIES PURSUANT TO RECOMMENDATIONS OF CONGRESS

In May 1965, the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations conducted joint hearings as the basis for review and evaluation of the performance of Advisory Commission on Intergovernmental Relations during its first 5 years. An effort was made to obtain critical appraisals from public officials, organizations and individuals familiar with the Commission's work and to solicit suggestions as to ACIR's future role.

The committees recommended a modest expansion of activities of the Commission including—

(a) Initiation of occasional regional meetings involving Federal, State and local officials;

(b) Sponsorship of periodic nationwide conferences on intergovernmental relations;

(c) Increased attention to implementation of the Commission's recommendations;

(d) Holding at least one Commission meeting a year outside of Washington;

(e) Initiation of an internship program aimed at training beginning level professionals in intergovernmental relations.

The Commission sought and Congress appropriated funds for fiscal year 1968, fiscal year 1969, and fiscal year 1970 to implement the committee recommendations as follows:

Pursuant to recommendation (a) a regional hearing was held in Chicago during fiscal year 1968 on problems of urban growth. During fiscal year 1969 a similar hearing was held in San Francisco on medicaid.

Pursuant to recommendation (b) the Commission, in fiscal year 1968, sponsored a National Conference on State Legislative Leadership which brought together State legislative leaders and representatives of party and committee leadership in Congress. The Commission presently is cooperating with organizations of State and local officials and other public interest groups that are planning national meetings at which intergovernmental problems are to be considered. In addition, the Commission will undertake to cosponsor with the American Assembly and other appropriate groups a national meeting, followed possibly by subsequent regional meetings, to focus attention on the future course of federalism in its broadest aspects.

Pursuant to recommendation (c) two positions were added to the Commission's staff at the beginning of fiscal year 1968, an assistant director for program implementation and a secretary, to support the increased attention to implementation of the Commission's recommendations.

Pursuant to recommendation meetings of the Commission have been held outside of Washington in both fiscal year 1968 and fiscal year 1969.

Pursuant to recommendation (e) a modest intership program was begun in July 1969 under which three interns are to be trained in intergovernmental relations each year, who upon completion of their 1-year internship appointments, will pursue careers at the State or local government levels.

C. CONTRIBUTIONS TO ACIR FROM NON-FEDERAL SOURCES

Following the review of Commission operations by the House and Senate subcommittees in 1965, Congress enacted Public Law 89–733, which amended the act establishing ACIR to provide, among other things, an authorization for the Commission to accept contributions from State and local governments and from nonprofit organizations. This action was in line with recommendations of the Commission and views expressed by Members of Congress and others that the Commission's financial support, as well as its membership, should be intergovernmental in character. Accordingly, early in 1968, Commission Chairman Farris Bryant wrote to the Governors of all States calling their attention to the new statutory provision and suggesting that each State consider making voluntary annual token contributions of $1,000 to the Advisory Commission. A total of $15,000 was received from State contributions during the fiscal year that closed June 30, 1969. It is estimated that $35,000 will be received from State contributions during fiscal year 1970 and $40,000 in fiscal year 1971. It should be noted in this connection that the requests for State and local contributions are coupled with an assurance that the money is to be used to broaden and strenthen ACIR's services to State and local governments, rather than to replace funds that otherwise might be appropriated by Congress.

Similar letters are being sent to selected units of local government suggesting that they make annual token contributions of $500 each to ACIR. As much as $5,000 may be received from local governments in fiscal year 1970 and $15,000 in fiscal year 1971.

In April 1969, the Ford Foundation approved a grant of $65,000 to the Advisory Commission to finance a study of the feasibility of constructing and testing measures of fiscal capacity and tax effort for local governments—cities, counties, and towns. Work on the 1-year project was begun during fiscal year 1969; it is scheduled for completion April 1970.

It is anticipated that approximately $5,000 will be received during fiscal year 1970 and a similar amount in fiscal year 1971 from a number of other nonprofit organizations—most of it in the form of contributions in lieu of honoraria—for participation by ACIR staff members in conferences, symposia, and similar activities conducted by these organizations.

D. FUNDS FROM OTHER FEDERAL AGENCIES

In April 1969 the Advisory Commission agreed to a request of the Urban Mass Transportation Administration of the Department of Transportation that ACIR conduct a study closely related to the "measurement of local fiscal capacity and effort" project for which the Ford Foundation had provided funds. The purpose of the study for UMTA is to develop sound criteria for evaluating the general ability of public agencies to provide the local contributions to "net project costs," and to devise a framework for appraising the fiscal capacity of individual applicants. UMTA provided a grant of $75,000 to cover the entire cost of this project; it is scheduled for completion in late 1969 or early 1970.

E. COMPARISON OF FISCAL YEAR 1970 ESTIMATES AND FISCAL YEAR 1971 BUDGET REQUESTS

The appropriation requested for fiscal year 1971 (is $610,000) is $35,000 more than the amount initially appropriated by Congress for fiscal year 1970 and $10,000 less than estimated obligations for fiscal year 1970 ($620,000 which includes $45,000 estimated supplemental appropriation to cover congressional mandated pay increases for the current fiscal year). Following are the differences for the 2 fiscal years in estimated obligations from funds appropriated by Congress to ACIR for "Salaries and expenses":

1. Increase of $15,000 in personnel compensation for permanent positions and a decrease of $3,000 in other personnel compensation.
2. Decrease of $3,000 in travel and transportation of persons.
3. Decrease of $6,000 in rent, communications, and utilities.
4. Decrease of $2,000 in printing and reproduction.
5. Decrease of $11,000 in other services.
6. No change in other object classes.

F. WORK PROGRAM

During fiscal year 1970 new ACIR policy reports on "Labor-Management Relations in the State and Local Public Service," "Alternative Federal Approaches for Assisting State and Local Governments to Finance Capital Needs," and "Federal-State-Local Relations in Law Enforcement," will be completed. As work is finished on these research assignments the Commission will select new items for the work program. In addition, the Commission will publish information reports on current and comparative levels of State and local taxes, State action on urban problems, and other emerging intergovernmental issues as well as distribute information bulletins to a large number of State and local officials on current intergovernmental matters.

A considerable part of the Commission's efforts are concerned with following through on recommendations previously made, with considerable emphasis upon securing legislation and administrative implementation at the State level. A significant proportion of professional staff time is devoted to implementation. This activity is a highly difficult but very important part of the Commission's work because a test of the worth of the Commission's activities is the degree to which it contributes directly to actual changes for better Federal-State-local relations. Promoting legislation at the State level in behalf of recommendations which the Commission makes to the States involves—

(*a*) Securing the cooperation and support of national organizations of State and local officials, including the Governors' Conference, organizations of State legislative leaders, the National League of Cities, the National Association of Counties, and the U.S. Conference of Mayors;

(*b*) Working closely with Governors, State legislators, State organizations of municipal and county officials and other public, private, and nonprofit organizations in particular States in behalf of legislative or administrative action recommended by the Commission.

Recommendations made by the Commission to the National Government for legislative action usually are introduced as bills by the congressional representatives on the Commission from the Senate and House. The Commission also works closely with the Executive Office of the President and with department and agency officials on administrative, procedural, and legislative proposals affecting intergovernmental relations.

G. PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE COMMISSION

National Government

Federal legislation

1. S. 1, the Uniform Relocation Assistance and Land Acquisition Policies Act of 1969 (Muskie, et al.) was passed by the Senate on October 27, 1969. This measure would provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal or federally assisted programs and establish uniform and equitable Federal land acquisition policies. These provisions would carry out the major recommendations for a uniform relocation policy for all Federal programs in relocation, unequal treatment of people and businesses displaced by Government, January 1965. Counterpart bills have been introduced in the House; hearings held by House Committee on Public Works.

2. The Intergovernmental Cooperation Act of 1969 (S. 2479, Muskie) has been reported favorably by the Senate Subcommittee on Intergovernmental Relations. Hearings have been completed on a companion bill in the House (H.R. 7366, Fountain, et al.). These measures are designed to build on the Intergovernmental Cooperation Act of 1968 by providing for joint funding; simplification of accounting, auditing, and reporting procedures; consolidation of Federal-aid programs; and strengthened congressional oversight of Federal aid. The Senate subcommittee deleted the grant consolidation title in S. 2479, and approved the administration's grant consolidation measure (S. 2035) which closely parallels the ACIR proposal. The bill authorizes the President to propose consolidation of Federal grant programs which would go into effect unless vetoed by Congress. These measures implement several of the Commission's recommendations in fiscal balance in the American federal system, October 1967, and one basic proposal advanced in the earlier ACIR report on periodic congressional reassessment of Federal grants-in-aid to State and local governments (June 1961).

3. The Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell; H.R. 13353, Roth) is designed to permit State and local governments greater fiscal flexibility. Senate hearings are underway. The bill would give States access to the prime revenue source—the Federal income tax—and encourage States to make more intensive use of State personal income taxes. An amount of Federal revenue would be diverted into a trust fund for subsequent redistribution to State and local governments on a per capita basis adjusted for tax effort. Also, the bill provides that taxpayers would be allowed a partial credit against their Federal income tax liability for any State and local income taxes they have paid in order to offset the deterrent effect of heavy Federal income taxes on the use of State income taxes. Other provisions of the proposed legislation would (1) authorize the U.S. Treasury to collect State personal income taxes under mutually agreeable terms; (2) enlarge and restructure the Federal tax credit for State death tax payments, provided a State adopts an estate-type tax and increases its death tax rates so as to capture an amount equivalent to the enlarged Federal tax credit; and (3) permit States and their localities to tax the personal property of private individuals located in enclaves under exclusive Federal jurisdiction, provided a designated Federal agency certified that all persons residing in such Federal enclaves enjoy the same rights and privileges accorded other residents of the State.

Title I of this bill would implement a major recommendation made by the Commission in "Fiscal Balance in the American Federal System," October 1967. Title II incorporates the partial tax credit proposal advanced in "Federal-State Coordination of Personal Income Taxes," October 1965. Title III, which authorizes Treasury collection of State income taxes, implements another recommendation advanced in the same report. The restructuring of Federal credits for State death taxpayments, proposed in title IV, would carry out a recommendation made in the Commission's report "Coordination of State and Federal Inheritance, Estate, and Gift Taxes," January 1961. The proposed amendment to the Buck Act, found in title V, seeks to implement a policy objective advanced in "State and Local Taxation of Privately Owned Property Located on Federal Areas," June 1961, and reaffirmed in 1965 by the Commission.

4. The Balanced Urbanization Policy and Planning Act of 1969 (H.R. 13217), introduced by Congresswoman Dwyer and Congressman Fountain, incorporates certain recommendations contained in "Urban and Rural America: Poli-

cies for Future Growth," April 1968, and "Fiscal Balance in the American Federal System," October 1967. The four-title bill would (1) provide for the development of a national policy on urban growth; (2) establish a system for Federal financial support of comprehensive planning, replacing section 701 of the Housing Act of 1954, as amended; and (3) apply a uniform definition of comprehensive planning and a coordinated approach to functional planning conformity requirements for grant programs. The proposed legislation cleans up and consolidates into a single bill all of the comprehensive planning requirements now attached to many of the Federal aid programs as well as several functional planning provisions. Responsibility for developing a national urbanization policy would be assigned to the Executive Office of the President and an annual urbanization report to the Congress and the country would be required. Counterpart bill introduced in Senate (S. 3228, Muskie).

5. S. 2804, the Interstate Taxation Act (Senator Magnuson and others) deals with State business taxes as they apply to interstate firms. This bill grants congressional consent to the "multistate tax compact" which is designed to facilitate consistency in State tax treatment of such firms. Eighteen States have already enacted the compact. Interstate firms doing business in these States now have the option of using the NCCUSL three-factor formula (property, payroll, and sales) for apportioning income for State tax purposes. Under the terms of the bill, all States would be required to offer the same option beginning July 1, 1971, whether or not the State has joined the compact. This bill is a counterproposal to the House-passed bill (H.R. 7906) that would define State taxing jurisdictions with respect to interstate firms and set an upper limit on the amount of income attributable to business done in the States on the basis of a two-factor (property and payroll) formula. In many other major respects S. 2804 and H.R. 7906 are similar. S. 2804 seeks to carry out proposals adopted by the Advisory Commission in 1966 to reconcile two competing national objectives—the need to minimize State impediments to the free flow of interstate commerce while maximizing State discretion in tax policy matters.

6. On the initiative of the Commission, a statement for the hearing record was filed with the Senate Subcommittee on Education on H.R. 514 (Perkins) and S. 2451 (Pell), which would amend and extend the Elementary and Secondary Education Act. The legislation contemplates consolidation of several separate Federal categorical aids for education. The consolidations would implement a recommendation in "Fiscal Balance in the American Federal System," October 1967, which noted that the rapid expansion in a number of grants has contributed to functional fragmentation of State and local governments. The pooling of separate grants for the administration of two or more educational programs into a consolidated grant, as proposed in S. 2451, represents a constructive extension of the consolidation idea into the field of grant program administration. By allowing States greater flexibility and simplicity in administering education grants, State educational agencies can attune their efforts more fully to the pursuit of educational objectives.

Federal administrative action

Effective September 30, 1969, Budget Bureau Circular No. A–95 superseded Circular No. A–80 and Circular No. A–82. Circular No. A–95 was developed as a means, in part, of implementing the Intergovernmental Cooperation Act of 1968, particularly section 201 and title IV.

The basic objectives of title IV of the Intergovernmental Cooperation Act emphasize the importance of sound and orderly development of urban and rural areas. Section 401 (b) of the act requires that "all viewpoints—national, State, regional, and local—shall, to the extent possible be taken into account in planning Federal or federally assisted development programs projects." Section 401 (c) states, moreover, that "to the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State, regional, and local planning."

Section 201 of the act requires Federal agencies administering grants-in-aid programs to supply the Governor and the legislature of any State, upon the request of either, information on the amount and purpose of grants-in-aid made in that State.

The new regulations under this circular build upon the review process established under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 (implemented by Circular No. A–82). They also continue the Federal encouragement of regional planning on a consistent geographic base of State-established regions. Implemented by Circular A–80), The new circular

A–95 requires that Federal programs assisting planning conform to these regions.

The new administrative policy aspects of the circular implement several Commission proposals including some from "Impact of Federal Urban Development Programs on Local Government Organization and Planning." January 1964; "The Problem of Special Districts in American Government," May 1964; and the single State reception point for grant-in-aid information endorsed by the Commission at its January 1965 meeting.

Budget Bureau Circular A–96, which implements sections 202, 203, and 204 of the Intergovernmental Cooperation Act of 1968, provides administrative ground rules for achieving Commission proposals adopted at its January 1965 meeting, as well as the "single State agency" recommendation advanced in the fiscal balance report.

Budget Bureau Circular A–97 establishes rules and regulations governing the provision by Federal agencies of specialized or technical services to State and local governments, as authorized by title III of the Intergovernmental Cooperation Act of 1968. This circular provides the administrative basis for implementing another basic Commission proposal endorsed at the January 1965 meeting.

Finally, by a memorandum to all Federal executive departments and agencies, dated December 22, 1969, the Bureau of the Budget implemented the Advisory Commission's recommendation that uniform, governmentwide criteria be established relating to the eligibility of State legislative committees and agencies to apply for and receive Federal research grants.

State and local government

One or more statutes or constitutional amendments similar to draft proposals developed by the Commission or consistent with Commission recommendations were enacted in most States during the 1967–69 biennium.

In 1968, 22 State legislatures met in general unrestricted sessions, four of which were continuations of 1967 sessions. In addition, six met in "budget" sessions and seven others met in special sessions. During 1969, all but three States had general unrestricted sessions. The following outline summarizes State actions during the biennium.

Taxation and finance

Use of personal income tax.—Adoption 1969: Maine and Illinois. Bringing State income tax provisions into harmony with Federal Code—1968: Missouri and Oklahoma; 1969: Arizona. State collection of local income taxes—1968: New Mexico (for school boards). Uniform appointment formula for corporate income tax purposes—1969: Montana, North Dakota, and Wyoming. More intensive use of personal income tax—1968: Mississippi and New York; 1969: Montana, New Mexico, and Vermont.

Use of broad-based sales tax.—Adoption 1969: Vermont and Wisconsin. More intensive use—1968: Arizona, Florida, Kentucky, Mississippi, and Texas.—1969: Conneticut, Florida, Maine, Maryland, New York, North Dakota, South Carolina, South Dakota, Texas, Utah, and Wisconsin. State collection of local sales taxes—1968: Arizona (1st and 2d class cities), North Carolina (authorized for one county, Tennessee (rate increased; authority expanded to counties and unincorporated cities).

Property tax reform and changes.—Property tax relief for low-income families—Vermont, 1969. Property tax organization and administration—Nebraska, 1969. Exempted business inventories from property tax—California (partial exemption) and Utah (constitutional amendment), 1968; Connecticut and Oregon, 1969. Created State property tax appeal board—Illinois, 1968. Required evidence of payment of personal property tax on automobile as a condition for registration—Mississippi, 1968. Provided for certification of real property appraisers—Utah and Michigan, 1969. Adopted real estate transfer tax—Arizona, Kentucky, New Jersey, New York, South Dakota, and Virginia, 1968; Arkansas, Tennessee (for Grundy County), 1969. Centralized assessment administration at county level—Florida, 1969. Required property tax statements to show amounts due to each local taxing authority and to the State—Minnesota (counties over 50,000 population), 1969.

Authorization for local governments to invest and receive interest on idle funds.—Kansas, 1968; Arizona, 1969; Colorado (cities over 25,000 authorized to invest special funds in stocks and bonds of U.S. corporations listed on a national stock exchange).

State collection of local nonproperty taxes.—South Dakota, 1969.

Structural and functional relationships

Authorization for interlocal cooperation.—Regional councils of governments—South Carolina, 1968 (constitutional amendment); Florida, 1969. Joint exercise of powers—Florida and West Virginia, 1969. Washington extended authority to include school districts. Areawide management of transportation facilities—West Virginia, 1968; Colorado (regional transportation district for city of Denver and six counties), New York (Rochester-Genesse Regional Transportation Authority), and Oregon, 1969

State agency for local affairs or community development.—Massachusetts, Rhode Island, and Virginia, 1968; Florida, Illinois, Oregon, Nebraska, and South Carolina, 1969.

Local boundary adjustments and incorporations.—State review of local boundary adjustments—Alaska and Michigan, 1968. Stricter standards for incorporation of new municipalities—Washington (extended to all counties the law that a municipality may not be incorporated within 5 miles of any city over 15,000), 1969.

Constitutional provision for local governments' exercise of "residual" home rule powers.—Florida and Pennsylvania, 1968; Iowa, 1969.

Authorization of county subordinate service areas.—Kentucky, 1968; Minnesota (authorized for three counties), 1969.

Broadened availability and reciprocity of public employee retirement systems.—Colorado and Oregon, 1969; Washington lowered the vesting period to 5 years.

State financial assistance.—Sewage disposal and water supply—State bond issues approved in Michigan, Ohio, and Washington, 1968; Michigan (enabling legislation for the allocation of $385 million for local grants for sewage treatment), 1969. General assistance (welfare)—New Jersey increased State participation to more than 75 percent, 1968. Low-income housing—Alaska (appropriated $1 million to implement the Alaska rural housing program), Delaware created a State department of housing, Michigan made State-owned tax reverted lands available for low- and moderate-income homeownership. Pennsylvania created a State housing agency and appropriated $3 million for grants, New Jersey authorized bonds to establish a housing assistance fund, West Virginia created a Housing Development Fund to make loans to sponsors of land development for low and moderate-income housing, 1969; Maine created a State housing authority. Maryland established a State authority to construct or assist in the construction of low- and moderate-cost housing. North Carolina created a State housing corporation to assist in financing low-income housing. Rhode Island created a State housing authority to stimulate home-ownership in economically depressed areas, 1969. Urban renewal—Delaware, 1968. Urban transportation facilities—Pennsylvania, 1968; New York appropriated $600 million for State aid to the city of New York for the construction and equipment of eight rapid transit routes and for design of five additional routes, 1969.

Permits municipalities to authorize planned unit development.—Kansas, 1969.

Uniform relocation assistance.—Rhode Island, 1969.

Strengthening State legislative and executive branches.—Constitutional amendments authorizing annual legislative sessions—Florida, Idaho, Iowa, Mississippi, and Wisconsin, 1968; Delaware, 1969. Removal of constitutional restrictions on legislative compensation—Florida, North Carolina, Iowa, Oklahoma, and Michigan, 1968. Constitutional amendment providing for executive budget—West Virginia, 1968. Constitutional amendment permitting Governor to succeed himself—Alabama and Florida, 1968. Provision for State comprehensive planning—Maine, 1968; Nebraska, Washington created the office of program planning and fiscal management in Governor's office, 1969. Strengthening and coordinating State programs for water resources and pollution control—Alaska and Ohio, 1968.

Areawide performance of urban functions.—Indiana provided metropolitan form of government for Indianapolis-Marion County, Oregon provided general authorization for metropolitan service districts, 1969. Authorization for metropolitan charter and study commissions—Virginia, 1968; Oregon, 1969. Authorization for municipalities to exercise extraterritorial planning and zoning powers.—Kansas and Minnesota, 1969. Authorization for regional planning.—Minnesota, 1969.

Building codes.—Authorization for municipalities to adopt codes by reference—Vermont, 1968; Maine, 1969. Adoption of State building code—Connecticut and Ohio, 1969. Provision for licensing of building inspectors—Connecticut, 1969.

Uniform relocation assistance.—Rhode Island and Washington, 1969.

New proposals

The new draft legislative proposals listed below were prepared to implement recommendations of the Commission. They appear in "New Proposals for 1970: ACIR State Legislative Program" which was distributed in July to Governors, State legislators, State and local officials, and other interested groups and individuals. The new proposals cover the following topics:

Strong executive budget,
State financing of public elementary and secondary schools,
An equalizing State foundation program for health and hospitals,
Distribution of State highway-user revenues to local governments,
State aid administration,
Official map,
Planned unit development,
Mandatory dedication of park and school sites,
State aid for mass transportation, and
Prepaid group practice of health care.

The strong executive budget statute in this volume was drafted to implement a recommendation in the Commission's report on "Fiscal Balance in the American Federal System." The proposals on official maps, planned unit development, and mandatory dedication of parks and school sites were suggested by the Commission in "Urban and Rural America: Policies for Future Growth," as approaches States should consider in implementing policies for urban growth. The draft proposal on prepaid group practice of health care was recommended in "Intergovernmental Problems in Medicaid." The remaining proposals were drafted to implement Commission recommendations in its recent report, "State Aid to Local Government."

Explanation of distribution by objects

Personnel compensation: $501,000 (S. & E. account). S. & E. funds are to be distributed as follows: $494,000 for 32 full-time permanent positions; $4,000 for positions other than permanent, including per diem compensation of eligible Commission members; and $3,000 for other personnel compensation (overtime).

	1969	1970	1971
Total number of permanent positions	28	32	32
Average number of all employees	28	31	32

It should be noted that the increase of four positions in fiscal year 1970 included three interns appointed pursuant to a recommendation by the House and Senate Subcommittees on Intergovernmental Relations following a 5-year review of ACIR operations during the 89th Congress and one clerical position that was lost because a vacancy existed on June 30, 1968, which later was designated as the effective date of the personnel ceiling.

Except for the Executive Director and the three positions designated as Assistant Director, the Commission follows regular civil service classification and compensation schedules.

In addition to the Chairman, eight members of the Commission are entitled to claim compensation of $50 a day for each day they are engaged in Commission duties. During fiscal year 1971 $4,000 has been budgeted for this purpose.

Other objects

(1) Personnel benefits: $36,000 (S. & E. account).

(2) Travel and transportation of persons: $17,000 (S. & E. account) and $8,000 (contributions account). Of this amount, $10,500 will be required for travel costs for attendance of members at three meetings of the Commission to be held in Washington; and $5,000 will be required to cover travel of Commission members and staff to a combined out-of-town meeting and regional hearing. The remaining $9,500 will be available for travel expenses of the Chairman, Executive Director, and staff of the Commission in carrying on continuing Commission activities.

(3) Transportation of things: $1,000 (S. & E. account). For shipping Commission materials to regional and national conferences of State and local officials.

(4) Rent, communications, and utilities: $6,000 (S. & E. account) and $5,000 (contributions account). Includes $3,000 for postage, $3,500 for FTS, and $4,500 for other services including telephone, telegraph, and teletype.

(5) Printing and reproduction: $18,000 (S. & E. account) and $20,000 (contributions account). During fiscal year 1971 a number of Commission reports will be issued. The practice is for reports that contain official Commission recommendations to be printed for initial free distribution to Federal, State, and local officials and interested private groups. Reports containing recommendations directed solely to the National Government, the President, Congress, and Federal agencies are ordinarily multilithed and, except for a reasonable number of copies for libraries and the nongovernmental groups interested in intergovernmental matters, are not given wide distribution. Information reports containing compilations of information useful to a variety of public officials, private organizations, and the public generally are given a limited free distribution with other copies placed on sale by the Government Printing Office. Reports directed wholly or in part to State and local governments are printed for fairly wide distribution to officials of those units of govenment; the number of copies vary from 3,000 to 15,000 depending on the subject matter.

(6) Other services: $24,000 (S. & E. account) and $25,000 (contributions account). Includes payments to the General Services Administration for personnel, payrolling, accounting and other administrative services, preparation of camera ready copy for reports and other publications, as well as maintenance of office machines, photocopying, graphic arts, and other miscellaneous services.

(7) Supplies and materials: $7,000 (S. & E. account) and $2,000 (contributions account). Includes $4,000 for books, periodicals, pamphlets, reports, and other publications—all of a technical nature—required for the information clearing house activity carried on by the Commission in the field of Federal-State-local relations, and other supplies and materials needed to carry on the Commission's work.

Mr. STEED. We are pleased to have our very highly esteemed colleague, Congressman Fountain, with us who is a member of this Commission. Congressman, we are pleased to recognize you now and if you would like first to introduce your colleagues on the Commission for the record, we would be pleased to have any statement you would like to make.

REMARKS OF HON. L. H. FOUNTAIN OF NORTH CAROLINA

Mr. FOUNTAIN. Thank you, Mr. Chairman. I appreciate this opportunity. First, I would like to introduce Mr. Robert Merriam. He has been Chairman of the ACIR since October 30, 1969. Mr. Merriam is currently president of University Patents, Incorporated of Chicago. He formerly served as Deputy Director of the Bureau of the Budget and was also a special assistant to President Eisenhower in charge of intergovernmental relations when the Advisory Commission was created. He worked closely with the Commission during the early days, and since then he has followed the activities and accomplishments of the Commission with great interest. His public service also includes, among other things, 8 years from 1947 to 1955, as an alderman of the city of Chicago.

We also have with us the new Executive Director of the ACIR, Mr. William R. MacDougall. I am sure members of the committee remember very favorably Mr. William Colman, our former Executive Director, who served from January 1960 until February 1970 and, let me add, he served with great competence and distinction. Mr. MacDougall, before joining the ACIR staff, was general counsel and manager of the County Supervisors Association of California. Prior to

joining the staff of the Supervisors Association, Mr. MacDougall, I understand, spent 13 years in California State government including positions in the State department of social welfare and the State comptroller's office. He has also served on the California Governor's Commission on Metropolitan Area Problems, the Federal Public Assistance Advisory Council, and the Constitution Revision Commission of California. He is a member of the California State bar and the bar of the U.S. Supreme Court. I am sure he or Mr. Merriam will introduce the other members of the excellent staff the Commission has along with them.

I have a very brief statement in support of the request. I very heartily support it and Mrs. Dwyer, ranking minority member of the Intergovernmental Relations Subcommittee and also the minority Member of the House serving on the Advisory Commission on Intergovernmental Relations, has asked me to express her full support for the funds requested by this Commission. If it is all right, Mr. Chairman, I will leave my brief statement for insertion in the record.

Mr. STEED. We will be happy to have it.

(The information follows:)

STATEMENT OF REPRESENTATIVE L. H. FOUNTAIN OF NORTH CAROLINA

Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear here in support of the appropriation requested for the Advisory Commission on Intergovernmental Relations. I have had the honor to represent the House on the Commission since its establishment, and together with our colleagues, Mrs. Dwyer and Mr. Ullman, I participate actively in the Commission's work.

The Advisory Commission has produced a large number of outstanding reports on specific intergovernmental problems, with practical recommendations for governmental action. Many of these proposals have been enacted into law by the Congress; some have been implemented by Federal Executive order; and others, incorporated in the draft proposals of the Commission's State legislative program, have been widely used in the development of legislation by the States.

The positive role which the Advisory Commission has demonstrated is especially needed now when the most critical problems of intergovernmental relations include the increasingly difficult task of managing the very large number of Federal grant-in-aid programs, the growing concern about balancing fiscal needs and resources in our federal system, and the question of whether and how the States can deal effectively with the pressing problems of urban and metropolitan areas.

The Advisory Commission has already made a significant contribution in all these areas, and is now moving forward with additional studies and new efforts to implement its recommendations and to stimulate action at all levels to resolve a variety of intergovernmental conflicts.

I sincerely hope that your committee will see fit to grant the funds requested for the Advisory Commission so that it may continue its valuable and highly productive work.

INTRODUCTION OF WITNESSES

Mr. STEED. Mr. Merriam, we will be pleased to have you introduce your other associates here with you for the record, and you might proceed with any general statement you would like to make.

Mr. MERRIAM. Mr. John Shannon is Assistant Director of the Commission as are Mr. Elton McQuery, and Mr. David Walker. We are accompanied also by Mr. James K. O'Neill, the budget representative to us from GSA.

MEMBERSHIP OF COMMISSION

I would like to briefly supplement Congressman Fountain's comments, and just summarize our formal statement by, first of all, saying that Congressman Fountain and Mrs. Dwyer, as I am sure you know, were the persons instrumental in creating this Commission in 1959. It was my pleasure as he indicated, at that time, from the other end of the avenue, to work with them and to be involved in the formation of this Commission.

So, I have seen its operation from the start. It is, I am sure you know, Mr. Chairman and members of the committee, a truly unique landmark in the history of the American Federal system, being the only truly intergovernmental body that we have. That is represented best, I think, by the fact that of our 26 members, six are Members of the U.S. Congress—in addition to the three Members of the House, we have Senators Muskie and Ervin and Mundt, from the Senate—and three members of the executive branch of the Federal Government, which at this moment are Secretary of HEW, the Director of the Bureau of the Budget, and the Secretary of HUD.

We also have four Governors who are members of the Commission and 10 other elected State and local officials—county, State legislative, and municipal leaders. Last, but not least, there are three members including myself, who are so-called public members of the Commission.

Mr. ROBISON. Could I interrupt just to pay tribute, for the record, to Congressman Fountain and to Mrs. Dwyer and, of course, to Congressman Ullman, who serves on your Commission, but particularly the first two, because for so many years they have pursued this idea and because it was through their efforts and their continuing interest that it came to fruition. I think they should be commended by all of us for all they have done in the interest of improving intergovernmental relations.

Would you tell us who the four Governors are at this point? I know you are going to submit a list of all the names.

Mr. MERRIAM. At the moment they are Governor Rockefeller of New York, Governor Shafer of Pennsylvania, Governor Ellington of Tennessee, and Governor Hearnes of Missouri.

Mr. ROBISON. Thank you, sir.

GENERAL STATEMENT

Mr. MERRIAM. I would like, Mr. Chairman, and gentlemen of the subcommittee, to give you just a brief report on my very short stewardship and perhaps leave with you some thought as to our overall objectives for the future. Much of what the Commission has accomplished in the past 10 years is summarized, incidentally, in this yellow pamphlet you have before you, which is our 11th annual report. Inasmuch as it represented 10 years of the life of the Commission, it was determined to utilize this annual report not only as a summary of the last year's activities, but to give really a look back over the past decade of the Commission's existence, and to observe somewhat ominously but hopefully, the evolution of the Federal system during the 1960's. In this extremely critical period, there was more and more effort, certainly in our opinion, in the early part of the sixties to

bypass State and local governments and bring all of our many problems here to you gentlemen.

Yet the Commission felt in its summary, which is in this report, that during the past 3 or 4 years, particularly at the tail end of the 1960's, there seemed to be a very noticeable strengthening of the State and local governments in their activities and, we feel, there has been a rather heartening beginning in assumption by the States of a more proper and important role in the Federal system.

BUDGET REQUEST

To turn specifically to our request before your committee, we have made an appropriation request for fiscal 1971 of $610,000, which is an increase of $35,000 over the $575,000 that was appropriated initially for the current fiscal year. But it is $10,000 less than the total estimated obligations for fiscal year 1970, which total $620,000. That latter figure, of course, includes an estimated supplemental appropriation of $45,000 to cover congressionally mandated pay increases for the current fiscal year.

For fiscal 1971, in effect, Mr. Chairman and gentlemen, we are proposing a "status quo" budget. Both Mr. MacDougall and myself, as Congressman Fountain has indicated, are newly appointed to our positions. Of course, we intend as a part of our general review of ACIR activities to make some long range determinations which we conceivably would want to discuss with you the following year.

PERFORMANCE OF COMMISSION

I might also say that 5 years ago the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations did conduct extensive joint hearings as a basis for review and evaluation of the performance of the Advisory Commission during its first 5 years. The committees issued reports recommending at that time modest expansion of the activities of the Commission. These activities involved more extensive regional hearings, and field meetings, an internship program, and increased attention to implementing our recommendations.

These have now are being done; Congress has appropriated funds to carry them forth.

Our budget for fiscal 1971, therefore, does not anticipate the addition of any new functions or activities.

STATE CONTRIBUTIONS

I might just touch briefly, Mr. Chairman and gentlemen, on another aspect of the truly intergovernmental nature of our Commission. My predecessor, Governor Bryant of Florida, initiated the concept of requesting various State governments to make what, in effect, are token contributions to the support of the Commission and I am happy to report to you now that we now have 35 States which have appropriated for this current year a thousand dollars apiece. When I became Chairman we started a similar program with 20 of the largest cities in the country just several months ago. We have had response so far from four of them, accepting our suggestion of a $500 annual contribution.

PUBLICATIONS

I should make it quite clear that this effort to procure additional monies which the Commission has been developing through outside sources including foundations is sanctioned by the amendment that Congress passed in 1966 to our initial act. These funds have been used not to supplant the funds which Congress appropriates but to provide supplemental services to State and local governments, particularly in the form of publications for which we have a tremendous demand. I am happy to say that I think the ACIR's various publications are now getting a very wide reading amongst responsible officials of State and local government. So, we are intergovernmental in every sense of the word, including our financial support.

GOVERNMENTAL RELATIONSHIPS

Finally, Mr. Chairman and gentlemen, I would simply like to note that as we enter the second decade of this Commission's existence we believe it has an important role to play in the 1970's in focusing attention on and making recommendations toward the solution of the ever vexing problems of relationships between and among the Federal Government, the States, and the localities. I believe that every member of the Commission is fully devoted to the concept that through this formal exchange of ideas from officials at all levels of government we can indeed perhaps lead the way toward some significant improvement in the operation of our Federal System and most particularly in leading toward the strengthening of our State and local governments, which I believe all who have studied the problem, feel must be maintained as viable instrumentalities of government.

Because of our unique composition, we believe that this neutral forum, if you will, can provide a very unique contribution to this problem. I might say that our intention to step up even more in the future what we refer to as the implementation side of our activities means bringing to the attention of the appropriate officials at the various levels of government suggestions which we have to make as to how some of these problems might be solved. This concludes my oral statement.

I will submit my prepared statement for the record.

(The information follows:)

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

PRIVATE CITIZENS

Robert E. Merriam, Chicago, Ill., Chairman; Howard H. Callaway, Pine Mountain, Ga., vacancy.

MEMBERS OF THE U.S. SENATE

Sam J. Ervin, Jr., North Carolina, Karl E. Mundt, South Dakota, Edmund S. Muskie, Maine.

MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES

Florence P. Dwyer, Mrs. New Jersey, L. H. Fountain, North Carolina; Al Ullman, Oregon.

OFFICES OF THE EXECUTIVE BRANCH, FEDERAL GOVERNMENT

Robert H. Finch, Secretary, Health, Education, and Welfare; Robert P. Mayo, Director, Bureau of the Budget; George Romney, Secretary, Housing and Urban Develoment.

GOVERNORS

Buford Ellington, Tennessee; Warren E. Hearnes, Missouri; Nelson A. Rockefeller, New York; Raymond P. Shafer, Pennsylvania.

MAYORS

C. Beverly Briley, Nashville, Tenn.; Richard G. Lugar, Indianapolis, Ind., Vice Chairman; Jack Maltester, San Leandro, Calif., vacancy.

MEMBERS OF STATE LEGISLATIVE BODIES

W. Russell Arrington, Senator, Illinois; B. Mahlon Brown, Senator, Nevada; Robert P. Knowles, Senator, Wisconsin.

ELECTED COUNTY OFFICIALS

John F. Dever, Middlesex County, Mass.; Edwin G. Michaelian, Westchester County, N.Y.; Lawrence K. Roos, St. Louis County, Mo.

STATEMENT OF ROBERT E. MERRIAM

Mr. Chairman and members of the committee, my name is Robert E. Merriam. It has been my privilege to serve as Chairman of the Advisory Commission on Intergovernmental Relations, since my appointment to that post by President Nixon last October 30. However, Mr. Chairman, I can claim familiarity with the Advisory Commission and its work over a longer period. I was Deputy Director of the Budget and Assistant to the President for Intergovernmental Relations when the bill establishing the Advisory Commission was enacted by Congress and signed into law by President Eisenhower in 1959. That bill was based on extensive hearings by the House Subcommittee on Intergovernmental Relations chaired by your colleague, Congressman Fountain of North Carolina. The bill was sponsored by Congressman Fountain and Congresswoman Florence Dwyer of New Jersey and these two distinguished Members of your body along with Congressman Al Ullman of Oregon constitute the three Members from the House of Representatives who serve on the Advisory Commission. The Commission's membership also includes three members of the U.S. Senate—Senators Muskie, Ervin, and Mundt; three members from the executive branch; four Governors; and 13 other State legislative, county, municipal, and public members. A list of the Commission's current membership is submitted with this statement.

I am accompanied today, Mr. Chairman, by Mr. William R. MacDougall who very recently has been selected by the Advisory Commission as its new Executive Director. He replaces William G. Colman who was Executive Director of the Commission from its inception until earlier this year when he retired from Government service. Our new Executive Director, Mr. MacDougall, has had a long and distinguished career in county government and before that in State government. He has demonstrated over the years his dedication to the proposition that strong and responsive State and local governments are essential elements of a viable Federal system.

With me also are three other members of the Advisory Commission staff: David B. Walker, Assistant Diretcor for Governmental Structure and Functions; Elton K. McQuery, Assistant Director for Program Implementation; and John Shannon, Assistant Director for Taxation and Finance. Also with us is James K. O'Neil our budget representative from GSA.

As I have indicated, the Advisory Commission was established in 1959 by Public Law 380 of the 86th Congress. It is charged with studying the problems and relationships among Federal, State, and local governments and with developing recommendations for improving these relationships.

The appropriation requested for the 1971 fiscal year is $610,000, an increase of $35,000 over the $575,000 that was appropriated initially for the current fiscal year but $10,000 less than total estimated obligations for fiscal year 1970 of $620,000; this latter figure includes an estimated supplemental appropriation of $45,000 to cover congressionally mandated pay increases for the current fiscal year.

For fiscal year 1971 the Advisory Commission proposes a "status quo" budget. As you may recall, during the 89th Congress the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations conducted joint hearings as the basis for a review and evaluation of the performance of the Advisory Commission during its first 5 years. Following the hearings, the committees issued reports recommending modest expansion of the activities of the Commission as follows:

1. Initiation of occasional regional meetings involving Federal, State, and local officials.
2. Sponsorship of periodic nationwide conferences on intergovernmental relations.
3. Increased attention to implementation of the Commission's recommendations at both Federal and State levels of government.
4. Holding at least one Commission meeting a year outside of Washington.
5. Initiation of an internship program aimed at training beginning level professional persons in intergovernmental relations.

Over the several years since the committee reports containing those recommendations were issued in spring of 1966, the Commission has sought and Congress has appropriated funds to implement all five recommendations. Our budget for the 1971 fiscal year does not anticipate the addition of any new functions or activities.

Contributions to ACIR from non-Federal sources

Following the review of Commission operations by the House and Senate Subcommittees in 1965, Congress enacted Public Law 89–733 which amended the Commission's enabling statute to provide, among other things, an authorization for the Commission to accept contributions from State and local governments and organizations thereof. This action was in line with recommendations of the Commission and views expressed by Members of Congress and others that the Commission's financial support, as well as its membership, should be intergovernmental in character.

Pursuant to this authorization, we have asked each of the States to consider making annual token contributions of $1,000 each to the Commission. The response has been quite encouraging. Thirty-five States are making such contributions during the current fiscal year, and the Governors and legislative leaders of several other States have indicated that we may expect contributions from them next year. We estimate that $40,000 will be received from State contributions in fiscal year 1971.

Last fall, shortly after I was appointed Chairman of the Commission, I wrote to the mayors of a number of large cities suggesting that they consider making annual token contributions of $500 each to the Advisory Commission. Thus far, four cities have responded affirmatively to sur suggestion; we expect other affirmative response over the next several months. Our next step along these lines will be to invite the large urban counties to make similar contributions. We estimate that contributions from cities and counties in fiscal year 1971 may total $15,000.

Public Law 89–733 also authorized ACIR to accept contributions from nonprofit oranizations. Under this authorization the Advisory Commission has received two grants from the Ford Foundation for specific projects. The first was a grant for $25,000 for the purpose of preparing a one-volume report that would present in context the findings and recommendations developed by the Advisory Commission in all of its studies relating to urban and metropolitan problems. This project was completed and the report published in 1969.

The second grant was for $65,600. Its purpose was to finance a study of the feasibility of constructing and testing measures of fiscal capacity and tax efforts for cities, counties and towns. This 1-year research program was begun in May of last year. Let me note parenthetically, Mr. Chairman, that consideration now is being given to the desirability of requesting a supplemental grant from the Ford Foundation to permit more in-depth analysis of some of the data that has been collected in this project. If the grant is supplemented, the completion date

for the project would be extended from May to September of this year. At this point, with the possible exception of the supplementation of the present grant from the Ford Foundation, we do not anticipate any major new foundation grants for specific research projects in fiscal 1971.

The Commission also receives a number of small contributions from nonprofit organizations. For the most part, these are contributions to ACIR in lieu of honoraria for staff members who participate in conferences, symposia and other meetings of nonprofit groups. For fiscal year 1971 we estimate income from this source at $5,000.

New Advisory Commission policy reports

During the current fiscal year the Advisory Commission has completed and published a policy report on labor-management policies for State and local government. This 270-page report analyzes and evaluates current labor-management policies and practices of State and local government and makes specific recommendations for easing the uncertainty and unrest in public labor-management relations at the State and local level.

Two major research studies now are underway. One is a study of "alternative approaches to Federal financial assistance for State and local capital financing." The second is a study of "federalism and the criminal justice system." The Commission already has devoted one full meeting to the capital financing study. We hope that we can complete our deliberations on this important study at our forthcoming meeting on April 3 and 4. The criminal justice study is tentatively scheduled for completion in the early fall.

During this fiscal year the Commission also has issued—or will issue—a number of other important and timely reports. These include:

Urban America and the federal system.—This is the compilation of the Commission's findings and recommendations on urban problems that was produced and issued with the help of a Ford Foundation grant.

1970 cumulative ACIR State legislative program.—This is an updated volume containing draft bills to implement all current ACIR recommendations for State action.

State and local finances—1967 to 1970.—This is the latest edition of our annual "encyclopedia" of State and local fiscal facts.

Eleventh Annual Report of the Advisory Commission on Intergovenmental Relations.—Unlike previous annual reports this one not only reports on what has occurred during the past year, it also reviews developments in intergovernmental relations over the 10-year period since the Advisory Commission was established.

The commuter and the municipal income tax.—This brief analytical background report now is being printed. It traces the spread of municipal income taxes, the reasons for their adoption, and the intergovernmental tensions they create.

Promises and performance: The gap between Federal-aid authorizations and appropriations, fiscal years 1966–70.—This report, which now is being printed, is the joint product of ACIR and the Council of State Governments. It traces the growing divergence between authorizations and appropriations for Federal programs of grants-in-aid to State and local governments. The report points out that the gap represents the difference between what the various substantive committees of Congress regard as potentially feasible over the next 3 to 5 years and what the Appropriations Committees are willing to fund immediately.

Implementation of Commission recommendations

We are pleased to report, Mr. Chairman, that the Commission's proposals continue to receive favorable consideration. We recently tabulated the status of Commission recommendations for action by the Federal Government. A report of this analysis was inserted in the Congressional Record by Congressman Fountain. The Advisory Commission has made a total of 131 recommendations for Federal action; 88 of these call for congressional action, 43 for administrative action. Of the total, 44 recommendations have been fully implemented and 12 others partially implemented. Eleven have been rejected; 32 others are included in bills or draft executive orders now pending. For the remaining 31 recommendations there either has been no implementing action as yet or the recommendations are in other early stages of implementation.

Since its establishment a decade ago, the Advisory Commission has directed 151 specific recommendations to State government. These recommendations for

State action have been translated into draft bill language and brought to the attention of key legislative and executive officials in all States as well as local government officials and other interested persons. A precise assessment of State response to ACIR proposals is difficult to compile, partly because some proposals already were in effect in some States, partly because of the magnitude of the job of analyzing the approximately 50,000 separate pieces of legislation enacted by the several State legislature each biennium and partly because the Commission recognizes that its recommendations should not be construed as the sole motivating force behind all enactments of State legislation that do in fact implement ACIR recommendations. Nevertheless, we have prepared some tabulations using this criterion: Is the language or substance of the enactment close enough to the language or substance of the ACIR proposal so that it is reasonable to assume that the Commission's recommendations served as a model?

Using this criterion we were able to identify 434 "State implementing actions" on recommendations of the Advisory Commission. The tabulation revealed such implementing action in 49 of the 50 States. Michigan leads the list with 18 enactments and 24 States are credited with 10 or more enactments implementing ACIR recommendations.

Of the total of 151 recommendations for State action, 61 have been implemented by one or more States. The most "popular" recommendation—adoption of a State real estate transfer tax following Federal withdrawal from the field at ACIR's urging—has been enacted by many States bringing to 35, the number with such a tax. Six ACIR recommendations have been enacted by 20 or more States and 16 recommendations have been adopted by legislative action in ten or more States.

A detailed review of this record of implementation both at the Federal and at the State levels is contained in chapter 4 of the Advisory Commission's 11th Annual Report.

Mr. Chairman, the Commission now is entering its second decade. We believe that it is unique both with respect to its composition and with respect to its mission. In a sense ACIR is the only truly "Federal" commission in our Nation's history. Its members are drawn from the legislative and executive branches of all three levels of government—Federal, State, and local. And because of its intergovernmental composition, we believe that it is uniquely well suited to perform its role as a neutral forum where pressing intergovernmental issues may be aired and where realistic proposals may be developed for easing interogvernmental tensions and resolving intergovernmental conflicts.

This concludes our statement, Mr. Chairman. We shall be glad to answer any questions.

STATE CONTRIBUTIONS

Mr. STEED. First, I want to say that some years ago when I chaired another subcommittee on appropriations, Mr. Merriam, the matter of appropriating some hard dollars to help fund an overseas counterpart fund acquisition of scientific papers for libraries, especially research libraries, was before it. At the insistence of our subcommittee the libraries, about 26 of them, who were the most concerned about acquiring these scientific papers in certain areas of the world, were required to make a token contribution to the hard dollar part of it.

As this program has developed over the years, and I have been personally involved with it ever since it started, I believe that if you studied it you would find it probably would have failed had it not been for this token contribution. These libraries felt they had a sort of vested interest in it and gave invaluable consultation advice and other help to the program. It has been enormously successful. I think you are going to find in the approach you have here to the States and the cities that in its final application the implementation of the work you do will be greatly enhanced by it. It may be a psychological reason, but if you have the same success in this instance that overseas counterpart fund acquisition for libraries had, your next 10 years is going to see a much expanded operation over the fine record you have already made.

Mr. MERRIAM. I am glad to have your comment. I should have added, Mr. Chairman, our next target will be the urban counties, so we will be expanding into that area, probably this year.

Mr. STEED. I think in these things there is always a little element of something for nothing and it never receives the true measure of their appreciation unless they have a little piece of the action, so to speak. While the amount of money is not significant it is the psychology of it and the feeling a real partnership in it. So, I am glad to see you doing this.

We were so impressed with this other instance I referred to that it convinced me this is a very desirable arrangement. We have had another agency here that by name is not quite similar to yours, and in order that members other than those on this subcommittee, will not be confused by it it probably would be well for you to emphasize here why your functions are separate and apart from any activities the other agency is concerned with. I am referring to the Office on Intergovernmental Relations that Governor Boe is in charge of and the similarity of the names can be misleading. In his case the function is sort of troubleshooter between the State and the local governments and the Vice President and the President and agencies of the Government where they have a peculiar type problem, especially those where more than one agency gets involved. Of course, as Governor Boe describes it, this is a nuts and bolts operation where problems that crop up from day to day are dealt with.

Off the record.

(Discussion off the record.)

ROLE OF COMMISSION

Mr. STEED. As I understand it, they take action on unanticipated problems, whereas you do the research and the indepth studies of specific chosen problems where this isn't a given single thing to be dealt with but an across-the-board type of problem that can be basically solved.

Mr. MERRIAM. Right. If I might for one moment, I would like to comment on it. If you will forgive me, I am probably uniquely qualified to do so, because when I was on President Eisenhower's staff, while we only had four of us—quite a much smaller operation—we were doing approximately the same things which Governor Boe and his staff are now doing on a larger scale.

Basically, as you have suggested, theirs is a fire-brigade operation in which they are dealing from day to day with existing problems of the moment, many of them of a very ephemeral nature. They go away very quickly. Whereas the Advisory Commission on Intergovernmental Relations is in the happy position of having no responsibility for any operational activities of any level of government. Therefore, it is free to devote itself solely to research and from that to the formation of recommendations which others must implement, if they are to be put into effect. I think you have correctly suggested that the activities are quite distinct and different. Governor Boe's office, of course, deals daily with all of the various Federal administrative agencies and is a part of them.

The Advisory Commission is detached from the executive agencies and in a sense, indeed, with its representation, is detached from any

single branch or level of government; it is in a category all by itself.

Mr. FOUNTAIN. Mr. Chairman, if you give me a couple of minutes, I would like to give you an example of that Office in action.

Mr. EDWARDS. We got it yesterday.

Mr. FOUNTAIN. About the birds?

Mr. STEED. Yes. Because of that and because of some other examples he gave us, it leads me to suggest this: Of course, the more success you have in your basic work, the less opportunity for the sort of problem he is required to deal with would occur. I think we are all realistic enough to know in this vast field of Government we will never get to the point where there won't be problems. But I would suggest that maybe in the day-to-day problems that they work with in many instances, if you maintain liaison with them, you might get some case histories that point up the need for and the scope of some of the studies you may have. Do you find this so?

Mr. MERRIAM. Yes, sir, we do. As a matter of fact, we have close liaison with them and do confer with them periodically. Indeed, this does give us some indication of the kind of things we should wrestle with.

Mr. STEED. I found in many cases if you can get an idea down from the theory stage to a "for instance," you can sell it much easier. So I am always a great believer in every time you can point up an instance of what you are talking about, you just make a lot more progress.

CONTRIBUTIONS FROM PRIVATE SOURCES

We have discussed the contributions that agencies of Government make. You also referred to the financial help from time to time that foundations and other sources are now permitted to make available to you. Could you comment a little on the success you have had in this area?

Mr. MERRIAM. Actually, Mr. Chairman and gentlemen, we have had two contributions from non-Federal and nongovernmental sources, both from the Ford Foundation. The first grant of $25,000 was for the purpose of preparing a one volume report presenting a summary of the findings and recommendations developed by the Commission over the past 10 years relating to urban problems. That report, "Urban America and the Federal System," was put out last fall. I must say, somewhat to my surprise, it received a great deal of attention around the country. It focused on some of the major urban problems facing us. We had a press conference at our December meeting on this and frankly, I was surprised at the coverage and attention that it received

The second grant was for $65,600, also from the Ford Foundation and this grant enabled us to do a special study on the feasibility of constructing and testing measures of fiscal capacity and tax effort for cities, counties, and towns. This was to be a 1-year research program and it began in May of last year. There is a possibility it will be extended although as of now it is slated to conclude this May. To my way of thinking, Mr. Chairman, this is one of the most important studies the Advisory Commission has ever undertaken. Every time any of us begin to talk about tax effort it becomes almost impossible to have meaningful figures relating various tax efforts. What this

study is trying to do—and I think it will succeed—is to provide a means of measuring not only capacity but effort and once we have done that then we begin to have some basis on which we can say, who is really doing their full capacilty, if you will, at the State and local level in their taxing effort.

Should the Congress continue consideration, as I hope it will, of the revenue-sharing concept, for example, and as you know, hearings have been held on the Senate side on this, this ability to measure tax effort will become highly critical to developing a proper formula for revenue sharing. So, I consider it an extremely important project.

ADMINISTRATION OF FUNDS

Mr. STEED. When you make up your budget, and, of course, especially that part to be funded by the Federal appropriation, and I am assuming whatever knowledge you have of other funds, that then measures the work program that you envisage for the coming year. As I understand it, you have many ideas on which you have to make calculated judgments. Since you can't do them all, the most important are going to receive attention.

Then, after this is in motion, after the year has started, a foundation makes additional funds available to you. Is this done because the foundation wants to enable you to do a certain type of thing or is it in a sense, where you can have some judgment over what you would do with the money if made available to you?

Mr. MERRIAM. It would have to be for a specific function. For example, taking this last Ford Foundation grant as a case study, as it now stands come the first of May of this year we will disband a unit of approximately five people who have been working on this. Should the Ford Foundation decide to extend their grant—and we are having some discussion with them on the subject, and we would like to because our staff has gone a long way down the road but these data still need some refining—then we continue the study in the unit that has been working on it.

Mr. STEED. This is in a sense, an add on to what your normal work program is?

Mr. MERRIAM. Yes.

STATUS OF EMPLOYEES

Mr. EDWARDS. What is the status of the employee doing that particular work? Is he a civil service employee or considered sort of a consultant?

Mr. MCQUERY. We have presently five employees who are working on that particular project and on a related project that was done by the Commission for the Department of Transportation. These five people are either temporary employees or on personal service contracts. They are not part of the regular complement of Commission employees.

Mr. EDWARDS. So, you have no problems when the work is over in releasing these people?

Mr. MCQUERY. No, sir. I might point out we are very careful not to put the Commission in the position of having to depend on foundation funds. We don't intend that to be the situation.

COOPERATION WITH OTHER GOVERNMENTS

Mr. STEED. What do you have in this area? For instance, Internal Revenue Service will be called on from time to time to furnish personnel to help a foreign government revise and improve its tax structures. Does your material lend itself to that sort of an activity?

Mr. MERRIAM. I would say so in certain aspects.

Mr. EDWARDS. Materials that you have developed, do they make use of them?

Mr. MERRIAM. In some aspects very much so. Our staff, to begin with, as an analogy to that, for example, has worked very closely with the people in the Treasury Department in the development of all of the details of the various revenue sharing proposals that are before the Congress. In this case, the Commission does have a bill of its own but it also was consulted in the development of the Administration's bill.

DETERMINATION OF FUTURE ACTIVITIES

Mr. STEED. As I look over the index of the report that you referred to, and you make a very imposing and interesting summary of the accomplishments in the last 10 years, then at the bottom of the page you have the agenda for the seventies:

> Restoring fiscal balance in the Federal system, adopting National and State urbanization policies, civilizing the jungle of local government, massive State and administrative commitment to urban problems.

These, of course, being general categories, any one of which could lend itself to a workload that would use all of your resources.

As you outline a broad area of interest, how do you reduce this down to actual work projects?

Mr. MERRIAM. The way that works, Mr. Chairman, is as follows: We have basically two functional research groups, if you will, within the Commission. Mr. Shannon heads a group which deals largely in the taxation and financial areas and Mr. Walker's group deals with government organizational and structural problems. At any one time each of those essentially research groups is working on a problem designated by the Commission, so that we have two projects going concurrently, usually somewhat staggered. Then the Commission itself meets once every 3 months, usually, to take up one report. So that we end up with perhaps four major reports a year. These are reports on which the Commission actually, through its own debate, makes formal recommendations. We also have information reports, but I am talking only about those on which the Commission actually takes a position.

So, in essence, our job is to try to define each year the three or four areas that we think are going to be most critical. As someone said to me when I accepted this assignment, you have come at the right time because we have run out of all the easy problems to look at. What you suggest when you look at that very formidable list at the bottom of the page is that we are indeed going to be addressing ourselves to some very taxing questions. Quite clearly, it would be presumptuous for the Commission to suggest that it is going to be able to even find suggestions on how to resolve all of these problems, but we are going to refine and define as many of them as we can.

Mr. STEED. Some people have accused me of not being above doing a little lobbying and propagandizing myself, when opportunity offers as it sometimes does, across this table. As I read this list it brings to mind something I have a very keen interest in, in which the President laid fairly heavy stress in his state of the Union message. It has been touched on by others, but I think he spelled it out more precisely than any other Chief Executive up to this time. It impresses me as being so important that I keep harping on it every chance I get. So, perhaps I am a little presumptuous in suggesting this could be another major category that might interest you.

As we deal with these problems, the metropolitan area problems, urban problems, the ghetto, and all of these things, if you read the President's message, he referred to the fact that probably a key to this whole national approach would find itself back in the rural and the village area. Any treatment that didn't encompass the beginning and the end of the migration of the people would be only partially a solution and probably would leave the inherent seed alive to create new problems of the same sort.

We are going to have to find, if we really lick this problem nationally—we are going to have to find, I think and I am in complete agreement with what the President said, a way to stop the migration of people from the rural and small town areas into metropolitan areas.

Just to give you an example when agriculture revolutionized and became a mechanized business, many, many people were displaced. We have gone in a matter of four or five decades from 40 to 50 percent of the people engaged in agriculture down to something under 10 percent. In some areas these displaced people were of the minority race. You take the District of Columbia where you have these enormous urban problems because of the the unprecedented total of the population that is black. Most of these people didn't originate here, they were forced to come here because they got displaced somewhere else. If this continued migration isn't stopped and you solve a ghetto problem today, by the time you get it solved you have a new ghetto. You would just be swapping new bricks for old. So, I would hope that we can devise ways, and it might even get into some kind of government control of where certain types and sizes of industry would be allowed to develop.

There is no way to keep people back on the farm and in small towns unless there is some way for them to earn a living. You kill two birds with one stone if you can solve that sort of problem.

The analogy I read once likened it to a large river basin, and how the water flowed from the tops of the hills on down to the mouth of the mainstream and the deltas that grew up around it by reason of this continued movement. If people move that way, too, in a few more decades, what will we call it, megalopolis or sardine citizens or I don't know where we will wind up. So, it seems to me if the metropolitan area only grows on its own strength, by its own preparation, and birth rate, and you would have a manageable problem as against the one you get into when just large numbers of displaced people are forced to come on in and seek some means of surviving. So, it is not an easy problem to solve.

I don't know whether your work could make a contribution in this field or not, but if it is ever successfully dealt with, it is going to take a lot more knowledge and understanding at that level and partnership with everything at the Federal level to deal with it.

Unfortunately, the little community doesn't have the expertise, they don't have the people that know how to prepare and plan and move ahead as successfully as the larger areas that have large staffs and experts where they can get into this.

So, I think if they succeed they are going to have to have some kind of a crutch or helping hand more than has yet been made available. It could be somewhere in what I am talking about here. Your group could develop some leads and recommendations as to the best means that this thing could be approached. It would seem to me, if you are going to give this much study to urban problems you are going to automatically lead yourself into what caused urban problems in the first place, and you are going to wind up out in the country anyway before you get through the story. How do you feel about that?

Mr. MERRIAM. There is no question that what you say is very important. The Commission has in the past made some studies in this area.

Mr. WALKER. Mr. Chairman, the study my chairman makes reference to is our report on "Urban and Rural America: Policies for Future Growth." This was issued in 1968. It is somewhat unfortunate that the heading we used here on page 14 of the annual report is described as "Adopting National and State Urbanization Policies." Given the topic you raise and what we really meant to convey, it should have been described as "Adopting National and State Urban-Rural Growth Policies." If you go into the details of what is covered here, the topic relates as much to the problems of rural America as it does to those of the cities, ghettos, and suburbs. At least half of the focus in that report looks at rural America and the recommendations we came up with as far as economic incentives, as far as strengthening county government, particularly rural county governments, with reference to stronger State planning, and State assistance to localities has as much of a rural local thrust, as it has an urban thrust. So, we are with you, Mr. Chairman, on this. I wish we had rephrased the heading in the report to convey our rural focus and concern.

Mr. MERRIAM. We have addressed ourselves to the whole question of the growth pattern, too.

Mr. STEED. I have a sort of vested or selfish interest in this problem and since I have a President who has sounded off loud and clear on this I am trying to take full advantage of that sort of support.

Mr. MERRIAM. I think we will have a vested interest in that problem. As a citizen of Chicago, I watched the migration up the Illinois Central Railroad, which still goes on, somewhat abated, but still at a fairly heavy pace if the railroad continues to run. You see the problem daily as you go to work.

Mr. STEED. I just have very strong feelings, since I observed so much of it personally and have for many, many years, that to just deal

with it at the bottom end of the ladder is sort of like locking the barn door after the horse is stolen. Obviously, if this migration hadn't taken place to the extent it has a lot of the problems we are talking about in the urban areas wouldn't exist.

Mr. MERRIAM. We certainly fully agree with you and assure you that is one of the areas we are going to be looking at.

INDUSTRY IN RURAL AREAS

Mr. STEED. If you look at the number of people whose place on earth is enhanced and improved as against the dollars invested in it, you get a much larger return on the dollar-ratio basis in the rural areas than you do in the others because the need dollarwise is so much relatively smaller to get very far-reaching and long-range results.

Mr. MERRIAM. I think one of the problems, Mr. Chairman, that you put your finger on is this: That someone has to direct that planning in terms of industrial locations, and likewise we would hope that we could help convince the States and also some of the stronger counties, as Mr. Walker suggested, to take that leadership in the way of planning and development of industry within their States in order to attempt to stabilize, if you will, this population pattern.

Mr. STEED. I am over my head in this whole field because of lack of experience and knowledge of it, but I keep believing that there are communities, small ones, there are States that have done more than other areas in approaching this problem maybe for some different reason than we are giving here. For their own selfish interest they have developed some know how and some technique in how to pull themselves up by their own bootstraps, so to speak. Someone can serve a very useful purpose of pulling together the proven good ideas and making them available to everybody. Plus the fact that if the industrial community of the Nation could be involved in this in a bigger way than they are now, this sort of hit or miss thing, it might help. It seems to me, the boards of directors of corporations whose profit motive is predominant would react favorably when you can show them that there are better places and better ways to realize on their investments than perhaps some of the ways they have been doing. If they expand or move into an area that is already overheated they are not really helping themselves and they are only making bad matters worse in the other fields. Maybe this is something that ought to be brought into balance so that all sorts of elements of our economy could be exposed to it and maybe hopefully contribute to some movement in it.

Mr. MERRIAM. It is a very difficult problem. In my own State, if I may use that again as an example, Chrysler put a large assembly plant in a town called Belvedere, about 80 or 90 miles from Chicago and 15 or 20 miles from Rockford. The idea was to draw from the local population around that area for their labor. What happened though is now at least half of the labor are blacks from the city of Chicago who commute an hour and a half each way each day for these job opportunities. This was not anticipated at all. So, you do run into some complications.

Mr. STEED. Something else I have heard discussed in the same field, when you talk about the dispersing of industry to help some of the social problems you immediately run into two other things. One is the size of the industry that it is feasible to use or to plan with, because obviously, a large work force situation is going to generate some problems that a small one would not, and then also of the nature of that industry. I find as I tour around and study a variety of these things that I am amazed that a community that got a little industry it just wasn't fitted for, it did more harm than good. Whereas on the other hand, you find an industry flourishing in some small community and to look at it you would know you could think of towns where that industry wouldn't fit at all just by the nature of the human elements involved.

So, I don't think we have really probed into all of these facets of what guidance or maybe even regulations that eventually have to come in the industrial area as to where it would be allowed to expand and under what circumstances would any curbs or directions be applied. I know this could become a touchy area, but still it seems to me that scientific well-developed studies that could stand the closest scrutiny by experts would just have to appeal to the type men who make and operate the judgments for the industry or our country. They are bound to be men who have a lot of commonsense. I just doubt if a real package of this type of information would be available if the managers of some conglomerate or other type of corporate structure really wanted to get their hands on it in the sense it would be so persuasive to them that they would act accordingly.

I have talked to quite a few industrial leaders, and I find that much of their thinking is going in this direction. And one of the things they are having to do is invest a lot of their own time and money and effort in trying to find out where a better answer to any need exists.

A lot of this is being done through the State industrial efforts and so forth, but it is a great country and we just know that what is sauce for the goose is not necessarily sauce for the gander in an economy as vast and farflung as ours. I am astonished after all of these years at any national figure at a national level on any one thing. This isn't just a thing you can just talk about for a few minutes and handle it. It seems to me we can be working on this for a long time and still not develop all of the material that would be useful.

In the sense of the problem of local and State governments, and one thing they thirstily look to the Federal Government for, I think, is in this area, of how do we hold what we got, and then hopefully build up what we have got, and not just be roped and tied forever amen to the metropolitan idea. It seems to me somebody one day is going to look at the last 60 years in America and make some kind of finding about how we went from ordinary people into a sardine citizenship, with all of the metropolitan areas. It may have portent of dangers we haven't even thought of yet in terms of what type of a human being may eventually evolve out of this.

Mr. MERRIAM. That is right, and you have another aspect of this which we have been looking at in addition to the ones you mentioned, that is the question of creation of new complexes which certainly can also help drain off some of the sardine aspect.

Off the record.
(Discussion off the record.)

VOLUME OF COMMISSION'S ACTIVITY

Mr. STEED. When you refer to the status quo budget that you are presenting, does this mean you feel you have about leveled off as to the volume of activity that you want to make in the Commission?

Mr. MERRIAM. I would not want to give an unqualified answer to that today, Mr. Chairman. When I took over the chairmanship several months ago, it seemed clear to me that for the moment, knowing that Bill Colman had elected to step aside, we ought to keep at our current level and then the new Executive Director and I would have an opportunity in concert with the members of the Commission and staff, to take a good hard look at where we ought to be in the future.

STAFFING

Mr. STEED. Could you provide for the record, a table of your staffing and indicate how many or if all are filled at the present time?

Mr. MERRIAM. Yes, sir.

(The information follows:)

ACIR STAFFING TABLE

Permanent positions:
- Executive Director
- Secretary to Executive Director (vacant until May 1, 1970)
- Librarian
- Receptionist-Library Assistant
- Assistant Director (taxation and finance)
- Senior analyst
- Senior analyst
- Senior analyst
- Statistical assistant
- Intern
- Secretary
- Secretary
- Secretary
- Assistant Director (governmental structure and functions)
- Senior analyst
- Senior analyst
- Analyst
- Research assistant
- Intern
- Secretary
- Secretary
- Secretary
- Assistant Director (program implementation)
- Senior analyst
- Information officer (vacant until April 13, 1970)
- Administrative officer
- Mail room supervisor
- Duplicating machine operator
- Intern
- Secretary
- Secretary
- Secretary

Temporary and contract personnel:
- Special project research director (See note)
- Statistical consultant (contract)
- Economic consultant (contract)
- Statistical assistant (temporary)
- Secretary (temporary)

(*Note:* Prior to January 1, 1970, this was a temporary position with the incumbent being paid from Ford Foundation funds. Under the provisions of the Tax Reform Act of 1969, the incumbent is ineligible to be paid from Foundation funds. Consequently, he has been transferred temporarily to the Salaries and Expenses account until arrangements can be made for him to retire from Federal service in late April.)

Mr. STEED. You are satisfied at this time?

Mr. MERRIAM. Yes, sir.

PROJECTS

Mr. STEED. Could you give us a tabulation of the projects you have completed since the beginning of the Commission and a list of the work now in the mill and the list of those that are scheduled for the year for the record?

Mr. MERRIAM. Yes. We have not established all of them for the coming year yet, Mr. Chairman. We are working on two now.

Mr. STEED. You can indicate that still more may come in addition to those that have been firmed up.

(The information follows:)

The nature of projects undertaken by the Commission since its inception is reflected in the following list of reports:

PUBLISHED REPORTS

Report containing Commission recommendations for action by Federal, State, or local governments:

Coordination of State and Federal inheritance estate and gift taxes. January 1961.

Investment of idle cash balances by State and local governments. January 1961 (Supplement published in January 1965).

Modification of Federal grants-in-aid for Public Health Services. January 1961.

Intergovernmental responsibilities for mass transportation facilities and services in metropolitan areas. April 1961.

Governmental structure, organization, and planning in metropolitan areas. April 1961.

State and local taxation of privately owned property located on Federal areas. June 1961.

Intergovernmental cooperation in tax administration. June 1961.

Periodic congressional reassessment of Federal Grants-in-aid to State and local governments. June 1961.

Local nonproperty taxes and the coordinating role of the State. September 1961.

State constitutional and statutory restrictions on local government debt. September 1961.

Alternative approaches to governmental reorganization in metropolitan areas. June 1962.

State constitutional and statutory restrictions upon the structural, functional, and personnel powers of local government. October 1962.

Intergovernmental responsibilities for water supply and sewage disposal in metropolitan areas. October 1962.

State constitutional and statutory restrictions on local taxing powers. October 1962.

Apportionment of State legislatures. December 1962.

Transferability of public employee retirement credits among units of Government. March 1963.

The role of the States in strengthening the property tax. Two volumes. June 1963.

Industrial development bond financing. June 1963.

The role of equalization in Federal grants. January 1964.

Impact of Federal urban development programs on local government organization and planning. January 1964.

Statutory and administrative controls associated with Federal grants for public assistance. May 1964.
The problem of special districts in American Government. May 1964.
The intergovernmental aspects of documentary taxes. September 1964.
State-Federal overlapping in cigarette taxes. September 1964.
Metropolitan social and economic disparities: Implications for intergovmental relations in central cities and suburbs. January 1965.
Relocation: Unequal treatment of people and businesses displaced by governments. January 1965.
Federal-State coordination of personal income taxes. October 1965.
Building codes: A program for intergovernmental reform. January 1966.
Intergovernmental relations in the poverty program. April 1966.
State-local taxation and industrial location. April 1967.
Fiscal balance in the American federal system. October 1967:
Volume I. Fiscal balance in the American federal system.
Volume II. Metropolitan fiscal disparities.
Urban and rural America: Policies for future growth. April 1968.
Intergovernmental problems in medicaid. September 1968.
State aid to local government. April 1969.
Labor-management policies for State and local government. September 1969.

Information reports:

Factors affecting voter reactions to governmental reorganization in metropolitan areas. May 1962.
Measures of State and local fiscal capacity and tax effort. May 1962.
Directory of Federal statistics for metropolitan areas. June 1962.
Performance of urban functions: Local and areawide. September 1963.
State technical assistance to local debt management. January 1965.
A handbook for interlocal agreements and contracts. March 1967.
Catalogs and other information sources on Federal and State aid programs: A selected bibliography. June 1967.
Metropolitan America: Challenge to federalism. October 1966.
Metropolitan councils of governments. August 1966.
State and local taxes—significant features, 1968. January 1968.
State legislative and constitutional action on urban problems in 1967. May 1968.
Sources of increased State tax collections: Economic growth vs. Political choice. October 1968.
State and local finances: Significant features, 1966 to 1969. November 1968.
Federalism and the academic community: A brief survey. March 1969.
Urban America and the federalism system. October 1969.
State and local finances: Significant features, 1967 to 1970. November 1969.

ACIR State legislative program

Contains draft legislation for consideration by States in implementing Advisory Commission recommendations. First published in 1963. Cumulative editions published in 1964, 1965, 1966, 1967 and 1969. "New proposals" published separately in 1968 and 1969.

Annual reports

First report in January 1960. Eleventh annual report in January 1970.

SPECIAL STUDY FOR THE U.S. DEPARTMENT OF TRANSPORTATION

In February 1970, the Commission presented to the Department of Transportation a report on "Local fiscal capacity and effort in relation to Federal grants for mass transportation." This is an unpublished report prepared pursuant to a research contract with DOT.

REPORTS NOW IN PROGRESS

"State and local capital facility financing: Alternative Federal aid approaches." (Draft to be considered at next Commission meeting, Apr. 3, 1970.)
"Federalism and the criminal justice system."
"Measurement of local government fiscal capacity and effort." (Being conducted with major financial assistance from the Ford foundation.) [An information report.]

"The commuter and the municipal income tax." A brief analytical paper now being printed.

"Promises and performance: The gap between Federal-aid authorizations and appropriations, fiscal years 1966–70."

OTHER PROJECTS

Information bulletins

In April 1968, the Commission inaugurated an "ACIR information bulletin" service to make available to key governmental officials and others information on intergovernmental relations that might not otherwise be called to their attention. Eleven bulletins were issued in 1968; 27 in 1969.

Advice and consultations with State and local officials

In accordance with a presidential memorandum of November 11, 1966 and Bureau of the Budget Circular A–85, (June 28, 1967), the Commission serves as a clearinghouse to afford chief executives of State and local governments an opportunity to comment on significant proposed Federal rules and regulations applicable to Federal assistance programs.

Conferences

A national conference on legislative leadership was sponsored by the Commission and held in Washington in October 1967 for State legislative leaders.

In 1966, the Commission cosponsored a "national conference on comparative statistics: Information needs for decisionmaking by States and local governments," and a "national conference on local government fiscal policy." Both conferences met in Washington, D.C.

Review of legislation

The statute directs the Commission to make available "technical assistance to the executive and legislative branches of the Federal Government in the review of proposed legislation to determine its overall effect on the Federal system." The Commission responds to formal and informal requests of congressional committees, individual Members of Congress, and the Bureau of the Budget with regard to the intergovernmental aspects of legislation under active consideration by the Congress or in the process of being developed. The Commission has responded similarly to the executive and legislative branches of State government.

Clearinghouse and informational activities

The Commission has constituted itself as a central clearinghouse for information on the many complex aspects of intergovernmental relations. As part of this general purpose, it acts as a coordinating center for the further study of intergovernmental problems.

The Commission's library serves as a depository function for several collections of material on intergovernmental relations and increasing use of its facilities is being made by agencies, associations, and scholars. An accessions list is regularly distributed and specialized bibliographies have been prepared.

The Commission provides an intergovernmental relations advisory service to Federal, State, and local officials and to public interest groups on problems of intergovernmental relations. Publications are available on studies of specific intergovernmental problems undertaken at the direction of the Commission.

Interns in intergovernmental relations

In fiscal 1969–70, the Advisory Commission awarded 1-year internships to three young people who plan careers in State and local government, providing them a unique opportunity to acquire first-hand familiarity with the field of intergovernmental relations while working as members of the ACIR staff. The intern program will continue in 1970–71 and in succeeding years, if budgetary conditions permit.

Mr. STEED. Mr. Robison?

ANNUAL REPORT

Mr. ROBISON. I would like to begin by congratulating Chairman Merriam and the other staff people he has here from the Advisory Commission on Intergovernmental Relations, not only on the work that the Commission has been doing and accomplishing but also specifically to compliment him and the staff on the excellence of its

11th annual report. This is a most useful document, a hard-hitting document, in which the Commission in many instances, didn't spare any punches.

Mr. STEED. And a very readable document which is to be commended in terms of Government publications.

Mr. ROBISON. Very much so. I think it will be of great value to all of those who have access to it.

Might I ask you about your distribution system for getting this 1970 report to State and local people as well as to Federal representatives?

Mr. MCQUERY. Mr. Chairman, the report, of course, is submitted initially to the Speaker of the House, the President of the Senate, and to the President. Then, it has been the custom of the Advisory Commission to print about 15,000 copies of the report.

Mr. ROBISON. And the cost of this comes out of the budget we have before us?

Mr. MCQUERY. Yes, sir; and the report then is distributed to our entire mailing list, which is made up of the top State and local officials, both legislative and executive, and a substantial number of academic personnel and public interest groups such as Leagues of Women Voters and people who have expressed an interest in Federal, State, and local problems, particularly their intergovernmental aspects. We have a mailing list now, which we purge annually, of about 11,000 names. So, the report has gone to all of those people. In addition to which we frequently get requests for multiple copies for distribution to study groups and the like.

Mr. ROBISON. I would say in summary of my prior remarks in this respect, that the report is a remarkable accomplishment and, among other things, indicates to my mind that the monies we are investing in the work of this Commission are being well used. Certainly, the report addresses the real and serious question of whether or not the American Federal system that has survived and served our Nation so well for 190 years is going to be able to continue to meet the needs of the Nation and of its people. And the specific questions to which you have addressed yourself, and the Commission is beginning to study or continuing to study, are directly related, I think, to that problem.

IMPLEMENTATION OF RECOMMENDATIONS

Going over some of the items you mentioned, you told us about what you tried to do in the way of giving increased attention to implementing the Commission recommendations at both the Federal and State levels of government. And I believe there was a reference made somewhere in your prepared remarks to an analysis as made by Mr. Fountain sometime ago, which was inserted in the Congressional Record. It tabulates at least the status of the Commission recommendations for action by the Federal Government. I am not sure this goes to the field of implementation of those recommendations as well, but I guess it does. You summarize this on page 8 of your statement, do you not?

Mr. MERRIAM. Yes.

Mr. ROBISON. Is that Congressional Record piece by Mr. Fountain very lengthy? What I am getting at is, would it be suitable to be included as a part of this record as well?

Mr. MERRIAM. It starts on page 34 of our annual report.

Off the record.

(Discussion off the record.)

Mr. ROBISON. What I would like to ask is that the Congressional Record summary Mr. Fountain has prepared, be made a part of this record at this point.

Mr. STEED. Without objection, it is so ordered.

(The information follows:)

[From the Congressional Record, Feb. 17, 1970]

ADVISORY COMMITTEE ON INTERGOVERNMENTAL RELATIONS

(Mr. FOUNTAIN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FOUNTAIN. Mr. Speaker, 2 years ago I had the pleasure of bringing to the attention of my colleagues a status report on the recommendations addressed to the Federal Government by the Advisory Commission on Intergovernmental Relations. Today, I would like to present a further progress report which lists the action taken on each of 131 recommendations submitted by the Commission to the Congress, the President, or to agencies of the executive branch.

As many of my colleagues know, the ACIR was established by an act of Congress in 1959 to provide a much-needed permanent center in our federal system for bringing the viewpoints of Federal, State, and local officials, and of the general public, to bear on the problems affecting all levels of government. Efforts to implement the Commission's recommendations are focused as much on the State and local levels as on the National. Just this year ACIR's State legislative program was distributed to nearly 10,000 State and local officials and leaders of public opinion throughout the Nation.

I had the honor of introducing the legislation that established this Commission a little over 10 years ago, and I have been privileged to serve on the Commission since its inception. The gentlewoman from New Jersey (Mrs. Dwyer) and the gentleman from Oregon (Mr. Ullman) also represent the House on the Commission. The other body is represented by the junior Senator from Maine, Mr. MUSKIE, the senior Senator from North Carolina, Mr. ERVIN, and the senior Senator from South Dakota, Mr. MUNDT.

Although I have disagreed with certain ACIR recommendations, I believe the Commission's reports are all valuable studies of intergovernmental programs and problems, and that the recommendations in those reports deserve very careful consideration.

As I pointed out 2 years ago, while the Commission's efforts to help strengthen our State and local governments have been quite widely reported, its recommendations directed to the Federal Government are less well known. As shown in the table prepared by the Commission staff, 44 of the 131 federally addressed recommendations made to date have been enacted into law or implemented through directives of the Office of the President. Twelve have been partially carried out. Eleven have been unfavorably received—nine by the Congress and two by the executive branch. No implementing steps have been taken as yet on 28 recommendations, and 31 recommendations are awaiting congressional action on bills or amendments introduced.

The status of the Commission's recommendations at the national level may be summarized as follows:

	For administrative action	For Congressional action	Total
Recommendations enacted or otherwise carried out	10	34	44
Recommendations partially but not completely implemented	9	3	12
Recommendations included in bill or amendmets introduced or executive orders prepared	2	31	33
No implementing action as yet	17	11	28
Recommendations in other stages of implementation	3	0	3
Recommendations rejected	2	9	11
Total	43	88	131

"The status of individual ACIR recommendations follows:

"STATUS OF ACIR RECOMMENDATIONS TO THE FEDERAL GOVERNMENT[1]

"I. Public assistance

"1. Amendment of Social Security Act to provide for judicial review of decision of HEW Secretary concerning conformity of State plans. Implemented by PL 89–97.

"2. To give HEW Secretary discretionary authority to declare parts rather than whole of State plans out of conformity. Amendment submitted to Ways and Means Committee in 1965; not adopted.

"3. To establish a permanent Public Assistance Advisory Council. Objectives of recommendation achieved by issuance of Presidential Memorandum of November 11, 1966, regarding agency consultation with State and local officials upon contemplated changes in grant-in-aid regulations.

"4. Removal of prohibition in Social Security Act against OAA payments to patients in mental and tubercular institutions. Implemented by PL 89–97.

"5. Liberalize single State agency requirement of Social Security Act. Implemented by the Intergovernmental Cooperation Act of 1968. PL 90–577.

"II. Metropolitan area coordination

"1. Federal financial support on a continuing—in contrast to a project—basis to metropolitan planning agencies. Implemented by administrative action of the Commissioner, Urban Renewal Administration, August 1963.

"2. Expanded Federal technical assistance to State and metropolitan planning agencies. Implemented by the Housing Act of 1961, PL 87–60, and the Demonstration Cities and Metropolitan Development Act of 1966, PL 89–754.

"3. Congressional consent in advance to interstate compacts created by planning agencies in those metropolitan areas crossing State lines. Implemented by the Housing Act of 1961, PL 87–60.

"4. Review by a metropolitan planning agency of applications for Federal grants-in-aid within the area with respect to airport, highway, waste treatment, hospital construction and certain other urban development projects. Implemented by Demonstration Cities and Metropolitan Development Act of 1966, PL 89–754.

"III. Mass transportation

"Provision of Federal financial assistance in the form of loans and demonstration and planning grants to metropolitan areas for mass transportation facilities and services. Implemented by the Housing Act of 1961. PL 87–60.

"IV. Metropolitan water supply and sewage treatment

"1. Recommends against Federal grant assistance for local water works comparable to Federal grants for sewage treatment construction. Rejected by Congress; water system grants available from four separate agencies, in fact.

"2. Amendment of Water Pollution Control Act of 1956 to provide matching incentives for regional facilities and an increased dollar ceiling for projects in larger cities. Implemented by Water Quality Act of 1965, PL 89–234.

"3. Amendment of Housing statute to permit communities of 50,000 or more to qualify for water and sewer loans. Implemented by the Housing Act of 1965, PL 89–117.

"4. Amendment of Housing statute to permit joining together of communities with an aggregate population of over 50,000 for purposes of sewer and water loan assistance. Implemented by the Housing Act of 1964, PL 88–560.

"5. Amendment of Housing Act to tighten FHA and VA mortgage insurance requirements regarding well and septic tank installations. Implemented by the Housing Act of 1965, PL 89–117.

"6. Amendment of Housing Act to include water and sewer utilities as insurable site preparation and development costs. Implemented by Housing Act of 1965, PL 89–117.

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[1] In all cases the legislative or administrative action taken was subsequent to the submission of the recommendation. However, this summary is not intended to imply that in all cases the ACIR recommendation was the sole motivating force for the later action.

"7. Evaluation by Federal Executive Branch of Federal enforcement powers and financial incentives relative to industrial pollution. Implemented by Act of Surgeon General in chartering study of "Industrial Incentives for Water Pollution Abatement." Report rendered in February, 1965.

"8. Consideration of urban needs in future Federal water resources planning equivalent to consideration given navigation, power, and agriculture. Implemented by the Water Resources Planning Act of 1965 and Senate Document No. 97, 87th Congress, 2nd Session.

"V. Federal grants for urban development

"1. Favoring of general purpose units of governments as Federal aid recipients, other factors being equal. Implemented by Intergovernmental Cooperation Act of 1968, PL 90–577.

"2. Congressional action to require special purpose units of government to coordinate their Federal aid activities with general purpose units of government. Implemented by Demonstration Cities and Metropolitan Development Act of 1966, PL 89–754.

"3. Authorization and encouragement by Congress and executive agencies for joint participation by local governmental units having common program objectives affecting development of urban areas overlapping existing political boundaries. Implemented by the Intergovernmental Cooperation Act of 1968, PL 90–577.

"4. Congressional requirement that Federal aid for urban development purposes be consistent with and promote effective planning at local level—Implemented by the Intergovernmental Cooperation Act of 1968, PL 90–577.

"5. Broadening of section 701 assistance to include municipalities and counties over 50,000 population. Implemented in part (for counties) by Housing Act of 1964, PL 88–560.

"6. Enactment of legislation to establish principle of Federal interagency coordination and declaration of a unified urban development policy. Implemented by the Intergovernmental Cooperation Act of 1968, PL 90–577.

"VI. Metropolitan social and economic disparities

"1. Authorization of economic and social planning assistance by Federal Government on same basis as physical planning. Policy has been generally accepted, but not yet enunciated on a government-wide basis.

"2. Amendment of Federal housing legislation to facilitate use of Federal private housing, authorize rent subsidies and permit financial assistance to private nonprofit housing organizations. Implemented by the Housing Act of 1965, PL 89–117.

"3. Federal and State agencies adopt cooperative agreements for enforcement of Federal and State laws and regulations forbidding discrimination in housing. No action taken as yet to follow up on this recommendation.

"4. Removal by the Congress of existing limitations on nonresidential renewal from the Federal urban renewal programs. Amendment proposed to the Congress in 1966. Rejected.

"5. Provision for interstate agreements between Secretary of Labor and governors to provide public employment services on an areawide basis in metropolitan areas regardless of State lines. Implemented by Administrative Order of the Secretary of Labor, February 1967.

"6. Development by Federal Government of standards of measurement of costs and benefits for areawide services being supported by grant and loan programs in metropolitan areas. No significant implementation action as yet.

"VII. Relocation of persons and businesses displaced by Federal or federally aided programs

"1. Establishment by Congress of a uniform relocation policy. Contained in Uniform Assistance and Land Acquisition Policies Act of 1969. (S. 1 Muskie, et al passed by the Senate and now pending in the House. Companion bills have been introduced in the House (H.R. 4578, Fulton, H.R. 6053, Teague of Texas, and H.R. 12902, Thompson, New Jersey.)

"2. Congressional requirement to assure supply of housing prior to displacement in federally aided programs. Contained in Uniform Relocation Assistance

and Land Acquisition Policies Act of 1969 (S. 1) passed by the Senate and now pending in the House.

"3. Provision of uniform and equitable Federal payment of relocation expenses for families and businesses under Federal and federally aided programs. Contained in Uniform Relocation Assistance and Land Acquisition Policies Act of 1969 (S. 1) passed by the Senate and now pending in the House.

"4. Broadening of Small Business Act to authorize disaster loans to small business concerns adversely affected (whether or not displaced) by Federal or federally aided Federal works programs. Implemented in part by PL 90–495.

"5. Amendment of Manpower Development and Training Act to permit widow and widower owners of displaced firms to be eligible for manpower retaining allowances. Implemented by PL 89–15.

"6. Provision for centralized relocation services and programs in a single agency at the metropolitan or urban level—Contained in Uniform Relocation Assistance and Land Acquisition Policies Act of 1969 (S. 1) passed by the Senate and now pending in the House.

"7. Requirement for advance notice by Federal agencies to local units of government of construction program which will displace persons and businesses—Contained in Uniform Relocation Assistance and Land Acquisition Policies Act of 1969 (S. 1) passed by the Senate and now pending in the House.

"VIII. Building codes

"1. Authorization and financing by the Congress of a public-private program to develop national performance criteria for building construction. No implementation action as yet.

"2. Establishment of a continuing national program of building research. Implemented by section 1010 of Demonstration Cities and Metropolitan Development Act of 1966, PL 89–754.

"3. Designation by President of a drafting group representing all levels of government to develop a national voluntary model building code. No implementation action as yet.

"4. Development and use of a common set of standards by all Federal departments and agencies with responsibility for building construction. Study conducted under aegis of Bureau of Budget but no government-wide action taken as yet.

"IX. Administration of poverty program

"1. Preference by OEO to units of general government rather than private groups in establishment of CAAs. Implemented by P.L. 90–222.

"2. Continuation of maximum feasible participation of poor in the community action program, 1966 amendments strengthened provision by specifying criteria as to percentage of representation, residence, selection and approval.

"3. Requirement that CAAs initiate comprehensive plans as a basis for local antipoverty programs. 1967 amendments proposed by OEO give more emphasis to community action agencies' planning function, but still do not make planning a requirement—P.L. 90–222.

"4. Increased encouragement by OEO of cooperation among separate CAAs in metropolitan areas. Concept is not working well in a number of metropolitan areas, and recommendation should be considered as having been rejected through experience.

"5. Use by federal agencies of geographic bases for multi-county planning as established by State law or regulation. Implemented by Presidential Memorandum, September 1966.

"6. Acceleration of efforts by OEO Director to implement Section 612 'preference provision.' Recommendation now moot; preference provision itself dropped by the Congress.

"7. Establishment of machinery by Economic Opportunity Council to insure integrated planning for job creation an djob training programs. No specific recommendation as yet.

"8. Acceleration by OEO of collection of data on incidence of poverty and application of anti-poverty resources. General agreements in OEO; implemented in effect through OEO publication of catalog of assistance programs by county in human resources field.

"9. Retention of gubernatorial veto regarding certain OEO programs. Rejected; OEO director given power by Congress to override Governor's veto.

"10. Establishment of uniform procedures for informing governors of status of applications in connection with exercise of veto. No specific implementation progress as yet.

"11. Acceleration of efforts by OEO to interest States in acting as contractors for Job Corps facilities. Recommendation now moot; Job Corps discontinued.

"12. Continuation of 10 percent non-Federal matching provision for community action, Neighborhood Youth Corps and adult basic education programs. This recommendation rejected by the Congress. Legislation in 1966 increased non-federal share to 20 percent for the community action program and Neighborhood Youth Corps, and to 50 percent for adult basic education, all effective July 1, 1967.

"X. Estate and gift taxes

"Amendment of Internal Revenue Code to increase the credit against the Federal estate tax for inheritance and estate taxes paid to the States. Contained in the Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell, and H.R. 13353, Roth) now pending in Congress.

"XI. Investment of idle cash balance

"Cooperative action by the U.S. Treasury Department and State and local finance officers designed to provide full and current information regarding investment opportunities in short-term Treasury obligations. Implemented by action of the U.S. Treasury Department in issuing brochure entitled 'Interest Bearing U.S. Government Securities Available for Investment of Short-Term Cash Balances of Local and State Government,' September 1963.

"XII. Public health grants

"1. Provision of transferability of the funds among public health categorical grants. Implemented by P.L. 89–749.

"2. Standardization of matching ratios among public health categorical grants. Implemented by P.L. 89–749.

"XIII. Congressional review of Federal grants-in-aid

"1. Provision by the Congress of Periodic review of future grants-in-aid. Implemented by Intergovernmental Cooperation Act of 1968. P.L. 90–577.

"2. Periodic review by Congressional committees and executive agencies of the status of federal grants-in-aid now in existence. Implemented by Intergovernmental Cooperation Act of 1968, P.L. 90–577.

"XIV. Taxation of private property on Federal areas

"1. Federal legislation to grant Congressional consent to the imposition of taxes on privately owned real and personal property in federal areas, provided certain conditions regarding rights and privileges to federal employees are granted by the State or local government. Contained in Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell, and H.R. 13353, Roth).

"2. The Commission recommended that the President and Governors support implementation of the legislation. Action cannot be taken on this recommendation pending the outcome of efforts in the Congress.

"XV. Cooperative tax administration

"1. Joint action by the Treasury Department and States to identify State and local records and types of information that are potentially useful for the administration of Federal income and other taxes. Largely completed by administrative action at Federal and State levels.

"2. Authorization to Internal Revenue Service to admit State and local tax personnel to IRS training programs on a reimbursable basis. Implemented by P.L. 87–70.

"3. Authorization to Internal Revenue Service to perform statistical and related services for State tax agencies on a reimbursable basis. Implemented by P.L. 87–870.

"XVI. Industrial development bonds

"Amendment of the Internal Revenue Code to deny rental reduction to business renting publicly constructed industrial plants where the corporation itself has bought up the issue of tax-exempt securities involved. Implemented by the Revenue and Expenditure Control Act of 1968, P.L. 90–364.

"XVII. Role of equalization in Federal grants

"1. Enunciation of national policy. This has been discussed with Bureau of the Budget and other Federal officials; no specific progress as yet.

"2. Limitation of equalization to functions and services specifically related to national objectives. This recommendation has been discussed; no Executive Order or Budget circular drafted as yet.

"3. Removal of equalization factors from certain categories of Federal grants (e.g., planning and demonstration). No specific implementation as yet.

"4. Provision for uniformity in the mechanism of equalization provision in Federal grants. No specification implementation as yet.

"5. Requirement by the President that Federal agencies review adequacy of need indexes and appropriateness of equalization provisions in their grant programs. No specific implementation steps as yet.

"6. Presidential requirement for the development of plans and procedures to improve measures of State fiscal capacity and tax effort for use in grant administration. No specific implementation as yet.

"XVIII. Cigarette taxes

"Joint exploration by the Treasury Department and States for placing of cigarette taxes at the manufacturers' level rather than retail level—Proposal submitted to the Governor's Conference and the Internal Revenue Service. No specific implementation results as yet.

"XIX. Documentary stamp taxes

"Repeal of Federal stamp taxes on conveyances, such repeal to be effective 3 years after enactment. Implemented by P.L. 89–44.

"XX. Income tax credit

"1. Amendement of Internal Revenue Code to provide a Federal tax credit against State and local income taxes paid. Contained in the Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell, and H.R. 13353, Roth) now pending in Congress.

"2. Authorization to the Internal Revenue Service to enter into agreements with States for Federal collection of State income taxes. Contained in the Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell, and H.R. 13353, Roth) now pending in Congress.

"XXI. National time conformity

"Enactment by the Congress of a uniform time bill. Implemented by P.L. 89–387.

"XXII. State taxation of interstate commerce

"1. Enactment of legislation by the Congress to clarify jurisdictional areas regarding sales and use taxes. Contained in Interstate Taxation Act of 1969 (S. 2804, Magnuson, et al.) now pending in Congress.

"2. Enactment of legislation by the Congress to govern apportionment of income of multi-State businesses for purposes of State corporate incomes taxes. Contained in Interstate Taxation Act of 1969 (S. 2804, Magnuson, et al.) now pending in Congress.

"XXIII. Urban and rural America: Policies for future growth

"1. Development of a national policy to guide decisions at the national level which affect the patterns of urban growth. Contained in Balanced Urbanization Policy and Planning Act (H.R. 13217, Dwyer and Fountain, and S. 3228, Muskie) now pending in Congress.

"2. Reassessment of the policies and structure of multi-State economic planning and development agencies and that such agencies take national policies into account in the formulation of their regional programs, and develop regional components for national policies dealing with urban growth. No action feasible on this recommendation until national urbanization policy adopted.

"3. Congressional authorization of incentives for business and industrial location pursuant to national urbanization policy. Contained in draft bill ready for Congressional introduction.

"4. Federal legislation providing a preference, in the award of public contracts to labor-surplus and certain other areas, pursuant to national urbanization policy. Contained in draft bill ready for Congressional introduction.

"5. Promulgation, by the President, of criteria for location of Federal buildings and facilities so as to accord with national urbanization policy. No specific implementation as yet.

"6. Establishment of Federal-State matching program involving resettlement allowances for low-income persons migrating from labor-surplus areas. Contained in draft bill ready for Congressional introduction.

"7. Provision of additional Federal funds for on-the-job training allowances for employers in labor-surplus areas. Contained in draft bill ready for Congressional introduction.

"8. Expansion of the Federal-State employment service program. Partially implemented through reorganization of manpower training programs.

"9. Establishment of a nationwide computerized job information center. Partial implementation under way in Department of Labor.

"10. Federal legislation that eliminates or reduces the migrational influence of interstate variations in public assistance standards and benefits. Contained in Administration's welfare reform legislation pending in the Congress.

"11. Expansion and adequate funding of voluntary programs of family planning for low-income persons. Contained in draft legislation ready for Congressional introduction.

"12. Additional Federal assistance for new large-scale urban development through low interest loans and capital grants for land acquisitions. Contained in draft legislation ready for Congressional introduction.

"13. Federal aid for new community development, under certain conditions, through Federal low-interest loans and tax incentives. Contained in draft legislation ready for Congressional introduction.

"14. Federal legislation providing for experimental new community building on federally-owned lands. Contained in draft legislation ready for Congressional introduction.

"XXIV. Intergovernmental Problems in Medicaid

"1. The Federal Government adhere to the 1975 legislative goal of comprehensive care for the needy and medically needy; but that it study the feasibility of broadening the financial base of Medicaid through more involvement of the private sector. Rejected by Congress in 1969 by postponing the 1975 goal by two years.

"2. Congress amend Medicaid to extend from 1970 to 1972 the States' adoption of a Medicaid program provided that they submit a proposed State plan by 1971. Rejected by Congress.

"3. Congress freeze the income limit for the medically needy at 150 percent of the AFDC level rather than letting it fall to 133⅓ percent as scheduled. Rejected by Congress.

"4. Congress continue to appropriate to Medicaid on an 'open-end' basis; that is, without limits on the amount that may go to any single State. This policy is still being followed.

"5. The Federal Government study the present allocation of fiscal responsibility for Medicaid among the levels of government, with special reference to the more limited resources of States and localities. Recommendation moot because of later Commission recommendation for Federal assumption of total financial responsibility for welfare and Medicaid.

"6. The Federal Government provide matching funds for the noncategorically related needy and medically needy. No implementing action taken as yet.

"7. Congress amend Medicaid legislation to give States greater latitude in setting lien and recovery provisions. No implementing as yet.

"8. Congress amend Medicaid legislation to establish criteria for evaluating those parts of State plans governing limits on financial resources that medically needy recipients may retain. No implementing action as yet.

"9. Congress amend Medicaid legislation to give States full discretion in determining whether and how the non-Federal cost shall be borne by localities. No implementing action as yet.

"10. The Secretary of HEW rescind regulations requiring hospital reimbursements under Medicaid to be the same as under Medicare. No implementing action as yet.

"11. Congress modify Medicaid legislation to allow States to depart from the 'comparability of services' requirement, subject to approval of the Secretary of HEW. No implementing action as yet.

"12. The President direct the Secretaries of Interior and HEW to clarify the relationship between Medicaid and medical services provided Indians and Eskimos by HEW. No implementing action as yet.

"13. States be allowed to experiment with simplified methods for establishing financial eligibility, but Federal government should not mandate specific methods. Rejected by HEW regulation requiring States to adopt a simple declaration of eligibility.

XXV. Industrial location and State and local taxes

"The President direct the appropriate Federal agencies to give early and favorable consideration to assembling on a continuing basis more timely and detailed geographical information on industrial location trends, including a breakdown among central city, suburban, and rural portions of Standard Metropolitan Statistical Areas. Census Bureau has agreed to publish this type of information in the Census of Manufacturers.

"XXVI. Basic structure of fiscal federalism

"1. Congress and the Administration adopt a flexible combination of Federal financial assistance to States and localities. The Federal support payments, adjusted for variations in tax effort, could be made to either State or major local units of government; they should not conflict with any existing comprehensive State plan. Contained in the Intergovernmental Revenue Act of 1969 (S. 2483 Muskie and Goodell, and H.R. 13353 Roth) now pending in Congress.

"2. Congress authorize the President to submit grant consolidation plans subject to veto by either House within a period of 90 days. Contained in Intergovernmental Cooperation Act of 1969 (H.R. 7366 Fountain, et al., and S. 2479 Muskie) now pending in Congress.

"3. Congress and the President reduce the number of separate authorizations for Federal grants—as a general goal a reduction by at least half the number, starting with consolidation in the fields of vocational education and water and sewer facilities. A draft bill has been prepared and is ready for Congressional introduction.

"4. Congress enact legislation, proposed by the Administration, to authorize a single grant application by State and local governments for interrelated projects. Contained in Intergovernmental Cooperation Act of 1969 (H.R. 7366, Fountain, et al., and S. 2479, Muskie).

"5. Joint funding of projects containing components deriving funds from several Federal sources. Contained in Intergovernmental Cooperation Act of 1969 (H.R. 7366, Fountain, et al., and S. 2479, Muskie).

"6. The Bureau of the Budget simplify and systematize the varied matching and apportionment formulas governing existing grant programs. No specific implementation action as yet.

"XXVII. Metropolitan fiscal disparity

"1. Congress expand, to include all communities regardless of population, the current program of financial assistance for State establishment of urban information and technical assistance to small communities. Rejected repeatedly by the Congress.

"2. Federal, state and local financing of neighborhood information centers and referral services to be authorized to orient immigrants and others to the demands of urban society. Partially implemented by intergovernmental funding of such centers under the poverty and model cities programs.

"3. Elementary and Secondary Education Act be amended to authorize use of available grant funds in support of amended State school aid formulas which reflect higher per pupil costs for disadvantaged children, especially in densely populated areas. No implementtaion action as yet.

"4. Federal Government encourage and provide financial assistance for multi-district educational arrangements. No implementation action as yet.

"5. A national system of social accounts be established, with special emphasis on the development of such data for individual cities, counties and Standard Metropolitan Statistical Areas, as well as State and national aggregates. Implementation begun through Task Force on Social Accounts set up in 1968 in HEW. Report under consideration by Executive Office of the President.

"6. Internal Revenue Service expand its statistical reports on income to provide data on individual units of local government within Standard Metropolitan Statistical Areas. Implemented by administrative action of the Internal Revenue Service, by tabulating adjusted gross income of individuals by postal zip code.

"XXVIII. Administration of Federal categorical aids

"1. Coordination of Federal grant programs being administered by a variety of Federal departments and agencies be strengthened through the Executive Office of the President. Partially implemented by various presidential directives and by Budget Bureau Circular A–95.

"2. The authority to review and approve plans developed as a condition of Federal formula-type grants to State and local governments be decentralized to Federal regional offices and the wide variations in boundaries of Federal administrative regions be reduced. Partially implemented by directive of President Nixon, March 27, 1969.

"3. Federal Executive Boards be brought under Bureau of the Budget supervision and at least one full-time staff member be provided for each major Board. Partially implemented by Presidential Memorandum, August 13, 1969.

"4. The President establish a computerized information system for grant administration, formulation of intergovernmental fiscal policy and for other management purposes. Steps being taken by Budget Bureau to implement partially this recommendation.

"5. Establishment by Congress of a computerized information system for review of grant programs and for other legislative purposes. Contained in draft legislation now pending in the House Rules Committee.

"6. Tapes and other data produced by Federal computerized information systems be made available to State and local governments. Implemented by Budget Bureau Circular A–97.

"7. Congress authorized the Comptroller General of the U.S. to certify State auditing systems and those systems of local governments receiving sizable grants directly from Federal agencies, in lieu of fiscal audits by Federal agency personnel. Contained in Intergovernmental Cooperation Act of 1969 (H.R. 7366 Foundation, et al., and S. 2479, Muskie) now pending in Congress.

"8. Congress enact legislation, to modify the single State agency requirement associated with Federal grants-in-aid to State governments. Implemented by the Intergovernmental Cooperation Act of 1968, P.L. 90–577.

"9. Congress enact general legislation, consolidating insofar as possible into a single enactment those planning requirements to be applicable to existing and future grant programs. Contained in Balanced Urbanization Policy and Planning Act of 1969 (H.R. 13217 Dwyer and Fountain) now pending in Congress.

"10. Congress revise Section 701 of the Housing Act of 1954, to strengthen comprehensive planning at State, regional, metropolitan and local levels, and to require review and comment by State planning agencies of project proposals impinging upon State or local comprehensive plans. The Commission took no position on assignment of responsibility within the Federal Government for financial assistance to State and local planning activities. Contained in Balanced Urbanization Policy and Planning Act of 1969 (H.R. 13217, Dwyer and Fountain).

"XXIX State aid to local governments

"1. The Federal Government assume complete financial responsibility for all public assistance programs, including Medicaid, with State and local governments continuing to administer programs. Contained in bill to nationalize the welfare system (S. 1806, Goodell).

"2. The Federal-Aid Highway Act be revised to provide a financial incentive to encourage greater State development of a coordinated urban and rural highway system, with special recognition of the needs for mass transportation facilities in urban areas. No specific implementation action as yet.

"XXX. Eligibility of State legislative agencies for Federal research grants

"Recommends the issuance of an appropriate communication from the President to departments and agencies setting forth criteria under which State legislative committees and agencies should not be admitted as eligible competitors for Federal research grants. Implemented by Bureau of the Budget memorandum dated December 22, 1969.

"PENDING FEDERAL LEGISLATION

"The thirty-one Advisory Commission recommendations now pending before Congress are contained in the following bills:

"The Uniform Relocation Assistance and Land Acquisition Policies Act of 1969 (S. 1, Muskie et al.; and H.R. 4578, Fulton; H.R. 6053, Teague of Texas; and H.R. 12902, Thompson, New Jersey). This measure would provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal or federally assisted programs and establish uniform and equitable Federal land acquisition policies. These provisions would carry out the major recommendations for a uniform relocation policy for all Federal programs in *Relocation: Unequal Treatment of People and Businesses Displaced by Government*, January 1965. (Passed by the Senate; hearings held by House Committee on Public Works.)

"The Intergovernmental Cooperation Act of 1969 (S. 2470, Muskie) has been reported favorably by the Senate Subcommittee on Intergovernmental Relations. Hearings have been completed on a companion bill in the House (H.R. 7366, Fountain, et al.). These measures are designed to build on the Intergovernmental Cooperation Act of 1968 by providing for joint funding; simplification of accounting, auditing and reporting procedures; consolidation of Federal aid programs; and strengthened Congressional oversight of Federal aid. The Senate Subcommittee deleted the grant consolidation title in S. 2479, and approved the Administration's grant consolidation measure (S. 2035) which closely parallels the ACIR proposal. The bill authorizes the President to propose consolidation of Federal grant programs which would go into effect unless vetoed by Congress. These measures implement several of the Commission's recommendations in *Fiscal Balance in the American Federal System*, October 1967, and one basic proposal advanced in the earlier ACIR report on *Periodic Congressional Reassessment of Grants-in-Aid to State and Local Governments* (June 1961).

"The Intergovernmental Revenue Act of 1969 (S. 2483, Muskie and Goodell and H.R. 13353, Roth). This measure is designed to permit State and local governments greater fiscal flexibility and to enhance fiscal cooperation between the Federal government and States and localities. Senate hearings on this bill have been completed. The bill would give States access to a prime revenue source—the Federal income tax—and encourage States to make more intensive use of State personal income taxes. A specified amount of Federal revenue would be diverted annually into a trust fund for subsequent redistribution to State and local governments on a per capita basis adjusted for tax effort. Also, the bill provides that taxpayers would be allowed a partial credit against their Federal income tax liability for any State and local income taxes they have paid in order to offset the deterrent effect of heavy federal income taxes upon State and local use of this tax.

"Other provisions would (1) authorize the U.S. Treasury to collect State personal income taxes under mutually agreeable terms; (2) enlarge and restructure the Federal tax credit for State death tax payments, provided a State adopts an "estate-type" tax—thereby simplifying taxpayer compliance—and increases its death tax rates so as to capture an amount equivalent to the enlarged Federal tax credit; and (3) permit States and their localities to tax the personal property of private individuals located in enclaves under exclusive Federal jurisdictions, provided a designated Federal agency certified that all persons residing in such Federal enclaves enjoy the same rights and privileges accorded other residents of the State.

"Title I of this bill would implement a major recommendation made by the Commission in *Fiscal Balance in the American Federal System*, October 1967. Title II incorporates the partial tax credit proposal advanced in *Federal-State Coordination of Personal Income Taxes*, October 1965. Title III, which authorizes Treasury collection of State income taxes, implements another recommendation advanced in the same report. The restructuring of Federal credits for State death tax payments, proposed in Title IV, would carry out a recommendation made in the Commission's report, *Coordination of State and Federal Inheritance, Estate, and Gift Taxes*, January 1961. The proposed amendment to the Buck Act, found in Title V, seeks to implement a policy objective advanced in *State and Local Taxation of Privately Owned Property Located on Federal Areas*, June 1961, and reaffirmed in 1965 by the Commission.

"*The Balanced Urbanization Policy and Planning Act of 1969* (H.R. 13217, Dwyer and Fountain). This measure incorporates certain recommendations contained in *Urban and Rural America: Policies for Future Growth*, April 1968, and *Fiscal Balance in the American Federal System*, October 1967. The four-title bill would (1) provide for the development of a national policy on urban growth; (2) establish a system for Federal financial support of comprehensive planning, replacing section 701 of the Housing Act of 1954, as amended; and (3) apply a uniform definition of comprehensive planning and a coordinated approach to functional planning conforming requirements for grant programs.

"The proposed legislation cleans up and consolidates into a single bill all of the comprehensive planning requirements now attached to many of the Federal aid programs as well as several functional planning provisions. Responsibility for developing a national urbanization policy would be assigned to the Executive Office of the President and an annual urbanization report to the Congress and the country would be required. A companion bill was included in the Senate (S. 3228, Muskie).

"*The Interstate Taxation Act* (S. 2804, Magnuson et al.) deals with State business taxes as they apply to interstate firms. This bill grants Congressional consent to the "Multistate Tax Compact" which is designed to facilitate consistency in State tax treatment of such firms. Eighteen States have already enacted the compact. Interstate firms doing business in these States now have the option of using the three-factor formula proposed by the National Commission on Uniform State Laws (property, payroll and sales) for apportioning multistate corporate income for State tax purposes.

"Under the terms of the bill, all States would be required to offer the same option beginning July 1, 1971, whether or not the State has joined the compact. This bill is a counter-proposal to the House-passed bill (H.R. 7906) that would define State taxing jurisdictions with respect to interstate firms and set an upper limit on the amount of income attributable to business done in the States on the basis of a two-factor (property and payroll) formula. In many other major respects S. 2804 and H.R. 7906 are similar. S. 2804 seeks to carry out proposals adopted by the Advisory Commission in 1966 to reconcile two competing national objectives—the need to minimize State impediments to the free flow of interstate commerce while maximizing State discretion in tax policy matters.

"Amendment to the *Elementary and Secondary Education Act* (H.R. 514, Perkins; and S. 2451, Pell). The legislation contemplates consolidation of several separate Federal categorical aids for education. The consolidations would implement a recommendation in *Fiscal Balance in the American Federal System*, October 1967, which noted that the rapid expansion in a number of grants has contributed to functional fragmentation of State and local governments.

"The pooling of separate grants for the administration of two or more educational programs into a consolidated grant, as proposed in E. 2451, represents a constructive extension of the consolidation idea into the field of grant program administration. By allowing the States greater flexibility and simplicity in administering education grants, the bill would permit State educational agencies to attune their efforts more fully to the pursuit of educational objectives.

"*The Urban and Rural Development Act*—in draft form ready for Congressional introduction. This measure would provide assistance and incentives for urban growth and economic development in conformance with national urbanization policy through:

"Incentives for business or industrial location;

"Assistance for low-income persons in labor-surplus areas seeking to find employment in designated urban growth areas;

"Additional loan and grant assistance to public agencies and loan and tax assistance to private developers to facilitate the assembly and improvement of land for large-scale urban and new community development; and

"A Federal urban land acquisition and improvement program to encourage the building of new communities.

"The recommendations embodied in this bill come largely from *Urban and Rural America: Policies for Future Growth* (April 1968).

"*Water and Sewer Facilities Grant and Loan Consolidation Act*—in draft form ready for Congressional introduction. This measure would provide for concentrating all direct grant and loan programs for water and sewer facilities and treatment works in two agencies—HUD and Interior (Federal Water Pollution Control Administration). The approach taken is to assign HUD the responsibility for administering grants and loans for basic public water and sewer facilities. FWPCA would be given responsibility for all waste treatment works (including intercepting and outfall sewers). Authorizations for the Department of Agriculture and Economic Development Administration would be repealed or amended to ensure that they will have no grant and loan authority in these areas."

INTERN PROGRAMS

Mr. ROBISON. You tell us also you are hoping to initiate an internship program and I think this is mentioned in some detail on page 3 of the justification. Have you already begun an internship program?

Mr. MERRIAM. Yes, we have. We actually have three interns on board this year, and we have started to circulate the announcement for next year. This was the first year.

Mr. ROBISON. Do they come in for 1 year of service with the Commission?

Mr. MERRIAM. That is correct.

Mr. ROBISON. What are they paid during that period?

Mr. MCQUERY. This year they have been paid at the beginning level of grade 7.

Mr. ROBISON. Do you get them directly from a college background?

Mr. MCQUERY. The first three all came from State and local government and all agreed to go back to State or local governments when their year is up.

Off the record.

(Discussion off the record.)

Mr. ROBISON. After the period of internship, although I know you are just beginning the program, what is expected that will happen to these people, will they continue to work for the Commission or go back into the Government with a better knowledge of the intergovernmental problems?

Mr. MERRIAM. With this first group, Congressman, part of the arrangement was they had to go back to State or local government. The program has a two-fold purpose: First of all, they do provide some manpower assistance for the Commission. The other thing is that this program would help over a period of years to train a cadre of people who had a very special insight into some of the intergovernmental problems they would be wrestling with on their own job.

Mr. ROBISON. It is your hope they will probably go back to careers at State or local government level?

Mr. MERRIAM. They are specifically required.

Mr. WALKER. They have a moral obligation to do it.

Mr. STEED. There has been a serious need at the local level for people skilled in budget making, isn't that right?

Mr. MERRIAM. This certainly is one of the critical areas.

Mr. ROBISON. Do you have three interns aboard now?

Mr. MERRIAM. Yes.

Mr. ROBISON. Without trying to do it at this point, could you submit for the record, their names and where they came from?

Mr. MERRIAM. Sure.

(The information follows:)

1969–70 ACIR INTERNS

Marie Furjanic, Pennsylvania State Association of Boroughs.
T. A. Minton, State legislative council, Oklahoma.
Fred M. Pettyjohn, county of Forsyth, N.C.

STATE CONTRIBUTIONS

Mr. ROBISON. I notice that the States, some of them at least, are beginning to contribute token amounts of a thousand dollars each to the Commission, and that you hope that this might increase to evidently 40 States for fiscal 1971, bringing in $40,000?

Mr. MERRIAM. Correct.

Mr. ROBISON. Is it anticipated sometime in the future that once you get all of the States in the fold you are going to ask them for a little bit larger "token," or is that an embarrassing question?

Mr. MERRIAM. It is possible. I think we could probably use the inflation argument.

Mr. ROBISON. We hear it every day from everybody else. What do you do with these monies.

Mr. MERRIAM. Those monies are basically used to strengthen some of the services which we are rendering the State and local governments. For example, they allow us, Congressman, to make wider distribution of our reports than we otherwise would. They allow us to devote a little more time in meeting with groups in various States and localities that we might otherwise not have the time or manpower to do. So, they go for supplementary activities designed to strengthen our own communication with those levels, if you will.

Mr. ROBISON. These token contributions are not credits, of course, are they, to your Federal budget? They just supplement the Federal budget.

Mr. MERRIAM. That is correct.

Mr. ROBISON. You say four cities so far have responded along the same lines by making annual contributions of $500 each. Do you hope to have a few more cities do that in fiscal 1971, along with perhaps some larger counties as I also understand it?

Mr. MERRIAM. Yes. I would certainly hope that we would have, let's say, somewhere in the range of 10 to 12 of the cities signed up before the end of this calendar year. And, then, we will start, we haven't exactly fixed the date for it but sometime during the next fiscal year on soliciting the larger counties.

Off the record.

(Discussion off the record.)

PRIVATE CONTRIBUTIONS

Mr. ROBISON. I notice also that, besides the Ford Foundation grants which went for specific purposes, the Commission also receives a number of other small contributions from what you refer to as nonprofit organizations, most of which are coming to the Commission in lieu of honoraria going to staff members who go out and make speeches at conferences or meetings that these nonprofit groups may sponsor.

Mr. MERRIAM. Yes.

Mr. ROBISON. Do you encourage your staff people to take this approach, rather than keeping the honoraria for themselves?

Mr. MERRIAM. I think the rules are they are not entitled to it.

Mr. WALKER. We are barred ethically from accepting any honorarium, but not barred from suggesting they make out a check, which they might have given us, to the Commission, and this they do.

We have two categories of requests, really. If it comes from State municipal leagues or national associations we are very much interested in making contact with, we go and we pay our own expenses. If it is something less than this, particularly an academic situation, we usually request honoraria and request travel expenses so there is no outlay by the Commission in that kind of situation.

LABOR-MANAGEMENT RELATIONS

Mr. ROBISON. On page 6 of your prepared statement, Mr. Merriam, you tell us that the Commission has completed and published a policy report on labor-management policies in State and local governments. In connection to this, the uncertainty and unrest that exists in public labor-management relations at the moment, is certainly a most serious problem, particularly in New York State where, with our Taylor law, we have almost eliminated all of the old guidelines and policies and put State and local governments in totally new relationships with respect to their employees. Can you detail a little of what this policy report suggests?

Mr. MERRIAM. Yes, and Mr. Walker could expand on it. I might say this report was completed before I became chairman, but I was privileged as an observer to sit in on a discussion of it. It was a fairly heated subject, and debate, as you might well guess, from the various members of the Commission. But in essence, the most critical recommendation had to do with the question of whether there should be "meet-and-confer" type of relationship between public employers and their employees or whether there should be mandatory collective bargaining. The majority of the Commission took the position with some rather extensive dissents, I should say, that from the standpoint of a governmental body the "meet-and-confer" concept was preferable to any requirements that there be mandatory collective bargaining. There were a great many other things touched on, but this became the focal point of most of the discussion.

Mr. ROBISON. Perhaps you can tell us more about it next year, because it is certainly an area of real concern to all of us.

FEDERAL ASSISTANCE

I notice you hope to finish one study you have underway in April, this being the one on alternative approaches to "Federal financial assistance for State and local capital financing." Does this one refer in part to the tax-sharing idea, or is this something else?

Mr. MERRIAM. This does not refer to the revenue sharing proposal. This has to do rather with building more certainty into Federal assistance for State and local capital financing. It is a question of how far Congress should go in "firming up" long-term aid commitments to those governments in this field. We get into the question of authorizations versus appropriation, a subject, of course, with which you wrestle every day, but this is looking at it from an overall point of view, including looking up at it from a State and local point of view. It is the old wrestling match between the desire and necessity of Congress and the Federal Government to have some control over moneys to be expended and the desire of the States and the localities and middle management program administrators everywhere to have some advance knowledge of how much they are going to be able to have and to plan for.

"PROMISE AND PERFORMANCE"

Mr. ROBISON. Somewhat along the same lines, the report you apparently have finished and is now being printed which you call, "Promise and Performance"—with reference here to the gap between Federal aid authorizations and appropriations—I wouldn't mind having a copy of that if you have one available.

Mr. MERRIAM. We will get you one, Congressman. Actually, that is just a factual analysis of the differences between authorizations and appropriations and is designed as an information piece.

Mr. ROBISON. I was going to ask you specifically whether you are aiming here at the factual situation or aiming at the policy questions that sometimes make it appear necessary for the Appropriations Committee to fund a program at somewhat less than its level of authorization.

Mr. MERRIAM. The study in process now is just a factual one. I must say that in our discussion at our next meeting in April we will get more into the substance of it. I am sure you will be ably represented in your point of view by Congressmen Fountain and Ullman, and Congresswoman Dwyer.

FEDERAL AND STATE TAXES

Mr. ROBISON. With reference to States picking up what we might call dropped areas or reduced areas of Federal taxation, this is of some interest to us, I suppose, who worry constantly about doing what we can to reduce the burden of overall taxation on the average citizen only to find that whatever we cut out here, the State and local governments pick up back home.

I understand the necessity for it and some of what apparently has happened in this area is mentioned on page 9, where I notice my State of New York, among others, adopted the real estate transfer tax that the Federal Government dropped some years ago. Does the Commis-

sion actively encourage States and local taxing agencies or authorities to look at this possibility?

Mr. MERRIAM. You mean of——

Mr. ROBISON. Picking up foregone Federal taxes.

Mr. MERRIAM. I would have to say, yes. As a matter of fact, that was a very specific recommendation of the Commission.

Mr. SHANNON. The real value of this particular tax is that it provides the local property tax assessor with first rate market value information. So, it is primarily an information-type tax rather than the revenue yield levy. That is the most important thing. One of our major efforts is to develop more equitable property tax assessment procedures.

Mr. MERRIAM. I would like to add a general comment on that. One of the reasons the Commission has strongly urged the revenue-sharing concept is that through that mechanism where you get the leverage of the Federal income tax collection you do provide a source of revenue to the States and localities which would certainly—well, never eliminate but at least, reduce some of the problems of continuing proliferation of State and local taxes. This is one of the reasons we have pushed that very hard.

REVENUE SHARING PROPOSALS

Mr. ROBISON. Perhaps you ought to be asking me but let me ask you, what is the status in Congress of the revenue-sharing proposals? I know there is quite a variety of them. What is the present outlook?

Mr. MERRIAM. I would be less than candid if I said it is soaring at the moment. The Senate Intergovernmental Relations Committee has held hearings on our proposal and that which the administration submitted. They have completed those hearings and are in the process of developing a report to the Finance Committee. However, in the House there has been no activity whatsoever.

Mr. ROBISON. Is your proposal as you mentioned it, the Muskie-Goodell bill, the companion bill to which in the House is the Roth bill?

Mr. MERRIAM. Yes.

Mr. ROBISON. Could you give us, for the record, a brief statement as to how your proposal, if I can call it that, differs from the administration's proposals.

(The information follows:)

SIMILARITIES AND DIFFERENCES BETWEEN
THE PRESIDENT'S REVENUE SHARING PROPOSAL AND THE MUSKIE-GOODELL
BILL S. 2483 (INTERGOVERNMENTAL REVENUE ACT OF 1969)*

SIMILARITIES

1. "One pot" approach--

   Both proposals initially channel all Federal revenue sharing funds to State governments, thereby recognizing that State and local governments are a system and that responsibilities vary from State to State.

2. Basis of State-area entitlement--

   Essentially the same under both proposals, that is, population modified by tax effort. (Table 1)

3. Assured share to local governments--

   Both proposals provide for mandatory pass through to local units of general government. However, S. 2483 limits the required pass through to cities and counties with populations in excess of 50,000, while the President's proposal apparently will mandate a pass through to all cities and counties regardless of population size.

4. Provision for alternative State plan for sharing with local governments--

   Both proposals incorporate this "flexibility" provision. Because of the fewer governments involved and the less stringent rules for local government concurrence, S. 2483 places fewer barriers to the realization of this objective.

5. Expenditure conditions--

   Both proposals provide "unconditional" general support payments. S. 2483 does, however, require that the tax effort of independent school districts be matched by an equivalent amount of State expenditures for school purposes and prohibits local expenditure of shared funds in violation of existing State comprehensive plans.

6. Determination of local share--

   Under the President's proposal, general purpose local governments share in the proportion that their general local revenue bears to total State-local general revenue, while under S. 2483 eligible cities and counties share in the proportion that double their taxes bear to State-local taxes.

* Comparison based on Summary of S. 2483 appearing in Congressional Record, June 25, 1969, pp. S. 7100-7110, and the President's proposal as transmitted to the Congress--Congressional Record, August 13, 1969, pp. S. 9958-9959.

MAJOR DIFFERENCES

1. The size of the initial distribution of revenue sharing--

Initial distribution under the President's proposal of $0.5 billion in 1971 rising to approximately $5 billion by 1976, whereas S. 2483 calls for Federal distribution of an estimated $3.4 billion in 1971 rising to approximately $5 billion in 1976.

2. The role of the State income tax--

No explicit recognition of State personal income tax effort under the Nixon proposal--but a key feature in S. 2483. Title II of S. 2483 provides a partial Federal tax credit to remove the deterrent effect of heavy Federal income taxation upon State use of income taxes.

3. Recognition of "urban fiscal crisis"--

S. 2483 provides greater recognition because it restricts the mandatory pass through to those communities with populations in excess of 50,000 and "doubles" the weight given to their revenue performance. Allocation among the smaller units is left entirely to the State under S. 2483, but is prescribed in the statute under the President's proposal. As a result the big cities and urban counties receive a much larger share of the total State area entitlement under S. 2483. For example:

City or County	S. 2483	President's Proposal
New York	58.2%	29.1%
Chicago	19.2	9.7
Los Angeles	6.0	3.3
Philadelphia	15.7	8.3
Detroit	11.1	6.0
Baltimore	29.7	14.6
Houston	5.5	2.8
Cleveland	4.6	2.6
St. Louis	14.1	7.1
San Francisco	4.2	2.3
Westchester Co., N. Y.	0.9	0.4
Hamilton Co., Ohio	1.1	0.7
Cook Co., Ill.	4.9	2.6
Los Angeles Co., Calif.	12.2	6.1
Orange Co., Calif.	1.7	0.8
Harris Co., Texas	2.5	1.2
Macomb Co., Michigan	0.6	0.3

(For further details see Table 2.)

Table 1

Comparison of Shared Revenue Allocations, By State
(For each $1 billion)*

State	Allocation (mil.)		Percent distribution	
	S. 2483	President's proposal	S. 2483	President's proposal
United States	$1,000.0	$1,000.0	100.00	100.00
Alabama	15.8	16.1	1.58	1.61
Alaska	1.2	1.2	.12	.12
Arizona	10.0	10.1	1.00	1.01
Arkansas	9.2	9.5	.92	.95
California	111.0	112.5	11.10	11.25
Colorado	11.0	11.6	1.10	1.16
Connecticut	12.6	12.8	1.26	1.28
Delaware	2.5	2.4	.25	.24
Dist. of Columbia	3.5	3.4	.35	.34
Florida	31.2	30.8	3.12	3.08
Georgia	20.7	20.8	2.07	2.08
Hawaii	5.0	4.8	.50	.48
Idaho	4.2	4.0	.42	.40
Illinois	42.2	44.5	4.22	4.45
Indiana	24.6	24.2	2.46	2.42
Iowa	13.7	14.6	1.37	1.46
Kansas	11.6	12.1	1.16	1.21
Kentucky	14.8	14.8	1.48	1.48
Louisiana	19.9	20.3	1.99	2.03
Maine	5.0	5.1	.50	.51
Maryland	19.4	18.1	1.94	1.81
Massachusetts	30.4	29.6	3.04	2.96
Michigan	40.8	40.8	4.08	4.08
Minnesota	21.1	21.5	2.11	2.15
Mississippi	12.3	12.6	1.23	1.26
Missouri	21.0	20.4	2.10	2.04
Montana	3.8	3.9	.38	.39
Nebraska	6.4	6.6	.64	.66
Nevada	2.5	2.5	.25	.25
New Hampshire	3.2	3.1	.32	.31
New Jersey	32.3	31.1	3.23	3.11
New Mexico	5.4	5.7	.54	.57
New York	122.5	117.1	12.25	11.71
North Carolina	23.4	24.2	2.34	2.42
North Dakota	3.4	3.5	.34	.35
Ohio	40.5	41.2	4.05	4.12
Oklahoma	12.8	12.6	1.28	1.26

Comparison of Shared Revenue Allocations, By State
(For each $1 billion)*
(concl'd)

State	Allocation (mil.)		Percent distribution	
	S. 2483	President's proposal	S. 2483	President's proposal
Oregon	11.0	10.4	1.10	1.04
Pennsylvania	53.9	53.3	5.39	5.33
Rhode Island	4.0	4.3	.40	.43
South Carolina	11.8	12.1	1.18	1.21
South Dakota	3.7	3.9	.37	.39
Tennessee	17.8	18.1	1.78	1.81
Texas	45.8	47.7	4.58	4.77
Utah	5.8	5.7	.58	.57
Vermont	2.3	2.4	.23	.24
Virginia	21.7	20.4	2.17	2.04
Washington	16.7	16.2	1.67	1.62
West Virginia	9.1	9.0	.91	.90
Wisconsin	23.1	24.2	2.31	2.42
Wyoming	2.1	2.1	.21	.21

* The differences in the State allocations produced by the two plans can be attributed to the fact that S. 2483 gives greater weight to the most recent increase in State-local tax effort and has a somewhat narrower definition of revenue effort.

COMPARISON OF LOCAL GOVERNMENT ALLOCATIONS, 70 LARGEST CITIES AND COUNTIES[1/]
(For each $1 billion of revenue shared)

Unit of local government (Descending order of population)	Units share under--		Percent of total State area entitlement		Per capita share	
	S. 2483	President's proposal	S. 2483	President's proposal	S. 2483	President's proposal
	(thousands)					
New York, N.Y.*	$71,303	$34,029	58.23	29.06	$8.89	$4.24
Los Angeles Co., Calif.	13,586	6,908	12.25	6.14	1.99	1.01
Cook Co., Ill.	2,067	1,170	4.90	2.63	.38	.22
Chicago, Ill.	8,106	4,312	19.21	9.69	2.30	1.23
Los Angeles, Calif.	6,642	3,735	5.98	3.32	2.41	1.35
Wayne Co., Mich.	1,988	1,155	4.87	2.83	.73	.43
Philadelphia, Penn.	8,445	4,424	15.66	8.30	4.14	2.17
Cuyahoga Co., Ohio	1,237	659	3.06	1.60	.71	.38
Detroit, Mich.	4,545	2,460	11.14	6.03	2.74	1.48
Alleghany Co., Penn.	1,557	853	2.89	1.60	.97	.53
Harris Co., Texas	1,141	553	2.49	1.16	.74	.36
Nassau Co., N.Y.	3,344	1,511	2.73	1.29	2.37	1.07
Middlesex Co., Mass.	368	184	1.21	.62	.28	.14
San Diego Co., Calif.	1,454	754	1.31	.67	1.23	.64
Orange Co., Calif.	1,841	956	1.66	.85	1.57	.82
Dallas Co., Texas	644	301	1.41	.63	.55	.26
Houston, Texas	2,542	1,331	5.55	2.79	2.22	1.16
Erie Co., N.Y.	2,155	960	1.76	.82	1.98	.88
Dade Co., Fla.	2,022	1,297	6.48	4.21	1.87	1.20
Milwaukee Co., Wisc.	1,813	910	7.86	3.76	1.74	.88
Alameda Co., Calif.	1,501	810	1.35	.72	1.46	.79
King Co., Wash.	849	402	5.10	2.48	.84	.40
Essex Co., N.J.	1,475	666	4.56	2.14	1.51	.68
Suffolk Co., N.Y.	1,266	597	1.03	.51	1.32	.62
Santa Clara Co., Calif.	1,532	821	1.38	.73	1.65	.88

COMPARISON OF LOCAL GOVERNMENT ALLOCATIONS, 70 LARGEST CITIES AND COUNTIES[1/]
(For each $1 billion of revenue shared)
(cont'd)

Unit of local government (Descending order of population)	Units share under--		Percent of total State area entitlement		Per capita share	
	S. 2483	President's proposal	S. 2483	President's proposal	S. 2483	President's proposal
Baltimore, Md.*	$ 5,781	$ 2,634	29.74	14.55	$6.26	$2.85
Hamilton Co., Ohio	448	272	1.11	.66	.49	.30
Hennepin Co., Minn.	1,310	602	6.21	2.80	1.49	.68
Westchester Co., N.Y.	1,047	527	.85	.45	1.20	.61
Bergen Co., N.J.	721	376	2.23	1.21	.83	.43
St. Louis Co., Mo.	824	375	3.93	1.84	.97	.44
Dallas, Texas	2,118	1,083	4.62	2.27	2.50	1.28
Maricopa Co., Ariz.	853	401	8.48	3.97	1.02	.48
Cleveland, Ohio	1,865	1,088	4.61	2.64	2.30	1.34
District of Columbia*	3,470	3,400	---	---	4.31	4.22
Oakland Co., Mich.	374	192	.92	.47	.47	.24
Bexar Co., Texas	255	119	.56	.25	.32	.15
Franklin Co., Ohio	454	227	1.12	.55	.59	.29
Milwaukee, Wisc.	1,695	1,045	7.35	4.32	2.22	1.37
Marion Co., Ind.	654	281	2.65	1.16	.88	.38
San Francisco, Calif.	4,681	2,576	4.22	2.29	6.55	3.60
San Antonio, Texas	792	482	1.73	1.01	1.12	.68
Shelby Co., Tenn.*	2,125	967	1.19	5.34	3.05	1.39
St. Louis, Mo.	2,950	1,444	14.07	7.08	4.26	2.09
Boston, Mass.*	4,737	2,374	15.58	8.02	7.07	3.54
Jefferson Co., Ky.	623	300	4.22	2.03	.94	.45
San Diego, Calif.	985	686	.89	.61	1.49	1.04
Monroe Co., N.Y.	1,446	667	1.18	.57	2.20	1.02
New Orleans, La.	1,796	1,074	9.03	5.29	2.77	1.65
Jefferson Co., Alabama	910	420	5.75	2.61	1.42	.65

COMPARISON OF LOCAL GOVERNMENT ALLOCATIONS, 70 LARGEST CITIES AND COUNTIES[1/] (Concl d)
(For each $1 billion of revenue shared)

Unit of local government (Descending order of population)	Units share under-- S. 2483	Units share under-- President's proposal	Percent of total State area entitlement S. 2483	Percent of total State area entitlement President's proposal	Per capita share S. 2483	Per capita share President's proposal
	(thousands)					
Jackson Co., Mo.	$ 380	$ 161	1.81	.79	$ .59	$ .25
Hudson Co., N. J.	809	373	2.50	1.20	1.31	.60
Seattle, Wash.	1,040	731	6.24	4.51	1.79	1.26
Columbus, Ohio	751	507	1.85	1.23	1.32	.89
Pittsburgh, Penn.	1,747	826	3.24	1.55	3.12	1.48
Atlanta, Ga.	1,241	757	6.00	3.64	2.32	1.41
Kansas City, Mo.	1,536	871	7.33	4.27	2.95	1.68
Indianapolis, Ind.	1,031	513	4.18	2.12	2.00	.99
Cincinnati, Ohio	1,460	1,306	3.61	3.17	2.92	2.61
Denver, Colorado	1,701	978	15.42	8.43	3.48	2.00
Buffalo, N. Y.*	1,773	867	1.45	.74	3.69	1.80
Minneapolis, Minn.	1,130	651	5.36	3.03	2.43	1.40
Newark, N. J.*	2,396	1,045	7.41	3.36	6.07	2.65
Louisville, Ky.	1,267	1,014	8.59	6.85	3.23	2.59
Portland, Oregon	1,016	566	9.22	5.44	2.64	1.47
Miami, Fla.	1,057	502	3.38	1.63	3.25	1.54
St. Paul, Minn.	927	473	4.39	2.20	3.01	1.54
Tampa, Fla.	763	431	2.44	1.40	2.50	1.41
Rochester, N. Y.*	1,223	597	1.00	.51	4.06	1.98
Dayton, Ohio	765	400	1.89	.97	2.88	1.50
35-Cities	155,277	81,212	---	---	3.35	1.87
35-Counties	55,073	27,727	---	---	1.19	.59
Total	210,350	108,939	---	---	2.27[2/]	1.23[2/]

1/ Includes the 35 counties with the largest population and 35 of the largest cities, based on 1966 population estimates. Excludes the following five large cities for which 1966 population figures were unavailable, with 1960 population in parenthesis: Honolulu (500 thousand); Memphis (498 thousand); Phoenix (439 thousand); Oakland (368 thousand); and Fort Worth (356 thousand).

2/ Unweighted average.

* This share reflects the fact that the jurisdiction's revenue system also underwrites the cost of local schools

Mr. ROBISON. With overall reference to the budget which is before us, I think I am correct in remembering that the administration planned and budgeted something like $500 million for revenue sharing as the beginning of that approach.

Mr. MERRIAM. The first year was $500 million.

ENVIRONMENTAL PROGRAMS

Mr. ROBISON. When we begin to move as we shortly will in the environmental field, move faster in it at least, you are going to have work that you could well direct your attention to in coordinating some of the new environmental programs. Maybe you already have begun. It would seem to me, if I can find my spot in the justifications, that you suggest consolidation of certain Federal grant programs in this field already. Is that not correct?

Mr. MERRIAM. That is correct. Also, I think here the whole thrust has to be to have a unit of government capable of dealing on an areawide basis. As we well know, you can't control pollution of a great lake in terms of the county or even a State. Similarly, air pollution has an areawide ramification and oftentimes it crosses State boundaries, as we are well aware. So, one of the things which the Commission has been striving for in this and other areas is to have a structure of government which will be able to create the coordinating mechanisms to deal with the problem.

Mr. ROBISON. Back here at the Federal level the Intergovernmental Cooperation Act of 1969—the Muskie bill in the Senate—and the Fountain bill, and others here in the House, is something that the Commission is strongly supporting, too?

Mr. MERRIAM. Yes.

Mr. ROBISON. This would allow the President to propose consolidation of certain grant programs which would go into effect unless vetoed by Congress. It is the reorganization approach.

Mr. MERRIAM. It is the reorganization-type approach; yes.

Mr. ROBISON. And the status of this legislation is what?

Mr. WALKER. It is pending before the parent Government Operations Committee in the Senate. It is out of the Senate Subcommittee on Intergovernmental Relations. It is still in subcommittee in the House, but we have hopes of passage.

Mr. ROBISON. I share those hopes with you. I hope very much this Congress will enact this legislation before this year is up.

COLLECTION OF STATE TAXES

Of special interest to us on this subcommittee, Mr. Steed as shown on page 6 of the justifications, is another proposal of the Commission which would apparently authorize the Federal Treasury to collect State income taxes. What status does this have?

Mr. MERRIAM. That is part of our revenue package, Congressman. It is in a beginning state, really.

Mr. ROBISON. Are you able to tell us whether or not, if such a device ever became law, what the cost effect on the Federal Government would be. Would the States be charged a commission of sorts for having the Federal Treasury collect their income taxes?

Mr. SHANNON. The way we have approached this, we asked the Treasury and they suggested that when the legislation was designed, it should be under an arrangement mutually satisfactory to the Treasury and to a State. At that time, they would actually make the decision as to the cost factor. It is very difficult for them to make an estimate in advance for a single State because now they have gone to a computerized setup with respect to over whole regions. It would depend upon how the arrangement worked into their new regional computer setup, so they were not willing at that time to give us any specific estimate of what it would cost. But we have received Treasury endorsement of the idea and Congressman Ullman has introduced this as a separate bill. It has been referred to the House Ways and Means Committee.

Mr. STEED. There is a sort of a precedent for this, I think, in the Treasury Department in the case of Puerto Rico, where they collect customs and other taxes, income, and deduct the cost thereof and then reimburse the Puerto Rican Government for the remainder. This might furnish some general format for this sort of a program.

Mr. SHANNON. There is no question it will reduce costs as far as a State is concerned.

Mr. MERRIMAN. You are saying you can't quantify.

Mr. SHANNON. Yes; we are not in a position to quantify.

INTERSTATE TAXATION ACT

Mr. ROBISON. Reference is also made to the Commission attitude toward the Interstate Taxation Act, which the House passed last year, and to what appears to be a counterproposal in the Senate. Am I correct on that? Does the Commission prefer the other approach?

Mr. MCQUERY. Mr. Chairman and Congressman Robison, the position the Commission took, and this dates back to 1966, was that the income tax field as far as taxation of multistate business was concerned has been satisfactorily stabilized by legislation passed by the Congress 10 years ago. As far as the sales tax field is concerned, there needs to be an extension of State jurisdiction to levy and collect taxes. As for the division of income for tax purposes, the proposal of the National Conference of Commissioners on Uniform State Laws, which involves a so-called three-factor formula, should be the pattern. These proposals vary in substantial detail from the former Willis bill now the Rodino bill, which has passed the House.

Mr. ROBISON. I might not necessarily agree with the Commission's position on this, having already voted for the House bill, but it at least demonstrates one thing for us, and that is that the Commission reserves its independence of thought, and holds to its position, and I think that is a good thing.

CONSOLIDATION OF AID-TO-EDUCATION PROGRAMS

Again, I think the last question I have, Mr. Chairman, has reference to page 7 of the justification, where the Commission refers to something that I am most interested in, and this is the consolidation of certain categorical Federal aid-to-education programs which we have

attempted to move toward on the House side, only then to go backward and forward on this as between the House and the Senate. While this sort of idea makes great sense to me, evidently there is a lot of opposition to it. I think the Senate action in the last few days on the Elementary and Secondary Education Act may have had an effect on this for this year. Am I right on that? This is so recent you might not know.

Mr. MERRIAM. I am not sure.

Mr. ROBISON. I believe we were moving toward consolidation on four of those categorical educational programs but I think consolidation is out, for the moment, in the final conference version.

Mr. MERRIAM. It is my understanding it is out.

STAFFING

Mr. ROBISON. With reference to the budget itself, on page J–19 you show your higher level positions. For the purpose of the record, could you identify who these are with the first being the Executive Director?

Mr. MERRIAM. That is Mr. MacDougall.

Mr. ROBISON. That is not you?

Mr. MERRIAM. No; I am the $50 a day variety.

Mr. ROBISON. Assistant Director, GS–18?

Mr. MERRIAM. That is Mr. Walker.

Mr. ROBISON. Two assistant directors?

Mr. MERRIAM. Mr. McQuery and Mr. Shannon.

Mr. ROBISON. And somebody who is a senior analyst.

Mr. MERRIAM. Mr. Albert J. Richter.

OFFICE SPACE

Mr. STEED. Mr. Merriam, one final question. How are you getting along with your landlord? Do you have adequate space and equipment to do your work?

Mr. MERRIAM. I am glad you asked the question. No; we do not have adequate space and equipment. We have been attempting to get some additional space either in our building or elsewhere for some time. We made a very determined, but unsuccessful effort to be allocated some of the space in the new houses on Jackson Place, which are just being assigned. But apparently, we were too late or didn't pull the right strings. We do need more space, Mr. Chairman. We are talking with GSA and the White House about this. I must say they have been sympathetic; but we are hoping we can resolve it shortly.

Mr. STEED. We do, too. It is hard to do work of this kind with everybody sitting on everybody else's neck, I would think, by the nature of the sort of activity you are engaged in.

Mr. MERRIAM. That is true. One of the reasons we felt strongly about Jackson Place was that this is a unique organization which is neither fish nor fowl in the sense that it represents all levels of government and we thought symbolically it would be useful to have our own separate headquarters. Maybe we can some day find a way to do this.

CONCLUSION

Mr. STEED. Thank you, gentlemen, for your appearance.

Mr. MERRIAM. Thank you. It is my pleasure to be here before you for the first time.

Mr. STEED. We are pleased to have you make a fine report for your year's activity and we hope you keep up the good work.

Mr. MERRIAM. Thank you, very much.

EXECUTIVE RESIDENCE

WEDNESDAY, MARCH 18, 1970.

WITNESSES

RUSSELL E. DICKENSON, GENERAL SUPERINTENDENT, NATIONAL CAPITAL PARKS, NATIONAL PARK SERVICE
ELMER S. ATKINS, ASSISTANT GENERAL SUPERINTENDENT (WHITE HOUSE LIAISON), NATIONAL CAPITAL PARKS, NATIONAL PARK SERVICE
FLOYD P. HOUGH, FINANCE OFFICER, NATIONAL CAPITAL PARKS, NATIONAL PARK SERVICE

OPERATING EXPENSES, EXECUTIVE RESIDENCE

Mr. STEED. The committee will be in order.

The committee will now consider the budget request for the Executive residence.

JUSTIFICATION OF ESTIMATE

HIGHLIGHT STATEMENT

The funds included in this estimate are to provide for the care, maintenance, and operation of the Executive residence.

TOURIST VISITATION FOR THE PAST 5 YEARS

	Number of visitors	Average per day	Number of days open
Calendar year:			
1965	1,716,740	6,867	250
1966	1,548,313	5,910	262
1967	1,733,942	6,669	260
1968	1,154,887	4,547	254
1969	1,521,382	5,989	254

Operating expenses, Executive residence

Appropriation 1970	$918,000
Plus: Itemized increases, as follows:	
Salary increases for employees paid at annual rates, put in effect July 13, 1969	25,800
Additional cost of salary increase for employees paid at hourly rates, put in effect Jan. 2, 1969, estimated cost 16,000, actual cost 30,100	14,100
Salary increases for employees paid at hourly rates, put in effect Nov. 2, 1969	14,400
Within-grade salary advancements	7,900
Increased temporary employment	25,800
Increased overtime costs	36,000
Increased food costs related to official entertainment	58,000
Total	182,000
Budget estimate, 1971	1,100,000

ITEMIZATION OF ESTIMATE—OPERATING EXPENSES, EXECUTIVE RESIDENCE

	1969 actual	1970 estimate	1971 estimate	Increase (+) or decrease (−)
Program and financing:				
Total obligations	$1,130,000	$1,166,000	$1,258,000	+$92,000
Reimbursements from other accounts	−309,000	−200,000	−158,000	−42,000
Unobligated balance lapsing	2,000			
Appropriation	823,000	918,000	1,100,000	+182,000
Proposed supplemental for civilian Pay Act increases		48,000		−48,000
Obligation by objects:				
Personnel compensation	726,000	722,000	767,000	+45,000
Personnel benefits	42,000	45,000	44,000	−1,000
Rent, communications, and utilities	63,000	52,000	52,000	
Other services	86,000	69,000	69,000	
Supplies and materials	213,000	235,000	283,000	+48,000
Equipment		43,000	43,000	
Total obligations	1,130,000	1,166,000	1,258,000	+92,000
Personnel summary:				
Total number of permanent positions	75	75	75	
Full-time equivalent of other positions	13	10	9	
Average number of all employees	84	82	81	
Average salary of ungraded positions	$7,549	$7,250	$7,542	

EXPLANATION OF DECREASES AND INCREASES

Increases

Mandatory increases in pay costs amount to $62,200. Of this amount $25,800 is to cover the costs of pay increases for those employees paid at annual rates comparable to classified employees which were effective July 13, 1969, $14,400 for increases for employees paid at hourly rates effective November 2, 1969 and $7,900 for within-grade advancements. The balance, $14,100, is to cover the balance of costs resulting from the increase for employees paid at hourly rates which was effective January 2, 1969. The 1970 increases requested reflected an estimated increase of $16,000. The actual cost of the increase was $30,100.

The balance of the increase requested, $119,800, represents additional official entertainment costs over amounts included in this appropriation for these purposes. Personal services costs exceed the amount appropriated by $61,800. The balance of $58,000 represents the food costs related to official entertainment. Prior to fiscal year 1967 the food costs were paid from other appropriations available for Executive Office operations. In fiscal year 1967 these costs were transferred to this appropriation in order to consolidate all official entertainment costs in this fund. No official funds were included to cover this function. The effect has been to neglect essential residence needs.

Mr. STEED. We are pleased to have Mr. Russell E. Dickenson, the General Superintendent of the National Capital Parks, the National Park Service. Mr. Dickenson, if you would like to introduce your colleagues for the record, we would be pleased to have any general statement you would like to make.

INTRODUCTION OF WITNESSES

Mr. DICKENSON. Thank you very much. I am pleased to have with me the Acting Assistant General Superintendent, Mr. Floyd Hough, whose primary responsibility is in the administrative field and on his right, the Assistant General Superintendent for White House Liaison, Mr. Elmer Atkins. In the interests of brevity, I will submit my general statement for the record with your permission.

(The information follows:)

OPERATING EXPENSES, EXECUTIVE RESIDENCE

GENERAL STATEMENT

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you to present for your consideration the fund requirements for the maintenance and operation of the Executive residence for the forthcoming fiscal year.

The appropriation request for the Executive residence for fiscal year 1971 is $1,100,000. This reflects an increase of $182,000 over the amount available for the current year.

Of the increase requested, $62,200 is to cover pay increase costs and within-grade advancements, $25,800 to cover the costs of increased temporary employment, $36,000 to cover the increased overtime costs, and $58,000 to cover the food costs related to official entertainment. The increased temporary employment, the increased overtime costs, and the food costs are all related to the official entertainment costs.

We stated before this committee last year that the appropriation request being considered for the current fiscal year was upward to $100,000 short of meeting the routine operating expenses of the residence. This was due to the costs of official functions over amounts included in the budget.

In fiscal year 1967, the language was changed to include all official entertainment in this budget. Previously, only the personal services related to these functions were included. With this change the food costs were transferred to this appropriation without any funds added to the appropriation for this purpose. This added burden, along with the increasing number of events, has created this shortage of adequate operating funds. Official guests have increased from approximately 3,200 in 1956 to over 30,600 in 1969.

We feel that this budget will now provide for the routine operating needs for the Executive residence at the present level of activity.

It will not provide for extensive renovation or replacement and acquisition of furniture and furnishings. These will be provided either from donations or special budget requests as needed. Major repairs and new construction in the residence are provided by the National Park Service.

Visitation totaled 1,521,382 in 1969 representing an increase of 31.7 percent over the total of 1,154,887 during 1968. It is felt that visitation will increase again this year.

Mr. Chairman, I shall be pleased to attempt to answer any questions you and other members of the committee may have about the operation of the Executive residence and the 1971 estimates before you.

BASIS FOR RESPONSIBILITY

Mr. STEED. Somebody asked me a question not long ago that I could not answer and maybe you gentlemen can enlighten me. The National Park Service in the Capital Division has had jurisdiction of the exec-

utive residence and the grounds ever since I have been around here. When did this start and how did that happen to become the responsibility of the National Park Service?

Mr. DICKENSON. Reservation No. 1, the White House grounds, has long been one of the prime historical areas of the city. The National Park Service, as a part of the Reorganization Act of 1933, actually acquired this from our predecessor, which was the Office of Public Buildings and Grounds. That is how it actually came into the present format.

Mr. HOUGH. When we were an independent office before coming under the Park Service in 1933, as Mr. Dickenson mentioned, the head of the office was the military aide to the President, General Grant and others were military aides to the President and also heads of the independent office which was the predecessor of National Capital Parks. Since then it has been part of the National Park system.

BUDGET REQUEST

Mr. STEED. Are the 75 people funded in this item carried as employees of the National Park Service?

Mr. DICKENSON. Yes, sir.

Mr. STEED. By virtue of that, they have the same fringe benefits as other Federal employees?

Mr. DICKENSON. That is right.

Mr. STEED. The budget request reflects an increase of $182,000.

Mr. DICKENSON. Yes.

Mr. STEED. And part of the cause of that is more temporary help and more overtime. Is there any reason why you just leave the regulars at 75 and add on to the additional duties by use of overtime and extra part-time employees?

Mr. DICKENSON. I believe probably the basic judgment that has been made here through the years as far as permanent help was concerned was this was a reasonable and proper level and it was more economical to meet the changing trend to hire temporary help as needed and not to carry them on the rolls full time. I think this was just the basic management judgment that was made.

Mr. STEED. In other words, the extra help is more an impact of this function rather than an all day ongoing job on duty?

Mr. DICKENSON. That is right.

Mr. STEED. You made a statement about there being a $100,000 shortage in the operating expenses. How did you make that up?

Mr. DICKENSON. This, of course, is done internally within the National Capital Parks' budget. From time to time in the past it would have been necessary to have the assistance of the central office of the National Park Service. But this has been one of the things that has been accepted through a reshuffling of priorities, a reprograming type of thing in order to make sure the White House was properly taken care of.

Mr. STEED. Do you have any other areas of activity that amount to a short fall by reason of this?

Mr. DICKENSON. It is a matter of adjustment of priorities; yes, sir.

Mr. STEED. Does this new approach here represent something in the order that the President is doing in his personal staff of actually bring

all of the work forces under one roof rather than to have some of it appear in the record and some not. He borrowed people from the agencies and it never reflected directly in the budget and he is now bringing it out in the open under one heading. Is this something of that sort?

Mr. DICKENSON. I believe, Mr. Chairman, the past years would show that the same people we are talking about here has been represented on the record consistently. This does not address itself, of course, to the other types of services which are provided by certain other agencies at the White House.

WHITE HOUSE GUESTS

Mr. STEED. When you refer to this remarkable increase in the number of official guests over the last few years, these are people invited by the President to join him for some occasion, not the visiting public that runs up into astronomical figures.

Mr. DICKENSON. This is true. Those figures which we cited to you earlier are invitees to the White House for official functions.

Mr. STEED. Heretofore this account has been called executive mansion and this year you call it residence. Who made that determination and why.?

Mr. DICKENSON. I understand that that decision was made at the White House and was in line with the Presidential wishes in the matter. I am not aware of any other rationale or reason for changing this but to be in consonance with the wishes of the President.

RESPONSIBILITIES

Mr. STEED. Do you get involved in staffing of the so-called summer White House like Camp David or San Clemente or Biscayne Bay?

Mr. DICKENSON. As a matter of fact, we do not contribute anything to the staffing of those locations, Mr. Chairman. The Camp David operation, even though it is within Catoctin Mountain Park, one of the field units of National Capital Parks, is an entity to itself and operated by others. Again, this is true for the western White House. We have no personnel and no connection with that operation.

CONDITION OF WHITE HOUSE

Mr. STEED. This would have to, I suppose, be calculated opinion, but what would you say the condition of the residence and the White House grounds are at the present time?

Mr. DICKENSON. First the grounds, and these have been showing quite well, I think. There has been considerable attention being given to the turf and the other landscape features of the White House grounds, including routine turf replacement and making sure the new K–31 species of grass is used and the correct maintenance is given.

As far as the basic building itself, certainly detailed attention is given to making sure that is maintained in a very regular and routine fashion and with the highest quality of workmanship.

From time to time, there is no question that routine maintenance can't accomplish the things that need to be done and for that reason there has to be special maintenance projects.

WHITE HOUSE FURNISHINGS

Mr. STEED. Then, what do you mean in the justification where you say by diversion of funds for other agencies the effect has been to neglect essential residence needs.

Mr. HOUGH. At lot of it has to do with furniture and furnishings, wear and tear and breakage and losses. There hasn't been sufficient funds to keep current on that sort of thing. There is a sizable backlog, as I understand, in replacement of furniture and furnishings and the normal housekeeping tools, kitchen equipment, and so forth. Those are the kind of things that have been neglected.

Mr. DICKENSON. It involves some 30,000 items on inventory at the White House and this would be routine, recurring replacement.

Mr. HOUGH. That is right. With this budget it should put us in position to replace those things each year that need to be replaced.

Mr. STEED. I believe last year some mention was made of the desire of the First Lady to replace some curtains. Did you get that accomplished?

Mr. ATKINS. No, sir; not yet. We understand that this might be done by way of a donation from the White House Historical Association. Every year the association has been donating approximately $50,000 to the White House for items such as this.

Mr. STEED. Since entertainment at the White House seems to involve an increasing number of formal state dinners, what is the situation with respect to the silverware and the accouterments that they need to carry on these functions? Do you still have to rent some of this from caterers?

Mr. DICKENSON. It is my understanding they are in reasonably good shape at the present time and the replacement feature is what we have just been addressing ourselves to in this presentation. Further, it is my understanding that this budget we are presenting today does envision all of these things needed are included in this replacement item here.

PUBLIC VISITORS TO THE WHITE HOUSE

Mr. STEED. You have had a very understandable ongoing interest in the residence as manifested by the public visitors who come to view it.

Mr. DICKENSON. Yes.

Mr. STEED. Have you had any problems from this great flow of people in terms of wear and tear or vandalism or anything of that sort?

Mr. DICKENSON. There have been no cases of vandalism, for example, in the past year and I don't believe the record will support there has been anything of a significant nature. There is, of course, an effect over a period of time with that many people passing through, but those concerned with the handling of those large numbers of people who visit the White House try to take this into account in their maintenance program and the routing of the people and all the rest to minimize this kind of thing.

Mr. STEED. I think this is good.

Mr. DICKINSON. So do we.

Mr. STEED. I am glad the American people like to visit the official home of their Chief of State.

COST OF OFFICIAL ENTERTAINMENT

When you say that the additional official entertainment will increase by $119,000, what do you mean by the word entertainment? Does this cover the whole thing from the formal state dinners on down?

Mr. DICKENSON. That is correct, a broad range of entertainment and official activities are carried out.

WHITE HOUSE STAFF

Mr. STEED. What are the general duties of the White House staff? Could you sort of categorize the things they do?

Mr. DICKENSON. Yes, sir. About 30 employees are identified as maintenance and repair and mechanically-oriented people who handle routine recurring preventive maintenance, not special maintenance projects, but janitorial services, the small paint job, the small repair job, the small carpenter job. That is the 30 people.

The other 42 people represented in the housekeeping staff range all the way from the matre de, the cooks, those who serve as housekeepers, and those who serve in a housekeeping function.

Then, there are three additional positions, which makes a total of 75, which handle curatorial duties.

DONATIONS TO WHITE HOUSE

Mr. STEED. If someone wants to donate something to the residence, for instance, like the curtains, how do they go about that? How do they make their wishes known?

Mr. ATKINS. This can be done either through the curator of the White House, through the White House Historical Association, or the Director of the National Park Service, who has the authority to accept gifts for the White House. The Committee for the Preservation of the White House does pass judgment on major historical donation.

Mr. STEED. It doesn't necessarily mean just anything somebody wants to donate would be accepted.

Mr. DICKENSON. That is right. They check out these offers quite carefully.

Mr. STEED. I suppose there have been occasions in the past when donations have been made by people who had through inheritance or some other way, acquired objects that originally were used in the White House and had a particular historic connection with it.

Mr. DICKENSON. That is correct, Mr. Chairman. The list of offers of gifts is quite extensive, of course.

Mr. STEED. I saw something in the paper recently where I believe somebody had made a donation of some books for the White House library.

Mr. DICKENSON. Yes, sir; that is true.

Mr. ROBISON. Someone also donated recently some phonograph records, a large library of musical compositions of that sort.

Mr. DICKENSON. That is right.

Mr. STEED. I also read where the movie producers make available free films to be shown in the White House.

Mr. ATKINS. Yes, sir.

Mr. STEED. What other things of this sort do you have access to?

Mr. ROBISON. Somebody always brings in a turkey every Thanksgiving don't they; the largest turkey in the Nation?

Mr. ATKINS. I am not sure.

Mr. DICKENSON. It is my understanding the President does receive a large number of gifts which could be considered in the category of "amenities."

Mr. ATKINS. A Christmas tree is donated every year.

Mr. DICKENSON. One activity I should have mentioned that the staff performs, we mentioned this earlier, is the setting up and removal of chairs, tables, stages and other equipment. This is a sizable task in itself, as you realize.

Mr. STEED. There have been times down there when they had to be almost as efficient as the stage managers of a theater getting ready from one function to another.

Mr. DICKENSON. That is right. It is a terrific job.

WHITE HOUSE GUESTS

Mr. STEED. What is about the maximum size crowd that you can handle at the White House at a function like, say, a reception? How many people are you talking about at a given event?

Mr. ATKINS. I am not sure, sir.

Mr. STEED. I know sometimes when they have a congressional reception, it amazes me how many people get involved.

Mr. DICKENSON. It would be significant. I don't have this figure available to me at the moment.

Mr. STEED. These sort of things are almost entirely the decision of the President and the First Lady, isn't that correct?

Mr. DICKENSON. That is correct, the invitation list is prepared there.

Mr. STEED. Mr. Robison?

COST INCREASES

Mr. ROBISON. I was going to ask, Mr. Chairman, if the increased request for temporary employment and also for food costs related to the increased costs of both labor and food and other supplies, or whether it related to the increase in numbers of invitees to the White House. I presume it is a little bit of both, is it not?

Mr. DICKENSON. You are correct, sir, but I think the major consideration is the increase in number of invitees.

INCREASE IN NUMBER OF GUESTS

Mr. ROBISON. I would think so, if what Mr. Castro told us last year was correct because, among other things, he said that the number of guests officially entertained by the White House increased from about 4,000 in 1956 to about 26,000 in 1968, and now you estimate over 30,600 in 1969.

Mr. DICKENSON. That is correct.

Mr. ROBISON. So, there are more functions or, at least, larger functions than there used to be. I don't know whether that indicates that Presidents are friendlier now than they were in 1956. That must have been Mr. Eisenhower. I suppose it all depends upon the individual

President, his propensities and those of his First Lady for having people in.

Mr. DICKENSON. I believe that is correct. Certainly, the record reflects there has been an increasing trend.

Mr. ROBISON. It would also relate, would it not, to the fact, that there have been—there were in 1969, anyhow—quite a large number, and maybe an unusually large number, of foreign dignitaries of one kind or another coming to the United States whose presence did require official receptions?

Mr. DICKENSON. That is right.

Mr. HOUGH. The State functions are reimbursed by the State Department. The functions we are talking about here are other than State. It has an effect on the number, but as far as funding in this appropriation it is exclusive of State Department funds and one of the big reasons for the great increase now is that as we mentioned in our general statement the food item was funded elsewhere for many, many years. It was transferred to this item without funds. So, the impact of this cost is not just increase in use or invitees in the last year or so, it is that plus the fact that we have been doing this for several years now without benefit of funds. In 1967 the food costs were transferred. The appropriation language was changed but without adding any funds. That was the reason for having to curtail activities or call on other agencies like the National Park Service to help. This attempt this year is to square the appropriation to fully fund the activities included here. So, the big increase in costs is not a last 2- or 3-year increase in the number of invitees, it is largely moving this burden over without the benefit of funds previously funded from other appropriations available to the President.

RESIDENTIAL NEEDS

Mr. ROBISON. Whoever prepared the justifications refers to the situation you have just described, and concludes: "The effect has been to neglect essential residence needs." What did somebody mean in that respect?

Mr. HOUGH. Just what we were talking about a while ago. Primarily, as Mr. Dickenson mentioned, the effort has been made to keep items in as good repair as possible but there has been a neglect primarily in replacing worn items and broken and lost items such as in the 30,000 items of furnishings throughout the mansion. Primarily it is that.

Mr. ROBISON. Your reference to "lost items" provokes the inevitable question about whether or not guests go off with a White House spoon or knife in their pocket if they can.

Mr. HOUGH. What I mean by lost, through breakage, loss of use of an item. As to whether we lose any items I do not know.

Off the record.

(Discussion off the record.)

REIMBURSEMENT OF FUNDS

Mr. ROBISON. The only other question I have along these lines would be to ask you if you can explain why "reimbursement from other accounts" has dropped as dramatically as it has, or appears to have, from 1969 to what you estimate will be the 1971 figure.

Mr. HOUGH. That is largely because some things had to be done and as we mentioned last year and this year, too, we have occasionally been called upon to do certain things that really should be in this fund, speaking frankly. Now, with this appropriation fully funded there won't be that need for assistance from other agencies. So, we feel this now will provide the funds to do those things that are intended to be provided here and that is the reason for the smaller amount in reimbursements. Reimbursements remaining now in 1971 are valid reimbursements that should be paid by other agencies because the other agencies get the funds.

In the past 2 years where the National Park Service, let's say, has had to help to keep things going we really didn't have adequate funds. It was valid to do it but we didn't have funds appropriated specifically for that, like the State Department and GSA, which are included in the item $158,000 for reimbursement.

CAMP DAVID

Mr. ROBISON. You told the chairman, Mr. Dickenson, that this account has nothing to do with the personnel, or employees and, I presume, the food and other supplies that might be needed at Camp David all of which comes from somewhere else.

Mr. DICKENSON. As a matter of fact, the Navy operates Camp David.

BISCAYE BAY AND SAN CLEMENTE

Mr. ROBISON. It is an inevitable, I think, that somebody will want to know if the same situation applies at Biscaye Bay and San Clemente, if you know. Is there anything out of this account to provide staff or provide food at those places?

Mr. DICKENSEN. No, sir; not out of this account. As you know the President pays for the food used by the First Family at the White House and we would assume the same thing holds true at these places.

Mr. ROBISON. They are private residences owned by the President, as I understand the situation with respect to both of those locations, right?

Mr. DICKENSON. As far as I am aware, sir.

Mr. ROBISON. That is all, Mr. Chairman.

Mr. STEED. Off the record.

(Discussion off the record.)

CONCLUSION

Mr. STEED. Gentlemen, on behalf of the committee, I want to thank you for your appearance. We appreciate the information you brought us and it is always very fascinating and interesting to hear about the Executive residence, the home of our First Family. We are pleased to note that the American people still find it an attractive and interesting place to visit. We think you are doing a very fine job of maintaining not only an important residence, but also an important national shrine.

Mr. DICKENSON. Thank you, sir.

THURSDAY, MARCH 19, 1970.

SPECIAL ASSISTANCE TO THE PRESIDENT

WITNESSES

ROBERT P. MAYO, DIRECTOR
JAMES R. SCHLESINGER, ACTING DEPUTY DIRECTOR
DWIGHT A. INK, ASSISTANT DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR, OFFICE OF BUDGET REVIEW
JAMES M. FREY, EXECUTIVE ASSISTANT DIRECTOR
VELMA N. BALDWIN, DIRECTOR OF ADMINISTRATION
JOHN M. PINCKNEY, BUDGET AND MANAGEMENT OFFICER

Mr. STEED. The committee will be in order.

The committee is in session today for further consideration of the budget request for the executive branch. The first item will be special assistance to the President.

SPECIAL ASSISTANCE TO THE PRESIDENT

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities: Administration (costs—obligations)			700
Financing: Budget authority (appropriation)			700
Relation of obligations to outlays:			
Total obligations incurred, net			700
Obligated balance end of year			—70
Outlays			630

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions			490
Positions other than permanent			15
Other personnel compensation			20
Total personnel compensation			525
Personnel benefits: Civilian employees			40
Benefits for former personnel			
Travel and transportation of persons			30
Rent, communications, and utilities			25
Printing and reproduction			25
Supplies and materials			25
Equipment			30
Total obligations			700

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions			39
Full-time equivalent of other positions			3
Average number of all employees			40
Average GS grade			8.2
Average GS salary			$11,842

CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM FUNDS AVAILABLE FOR SPECIAL ASSISTANCE TO THE PRESIDENT—DETAIL OF PERSONNEL COMPENSATION

	Number 1969 actual	Number 1970 estimate	Number 1971 estimate
Grades and ranges:			
Executive level II, $42,500			1
GS–18, $33,495			1
GS–17, $28,976 to $32,840			2
GS–16, $25,044 to $31,724			1
GS–14, $18,531 to $24,093			3
GS–13, $15,813 to $20,555			1
GS–12, $13,389 to $17,403			1
GS–9, $9,320 to $12,119			4
GS–7, $7,639 to $9,934			8
GS–6, $6,882 to $8,943			7
GS–5, $6,176 to $8,030			4
GS–4, $5,522 to $7,178			2
GS–3, $4,917 to $6,393			4
Total permanent positions			39
Unfilled positions, June 30			
Total permanent employment, end of year			39
Higher level positions:			
Executive level II $42,500: Assistant to the Vice President			1
GS–18, $33,495: Assistant to the Vice President			1
GS–17, $28,976 to $32,840: Assistant to the Vice President			2
GS–16, $25,044 to $31,724: Assistant to the Vice President			1

Mr. STEED. We are very pleased to have our old friend, Director Mayo, back with us. If you would like to make a general statement on this item we will be glad to hear from you.

GENERAL STATEMENT

Mr. MAYO. Thank you, Mr. Chairman.

This is a new appropriation for expenses necessary to enable the Vice President to provide assistance to the President in connection with specially assigned functions. It will permit the Vice President to be staffed adequately to meet those responsibilities. The Vice President must be informed on a continuing basis regarding presidential responsibility, and he increasingly is being given special assignments, both by statute and by direction of the President. Among the Vice President's specifically designated functions are the following:

Chairman, National Aeronautics and Space Council (National Aeronautics and Space Act of 1958),

Chairman, National Council on Marine Resources and Engineering Development (Marine Resources and Development Act of 1966),

Member, National Security Council (National Security Act of 1947),

Member, Council for Urban Affairs (Executive Order 11452),

Member, Council for Rural Affairs (Executive Order 11493),

Presidential liaison with State and local officials and supervision of the Office of Intergovernmental Relations (Executive Order 11455),

Vice Chairman, Environmental Quality Council (Executive Order 11472),

Chairman, Cabinet Committee on School Desegregation (designation by President),

Chairman, President's Council on Youth Opportunity (Executive Order 11330),

Chairman, National Council on Indian Opportunity (Executive Order 11399),

Chairman, President's Council on Physical Fitness and Sports (Executive Order 11398),

Member of the National Advisory Council of the Office of Economic Opportunity (Economic Opportunity Act of 1964),

Member of the Cabinet Committee on Economic Policy (designation by the President), and

Member of the President's Cabinet—acts as Chairman when the President is absent (designation by the President).

I hasten to add that the money for none of these functions themselves is involved. This list is merely to illustrate, if there should be any confusion, the type of function that the Vice President exercises and for which he needs some staff to support him, particularly in the areas where he is chairman.

In addition to these specifically identified assignments, the Vice President is also concerned with assisting the President in the conduct of international affairs, as evidenced by his recent trip to the Far East.

To deal effectively with these mounting responsibilities, it is essential that the Vice President be provided with adequate staff. Legislative branch appropriations for the Vice President are inadequate to provide the total staff support necessary to carry out the functions set forth above. The requested funds for this new appropriation total $700,000 and will provide a staff for the Office of the Vice President of 39 full-time personnel and related administrative services costs.

I want to add also that this is the same number of personnel and the same costs we estimate for the Vice President's staff this year, except that these are personnel now loaned to him by various agencies. This appropriation would effectively eliminate the lending process which tends to place him in the position of seeking staff from various departments.

I shall be happy to answer your questions concerning this request.

EVOLUTION

Mr. STEED. This is sort of a summing up or a wrapping up of a package that has been kind of growing and evoluting for a number of years, as I understand it.

Mr. MAYO. Yes, sir.

Mr. STEED. The old days of the Vice President confining himself to the function of presiding over the Senate and his staff activities there began to expand when it got him involved in other administrative affairs that first led to the opening of a second office in the Executive Office Building.

Mr. MAYO. That is correct.

Mr. STEED. It has just continued to grow and accumulate. Is that a fair analysis of it?

Mr. MAYO. That is a fair statement. The functions we are talking about here are literally functions for the President. We didn't think it was fair to suggest that the Senate, for instance, be asked to add to its budget request to cover things that the Vice President is doing for the President, not for the legislative branch. This is an attempt to organize this.

I should add, for instance, that I think it was generally known that seven positions in the Space Council's budget were people who

were serving the Vice President, and this was true when Lyndon Johnson was Vice President and when Hubert Humphrey was Vice President. These people were serving the Vice President in all sorts of capacities. It didn't necessarily relate to the Space Council. We didn't think that was the right way to do business and we felt we would, therefore, reduce the number in the Space Council. That happens to be seven positions of the 39 that are provided for in this appropriation request.

JUSTIFICATION OF STAFF

Mr. STEED. Do we get into anything of this sort—sometimes you try to visualize a thing of this sort as what you yourself would expect or encounter if you were in a like position. Since he is more and more required to sit on boards and commissions and help enunciate decisions and policies that affect specific activities, a situation could arise where the borrowed employee sort of has a split loyalty. How does he counsel and help the Vice President to help make a hard decision when by so doing he might be in a position of being antagnostic perhaps to what his own superiors in the agency itself might feel. I could see where there might be situations where for the borrowed employee to try to wear two hats might become difficult. It might be that the Vice President would be reluctant to expect or insist on the type service from such an employee with the same freedom he would have if the employee was totally assigned and beholden to him.

Mr. MAYO. I agree with that.

Mr. STEED. Do you think this is an element here?

Mr. MAYO. Yes, I do. I think that in each of these capacities that the Vice President serves the President he certainly is entitled to have, I think, his own man, so to speak. So, for instance, if he is dealing with the Space Task Force which he happened to chair last year, he shouldn't be dependent exclusively on people who are, shall we say, in the space business. Even though they may be completely objective in their point of view he has a right to have, in effect, his own man make an evaluation, help him make an evaluation of where he wants to come out in his job as chairman, help him to offset what Bob Mayo says in regard to the resource allocation limitations on the space program which obviously shows that Bob Mayo is a little tight with the budget as against what a space enthusiast might say that American prestige requires.

He needs to rely on someone who is, in effect, his own employee to share his thinking with. He just doesn't have time to sit and reflect without independent staff help on a great many of these problems, quite apart from the things that have to be done in coordinating something like youth opportunity programs or some of these other efforts. This doesn't degrade in any way the function of the staff assistance he has scattered through many of these organizations. He calls on the staff of the National Security Council itself on many occasions and on the Urban Affairs Council, but typically—because he is so busy—through Stan Blair or one of his other assistants, in order in effect to save the Vice President's time. The Vice President, as you suggested, in the last 20 years has come also to have a serious time resource limitation. Part of this is overflow from the fact that the President's most precious asset is time and that he has to allocate it carefully. He,

therefore, carries many things over to the Vice Presidency. I think the fact, too, that three recent Presidents were Vice Presidents before they were President has added to this. They have known of the historically anomalous situation of a Vice President. Eisenhower put Nixon to work and certainly Kennedy put Johnson to work and Johnson put Humphrey to work. We all know that. They were busier than Vice Presidents have ever been before.

So, I think he is entitled to a small staff, and this indeed is a small staff, which indeed he already has. This again, as we said in the case of the White House, is just a recognition of what exists.

IMPORTANCE OF STAFF SUPPORT

Mr. STEED. I think one thing that is frequently lost sight of and is true to a degree to all title holders in Government, once you assume the mantle of public office, in situations where public utterances flow from your functions, what is said carries a different weight than if the same individual said it as a private citizen. And in the case of the President and the Vice President any statement they make—any public statement they make can and frequently does have worldwide impact. And it would seem to me a good case could be made that men who carry this potency in their remarks should certainly have access to all of the sources of information in the structure itself so that he would be talking and saying things from pure knowledge rather than surmise or guesswork. Under the best of circumstances, statements sometimes do have a boomerang effect. I would think in the public interest you wouldn't want anyone whose title made his remarks that potentially effective to have less than the very best of counsel and knowledge in back or whatever he says publicly.

The Vice President makes any public remark about national security, it is going to be automatically assumed this was based on all of the knowledge that the Government has on that subject, not just what he read in the newspaper.

Mr. MAYO. That is correct.

Mr. STEED. This being so, as I visualize it, if I were trying to fill the same spot I would be asking a lot of questions of a lot of people a lot of times to make sure I wasn't off base.

We only hope that all of these gentlemen we have been talking about here have been doing that because it is beyond their right as individuals to sound off willy-nilly. The very acceptance of the title imposes an enormous responsibility on them to be circumspect in what they say. You as Director of the Bureau of the Budget know that statements you make hit in all sorts of places. And if you were a private citizens and said the same thing it wouldn't have. I find that is true in my job.

We have many examples of what difficulties sometimes arise from people who have by virtue of a public office title gained the ability to impact the public mind using that in a careless way and serious consequences sometimes come from it.

I once during World War II served in the Office of War Information overseas, and our efforts were to try to win friends and influence people among foreign governments in official circles and press circles and all of these different categories. I never will recover from the startling dismay that came my way many, many times when some ill-founded

remark by some American public official made an impact way beyond what that official ever dreamed it would have. I can cite you many instances of where the work we had done over a period of months had gone up in smoke in one day by some ill-tempered speech in the Congress, for instance. When you get up to the level of the importance of the President and Vice President this becomes an enormously important factor.

I think just to make sure that they do have this accessibility justifies having the people so that they know what they are talking about because obviously they cannot be at that level of public service and not speak out because leaders just have to speak out. It hasn't anything to do with partisan politics, this involves everybody when a man holding public office makes statements. I would think it would be a highly dangerous thing to try to prevent a man of the importance of the Vice President from having access to all of the information he needs because regardless of what the source of his remark is it is going to have impact.

You are in the inner circle and I am sure you are aware of the fact that many ideas have to be staff treated rather severely before they become public. It would be irresponsible, it seems to me, for the analysis of what the implication of the impact of this would be not to be considered before a final judgment was made on what would be said.

OFFICE SPACE

What is the situation? Does the Vice President have special office space in the Executive Office for this phase of his activities?

Mr. MAYO. Yes. Most of these people are in our building, the Executive Office Building. In fact, this is one of the reasons some of ours moved across to Federal Office Building No. 7.

POSITIONS

Mr. STEED. You have one level 2 position at $42,500 and four supergrades. I would assume this particular level 2 would be sort of the generalissimo of the activity.

Mr. MAYO. That is correct.

Mr. STEED. Is this your opinion that experience up to this point has showed this is about the funding and personnel needed to perform these functions efficiently?

Mr. MAYO. Yes; we feel that is true. There is no attempt here by the Vice President or by anyone else to build an empire. The level 2 position, as you pointed out, is a single position. This is held by Stanley Blair at the present time, who was Secretary of State under Mr. Agnew when he was Governor of Maryland. Then there are, as you suggest, several supergrade jobs, specifically, Jerry Wolff and Ernie Minor and C. D. Ward, are the next three people in line, each of whom is a very valuable adjunct to the Vice President.

Mr. STEED. Based on the experience of the last several years and existing current conditions, it is safe to assume this isn't going to abate; this will be an ongoing necessity on a more or less permanent basis?

Mr. MAYO. Yes.

Mr. STEED. You don't see any indication that their needs will change in the direction of not being required.

Mr. MAYO. No. The only mitigating circumstance would be if some day you get a new President who has a different style of operating and prefers to consider the Vice President as a much less effective type of person in his functional organization. There could be a decline in this sort of operation. But I have no reason to believe it will ever occur. The President again is only one human being with a 24-hour day just like you and me, and the more hectic and more pressing the demands on his time the more natural it is to move many things to the Vice President as well as to the Cabinet officers and to the rest of us.

Mr. STEED. Does this amount asked for here not only cover the staff but the support activities like travel and communications and those costs?

Mr. MAYO. Yes.

LEGAL AUTHORITY

Mr. STEED. I am assuming you have no question in your mind as to the fact that this request has full legal authority?

Mr. MAYO. Yes; I do not question the legal authority.

Mr. STEED. Mr. Conte?

Off the record.

(Discussion off the record.)

COMPARABILITY OF CONGRESSIONAL SALARIES

Mr. CONTE. I want to thank you for getting this letter ready on the comparability. I think it is excellent.

Mr. MAYO. I think it will help you. These are straight statistics.

Mr. CONTE. Did we talk about this on the record the other day?

Mr. STEED. Yes.

Mr. COHN. You asked for the information to be inserted in the record.

Mr. CONTE. Is it all right?

Mr. MAYO. I am sure it is.

Mr. STEED. The staff can insert it at the proper place in the hearings.

(The letter referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 19, 1970.

Hon. TOM STEED,
Chairman, House Appropriations Subcommittee on Treasury, Post Office, and Executive Office, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In response to Mr. Conte's request at the hearing on Monday, March 16, 1970, for data comparing the rates of congressional pay increases with private enterprise pay increases, we are providing the following material:

Congressional salaries have been raised only six times in the last 100 years—

1866	$5,000	1955	$22,500
1907	7,500	1965	30,000
1925	10,000	1969	42,500
1946	15,000		

The last three adjustments were less than the amount recommended by commissions established for the purpose of recommending appropriate pay levels—

	Recommended	Adopted
1955 Commission	$27,500	$22,500
1964 Randall Panel	35,000	30,000
1969 Kappel Commission	50,000	42,500

There are no positions in private enterprise reasonably comparable with those of Members of Congress. Furthermore, there are few available statistical series showing pay increases of specific jobs in the private economy over long periods of time.

The longest series compiled by the Bureau of Labor Statistics are indexes of union wages scales for the building trades which go back to 1907.

	1907	1968	Increase 1907–68 (percent)
Building trades index	11.2	154.1	1,276
Congressional salaries	$7,500	$42,500	467

An index of union wage scales for the printing trades is available back to 1911. In 1925, when the congressional salary was raised to $10,000, the printing trades index was 31.9. Over the period 1925 to 1968, the following comparison obtains:

	1925	1968	Increase 1925–68 (percent)
Printing trades index	31.9	138.5	334
Congressional salaries	$10,000	$42,500	325

At the end of World War II, congressional salaries were raised to $12,500 (plus a $2,500 nontaxable expense allowance). The following table compares congressional salary increases from 1946 to 1968 with those in selected private enterprise activities:

	1946	1968	Increase 1946–68 (percent)
Building trades index	49.5	154.1	211
Printing trades index	51.7	138.5	169
Local trucking index	46.2	152.4	230
Local transit index	51.1	156.3	206
Manufacturing production workers (hourly earnings, excluding overtime)	$1.04	$3.05	195
Congressional salaries	$15,000	$42,500	183

Comparisons of salary and wage rate changes over time always present problems. As shown above, results differ depending upon the base date used. Moreover, changes in rates per se do not reflect the relative changes in purchasing power brought about by changes in the cost of living and in taxes.

I trust that this information is responsive to Mr. Conte's request.

Sincerely,

ROBERT P. MAYO, *Director.*

Mr. CONTE. I have no questions.

Mr. STEED. Mr. Edwards.

CHANGES IN PERSONNEL STRENGTH

Mr. EDWARDS. Thank you, Mr. Chairman.

You say that the Vice President now has more or less 39 people assigned to him on loan from various departments?

Mr. MAYO. Yes.

Mr. EDWARDS. And what you are really doing then, is just transferring these people officially to the staff of the Vice President?

Mr. MAYO. Yes.

Mr. EDWARDS. Will there be a corresponding decrease in those positions in the various agencies?

Mr. MAYO. For the seven that I mentioned, Mr. Congressman, for the Space Council there will be a specific decrease. The adjustments were not made in the other agencies loaning staff to the Vice President because of the temporary nature of those loans and frequently changing assignments. We did not go back and remove one from each of the departments that contributed one. The margin of error in the departmental requests doesn't require us, I think, to be that precise.

Mr. EDWARDS. These people will be housed in the Executive Office Building?

Mr. MAYO. I am not sure whether all of them are there but if not all of them, substantially all of them are.

Mr. EDWARDS. I want to be clear. The 39 staff people you are asking for here, will they be all of the staff people that the Vice President has or will have other than his legislative staff people?

Mr. MAYO. Yes. He also has 20 people in the legislative budget.

Mr. EDWARDS. But that will be the sum total of staff people officially assigned to him?

Mr. MAYO. That is correct.

Mr. EDWARDS. Off the record.

(Discussion off the record.)

Mr. EDWARDS. Is this staff broken down in anyway corresponding to the duties you have set out here in your statement?

Mr. MAYO. Not really. It is a small staff and I know that I have dealt, for instance, with C. D. Ward and Jerry Wolff on quite a variety of the Vice President's responsibilities, and that is true as far as the level 2 person, Stan Blair, is concerned. As suggested, he is sort of in charge of the office to take care of and coordinate all of the Vice President's activities.

Mr. EDWARDS. You mentioned and I missed the names of the people holding the next three jobs under Mr. Blair.

Mr. MAYO. Jerome Wolff, Ernest Minor, and C. B. Ward.

Mr. EDWARDS. Thank you, Mr. Chairman.

BUREAU OF THE BUDGET

WITNESSES

ROBERT P. MAYO, DIRECTOR
JAMES R. SCHLESINGER, ACTING DEPUTY DIRECTOR
DWIGHT A. INK, ASSISTANT DIRECTOR
SAMUEL M. COHN, ASSISTANT DIRECTOR, OFFICE OF BUDGET REVIEW
JAMES M. FREY, EXECUTIVE ASSISTANT DIRECTOR
VELMA N. BALDWIN, DIRECTOR OF ADMINISTRATION
WALTER W. HAASE, DIRECTOR, MANAGEMENT INFORMATION SYSTEMS STAFF
JOHN M. PINCKNEY, BUDGET AND MANAGEMENT OFFICER

Mr. STEED. Now, we will turn to the budget request for the Bureau of the Budget; and, Mr. Mayo, I am sure this is one item that you have some interest in. So, we will be glad to have whatever statement you would like to make.

BUREAU OF THE BUDGET
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 03-25-0300-0-1-903	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Office of budget review,.....	1,447	1,562	1,658
2. Office of executive management ..	944	1,315	1,432
3. Office of legislative reference..	362	397	398
4. Office of program evaluation.....	329	408	456
5. Office of statistical policy.....	576	728	783
6. Program divisions:			
(a) Economics, science and technology.....	628	694	738
(b) General government management..	790	884	909
(c) Human resources.....	964	1,042	1,061
(d) International.....	646	702	717
(e) National security.....	755	982	1,054
(f) Natural resources.....	779	890	928
7. Executive direction and administration.....	1,462	2,537	3,156
Total program costs, funded.....	9,682	12,141	13,290
Change in selected resources 1/.....	30	--	
10. Total obligations.....	9,712	12,141	13,290

BUREAU OF THE BUDGET
SALARIES AND EXPENSES

Financing and Outlays (in thousands of dollars)

Identification code 03-25-0300-0-1-903	19 69 actual	19 70 estimate	19 71 estimate
10. Total obligations (from program schedule)	9,712	12,141	13,290
Financing:			
25. Unobligated balance lapsing	338	--	--
Budget authority	10,050	12,141	13,290
Budget authority:			
40. Appropriation	10,050	11,650	13,290
44.20 Proposed supplemental for civilian pay increases	--	491	--
Relation of obligations to outlays:			
71. Obligations incurred, net	9,712	12,141	13,290
72. Obligated balance, start of year	489	617	794
74. Obligated balance, end of year (-)	-617	-794	1,040
77. Adjustment in expired accounts	-13	--	--
90. Outlays, excluding pay increase supplemental	9,571	11,496	13,021
91.20 Outlays from civilian pay act supplemental	--	468	23

1/ Selected resources as of June 30 are as follows:

	(in thousands of dollars) 1968	1969	1970	1971
Unpaid undelivered orders	103	130	130	130
Advances	4	7	7	7
Total selected resources	107	137	137	137

BUREAU OF THE BUDGET
ADVANCES AND REIMBURSEMENTS

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 03-25-3903-0-4-903		1969 actual	1970 estimate	1971 estimate
	Personnel compensation:			
11.1	Permanent positions	39	17	17
11.3	Positions other than permanent			
11.5	Other personnel compensation			
11.8	Special personal services payments			
	Total personnel compensation	39	17	17
	Personnel benefits:			
12.1	Civilian	4	3	3
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons			
22.0	Transportation of things			
23.0	Rent, communications, and utilities			
24.0	Printing and reproduction			
25.0	Other services	95	2	--
26.0	Supplies and materials			
31.0	Equipment			
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends			
44.0	Refunds			
99.0	Total obligations	138	22	20

FINANCING AND OUTLAYS (in thousands of dollars)

Identification code 03-25-3903-0-4-903	1969 actual	1970 estimate	1971 estimate
10 Total obligations (from program schedule)	138	22	20
Financing:			
Receipts and reimbursements from:			
11 Federal funds (—)	-138	-22	-20
~~13 Trust funds (—)~~			
~~14 Non-Federal sources (—)~~			
~~17 Recovery of prior year obligations (—)~~			
~~21 Unobligated balance available, start of year (—)~~			
~~24 Unobligated balance available, end of year~~			
~~25 Unobligated balance lapsing~~			
~~26 Unobligated balance rescinded (----------)~~			
... Budget authority	--	--	--
Relation of obligations to outlays:			
71 Obligations incurred, net	--	--	--
72 Obligated balance, start of year	233	138	--
74 Obligated balance, end of year (—)	-138	--	--
77 Adjustments in expired accounts	8	--	--
90 Outlays	103	138	--

Narrative Statement for 1971 Budget

BUREAU OF THE BUDGET

PROGRAM AND PERFORMANCE

The Bureau assists the President in the discharge of his budgetary, management, and other executive responsibilities.

1. Office of budget review. Budget instructions and procedures are developed, review of agency estimates is coordinated, and the budget document is prepared.

2. Office of executive management. Programs and plans are developed for improved Government organization and procedures, and guidance is provided in the work of the Bureau to improve agency management and operations.

3. Office of legislative reference. Proposed legislation and agency reports on pending legislation and enrolled bills are reviewed for the President.

4. Office of program evaluation. Leadership for the development and implementation of the Planning-Programming-Budgeting System throughout the Federal Government is provided.

5. Office of statistical policy. Proposed agency reporting plans and forms are reviewed, and the Government's statistical programs, coverage, and methods are coordinated and improved.

6. Program divisions. Agency programs, budget requests, and management activities are examined, appropriations are apportioned, proposed changes in agency functions are studied, and agencies are assisted in the improvement of their administration. Responsibility for this work with respect to particular agencies is divided among six divisions: (a) economics, science, and technology programs, (b) general government management, (c) human resources programs, (d) international programs, (e) national security programs, and (f) natural resources programs.

(Page 1 of 4)

BUREAU OF THE BUDGET
SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 03-25-0300-0-1-903	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	7,563	8,918	9,558
11.3 Positions other than permanent	303	438	402
11.5 Other personnel compensation	104	104	106
11.8 Special personal services payments	54	43	40
Total personnel compensation	8,024	9,503	10,106
Personnel benefits:			
12.1 Civilian	566	704	767
~~13.0 Benefits for former personnel~~			
21.0 Travel and transportation of persons	179	260	238
22.0 Transportation of things	2	11	5
23.0 Rent, communications, and utilities	193	275	270
24.0 Printing and reproduction	345	388	420
25.0 Other services	186	793	1,267
26.0 Supplies and materials	55	88	93
31.0 Equipment	132	119	124
~~32.0 Lands and structures~~			
~~33.0 Investments and loans~~			
~~41.0 Grants, subsidies, and contributions~~			
~~42.0 Insurance claims and indemnities~~			
~~43.0 Interest and dividends~~			
~~44.0 Refunds~~			
Total costs, funded	9,682	12,141	13,290
94.0 Change in selected resources	30	--	--
99.0 Total obligations	9,712	12,141	13,290

BUREAU OF THE BUDGET
SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 03-25-0300-0-1-903	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions...	501	553	583
Full-time equivalent of other positions.....	38	49	46
Average no. of all employees.....	532	578	607
Average GS grade.....	11.6	11.7	11.7
Average GS salary.....	15,252	16,810	16,798
Average salary of ungraded positions..	7,192	7,263	7,263

BUREAU OF THE BUDGET
ADVANCES AND REIMBURSEMENTS

Program and Financing (in thousands of dollars)

Identification code 03-25-3903-0-4-903	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Office of executive management...	24	--	--
2. Program division: (a) General government management..	1	--	--
(b) Human resources.....	95	2	--
(c) Natural resources.....	1	--	--
3. Executive direction and administration.....	17	20	20
10. Total costs - obligations.....	138	22	20

BUREAU OF THE BUDGET
ADVANCES AND REIMBURSEMENTS

PERSONNEL SUMMARY

Identification code 03-25-3903-0-4-903	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions...	2	2	2
Full-time equivalent of other positions.....	-	-	-
Average number of all employees.....	2	2	2
Average GS grade.....	11.6	11.7	11.7
Average GS salary.....	15,252	16,810	16,798
Average salary of ungraded positions..	7,192	7,263	7,263

BUREAU OF THE BUDGET

CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID
FROM FUNDS AVAILABLE TO THE BUREAU OF THE BUDGET
DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level II, $42,500	1	1	1
Executive level III, $40,000	1	1	1
Executive level IV, $38,000	4	4	4
GS-18, $33,495	14	14	14
GS-17, $28,976 to $32,840	15	17	17
GS-16, $25,044 to $31,724	40	43	43
GS-15, $21,589 to $28,069	79	85	88
GS-14, $18,531 to $24,093	66	76	81
GS-13, $15,812 to $20,555	38	42	49
GS-12, $13,389 to $17,403	31	39	47
GS-11, $11,233 to $14,599	21	30	34
GS-10, $10,252 to $13,330	3	2	2
GS-9, $9,320 to $12,119	38	39	39
GS-8, $8,449 to $10,987	27	36	36
GS-7, $7,639 to $9,934	62	67	69
GS-6, $6,882 to $8,943	26	27	28
GS-5, $6,176 to $8,030	12	13	13
GS-4, $5,522 to $7,178	8	3	3
GS-3, $4,917 to $6,393	2	1	1
GS-2, $4,360 to $5,665	5	5	5
GS-1, $3,889 to $5,057	--	--	--
Ungraded	10	10	10
Total	503	555	585

BUREAU OF THE BUDGET

CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID
FROM FUNDS AVAILABLE TO THE BUREAU OF THE BUDGET

DETAIL OF PERMANENT POSITIONS

	19 69 actual	19 70 estimate	19 71 estimate
HIGHER LEVEL POSITIONS			
Executive level II, $42,500:			
Director	1	1	1
Executive level III, $40,000:			
Deputy Director	1	1	1
Executive level IV, $38,000:			
Assistant director	3	3	3
Assistant director for executive management	1	1	1
GS-18, $33,495:			
Assistant director	1	1	1
Assistant director for office	4	4	4
Deputy division director	1	1	1
Director, management information systems staff	1	1	1
Director, operational coordination and management systems staff	1	1	1
Division director	5	4	4
Executive assistant director	-	1	1
General counsel	1	1	1
GS-17, $28,976 to $32,840:			
Assistant division director	1	1	1
Assistant to the director	1	1	1
Associate division director	1	1	1
Deputy director for office	3	4	4
Deputy director for program analysis	1	1	1
Deputy division director	5	6	6

BUREAU OF THE BUDGET

CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID
FROM FUNDS AVAILABLE TO THE BUREAU OF THE BUDGET

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
Director, financial management staff.....	1	1	1
Director, government organization staff.....	1	1	1
Special adviser on budgetary development....	1	1	1
GS-16, $25,044 to $31,724:			
Assistant director for office.....	8	8	8
Assistant director, management information systems staff.....	1	1	1
Assistant division director.....	22	23	23
Assistant general counsel.....	1	1	1
Associate division director.....	2	3	3
Director, budget preparation staff.....	--	1	1
Director, monetary and credit analysis staff.....	1	1	1
Director of administration.....	1	1	1
Director, planning and analysis staff.....	1	1	1
Director, resources systems staff.....	1	1	1
Senior operations coordinator.....	2	2	2

BUREAU OF THE BUDGET

JUSTIFICATION OF ESTIMATES

FOR 1971

JUSTIFICATION OF ESTIMATES FOR 1971
BUREAU OF THE BUDGET

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BUREAU OF THE BUDGET
1971 BUDGET SUBMISSION

SUMMARY OF PERSONNEL COMPENSATION BY OFFICE AND DIVISION

	Estimated 1970		Estimated 1971		Increase or Decrease 1971 over 1970	
	Total No.	Total Salary	Total No.	Total Salary	No.	Salary
Budget Review	62	1,012,121	65	1,070,338	3	58,217
Executive Management	55	1,089,797	60	1,192,725	5	102,928
Legislative Reference	21	341,847	21	345,369	-	3,522
Program Evaluation	14	270,131	17	316,087	3	45,956
Statistical Policy	32	594,245	35	645,563	3	51,318
Economics, Science & Technology Prgs.	34	580,994	36	614,147	2	33,153
General Government Management	42	775,104	42	780,361	-	5,257
Human Resources Programs	54	880,036	55	900,666	1	20,630
International Programs	34	591,189	34	596,683	-	5,494
National Security Programs	49	873,333	53	924,046	4	50,713
Natural Resources Programs	45	776,134	46	799,857	1	23,723
Office of the Director	113	1,583,177	121	1,714,160	8	130,983
Total permanent positions	555	9,368,108	585	9,900,002	30	531,894
Pay above the stated annual rate		36,024		37,992		1,968
Deduct lapses	-24	-438,532	-22	-362,994	2	75,538
Net savings due to lower pay scales for part of the year		-30,600		-		30,600
Net permanent (average number, net salary)	531	8,935,000	563	9,575,000	32	640,000
Positions other than permanent:						
Temporary		200,000		200,000		-
Part-time		112,000		112,000		-
Intermittent		126,000		90,000		-36,000
Other personnel compensation		104,000		106,000		2,000
Special personal service payments		43,000		40,000		-3,000
		9,520,000		10,123,000		603,000

SUMMARY OF OBLIGATIONS BY OBJECTS

		Estimated 1970	Estimated 1971	Increase or Decrease
11	Personnel compensation	9,520,000	10,123,000	603,000
12	Personnel benefits	707,000	770,000	63,000
21	Travel and transportation	260,000	238,000	-22,000
22	Transportation of things	11,000	5,000	-6,000
23	Rents, communications, utilities	275,000	270,000	-5,000
24	Printing and reproduction	388,000	420,000	32,000
25	Other services	793,000	1,267,000	474,000
26	Supplies and materials	88,000	93,000	5,000
31	Equipment	119,000	124,000	5,000
	Total obligations	12,161,000	13,310,000	1,149,000
	Less: Reimbursements	-20,000	-20,000	-
	Total appropriation or estimate	12,141,000	13,290,000	1,149,000

BUREAU OF THE BUDGET

Fiscal Year 1971

SUMMARY OF POSITIONS FOR FISCAL YEAR 1971

	Total No.	Total Salary Rates
OFFICE OF THE DIRECTOR	121	1,714,160
BUDGET REVIEW	65	1,070,338
EXECUTIVE MANAGEMENT	60	1,192,725
LEGISLATIVE REFERENCE	21	345,369
PROGRAM EVALUATION	17	316,087
STATISTICAL POLICY	35	645,563
ECONOMICS, SCIENCE AND TECHNOLOGY	36	614,147
GENERAL GOVERNMENT MANAGEMENT	42	780,361
HUMAN RESOURCES	55	900,666
INTERNATIONAL	34	596,683
NATIONAL SECURITY	53	924,046
NATURAL RESOURCES	46	799,857
	585	9,900,002

OFFICE OF THE DIRECTOR

(Includes all administrative services)

1	DIRECTOR (appointed by President)	42,500
1	DEPUTY DIRECTOR (appointed by President)	40,000
3	ASSISTANT DIRECTORS (excepted appointment)	114,000
1	GS-18 ASSISTANT DIRECTOR	33,495
1	GS-18 EXECUTIVE ASSISTANT DIRECTOR	33,495
1	GS-18 GENERAL COUNSEL	33,495
1	GS-17 DEPUTY DIRECTOR	28,976
1	GS-17 ASSISTANT TO THE DIRECTOR	32,840
1	GS-16 ASSISTANT GENERAL COUNSEL	30,889
1	GS-16 DIRECTOR OF ADMINISTRATION	27,549
1	GS-15	21,589
6	GS-14	115,220
3	GS-13	50,071
7	GS-12	100,205
4	GS-11	48,298
2	GS-10	22,898
14	GS-9	150,049
2	GS-8	20,282
16	GS-7	140,441
4	GS-6	32,795
6	GS-5	43,648
1	GS-4	6,810
1	GS-3	6,393
5	GS-2	25,715
10	Wage Board	72,633
94		1,274,486

OFFICE OF THE DIRECTOR

Management Information Systems Staff

1	GS-18 DIRECTOR	33,495
1	GS-16 ASSISTANT DIRECTOR	25,044
5	GS-15	115,865
4	GS-14	76,586
3	GS-13	49,020
4	GS-12	53,556
4	GS-11	45,680
1	GS-9	9,330
1	GS-8	9,859
1	GS-7	7,639
1	GS-5	14,000
27		440,874

OFFICE OF BUDGET REVIEW

1	GS-18 ASSISTANT DIRECTOR FOR BUDGET REVIEW	33,495
1	GS-17 DEPUTY DIRECTOR	32,840
1	GS-17 SPECIAL ADVISER BUDGETARY DEVELOPMENT	32,840
1	GS-17 DEPUTY DIRECTOR FOR PROGRAM ANALYSIS	32,840
1	GS-16 DIRECTOR, BUDGET PREPARATION STAFF	29,044
1	GS-16 DIRECTOR, MONETARY AND CREDIT ANALYSIS STAFF	30,889
1	GS-16 DIRECTOR, PLANNING AND ANALYSIS STAFF	28,384
1	GS-16 DIRECTOR, RESOURCES SYSTEM STAFF	30,054
10	GS-15	236,050
7	GS-14	139,605
7	GS-13	116,481
5	GS-12	70,959
5	GS-11	58,783
3	GS-9	28,893
7	GS-8	70,987
9	GS-7	74,361
2	GS-6	14,451
2	GS-5	13,382
65		1,070,338

OFFICE OF EXECUTIVE MANAGEMENT

1	ASSISTANT DIRECTOR FOR EXECUTIVE MANAGEMENT	38,000
1	GS-18 DIRECTOR, OPERATIONAL COORDINATION STAFF	33,495
1	GS-17 DIRECTOR, FINANCIAL MANAGEMENT STAFF	32,840
1	GS-17 DIRECTOR, GOVERNMENT ORGANIZATION STAFF	31,874
2	GS-16 ASSISTANT DIRECTOR FOR OFFICE	58,438
2	GS-16 SENIOR OPERATIONS COORDINATOR	58,438
20	GS-15	500,180
10	GS-14	206,326
4	GS-13	64,829
1	GS-12	13,389
1	GS-11	11,981
4	GS-9	42,878
2	GS-8	21,692
7	GS-7	56,318
1	GS-6	7,569
1	GS-5	6,388
1	GS-4	5,890
60		1,192,725

OFFICE OF LEGISLATIVE REFERENCE

1	GS-18 ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE	33,495
1	GS-17 DEPUTY DIRECTOR	28,976
2	GS-16 ASSISTANT DIRECTOR FOR OFFICE	58,438
1	GS-15	28,069
3	GS-14	58,683
1	GS-13	16,866
1	GS-12	13,389
2	GS-11	25,084
2	GS-9	21,750
2	GS-8	18,026
3	GS-7	26,997
2	GS-6	15,596
21		345,369

OFFICE OF PROGRAM EVALUATION

1	GS-18 ASSISTANT DIRECTOR FOR PROGRAM EVALUATION	33,495
2	GS-15	44,618
9	GS-14	177,285
2	GS-13	33,205
1	GS-9	11,186
2	GS-7	16,298
17		316,087

OFFICE OF STATISTICAL POLICY

1	GS-18 ASSISTANT DIRECTOR FOR STATISTICAL POLICY	33,495
1	GS-17 DEPUTY DIRECTOR	28,976
6	GS-16 ASSISTANT DIRECTOR FOR OFFICE	170,214
7	GS-15	172,723
5	GS-14	102,543
2	GS-13	32,151
1	GS-12	14,281
2	GS-11	23,962
3	GS-9	30,759
3	GS-8	30,423
6	GS-7	56,034
35		645,563

ECONOMICS, SCIENCE AND TECHNOLOGY PROGRAMS DIVISION

1	GS-18 DIRECTOR	33,495
1	GS-17 DEPUTY DIRECTOR	28,976
5	GS-16 ASSISTANT DIRECTOR	141,085
3	GS-15	77,727
3	GS-14	59,301
4	GS-13	67,991
6	GS-12	82,115
2	GS-11	23,962
2	GS-9	20,817
2	GS-8	17,744
4	GS-7	36,166
1	GS-6	24,768
36		614,147

GENERAL GOVERNMENT MANAGEMENT DIVISION

2	GS-17 DEPUTY DIRECTOR	65,680
3	GS-16 ASSISTANT DIRECTOR	85,987
13	GS-15	322,417
4	GS-14	77,214
4	GS-13	70,099
2	GS-12	26,778
2	GS-11	23,588
1	GS-9	9,370
4	GS-8	41,128
3	GS-7	27,252
3	GS-6	24,310
1	GS-5	5,388
42		780,361

HUMAN RESOURCES PROGRAMS DIVISION*

1	GS-18 DEPUTY DIRECTOR	33,495
1	GS-17 ASSOCIATE DIRECTOR	32,840
5	GS-16 ASSISTANT DIRECTOR	137,745
7	GS-15	164,083
7	GS-14	136,515
7	GS-13	115,427
7	GS-12	98,629
1	GS-11	11,233
2	GS-9	20,195
3	GS-8	30,705
9	GS-7	79,206
5	GS-6	40,592
55		900,666

INTERNATIONAL PROGRAMS DIVISION

1	GS-18 DIRECTOR	33,495
1	GS-17 DEPUTY DIRECTOR	32,840
4	GS-16 ASSISTANT DIRECTOR	109,361
5	GS-15	120,905
5	GS-14	96,363
3	GS-13	49,017
3	GS-12	41,505
2	GS-11	23,214
1	GS-9	12,119
4	GS-8	39,154
3	GS-7	26,232
1	GS-5	4,588
1	GS-4	5,890
34		596,683

NATIONAL SECURITY PROGRAMS DIVISION

1	GS-18 DIRECTOR	33,495
2	GS-17 DEPUTY DIRECTOR	63,748
3	GS-16 ASSISTANT DIRECTOR	85,152
1	GS-16 ASSOCIATE DIRECTOR	25,044
9	GS-15	210,901
9	GS-14	180,993
3	GS-13	49,017
6	GS-12	82,564
7	GS-11	80,501
3	GS-9	32,625
2	GS-8	17,744
5	GS-7	43,040
2	GS-6	14,212
53		924,046

NATURAL RESOURCES PROGRAMS DIVISION

1	GS-18 DIRECTOR	33,495
1	GS-17 ASSISTANT DIRECTOR	32,840
3	GS-16 ASSISTANT DIRECTOR	88,492
2	GS-16 ASSOCIATE DIRECTOR	56,768
5	GS-15	113,715
9	GS-14	178,521
6	GS-13	98,561
4	GS-12	57,570
2	GS-11	23,214
2	GS-9	21,128
4	GS-8	40,564
1	GS-7	6,009
6	GS-6	46,330
46		799,857

*A STATUTORY ASSISTANT DIRECTOR SERVES AS DIRECTOR FOR THIS DIVISION

REIMBURSEMENTS AND ADVANCES RECEIVED

Account title: Salaries and Expenses
Account symbol: 11 (Agency code) 0300 (Account number)

Agency: Executive Office of the President
Bureau: Bureau of the Budget

Purpose	Account symbol	Statutory authority (if other than 31 USC 686)	Amount: Fiscal year 1970 — Fiscal year 1969 actual	Fiscal year 1970 — Received as of 9-30-69	Fiscal year 1970 — Estimated for rest of year	Fiscal year 1970 — Total	Amount: Fiscal year 1971 estimated	Should the performing agency receive the appropriation for this activity (yes or no)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I Federal Sources								
A. For work performed								
1. Administrative services performed for the Council of Economic Advisers	CEA (11 1900)		17,000	--	20,000	20,000	20,000	No
B. For purchasing or contracting								
C. Other								
Personnel details			26,180	48	--	48	--	
Total Federal sources			43,180	48	20,000	20,048	20,000	
II Non-Federal Sources								

JUSTIFICATION OF ESTIMATES FOR 1971

BUREAU OF THE BUDGET

GENERAL STATEMENT

The Bureau of the Budget requests an appropriation of $13,290,000 for fiscal year 1971. This request is $1,640,000 more than the present 1970 appropriation and $1,149,000 more than the total funds estimated to be available for 1970 after including an estimated supplemental appropriation of $491,000 for a portion of the additional costs for pay increases, pursuant to Public Law 90-206 and as adjusted by Executive Order No. 11474, June 16, 1969.

This increase provides for the minimum additional amount needed if the Bureau of the Budget is to remain an effective staff agency serving the Office of the President and is to fulfill its responsibilities for properly developing and organizing better information systems to support the decision-making processes in the Executive Office of the President and in other Federal agencies.

Administrative reductions against the 1970 base to the magnitude of $161,000 have been made in fiscal 1971. Within this amount, $39,000 reflects a reduction in the amount of intermittent employment and reimbursable details from other agencies; $35,000 in travel; $47,000 in rents, communications and utilities; $23,000 in other services, and a total of $17,000 in three other object classifications. Therefore, the 1970 base for the requested increases in 1971 is $11,980,000, including the requested supplemental appropriation of $491,000.

Under the proposed budget, we are asking first for $220,000 to provide for workload and nondiscretionary items such as the costs of an extra workday in 1971, annualizing the pay rate increase and costs of 1970 periodic step increases in 1971, a concomitant increase of personnel benefits, and estimated additional costs to print the 1972 budget.

In addition, we are asking for $114,000 to provide adequate financing to restore the Bureau to its approved staffing level for 1970. The staffing plan as approved provided 555 positions and 538 full years of employment. Absorption of a substantial portion of the increased pay costs in 1970 has made it necessary to reduce the full years of employment which could have been supported by available funds in fiscal 1970 from the planned level of 538 to 531.

We plan to implement further the management information systems activities for the Executive Office of the President which were started in 1969. Examples of major projects in this area include the accelerated automation of the existing budget preparation process; the further integration of the traditional appropriation account budgeting with the program budgeting processes (a special study conducted with the assistance of contractor); the development of a social and economic information system for the Council of Economic Advisers; and the coordination and integration of Government-wide information systems. These activities in 1970, as with their inception in 1969, are supported in part by the Office of Economic Opportunity and the Council of Economic Advisers. Allocations from the Management Improvement Fund also provided resources in 1969 that were shifted in 1970 for funding by the Bureau of the Budget. In 1971, we are requesting an additional $652,000 which will enable the Bureau to make the additionally planned transition to its own direct funding of these management information systems projects. Of this amount, approximately $600,000 represents a shift of funding from the Office of Economic Opportunity. Eight additional positions will be necessary to continue these projects and to provide added leadership and guidance to other agencies in this area for 1971.

In addition to the increases requested for management information systems activities, 19 professional and 3 secretarial staff would be added in 1971, at a cost of $324,000. These increases are primarily to strengthen the Bureau's capability for leadership in improving interagency cooperation and coordination in the execution of Federal programs, for the review and analysis of defense programs, for program evaluation, for economic analysis and management of the budget process, and for meeting the Bureau's responsibilities in coordinating and improving the Government's statistical programs.

SUMMARY OF INCREASES REQUESTED IN 1971 BUDGET

Fiscal year 1970:		
1970 appropriation - supports 555 permanent full-time positions and 531 average number of positions		$11,650,000
1970 costs of P.L. 90-206, as adjusted by Executive Order 11474:		
Estimated 1970 costs	$983,000	
Less partial absorption of pay act costs	-492,000	
Equals requested supplemental for added pay costs		491,000
Total estimated obligational authority for 1970		$12,141,000
Fiscal year 1971 decreases and increases:		
Administrative reductions in several object classifications		-161,000
Workload and nondiscretionary items		220,000
Restoration of average positions to 1970 budget level		114,000
Transfer to the Bureau of the Budget of primary funding responsibility for management information systems activities presently maintained by the Office of Economic Opportunity		652,000
Other additional staff and support		324,000
Total request for 1971		$13,290,000
Increase 1971 over 1970		
Over original appropriation ($11,650,000)		$ 1,640,000
Over estimated total available funds ($12,141,000)		$ 1,149,000

The 1971 requested budget adjustment of $1,149,000 includes--

Increases:

-- $220,000 to provide for workload and nondiscretionary increases. This increase is broken down into $188,000 for personnel compensation and related benefits and $32,000 to cover estimated increased changes by the Government Printing Office for printing the budget document and related materials.

-- $114,000 to permit a restoration of average positions to the 1970 budget level. The reduction in average positions in 1970 was necessitated by the absorption of part of the cost of pay increases enacted under P.L. 90-206, as adjusted by Executive Order 11474.

-- $652,000 to permit the continuation of projects inaugurated in 1969 and continued in 1970 to develop and install management information systems in the Executive Office of the President, to explore additional areas of the Executive Office for opportunities to improve or inaugurate information systems and to provide added leadership and guidance to agencies in this area. This increase entails generally a transfer of funding from

the Office of Economic Opportunity. It is broken down into $122,000 to provide 8 additional positions with related objects costs for needed support to the management information systems activities, $40,000 for the rental of computer terminals and $490,000 for the continuation of contractor efforts to assist in further development of a computer system to support preparation of the budget and to integrate the appropriation and programs budgeting processes.

-- $324,000 to support the establishment of 22 additional positions, for activities in other areas of Bureau responsibility. This increase consists of $292,000 for personnel compensation and benefits and $32,000 for supporting services such as travel and transportation, rents and communications, supplies and materials, and equipment.

Decrease:

-- $161,000 from the 1970 base for nonpermanent personnel, travel, rents and communications, utilities, other services, and equipment.

The breakdown of the $1,149,000 adjustment, over what is estimated to be available for 1970, is shown below--

Increases:

-- Personnel compensation - $603,000. This is required to permit the Bureau to support 585 permanent full-time employees in 1971 (563 average positions). It includes $640,000 to cover the net cost of 30 additional permanent, full-time positions (32 average positions), less $39,000 for a reduction in the use of other than permanent personnel in 1971, plus an additional $2,000 for other personnel compensation including overtime.

-- Personnel benefits - $63,000. This is for required additional agency payments for Civil Service retirement, life insurance, and health benefits.

-- Printing and reproduction - $32,000. This covers increased payments to the Government Printing Office for printing the 1972 budget and related materials and other publications of the Bureau.

-- Other services - $474,000. This increase is earmarked for the continuation of management information contractor studies and security investigations for new employees.

-- Supplies - $5,000. This increase is necessary to meet the costs of office and duplicating unit supplies, materials, and congressional publications.

-- Equipment - $5,000. This is to cover costs of providing necessary furnishings and equipment for additional positions and the normal replacement of typewriters, office machines, and other equipment.

Decreases:

-- Travel - $22,000. This decrease is the result of improvement in planning for Bureau field examinations.

-- Transportation of things - $6,000.

-- Rents, communications - $5,000. This reduction is possible because of the decrease in cost of the centrex telephone system which is now approaching complete implementation.

SEE FOLLOWING CHART "BUREAU OF THE BUDGET, BUDGET PLAN FOR 1971" WHICH HIGHLIGHTS THE REQUEST FOR 1971.

BUREAU OF THE BUDGET

1971 BUDGET PLAN

(Dollars in thousands)

	Fiscal Year 1970			Fiscal Year 1971 Increases						
	Approp. as executed	Required pay act supple.	Estimated require. for 1970	Adminis. reductions directed	Workload and nondiscretionary increases	Restore aver. pos. to 1970 budget level	MIS	Other add'l staff and support	1971 budget request	Increase 1971 over 1970
11 Personnel compensation:										
Cost of extra day					38					
1971 cost of 1970 periodic step increases					90					
Annualization of pay rate increase					31					
Permanent positions:										
Total number	555	--	555				8	22	585	30
Average number	506	25	531			7	7	18	563	32
Net salary	8,511	424	8,935		159	106	105	270	9,575	640
Other positions:										
Positions other than permanent	410	28	438	-36					402	-36
Other personnel compensation	101	3	104					2	106	2
Special personnel services	40	3	43	-3					40	-3
Total personnel compensation	9,062	458	9,520	-39	159	106	105	272	10,123	603
12 Personnel benefits	674	33	707	-2	29	8	8	20	770	63
21 Travel	260		260	-35			3	10	238	-22
22 Transportation of things	11		11	-8				2	5	-6
23 Rents, communications, utilities	275		275	-47			40	2	270	-5
24 Printing and reproduction	388		388		32				420	32
25 Other services	793		793	-23			490	7	1,267	474
26 Supplies and materials	88		88				2	3	93	5
31 Equipment	119		119	-7			4	8	124	5
Total estimated obligations	11,670	491	12,161	-161	220	114	652	324	13,310	1,149
Less: Estimated reimbursements	-20		-20						-20	
Total budget authority (or est.)	11,650	491	12,141	-161	220	114	652	324	13,290	1,149

WORKLOAD OF THE BUREAU OF THE BUDGET

The following selected highlights of the workload of the Bureau of the Budget illustrate the magnitude, variety, and complexity of the continuing work responsibilities of the Bureau and the need for concentrated attention to those areas of activity.

PROGRAM AND BUDGET REVIEW

The explosive growth of Government programs and the Federal budget directly affects the amount and complexity of the Bureau's work. Not only must new programs be analyzed in depth, but continuing efforts must be directed toward evaluating existing programs so that activities that are of low priority, uneconomic or outmoded can be identified. In both the preparation of the budget and surveillance of budget execution, care must be taken to see that money, manpower, and material are not wasted, and that their utilization produces effective planned results. Special attention must be given to strengthening management and organization of Federal programs, improving the delivery systems and streamlining the complex Federal system of assistance to States and communities.

The Government's program and budget review must be considered within the framework of economic and fiscal policy as well as the national needs, and increased consideration must be given to the long-range impact on the direction and size of the country's growth and allocation of resources.

During the past year, we have given special emphasis to these areas of our responsibilities which involve naturally every organizational unit of the Bureau. This emphasis will continue in 1971.

Among the workload items requiring attention in 1971 are:

1. Implementation of recommendations of the President's Commission on Budget Concepts. During the last two years, considerable time has been invested in planning for the adoption of the Commission's recommendation for refining the receipt and expenditure figures in the budget so that they will reflect amounts earned each fiscal period regardless of the timing of the payments or collections (commonly known as the "accrual basis"). Treasury Department and the General Accounting Office, as well as many program agencies of the Government, have participated in exploratory work. Extra attention has been necessary to solve the problem of obtaining monthly earnings data in a timely manner for monthly publication to make known the progress of the budget. This task is more difficult than obtaining earnings or accrual data on an annual basis for use in the budget. The trial period of unpublished monthly reporting to the Treasury is now taking place. Careful evaluation of this trial must be completed toward the beginning of the next fiscal year, and steps undertaken to convert published data to the new basis either in the next budget or in the budget following. It is expected that the refined data will make a significant improvement in the Government's capabilities for dealing with matters on the relationship of Government finance to the Nation's economy.

A second recommendation of the President's Commission requiring further developmental work is the proposal for explicit identification of loan subsidies in the expenditure account. The possible burden to agency accounting systems to effect this change at the same time that receipt and expenditure data are being refined caused most of the developmental work regarding loan subsidies to be deferred during the past two years. It should, however, be undertaken in earnest in the fiscal year 1971, particularly in view of the large volume of the Government's credit programs and the need for obtaining wide understanding of the extent to which they are self-sustaining or subsidized.

2. Implementation of controls. For three successive years the Congress has imposed increasingly complex spending ceilings. The Bureau has assisted the President in allocating among the agencies the limitations required by statute, and in monitoring compliance with such allocations.

In order to comply with the overall limitation and to meet the requirements of a sound fiscal policy, the President directed the agencies to defer a major part of authorized and funded direct Federal construction. The Bureau was required to engage in lengthy review activities and negotiations with the agencies in the interpretation of these controls. A special reporting system has been established to monitor the effects of the controls.

Although the Congress has omitted a rigid personnel ceiling system for the current year, the President, as a part of his concern for economy, has required agencies to conform to personnel ceilings established by the Bureau of the Budget. These permit some degree of flexibility as changing circumstances occur and the Bureau is therefore called upon to re-examine employment needs at frequent intervals.

3. Resources planning activities. The long lead time required by modern technology in programs such as space exploration and defense, along with the almost nondiscretionary recurring nature of many other approved programs, make it more necessary than ever to provide advance planning on the future use of the Government's financial resources. Many program and budget decisions in 1970 will significantly shape the budget for future years. It is essential that the far-reaching effects of these decisions be carefully assessed at the time they are made. Accordingly, the coordination of long-term resource planning with the annual budget process has been accelerated in the past year. It is planned to give further emphasis to the resource planning activities in the year ahead.

4. Monetary and credit analysis. The relation of Government programs to monetary and credit policy has become a matter of growing importance with the increase in Federal lending and loan guarantee activities, as well as in the light of international monetary developments. Direct disbursements in the loan account were $9.6 billion in 1963 and rose to a level of $20.4 billion in 1968. Their decline since that time has been largely matched by a sharp growth in loan guarantees which in many cases require a more complex examination than the direct loan programs.

5. Program planning and evaluation. Effective program planning and evaluation is necessary for the Government to establish priorities and align existing and proposed programs with the nation's most important objectives and problems. Additional time and effort is required to identify major issues that require Presidential choice, and to continue essential analysis of the range of feasible alternatives. Based on nearly five years' experience with the Planning-Programming-Budgeting System, useful aspects of that system are being continued with more recent innovations so as to strengthen program planning and evaluation. New guidance to the agencies will be issued and action will be initiated to work with them on revising and simplifying existing practices. Techniques and procedures are being developed to measure more adequately the benefits and costs of Federal expenditures.

EXECUTIVE MANAGEMENT

The start of a new Administration has resulted in a marked increase in efforts to improve management, especially to cut red tape in Federal aid programs. This heavier workload involves an increased number of in-depth staff studies, reorganization proposals, legislative proposals, Executive orders, other Presidential directives, and Bureau of the Budget circulars and bulletins. The work involves many areas of executive branch organization and management. In 1971 we expect to give increased attention to improving interagency rural, natural resources, and international programs, but we expect the major emphasis to continue to be on improving joint Federal, State, and local programs directed toward the solution of urban problems.

The interagency and intergovernmental nature of our programs to deal with problems of education, health, poverty, manpower training, urban development, and pollution control have created unprecedented problems of organization and management. Federal programs must respond promptly and effectively to the needs of the States and localities. This requires far more effective coordination of Federal programs with local needs. Procedures must be simplified, red tape eliminated, and cooperation improved between the various levels of government

and between the many agencies at each level of government. The Bureau of the Budget has initiated a number of actions directed toward these objectives.

Improvement of Federal Field Structure and Operations

The Bureau has undertaken a thorough program for review and evaluation of the field structure, the authorities lodged with field offices, and the requirements placed upon them, with a view to reducing the time-consuming operating details at headquarters that result in delays in processing grants for States and communities. This should contribute to better program results. Examples of the efforts of the Bureau in this area are as follows:

1. Regional boundaries and regional office locations. The disparate field structures of Federal agencies administering social and economic programs made effective field coordination almost impossible and created severe problems for State and local officials working with the Federal Government. The President directed, on March 27, 1969, the establishment of uniform regions and common regional office locations for Labor; Health, Education, and Welfare; Housing and Urban Development; Office of Economic Opportunity; and the Small Business Administration. The common boundaries and office locations will provide a single point of contact for State and local organizations with Federal officials. Relocation plans are being developed, and the new system is to be fully operational by the end of September 1970.

2. Federal Assistance Review. On March 27, 1969, the President asked the Bureau of the Budget to join with nine departments and agencies to review in depth our complex Federal system of assistance to States and communities. In response, an intensive coordinated effort--the Federal Assistance Review (FAR)--was launched. The objectives of the FAR effort, being conducted under Bureau of the Budget monitorship, are to (a) streamline and simplify the processes and organizational structures for managing Federal programs not only for efficiency and economy but to eliminate time-consuming delays in the delivery of resources and services, (b) decentralize the administration of Federal programs to permit decisionmaking where the needs of the States and localities are better known, and (c) place greater reliance on State and local governments.

3. Under Secretaries Group. The Under Secretaries Group, composed of the Under Secretaries of Housing and Urban Development; Health, Education, and Welfare; Agriculture; Interior; Commerce; Transportation; and Labor; the Deputy Attorney General, the Deputy Director of the Office of Economic Opportunity and the Deputy Administrator of Small Business Administration, meets regularly under the chairmanship of a senior White House staff member to give top-level headquarters attention to the solution of problems in our urban programs. The Bureau of the Budget is responsible for flagging problems needing attention and action by the Under Secretaries Group, drawing together proposals for action and decision, and assuring followthrough at headquarters and in the field on actions approved by the Group.

4. Regional Councils. The Bureau of the Budget arranged for the regional directors of Housing and Urban Development; Health, Education, and Welfare; Office of Economic Opportunity; and the Manpower Administration of the Department of Labor to constitute themselves as Regional Councils for better coordination of their programs at the regional and local levels. Councils were initially established in New York, Atlanta, San Francisco, and Chicago. The President's directive establishing uniform regional boundaries provided for the establishment of Councils in the remaining six regions. These additional Councils will be operative before the end of FY 1970. The Under Secretaries Group provides general oversight to the Councils, and the Bureau of the Budget furnishes staff assistance and liaison services to each Council.

5. Federal Executive Boards. By Presidential directive of August 13, 1969, responsibility for the supervision of Federal Executive Boards was shifted from the Civil Service Commission to the Bureau of the Budget. The President also directed that the fifteen existing Boards in as many major cities be augmented by ten additional Boards. The Boards

provide a means for achieving joint action of Federal agencies at the local level in meeting continuing and emergency community needs. Government-wide policies requiring the full cooperation of all agencies can be carried out more effectively through Board leadership.

Standardization of Administrative Requirements in Grant-in-Aid Programs

In recent years, the grant-in-aid programs have had an explosive growth in size and diversity, each with a different set of rules and regulations and complex procedures administered through different Federal locations. The overall result has been a tremendous administrative burden on all levels of government.

As part of the total effort to modernize the management of the complex system of Federal assistance, pursuant to the President's directive of March 27, 1969, work is underway to standardize and simplify to the maximum extent possible the administrative and financial requirements now imposed upon the grantees by the Federal agencies. Progress will also help in removing the bottlenecks to interagency agreement and expedite programs that draw funding from different departments and agencies.

An inventory is being made of the great volume of requirements which are now placed on the grantees. Utilizing this information, groups are now being organized by types of grantees to review and analyze the information and to bring about uniformity in the administrative and financial requirements. Each group will include representatives from the Bureau of the Budget, the other agencies mainly concerned, and associations of State and local governments.

Joint Funding Simplification

The Juvenile Delinquency Prevention and Control Act of 1968 and the 1967 amendments to the Economic Opportunity Act each contain provisions permitting the designation of a single administering agency for selected projects which are to be funded by a number of Federal agencies. The Bureau developed an Executive Order (No. 11466) and procedures for carrying out these statutory authorizations. They are designed to achieve more efficient administration of projects funded in part under either of those acts but in which a number of Federal agencies participate. The order permits the waiving of technical grant or contract requirements of the individual participating agencies if those requirements are not imposed by statute. Under the procedure, the Director of the Bureau of the Budget is to designate the projects for joint funding and the Federal agency that is to act for all participating agencies in administering those projects. The Bureau is responsible for technical assistance to the agencies in developing joint funding proposals.

Intergovernmental Cooperation Act of 1968

The Intergovernmental Cooperation Act of 1968 (P.L. 90-577) was signed into law October 16, 1968. The President has delegated his rule-making functions under Title IV to the Bureau of the Budget and has charged the Bureau with overall coordinative responsibility with respect to implementing executive branch responsibilities under the act.

The Bureau developed and issued three circulars to carry out the provisions of the act. The circulars are: A-95 dealing with evaluation, review, and coordination of Federal assistance programs and projects (Title IV and section 201 of the Act); A-96 which implements sections 202, 203, and 204 of the Act; and A-97 which promulgates regulations for the provision of specialized and technical services to State and local governments under Title III of the act.

Administration of this act requires extensive staff time. For example, we must provide continuing advice, information, and assistance to the 50 States in the development of their State and regional (nonmetropolitan) clearinghouses, as well as to the 200 or more metropolitan clearinghouses. There are more than 100 nonmetropolitan clearinghouses--the number of which we expect will increase substantially during the coming year. Administration of the act also requires continuous work

with the Federal agencies to assure that their internal administrative procedures are well coordinated; that grant-making agencies notify State central information agencies of the disposition of all grant-in-aid applications, and that Federal public works plans and projects are well coordinated with pertinent State and local plans.

Consolidation of Related Grants

The Bureau of the Budget, working with the agencies administering grant programs, is reviewing the fragmented grants programs and developing proposals which would consolidate closely related grants. This will permit grant recipients to carry out programs more closely related to their particular local needs.

Organizational Improvements

Although problems in connection with field organization and joint Federal-State-local programs have received and will continue to receive high priority attention by the Bureau, other work in connection with the overall structure of the executive branch has continued undiminished. Examples are indicated below.

1. Reorganization Plan No. 1 of 1969. The Bureau developed Reorganization Plan No. 1 of 1969. The Plan, which was transmitted to the Congress by the President on July 22 and became effective in part on October 11, 1969, and in part on January 1, 1970, transferred the Interstate Commerce Commission's executive and administrative functions to its Chairman and transferred the power to designate the Chairman to the President. The objective of the Plan is to provide greater continuity in the leadership of the ICC (previously the chairmanship was rotated on an annual basis) and to strengthen its administration. The Bureau provided the key testimony on the Plan.

2. Support of President's Advisory Council on Executive Organization. The Council advises the President on the overall organization of the executive branch and organizational relationships between the Federal, State, and local governments in carrying out domestic programs. The Bureau has been providing data and advice to the Council, which was established by the President on April 5. The Council will be submitting reports to the President during 1970 which will include proposals for improved organization. Those proposals will create a major workload for the Bureau in terms of analyzing the effect of these recommendations, preparing action documents where necessary, and following through on implementation.

3. Federal Trade Commission. At the request of the White House and the incoming Chairman of the Federal Trade Commission, the Bureau has conducted a management and organization survey of the Federal Trade Commission. The objective was to determine the problems that exist, the solutions which the new Chairman might propose to the Commission, and procedural areas requiring further detailed study. The results of the survey have been made available to the new Chairman.

4. Agency roles in international aviation policy. At the request of the White House, the Bureau is conducting a study of the roles of the Civil Aeronautics Board and other agencies in the formulation and implementation of international aviation policy, and the Government's overall organization to carry out those roles.

Management Improvement

The Bureau of the Budget is responsible for providing leadership to the departments and agencies in reviews of the efficiency and economy of their operations. To carry out this responsibility the present Government-wide cost reduction program is being broadened to focus not only on the cost impact of individual management actions but also on the effectiveness of management attention applied to operational problem areas. The proposed changes recognize that improvement actions can generate dollar savings, systems benefits, or both. The expanded effort, to be designated as the Management Improvement Program, will encompass four major elements:

-- Cost Reduction. The present cost reduction program will be changed significantly to include the effects of cost reduction in the budget formulation process and reduce the internal reporting workload.

-- Management Effectiveness Program. This program is designed to identify and measure the effects of a total management effort applied to persistent problem areas.

-- Study of Government-wide Cost Areas. Periodically, the Bureau of the Budget will choose a common cost area for Government-wide attention. Agency management will focus on the selected area for potential management improvements. The first area of study under this program will be paperwork and excess reporting.

-- President's Advisory Council on Management Improvement. The existing President's Advisory Council on Cost Reduction will be supplanted by a Council on Management Improvement to reflect the broadened scope of the program. The new Council will consist of top level management people from the private sector. It will provide for an interchange of ideas with private industry on applying effective management techniques to Government operations and will recommend ways in which to improve management and efficiency in Government.

Improvements in Financial Management

The President has directed that the development of effective financial management systems be made a matter of high priority. The Bureau of the Budget, in cooperation with the other central agencies involved in the Joint Financial Management Improvement Program (General Accounting Office, Treasury Department, and Civil Service Commission), is launching intensive efforts to bring agency financial systems up to higher standards and levels of performance. In addition to the improvement work carried out principally by the individual agencies, the central agencies are attacking problem areas of a Government-wide nature. Examples of such studies which are under way are as follows:

1. Study of transportation in civilian agencies. A study is nearing completion on transportation of freight and passengers. The objectives of the study are to develop improved and simplified methods for the procurement, payment, audit and settlement of transportation charges. The study group is in the final stages of editing its report.

2. Improvement of payroll procedures. Two efforts are getting under way for the improvement of payroll procedures: (a) to arrange for computer service for those agencies which do not have computer facilities for payroll work in order to achieve savings, and (b) to review laws and regulations pertaining to payroll work with a view to bringing about standardization and simplification.

A considerable amount of staff time is devoted to studies which result in Bureau issuances for improvements in financial administration practices in other areas as follows:

1. Principles for determining costs under grants and contracts to educational institutions. Circular No. A-21 as originally issued prescribed principles for determining costs under grants and contracts for research work at educational institutions. A supplement to that Circular was developed and issued which prescribes principles for determining costs applicable to training and other educational services under grants and contracts. The supplement establishes Government-wide uniformity and replaces the different sets of principles used by the various agencies. Currently work is under way in the development of revisions in the Circular.

2. Single agency cognizance for educational institutions. Circular No. A-88 enunciated the policy that a single Federal agency should be responsible for negotiating the indirect cost rate and for the audit of all Federal grants and contracts at a single educational institution. The objective was to reduce the burden on educational institutions, promote a coordinated

Federal approach in these areas, and to achieve more efficient use of manpower. Assignment of audit cognizance for 2,000 educational institutions has been made, to be phased over a three-year period. Twenty-three percent of these have been made effective in the current fiscal year, 32 percent will be effective in fiscal year 1971 and 45 percent in fiscal year 1972.

3. Single agency cognizance for local governments. The Bureau is chairing an interagency committee to work out agency assignments so that a single Federal agency will be responsible for negotiating and auditing the indirect costs associated with grants to a single local governmental entity. Here again, the objective is to promote a coordinated Federal approach and to achieve more efficient use of manpower.

4. Policies for acquiring commercial or industrial products and services for Government use. Circular No. A-76 sets forth policies for the guidance of agencies in determining whether commercial and industrial products and services used by the Government are to be provided by private suppliers or by the Government itself. Congressional and private enterprise interest in this subject requires a considerable amount of staff time in dealing with specific problems.

LEGISLATIVE CLEARANCE

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

	1st Session 89th Congress	1st Session 90th Congress	1st Session 91st Congress
Congressional requests for Bureau views	1,976	1,880	2,067
Agency reports for clearance	5,902	6,017	6,275
Agency draft bills	770	767	692
Private bills	565	581	496
Total	9,213	9,245	9,530

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

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

STATISTICAL COORDINATION AND IMPROVEMENT

The Bureau is responsible for the coordination and improvement of statistical programs and services of the Federal Government for the purpose of providing comprehensive, accurate, timely, and properly integrated information for appraisal of the functioning of the economy, the welfare of the people, and the status of various Federal programs. In fiscal 1971, major efforts will continue to be directed toward strengthening the primary sources of information required for the formulation of public policy and evaluation of the effectiveness of Federal programs.

The Bureau will continue its emphasis on avoiding duplication, improving statistical standards, achieving a better balanced Government-wide statistical program, and holding the reporting burden imposed on business and the public to the minimum consistent with essential data requirements. This is accomplished through development of a unified statistical program for budgetary purposes, the establishment of standard classifications and definitions, review and clearance of reporting plans and forms, and maintenance of surveillance over various statistical subject matter areas. In line with the broad objectives of management of the Federal statistical

system, the Bureau has arranged, through the Bureau of the Census, for the development and maintenance of a directory of business establishments and enterprises for use by Government statistical agencies. In addition to exercising surveillance over this effort, the Bureau will undertake to promote both the comparability of statistical surveys of industries and the efficiency of statistical operations.

Standard Classifications and Definitions

The Bureau, in 1971, will complete its review of proposed amendments in the structure and detail of the Establishment Standard Industrial Classification and the Enterprise Standard Industrial Classification submitted by interested groups and individuals outside as well as within Government. This review is based on data from the 1967 Economic Censuses, Internal Revenue Service, Social Security Administration, and other appropriate sources. The new classifications will be available for use on January 1, 1972.

Commodity classifications utilized for production, transportation, and foreign trade statistics will also be reviewed and appropriate modifications introduced.

Review of present criteria used in defining Standard Metropolitan Statistical Areas will be completed early in fiscal 1970 as well as proposed modification or new criteria prepared for consideration by the Federal Committee on Standard Metropolitan Statistical Areas. A new list of Standard Metropolitan Statistical Area definitions is planned to be made available for use by January 1, 1972.

The Bureau of the Budget-sponsored interagency Occupational Classification Committee has decided to develop a standard occupational classification for statistical purposes. The section dealing with scientific and technical occupations is now completed and will be used in the 1970 Census of Population. Additional sections will be developed during fiscal 1971.

Federal-State Coordination

In fiscal 1971 the Bureau must give increasing attention to problems of Federal-State statistical coordination and to the development of new kinds of Federal-State relationships to help meet informational needs. Further Federal-State cooperation will be developed and promoted to reduce the burden on respondents so as to eliminate the need to reply to both Federal and State questionnaires. The establishment of statistical coordinators in State governments, a concept fostered by the Bureau, will provide an improved system of Federal-State Cooperation. This endeavor will be further facilitated by the National Conference on Comparative Statistics for which the Bureau acts as secretariat.

Reports Review and Clearance

A major tool used by the Bureau to implement its responsibility for statistical coordination, improvement, and control is the review and clearance (under the provisions of the Federal Reports Act) of reporting plans and forms of Federal agencies requesting information from the public. The number of such review actions in 1971 -- approximately 2,700 per year -- is expected to be about the same or slightly higher than the present rate. Increasing reliance on the use of statistics for policy decisions and for Government programs requires increased attention to problems of duplication, consistency, and standards governing the review procedures. Attention to these problems is also important in the review of proposals by Federal agencies for collection of information in applications and other administrative reports. Both the House Committee on the Post Office and Civil Service and the Senate Select Committee on Small Business have emphasized the need for more effective control of reports and the attendant burden on business and the public.

The Bureau consults with the Advisory Council on Federal Reports and its various committees and panels composed of several hundred businessmen, regarding reports requested from industry and business. In fiscal 1971 the Bureau will consult more extensively with other groups which have indicated

interest in expressing their views on data collection proposals.

Labor Statistics

In response to many recommendations, the Department of Labor, in cooperation with the States, has undertaken the development of a series on job vacancies. Adequate analysis of labor market conditions requires information on both unemployment and the supply of unfilled jobs. During fiscal 1971, the Bureau will direct an effort to evaluate the accuracy and effectiveness of this new statistical series.

New experimental programs have also been initiated to secure data on the employment problems of the economically disadvantaged. Sufficient experience will be available by the end of 1970 to permit extensive analysis during 1971. This evaluation will form the basis for a decision to modify, extend, or discontinue the programs.

An extensive review of the adequacy and reliability of statistics on wages will be initiated in 1971. Although these data are independently significant, they must also be analyzed in relationship to comparable series on employment and occupations.

Demographic and Social Statistics

The Bureau must increase its effort to develop a periodic publication of social indicators. The primary purpose of this publication is to keep the Administration, the Congress, and the public currently informed on the status of and trends in the most vital aspects of our society. To the extent possible, this effort will develop indicators that will forecast future developments so that formulation of public policy can be directed toward them well in advance. The Bureau will be responsible for development of the publication with the assistance of a committee from outside the Federal government and an intra-government committee made up of representatives from the principal agencies concerned. The Bureau will have continuing responsibility for content of the publication, although the routine of assembly, charting and publication will be carried out by a designated agency.

The Bureau of the Budget must, in 1971, devote additional attention to the expanding need for information in a number of social fields. New Administration proposals in the welfare area will require additional statistical data as well as reorientation of many of the existing series. Evaluation of anti-poverty and similar programs require an increased data base and the development of new analytical techniques. Relatively complex data are required for recording the pace and directions of the Medicare, Medicaid, and family planning programs. Education also remains an important area having significant data gaps that must be filled.

Rapidity of social change has brought into prominence a need for more current data than are provided in the periodic censuses. The fiscal 1971 budget for the Bureau of the Census contains funds for planning a possible large-scale intercensal sample survey. Bureau staff will be heavily involved in consideration of this survey with the Census Bureau as well as coordinating the requirements of agencies throughout the Federal government. Concurrently, the Bureau must initiate a review of the monthly Current Population Survey program to determine whether it will meet the needs of the 1970's not only with respect to its labor force content, which is its primary purpose, but also to make certain that it is more responsive to current requirements in other data areas.

Production and Distribution Statistics

Greater accuracy, timeliness, and frequency, and better interrelationships of measures of economic activity are needed for private business decisions and for formulating and carrying out public policy. During 1971, the Bureau will direct efforts toward improvement of the series on manufacturers' output and inventories and on retail sales. The Bureau will also review the government's agricultural statistics program, particularly the need for and nature of future Censuses of Agriculture, and give additional attention

to implementing the statistics and research program being developed by the Department of Transportation.

Price Statistics

The Bureau's objective in this area is to develop a Government-wide program to improve the agencies' collection of prices and formulation of price indexes. Additional effort must be devoted to the resolution of problems pertaining to the Wholesale Price Index and the development of price indexes of commodities traded internationally. The Bureau will be increasingly involved in planning and evaluating the results of work carried on by the Bureau of Labor Statistics and the Department of Agriculture in developing and testing plans for consumer expenditure and food consumption surveys incident to revision of the Consumer Price Index and indexes of prices paid by farmers and to the data collection program required for publication of the revised indexes about the middle of the decade.

The Bureau of the Budget will review the Census Bureau's program on construction prices and will be heavily involved in development of methodology to extend price indexes to multi-family residential structures, and to nonresidential construction types.

Construction and Housing Statistics

During 1971, the Bureau must continue to direct improvement of the construction statistics program of the Federal government. Significant changes will be made in the construction value-in-place series to improve its accuracy and to provide data for additional construction types. Substantial Bureau effort will be necessary to review data collected by the Census Bureau on the construction patterns of single family houses to determine seasonal variation and differences in patterns by price groups in order to update the patterns presently used.

Surveys will also be undertaken to determine the rates at which new rental units are absorbed by the market and the effect of new housing on the existing supply. The national housing vacancy series will be expanded by collecting additional data for a number of individual local areas. Experience gained in 1970 with compilation of gross mortgage flows will permit the testing of this new series in 1971. The Bureau will be involved in analysis of all of these surveys to determine their suitability for general publication. The Bureau must also undertake a comprehensive review of the mortgage interest rate series for new single family homes and the foreclosure and mortgage recording series.

The development of a procedure for measuring the condition of housing was initiated in 1970, and the effort will be intensified in 1971. Funds for this purpose have been requested by both the Census Bureau and the Department of Housing and Urban Development. Bureau staff will be particularly involved in this effort because of its importance to the statistical program generally and its significance to a number of Federal agencies.

Economic and Financial Accounts

The Bureau coordinates work on the U.S. economic accounts largely through its Committee on Measurement of Real Output. The 1971 program will include further efforts to integrate and resolve inconsistencies among data on production, productivity and prices which are needed for analysis of ways of achieving noninflationary economic growth. New work is planned in 1971 to develop monthly estimates of GNP, and to increase the scope and detail of the survey data on plant and equipment investment, and to improve the accrual basis of estimating Federal Government expenditures.

Work in the area of financial accounts requiring attention includes review of the Securities and Exchange Commission and Federal Trade Commission surveys to improve their usefulness for the analysis of financial markets.

Periodic Censuses

Following the 1970 Census a comprehensive and detailed

evaluation of its results will involve a substantial volume of Bureau staff time during 1971. A series of special studies will be conducted by the Census Bureau to determine what proportion of the population was missed and its probable characteristics, how accurately the information was reported, and what improvements in methodology are indicated for succeeding censuses.

One large scale sample survey will follow the Census with questions in greater depth on employment and labor force problems in ghetto areas. Other smaller scale special studies are proposed. A subcommittee of the Bureau-sponsored Federal Council on the 1970 Census has been established to meet a variety of interagency needs, and to prevent overlapping and duplication.

During 1971, work will be started on planning for the 1972 Census of Governments.

ANALYSIS OF ECONOMICS, SCIENCE, AND TECHNOLOGY PROGRAMS

The program areas of transportation, research and development, atomic energy, space technology, economic development, business assistance, and regulation of business give rise to many critical public policy problems. The Economics, Science and Technology Programs Division follows these problems, which frequently involve several agencies, and prepares analyses of their relationships to objectives and their impact on Government resources and capabilities. The Division examines not only financial, personnel, and material requirements for these various areas, but also evaluates the organizational and management approaches used in carrying out specific functions and programs.

The following examples indicate the nature and scope of the analytical tasks involved:

1. Transportation. In 1971, transportation programs are estimated to have budget authority in excess of $11 billion, $3 billion more than in 1970. New legislation has been proposed in the critically important areas of airways and airports, public mass transportation, and the merchant marine. The Division will follow this legislation and work, after congressional approval, with the agencies in program execution. Other important program areas requiring intensive examination include the character of future highway programs, the Federal role in highway safety, the equipment and facility replacement program of the Coast Guard, and the underlying problems of rail passenger service.

2. Space programs. The Division is concerned with the varied and complicated programs of the National Aeronautics and Space Administration. In addition to the task of analyzing new space flight initiatives such as the earth orbital workshop and the proposals for new manned space transport systems, intensive staff work is required in connection with space program support activities. Among these latter activities requiring study are the complex of manned space flight facilities, the tracking and data acquisition networks, the magnitude of the launch areas, the programming of advanced technology activities, and cost-benefit studies of such space applications programs as communications satellites, navigation satellites, and earth survey satellites.

3. Environmental quality. Increasing concern over the deterioration of the quality of the Nation's environment will precipitate new legislation and programs which will, because of the broad scope of the problem, crosscut many existing laws and programs. The Division will provide a central Bureau focus for coordinating the activities of the Divisions and Offices in the review and analysis of Federal agency environmental programs as they relate to national needs and to State, local, and industrial activities. The Division's objective will be to assure an adequate and balanced Federal effort.

4. Federal research and development. Greater analytical capacity is required because of (a) the need to examine priorities within and among fields of science and across agency lines; (b) the interdependence of agencies in such fields as environmental sciences, marine sciences, and research in universities; and (c) the increased concerns for how science can be better managed, including utilization of Government-owned

or contractor-operated laboratories, and the organization of science to deal with civilian problems, especially those of an interdisciplinary nature.

These problems will require more work on the part of the Bureau with the Office of Science and Technology and with other agencies to assist in assuring maximum return from the Federal Government's $17 billion investment in research and development.

ANALYSIS OF HUMAN RESOURCES PROGRAMS

The scope of the Federal efforts directed toward education, health, economic opportunity, labor, manpower training and employment assistance, income security, housing and community development, and veterans services will comprise nearly 70 percent of the nondefense portion of the Federal budget in 1971 and will total approximately $85 billion.

Interrelationship among these human resources programs is increasing and it is to these interrelationships that much concentrated effort will be directed. A few examples are indicative:

1. Local action. Two systems have been established for coordination and integration of service programs at the local level. The Model Cities and Community Action programs are involved in providing services to geographic areas within cities. In addition, other categorical programs with their own funding sources are also available to these areas. The importance of improving the delivery of services through these mechanisms requires their careful coordination so they complement, rather than duplicate, each other's efforts.

2. Manpower programs. The Department of Labor will administer two-thirds of the $3.2 billion of Federal outlays in 1971 for manpower training and services. One-half of these outlays, however, will be in programs authorized in the Department of Health, Education and Welfare and the Office of of Economic Opportunity. The Bureau has worked closely with these agencies to strengthen necessary administrative structures, coordinate the implementation of programs, and develop the manpower training legislative proposal, enactment of which will fundamentally reorder manpower efforts. These efforts will also be designed to support the objectives of the Family Assistance Plan. As State and local governments assume greater responsibilities in manpower programs, Bureau staff will participate in the development of new administrative arrangements, information and reporting systems, and analysis of program performance.

3. The Family Assistance Program. The Administration has proposed a fundamental reform of the Nation's welfare system. This reform will require the development of a new administrative system to relate operating programs conducted by the Departments of Health, Education and Welfare, Labor, and Agriculture. Programs affected include: cash assistance, social services, child care, work training, and food assistance. In addition to providing for integrated program operation at the Federal level, the new system will have to provide for modifications in the way the Federal Government works with the States. The Bureau has been significantly involved with the coordination and development of these arrangements.

Some examples of program growth and other areas of responsibility which will place demands on Bureau resources are illustrated below:

1. Education. Over the past several years, the number of Federal education programs has grown approximately fivefold and the chief concerns have been to assist in their implementation. Many of these programs are aimed at the disadvantaged, and coordination with complementary efforts of the Office of Economic Opportunity and the Department of Labor have been essential. The concerns of the Government now are turning to the effectiveness of its programs. Therefore, the Bureau will direct its attention to such questions as (a) how Federal funds can be made available for States and localities so as to give those units a more important and appropriate role in decisionmaking; (b) how to reduce the proliferation of forms, reports, and plans; and (c) how closely the results of programs which have now been under way for several years match

their original objectives. Bureau staff are also concerned with analysis of the effects which major new proposals will have on education--revenue sharing, welfare reform, and expansion of research and development in several agencies.

2. Innovative poverty programs. The reorganization of the Office of Economic Opportunity recognizes the need to provide greater emphasis on innovative approaches to improve the delivery system of social services designed to eliminate poverty. Over 900 communities, urban and rural, are involved in community action programs. In addition, there are rural housing loans, aid to migrant workers, manpower training, health centers, family planning and welfare activities, and new efforts to aid in community economic development, all of which need to be considered as part of a system-wide approach to our poverty efforts.

3. Federal health programs. The rapid expansion of the Federal role in health in recent years has resulted in growth in Federal outlays from 12 percent of all (public and private) health expenditures in 1965 to over 25 percent in the current fiscal year. Thus, in addition to its historic role of providing direct health care for its traditional beneficiaries and helping in "public health" problems, the Federal Government is now concerned with: increasing the supply capacity and the efficiency of the Nation's health delivery systems, containing the rise in medical care prices, developing newer approaches to bring health care to low income people, and launching major new efforts on air pollution and other environmental hazards to health. These newer roles have not only extended the Bureau's relations with non-Federal providers of health care, the medical schools, and non-Federal health insurance schemes, but it has also increased the need for coordinating the efforts of the Department of Health, Education and Welfare and other agencies--particularly the Veterans Administration, Office of Economic Opportunity, and Departments of Defense, Housing and Urban Development, and Interior. Finally, the recent emphasis on grant simplification and reform is calling for Bureau leadership to identify and coordinate in a field which has been characterized by a very large number of separate and categorical grants.

4. Housing and community development programs. Federal housing and community development programs have continued to grow in size, scope, and complexity. The Bureau works closely with the Council of Economic Advisers and the Department of Housing and Urban Development in analyzing the effect of national housing goals on the resources of the Federal budget as well as the entire economy. Federal programs for meeting goals for lower income families have expanded from conventional low rent public housing construction and low interest loan programs to include several new public and private housing techniques. The number of housing units available for these families increased from 632 thousand to 1.2 million in the five years ending June 30, 1969. New laws have placed greater responsibility on the Federal Government for covering the costs of operating, as well as constructing, assisted units. New mortgage insurance programs, guarantees of mortgage backed securities, and property insurance programs have been added. The Federal Home Loan Bank Board has become increasingly active in supporting mortgage lending by savings and loan associations. In the community development area, model cities programs and programs to encourage new communities have been instituted. A new method of carrying out urban renewal has required close attention to assure that planned programs can be accommodated within the budget resources. Ongoing programs must be continually monitored to assess their effectiveness in accomplishing Federal objectives.

ANALYSIS OF NATIONAL SECURITY PROGRAMS

Increases in staff in the National Security Programs Division during fiscal years 1970 and 1971 are required for greater breadth and depth in the review and analysis of Defense programs and funding requirements. The review and analysis will cover not only the financial requirements to support Defense programs, but also an examination of the underlying rationale for such programs and the manner in which the programs will proceed.

Such work will not be exclusively initiated by the Bureau, but will be conducted in cooperation with other concerned organizations at the Presidential level. This Administration's reliance on the National Security Council for development and

review of defense policy requires the Bureau to make continuing input to that organization on the fiscal implications of policy decisions. Under the National Security Council the newly organized Defense Program Review Committee will be continually reviewing Defense programs questions and the Bureau, which is represented on that Committee, must make a positive contribution. A working group of that Committee is presently being organized on which the Bureau will be directly represented.

An area of increased emphasis will be in the review and better understanding of the weapon systems acquisition procedures and practices of the Department of Defense. The Bureau will be following the development-procurement process in detail, including the latest developments in procurement policies, procedures, and administration.

ANALYSIS OF NATURAL, WATER, AND OTHER RESOURCE PROGRAMS

The effective development and wise use of the Nation's water and other natural resources as well as the solution of the problems associated with the American farmer and rural areas involve important legislative and budgetary issues. Among the influences affecting this general area of the budget are growing concern for the quality of our environment, comprehensive development of our river basins, expansion of outdoor recreation, provision of better services to rural people and communities, and control of the Nation's agricultural capacity.

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

1. Water Resources Council. The Director of the Bureau of the Budget is a member of the Council. Staff of the Natural Resources Programs Division works closely with the Council's staff--and its numerous committees and task forces--because of common interests in coordination and resolution of complex problems concerning Federal water resources activities. The Council has responsibility for comprehensive river basin planning, improvement of project formulation and evaluation standards, and assessment of national water requirements.

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

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

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

The following table summarizes the action taken on project reports during the calendar year 1969:

	Reports Received and Cleared from January 1 to December 31, 1969			
	Corps of Engineers	Bureau of Reclamation	Department of Agriculture	Total
Received	18	8	51	77
Cleared	8	9	65	82

The number of Corps of Engineers reports cleared is larger in alternate years when the Congress enacts a rivers and harbors bill. It is estimated that approximately 100 Corps of Engineers reports will be cleared in 1970.

3. Water pollution control. Activities related to water pollution control and abatement have expanded greatly in recent years and have consequently increased the Bureau's role and workload. The Bureau has a number of additional responsibilities related to the implementation of Executive Order No. 11288 concerning water pollution abatement at Federal facilities.

The Bureau works with the Department of the Interior on implementation of the major water pollution control legislation enacted in 1965 and 1966, and provides review of related legislation currently under consideration. Additional attention must be given to the improvement and reorientation of pollution control programs to make them more effective. It is essential to continue the review of a large number of special studies made for the Congress such as those dealing with the economic impact of pollution control expenditures, manpower needs, and industrial incentives.

In 1968 and 1969, the Bureau worked with the Department of the Interior on legislation concerning the financing of waste treatment grant programs and the control of oil spills and vessel pollution. Additional reviews were undertaken regarding legislation authorizing new, and extending existing research programs. The continuing succession of proposed legislation on various aspects of the water pollution problem will require additional emphasis.

4. Other water and power activities. The Bureau works closely with the Marine Council and its committees. The Natural Resources Programs Division is involved in proposed programs for the management of the Coastal Zone. The Division also works closely with the Office of Science and Technology regarding water resources research, energy policy, and on such activities as preparing criteria for siting power plants.

The National Water Commission began a review of national water programs and policies in fiscal year 1970. The Bureau of the Budget will be heavily involved in the review of the Commission's program and its subsequent reports and recommendations to the President and the Congress.

The Atlantic-Pacific Interoceanic Canal Study Commission will complete its study of the feasibility of construction of a sea-level canal connecting the Atlantic and Pacific Oceans in December 1970. Considerable staff time will be required to review the conclusions and recommendations of this study and to review and evaluate studies related to the capacity of the existing Panama Canal and programs increasing its capacity.

5. Environmental protection. The concern for the protection and enhancement of the environment affects a particularly large number of programs of this division. This concern requires more intensive review of the adequacy of existing programs and of proposals for greater environmental protection or enhancement; e.g., national parks, wilderness areas, and recreational developments.

Bureau staff has participated in an observer role on the task force, chaired by the Department of the Interior, which is reviewing the application for a major oil pipeline across Federal lands in Alaska; and participates in an observer role in the work of the recreation standing committee of the Environmental Quality Council which carries on much of the work previously assigned to the Council on Recreation and Natural Beauty.

6. Reducing seasonality on construction. Increased attention is being given to the economic and social problems of seasonality in construction. In September 1969, the President established a Cabinet Committee on Construction to review Federal activities affecting construction and to report regularly on developments in the industry. He also established a Construction Industry Collective Bargaining Commission to facilitate the solution of collective bargaining and related problems in the construction industry. In addition, he directed the Bureau of the Budget to furnish to both the Commission

and the Cabinet Committee on Construction information regarding Federal or federally assisted construction. The Natural Resources Programs Division has responsibility for liaison with the agencies on the studies of construction seasonality problems and for providing information on construction needed by the Commission and the Cabinet Committee.

7. Management of Federal lands. The management of Federal lands raises special problems which are often complicated and unique, and require substantial work largely unrelated to budget outlays on those lands. The Interior Department, together with the Forest Service of the Department of Agriculture, administers large areas of land; i.e., the so-called public domain lands, the national forests, and the Outer Continental Shelf. These lands have substantial value including sizable mineral and timber values. Because the lands involve assets of substantial value and Federal income of significant amounts, the Bureau is required to apply substantial staff time into related proposals, problems and studies. Examples of this type of activity include studies of timber sales by Forest Service and the Bureau of Land Management, oil and gas leasing on the Outer Continental Shelf, disposal of minerals on the public lands, and review of legislative proposals dealing with specific categories or groups of public land uses or agency jurisdiction. An increase in legislative coordination workload is expected after the Public Land Law Review Commission report is submitted on or before June 30, 1970.

In addition, as an outgrowth of the price inflation for softwood lumber and plywood in 1969, due in large part to limited supplies of softwood timber, the President appointed an ad hoc task force chaired by the Director of the Bureau of the Budget, to make short-range and long-range recommendations to stabilize prices of softwood lumber and plywood. The Natural Resources Programs Division provides the major staff support to the working group of the task force. This responsibility will continue into 1971.

8. Agricultural commodity programs. As our agricultural situation has changed from one of surplus stocks, the role of Federal commodity programs has changed from the relatively simple task of "reducing production" to that of assuring adequate supplies for domestic use at market prices that are fair to both the producer and consumer and for foreign uses as an essential part of our overall foreign aid program.

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

This area of work will require even more staff time in 1971, since that year's crop decisions will have to be evaluated in the light of new legislation expected to be enacted by the Congress in calendar year 1970.

9. Rural areas development. The Department of Agriculture has assumed an increasingly active Federal role in promoting economic and social development in rural areas, where 30 percent of the population resides. The newly created Rural Affairs Council will likely require additional Bureau staff effort.

10. Agricultural credit programs. The Farmers Home Administration currently administers 28 loan and grant programs, with an estimated total loan level of $1.6 billion for fiscal year 1970 and $2.2 billion for fiscal year 1971. This is contrasted with approximately 12 programs in 1962 with a total loan level of about $.5 billion for that year. Programs have

been broadened from just credit for farm families for agriculture and housing to credit for rural areas encompassing community sewer and water facilities, a variety of housing programs for rural residents, and recreational development. This shift has necessitated close working relationships with other agencies such as Housing and Urban Development, Health, Education and Welfare, Office of Economic Opportunity, Commerce, Appalachian Regional Commission, and Labor.

11. Correspondence. Increased public and congressional interest in the natural resources area has placed a heavy load on the Natural Resources Programs Division. This is indicated by the number of letters which have been handled by the Division during the past two calendar years:

	1968	1969
White House correspondence	283	3,968
Congressional correspondence	202	462
General	234	781

MANAGEMENT INFORMATION SYSTEMS

During fiscal year 1970, the Management Information Systems Staff continued projects oriented toward improving Federal budgetary decisionmaking processes and supporting information systems. A major accomplishment was the completion of a study of problems associated with traditional appropriation budgetary processes and the newer Planning-Programming-Budgeting concepts and the development of recommendations for the integration of these different approaches. In view of the significant implications of the study recommendations on the future course of Federal decisionmaking processes, pilot tests of the concepts were initiated with three departments to further refine and demonstrate their viability before committing ourselves to a Government-wide application. These pilot tests and subsequent system development will continue into fiscal year 1971.

In addition, further improvements have been made to the computer systems used in support of analyzing, compiling, and publishing the Federal Budget. Improvements made during fiscal year 1970 include updating and modification of computer programs based on operational experiences with fiscal year 1970 budget processing, development of three new computer systems to assist in analyzing crime, manpower, and income security programs, and experimental work on computer controlled typesetting.

In addition to the above, guidance and leadership was provided on a variety of projects in the area of interagency and intergovernmental information systems. Accomplishments include the development and promulgation of major changes in policy and procedures for preparation of the 1970 edition of the "Catalog of Federal Domestic Assistance." These changes are designed to make the Catalog more useful to potential applicants and beneficiaries and at the same time provide information to support various administration efforts in Federal assistance consolidation and simplification. Others include initiation of the development of a system to provide better information for agency managers in the new Federal regional structure, improvements to the system for reporting Federal outlays on a geographic basis, participation with HUD and other agencies to assist municipalities in development of information systems to support local management needs, and policy leadership for a variety of other agency information system development activities.

Developmental effort will continue on these projects in fiscal 1971 with priority emphasis on the integration of the appropriation and PPB processes and the definition of long-range information system changes which will be required to support these processes.

The total cost of Management Information Systems activities in fiscal year 1971 is programmed at approximately the same level as in fiscal year 1970. Although the Bureau is requesting additional positions and funding for these activities in fiscal year 1971, the increases reflect a change in method of funding rather than an increase in the total dollar level of the activity. The Management Information Systems program was started in late fiscal year 1969, utilizing resources from a combination of sources including the President's

Management Improvement Fund, the Bureau's regular appropriation, Office of Economic Opportunity appropriations, and minor support from other agencies. In fiscal year 1970, increases in Bureau appropriations consolidated funding so that the major portion of the effort was financed through the Bureau of the Budget and Office of Economic Opportunity appropriations. The requested increase in fiscal year 1971 Bureau appropriation represents a further transfer from the Office of Economic Opportunity to management and funding of these activities by the Bureau of the Budget.

PLANNED USE OF ADDITIONAL STAFF

The additional positions requested for 1971 are necessary if the Bureau of the Budget is to continue to meet an increasing workload, give added attention to improving interagency cooperation and coordination of Federal programs to help solve urban problems, continue to emphasize the improvement of coordination between Federal, State, and local agencies and to strengthen the processes of program analysis and evaluation, budget review, and statistical coordination. Also, new positions are needed to continue and further the development of management information systems to support the decisionmaking processes in the Executive Office of the President and to provide additional leadership and guidance to the agencies in this area.

Starting with 555 positions as the level estimated for 1970, the Bureau requests 30 additional positions for 1971 to be used for the following activities:

Program evaluation and budget review - 6 positions. The Bureau of the Budget, in addition to the Treasury Department, Council of Economic Advisers, and the Federal Reserve Board, has a significant role in the development of fiscal and economic policy. The extent of its involvement is exemplified by the preparation of projections, reviews, and special analyses of fiscal policy, development of economic assumptions for budgetary use, and review of the estimates of receipts. The increasingly important area of fiscal and economic policy requires additional effort. (1 position)

The Bureau has major responsibility for the appraisal of the priorities of resource demands of all programs. In addition to providing the Director with analyses covering costs, benefits, and effectiveness of Government programs, Bureau staff must also develop procedures and information to improve the allocation of resources among different programs and major categories of the budget, and advise the Director on the long-range aspects of program development. Increased attention to the use of cost analysis and efficiency considerations necessitates an increase in staff. (1 position)

The Bureau prepares the Budget, the Budget in Brief, the Special Analyses of the Budget, and supplemental estimates. Accordingly, it must continue to provide detailed budget procedures and instructions to the agencies and to the Bureau's six examining divisions. One additional position is required to facilitate the continued evolution of PPBS as an integral part of the budget process, and to implement the recommendations of the President's Commission on Budget Concepts. (1 position)

Identification and analysis of major policy issues that require Presidential decisions necessitate supporting studies to specify the range of feasible alternatives and monitoring activities to ensure that agencies conducting analyses supply their results in a timely manner. Especially active Bureau participation is required when considering those major policy issues having multi-agency ramifications.

Increasing emphasis on protection of the environment has given rise to the need for increased analysis of those programs involving the protection and utilization of natural resources. Often these programs involve a number of Federal agencies. Accordingly, the Bureau, in order to provide added "cross-cutting" analysis, must provide substantial participation in the coordinating effort. (3 positions)

Executive management - 5 positions. The Bureau is heavily involved with the detailed administration of Bureau circulars on various phases of financial management. During fiscal year 1970, an interagency inventory will provide information regarding the accounting and financial requirements imposed by Federal agencies upon recipients of grants. Under Bureau leadership, task forces will be established to work out uniform requirements. Additional effort is also needed to promote greater progress in the Federal agencies in the development of their financial management systems. (3 positions)

With the establishment of the ten standard regions for the agencies primarily concerned with administering urban oriented social and economic development programs, the Bureau must strengthen its activities in support of the work of the

regional councils. These councils will be composed of the regional directors of Housing and Urban Development; Health, Education, and Welfare; Office of Economic Opportunity; and the Manpower Administration of the Department of Labor. Other agencies will be added to the councils as they develop their field structures. (1 position)

Additional Bureau effort is required to provide guidance and supervision of the Federal Executive Boards which have recently increased from 15 to 25, and to participate effectively in the Federal Assistance Review program established to cut red tape in the management of our complex Federal system of assistance to States and communities. (1 position)

Statistical coordination and improvement - 3 positions. Continuing new developments in information technology have provided the opportunity to further integrate and better utilize data generated through the separate activities of the Federal statistical agencies. Therefore, the Bureau must maintain currency with the application of these advances to continue the avoidance of duplication of agency data collection activities, improve statistical standards, and achieve a better balanced Government-wide statistical program.

Additional attention is also required with respect to occupational classification and reports review and clearance. Due to a major revision of the Standard Industrial Classification, increased effort is necessary to monitor agency performance on special assignments, assist in developing descriptions of occupations, industries, and enterprises, and compile relevant statistics. Increased effort will also be required to review sample designs submitted in connection with clearance of surveys, monitor the mathematical aspects of the statistical series, and evaluate the effect of revisions or other measures that might be reflected in the behavior of the series. (3 positions)

Analysis of programs - 8 positions. To maintain the required emphasis on reviewing procurement practices and research and development programs of the Department of Defense particularly in the areas of manned strategic aircraft, missile technology, new fighter and attack aircraft, antisubmarine warfare systems, and ship missile systems, four additional positions are needed. (4 positions)

Proposed legislation regarding airways and airports, public mass transportation, and the U.S. Merchant Marine, will require additional review and coordination of the planning relationships between the Departments of Transportation, Housing and Urban Development, and State and related local governmental units. (1 position)

Additional emphasis is required to review and improve programs to abate the deterioration of the quality of the Nation's environment. The magnitude of this effort is such that it will crosscut many existing programs and laws. The Bureau will need to give increasing attention to this area in order to help insure the consistency of agency efforts and to analyze more adequately the effectiveness of proposed expenditures. (1 position)

The agricultural situation has changed from the relatively simple task of "reducing production" to that of assuming adequate domestic supplies at prices that are fair to both the producer and the consumer. Additional effort will be required in this area in order to evaluate 1971 crop decisions in light of new legislation expected to be enacted by the Congress early in 1970. (1 position)

The Social Security and Railroad Retirement programs are experiencing expenditures in the range of $30 billion. Additionally, these programs are now providing coverage for an increased variety of needs. Further analyses of these programs and a study of the relationship of tax contribution to benefits received is required to formulate recommendations on proposed legislation. (1 position)

Management information systems - 8 positions. The continued shift toward direct Bureau funding of these activities will necessitate an increase in staff to assure greater control of systems design. To support and provide priority emphasis on integration of the appropriation and program budget processes, with the commensurate efforts to define long-range information systems changes which will be required to support these processes, eight additional positions will be required. (8 positions)

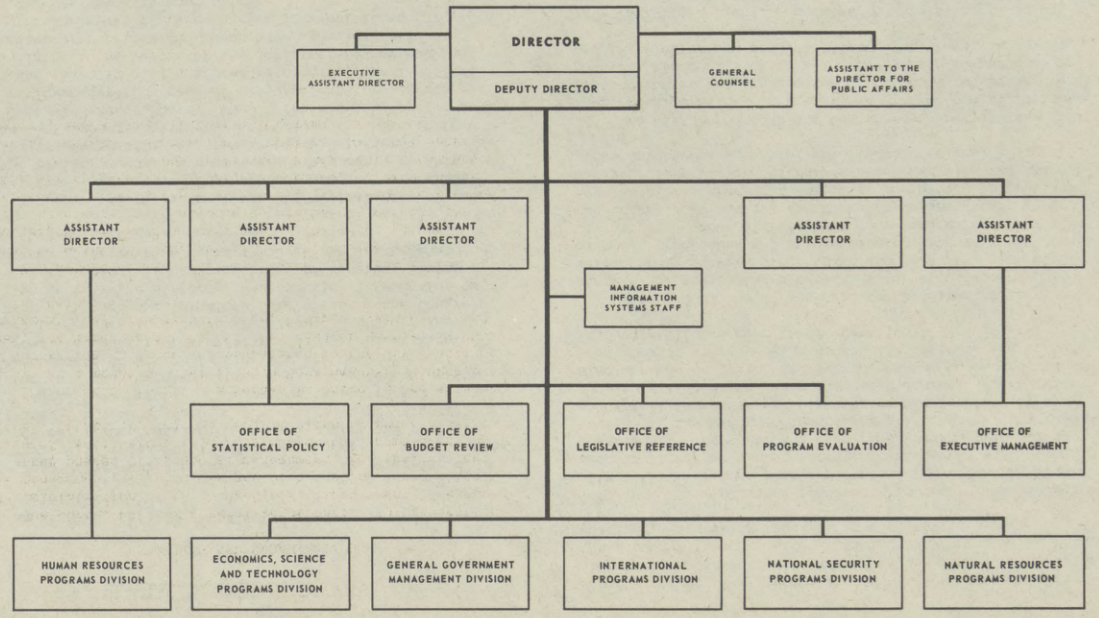
FUNCTIONS AND ORGANIZATION

The Bureau has six general functions: (1) preparation and administration of the budget, (2) improvement of executive management, (3) improvement of budgeting, accounting, and other phases of financial management, (4) analysis and review of legislation, (5) coordination and improvement of Federal statistics, and (6) program planning and evaluation.

The organization of the Bureau is shown in the attached chart. As a means of dealing with Government-wide problems and furnishing guidance and assistance in the six functional areas, the Bureau has five offices: Budget Review, Executive Management, Legislative Reference, Program Evaluation, and Statistical Policy.

The nature of its functions makes it essential for the Bureau to maintain close working relationships with all agencies of the Federal Government. The major channels in which these working relationships are maintained and through which much of the Bureau's workload is effected are provided by the six programs divisions: Economics, Science and Technology Programs, General Government Management, Human Resources Programs, International Programs, National Security Programs, and Natural Resources Programs.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET



OCTOBER 1969

DETAILED STATEMENT OF FUNCTIONS

OFFICES

Office of Budget Review (estimated position requirements: 1970 - 62, 1971 - 65)

This Office assists the Director in the exercise of his responsibilities for the Federal budget. Its activities include the recommendation of general budget and fiscal policies, the coordination of the entire budget process for the Federal Government, participation in the review of budget requests and recommendations and in the determination of appropriate levels of funding for the Government's programs. It assists the Director in the presentation of budget recommendations to the President, and maintains liaison with the Appropriations Committees of the Congress. It also assists the Director in presenting information on the budget outlook to the committees of Congress having cognizance over revenue matters and to the Joint Economic Committee as required.

Economic and fiscal analyses are a vital part of the budget task. The economic situation, and the Government sector of the economy, are reviewed every month by this Office in cooperation with the Treasury Department, the Council of Economic Advisers, and frequently with staff of the Federal Reserve Board. The Office prepares projections and reviews, develops economic assumptions for budgetary use, and makes special analyses related to fiscal policy. It assists in the review of tax legislation, reviews the estimates of receipts and encourages agencies to impose appropriate levels of user charges for activities for which such charges would be appropriate.

Of additional concern are analyses pertaining to monetary and credit policy. The Office analyzes budgetary and economic aspects of trends in general monetary policy, interest rates and management of the public debt. It develops plans for the sale of financial assets and for substitution of private funds for public credit. It analyzes reports on proposed Government transactions abroad in relation to the international balance of payments and maintains a "gold budget" procedure for limiting such outlays and where possible, increasing receipts from abroad.

The Office provides leadership in control mechanisms to effect the decisions that are reached regarding the totals such as those pertaining to employment levels within the Government. The control system requires the priority appraisal of the resource demands of all programs, and recommendations to assist the Director in the exercise of his judgment in choosing among competing demands. The Office also carries out technical work necessary to record the allocations of overall ceilings and limitations, and to maintain surveillance over their operation.

The head of the Office assists the Director in his analyses of Government programs, their effectiveness, and the relationship between their costs and benefits. The staff develops procedures and information to improve the allocation of resources among different programs and major categories of the budget. It advises the Director on the longer range aspects of resource availabilities and uses. It provides analytic support for the Bureau's concern with the state and local Government financial and fiscal problems.

The Office promotes the use of cost analysis and efficiency considerations in the examination of budget estimates. It coordinates the application of policies requiring greatest possible absorption of cost increases such as those caused by pay legislation and changes in per diem travel rates.

The Office plans, schedules, controls, compiles and edits the Budget, the Budget Appendix, the Special Analyses of the Budget, and the Budget in Brief. It is responsible for the presentation to the Director of budget amendments and supplemental estimates. It prepares the annual review of the budget which is usually published in the late summer. It answers inquiries from members of Congress and the public with regard to the budget presentation.

The office also participates in the development of the Planning-Programming-Budgeting System as an integral part of the budget process, and has central responsibility for improvement of the Federal budget system.

Office of Executive Management (estimated position requirements: 1970 - 55, 1971 - 60)

The Office of Executive Management assists the Director in the formulation, conduct and coordination of programs and activities for improving the management and organization of the executive branch and intergovernmental (Federal-State-local) programs. It also provides guidance and advice to the Bureau's divisions in improving agency management and organization. The Office is concerned principally with matters initiated by or of interest to the President, the White House staff, and the Director of the Bureau of the Budget. Its work includes conduct of special studies of important Government-wide and intergovernmental management problems at headquarters and in the field and the provision of leadership in the Government-wide management improvement program. Its work requires establishment and maintenance of appropriate cooperative relationships with other parts of the executive branch, with organizations of State and local governments and officials, and directly with Federal, State, and local officials and private organizations in individual geographic locations. It drafts or reviews legislation, reorganization plans, executive orders, and Bureau directives on organization and management subjects, as well as related messages and testimony.

The Operational Coordination and Management Systems Staff of the Office of Executive Management identifies deficiencies in interagency, intergovernmental, and public-private program coordination at the national, State, and local levels. It evaluates the responsiveness of Federal programs to varying State and local needs and the efficiency and effectiveness of cooperatively administered and financed programs. It helps achieve ad hoc solutions to immediate problems and identifies the need for work by this and other staff units of the Office on basic revisions of the interagency and intergovernmental systems for administering these programs, or for realignment of the structure or responsibilities of Federal agencies with respect to those programs. It is responsible for developing and improving the management techniques and systems for the administration of large multi-agency Federal programs.

The Government Organization Staff conducts studies and develops recommendations for the solution of Federal Government and intergovernmental organization and general coordination problems. These include studies of the organization of new or extensively revised Federal programs and the means of coordinating them with other existing programs; the creation of new departments and agencies; the reorganization, consolidation, and improved coordination within and between existing departments, agencies, programs, and functions; and the development and evaluation of new and improved organization and coordination concepts affecting Federal and intergovernmental programs at headquarters and field levels.

The Financial Management Staff promotes the development and use of effective agency and Government-wide financial management systems throughout the Government and develops financial policies and principles for uniform application on interagency, intergovernmental and industry problems in various areas. It participates in the Joint Financial Management Improvement Program which is conducted by the Bureau of the Budget, the General Accounting Office, and the Treasury Department in cooperation with the executive agencies; develops cost principles for grants and contracts with educational institutions and State and local governments; develops policies and guidelines for determining whether commercial or industrial products and services for Government use should be obtained by contract or by use of Government personnel; reviews General Accounting Office audit reports on executive branch operations and coordinates efforts to insure appropriate executive branch action on audit findings; and reviews and approves agency regulations for administrative control of funds and recovery of erroneous payments.

Office of Legislative Reference (estimated position requirements: 1970 - 21, 1971 - 21)

This office coordinates the review by the Bureau of agency legislative proposals, agency reports on pending legislation, and enrolled bills; participates in the development of the President's legislative program; informs congressional committees and the agencies of the relationship of proposed or pending legislation to the program of the President; makes recommendations to the President on legislative proposals and enrolled bills; and maintains liaison with the Congress and the White House on legislation pending before substantive committees.

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

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

The Bureau reviews and coordinates agency reports on pending legislation and furnishes advice on their relationship to the program of the President. This advice relates to the bills and does not control or prevent the expression of whatever views the agencies deem appropriate; the only requirement is that the agencies' reports include the advice received from the Bureau. When the time schedule of a congressional committee does not make this review possible, an agency is authorized to present its reports without prior submission to the Bureau.

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

During the First Session of the 91st Congress approximately 9,530 drafts of proposed legislation, congressional requests for Bureau views, and agency reports on pending legislation were received by the Bureau, and 265 enrolled bills were presented to the President.

Office of Program Evaluation (estimated position requirements: 1970 - 14, 1971 - 17)

This Office assists the Director with his responsibilities to evaluate the effective and efficient use of public resources as reflected in current and future Federal budgets and legislative programs. It provides leadership for the development and implementation of the Planning-Programming-Budgeting System, program budgeting, cost-benefit analysis, systems analysis and more recent innovations initiated during 1969. The office assists in identifying additional options for Presidential decisionmaking. Additionally, this office has responsibility for providing assistance in education, training, and career development of public policy analysts as well as providing technical assistance to State and local governments for improving their decisionmaking processes.

Formulating and drafting major program and policy issues for analysis during the forthcoming and future budget and legislative cycles are central functions in which this office coordinates with Federal agencies and other offices and divisions within the Bureau of the Budget. The purpose is to identify feasible alternative solutions including their associated advantages and disadvantages. The number of issues are limited to match the available analytic resources and the time schedule for feeding the results into the appropriate decisionmaking forum.

The office plays a major role in coordinating analysis of major policy issues affecting several agencies. This

may include conducting, participating in, or monitoring the analysis of selected issues. An example during 1969 was the coordination of the evaluation of Federal food programs.

The Office assists in reviewing the results of the Planning-Programming-Budgeting System, such as agency program structures, program memoranda, special analytic studies, and program and financial plans.

The Office assists Federal agencies resolve analytic questions of methodology, technique, and data. An example of this activity in FY 1970 was the publication of Circular No. A-94 which provides guidance for calculating benefits and costs and for the use of discounting.

Initiatives in developing a comprehensive and compatible Government-wide program structure are also activities of the Office. Closely related is the development of broad program overviews which show costs, outputs, benefits, characteristics of beneficiaries and social impacts. These innovations contribute to the analysis of national goals and priorities and provide a helpful framework within which better program choices can be made.

The Office also aggregates Federal expenditures by cost, benefits, and beneficiaries into public expenditure models for policy planning and analysis. Analyses of governmental spending are also made on a regional, State and local basis to ascertain the geographic impact of governmental activities.

The Office provides technical assistance to State and local governments in improving their decisionmaking processes. Upon invitation of a governmental unit, the Office, in cooperation with the Department of Housing and Urban Development and other Federal agencies, organizes a Federal Technical Assistance Team which is then sent to survey the State or local government, make recommendations, and provide additional technical or financial assistance if needed.

Office of Statistical Policy (estimated position requirements: 1970 - 32, 1971 - 35)

This Office exercises the Bureau's functions with respect to coordination and improvement of the Government's statistical activities. It formulates an integrated overall statistical program for the Federal Government, reviews the budget submissions of the individual agencies with respect to statistical activities and prepares a proposed unified statistical budget for review by the Director. Accordingly, it is this Office's responsibility to insure that the governmental resources devoted to statistical programs are wisely spent to achieve a balanced Federal program, that significant statistical gaps are filled or weaknesses remedied, and that the costs and the burdens upon business and the public imposed by statistical and reporting programs are held to a minimum.

The Office works closely with the principal statistical agencies to achieve a better integrated Federal statistical program and to meet recognized needs for improvements in basic statistical series. It cooperates closely with the staffs of the Council of Economic Advisers and the Joint Economic Committee in recognition of the special needs of these two bodies for adequate data as a basis for evaluating economic conditions and trends. Primary emphasis is currently being placed on strengthening the statistical series on which Government, business, and labor rely in appraising economic and social trends and in measuring the effectiveness and accomplishments of programs and actions in both the public and private sectors.

The Office, exercising the responsibility given to the Bureau by the Federal Reports Act of 1942, reviews and clears statistical forms and other requests for information proposed by Federal agencies. The purposes of the Bureau's review are to see whether the information is needed, to prevent unnecessary duplication, to reduce costs and reporting burdens, to improve the quality and general usefulness of the information obtained, and to assure compliance with accepted statistical practices and standards. These reviews, numbering about

2,700 a year, involve the periodic reexamination of existing programs of repetitive (monthly, quarterly, etc.) reports, as well as the appraisal of new and revised surveys and reporting plans.

In performing the statistical coordinating function within the Federal Government, this Office develops and promotes the use by all agencies of standard definitions and classifications in compiling statistical data, and of improved techniques for collecting, processing, and disseminating statistics. The Office maintains surveillance over the publication of statistics by all Federal agencies to determine the need for restrictions on the publication of statistical data in the interests of national security. It also serves as the focal point for United States participation in the statistical activities of international organizations, including provision of information on the adequacy and appropriateness of United States statistical data for purposes of international comparisons.

DIVISIONS

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

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

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

Economics, Science, and Technology Programs Division (estimated position requirements: 1970 - 34, 1971 - 36)

This Division has three primary substantive areas of activity in which it is responsible for review and analysis of programs, budgets, legislation, and management problems. These program areas are:

1. Transportation, which involves the Department of Transportation, the Maritime Administration in Commerce, the Civil Aeronautics Board, the Federal Maritime Commission, and the Interstate Commerce Commission.

2. Science and Technology. This Division is the Bureau's lead division for integrating the Government-wide budgetary, legislative, and management aspects of (a) general scientific and basic research programs and (b) marine science, development and engineering programs, and (c) environmental quality activities of the Federal Government. Assigned agencies include Atomic Energy Commission, National Aeronautics and Space Administration, National Science Foundation, the Smithsonian Institution, Environmental Science Services Administration, and National Bureau of Standards.

3. Economic development and business programs. Area and regional development activities involve the Department of Commerce and the regional Commissions. The Division examines Commerce business assistance programs as well as those of the Small Business Administration. Business regulatory agencies

include the Federal Communications Commission, the Federal Trade Commission, and the Securities and Exchange Commission.

A number of smaller agencies are assigned to the Division including the Office of Science and Technology, the Council of Economic Advisers, the Council on Environmental Quality, and the Renegotiation Board.

Among the workload items which will require substantial Division effort during 1971 are:

- Coordinating the Bureau's role in environmental quality affairs.
- Review and evaluation of urban public transportation programs which will develop from legislation now before the Congress.
- Monitoring development and implementation of the new airports/airways program under legislation before the Congress.
- Monitoring the implementation of proposed maritime programs.
- Working with the Department of Transportation in determining priorities in transportation safety and antipollution programs.
- Reviewing and evaluating new space flight programs and the use of existing space program support capabilities.
- Analyzing the various considerations bearing on AEC's current studies, pursuant to the President's directive, to realign the uranium enrichment activities into a form more nearly comparable to a commercial enterprise.

In addition, the large legislative analysis workload is expected to continue in 1971.

General Government Management Division (estimated position requirements: 1970 - 42, 1971 - 42)

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

Human Resources Programs Division (estimated position requirements: 1970 - 54, 1971 - 55)

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

The programs and agencies reviewed by this Division have seen rapid expansion in recent years. Existing Federal manpower, education, medical research, health protection and service programs, urban development, and welfare activities have grown rapidly and many new programs in these areas have been initiated. Grouping of the Government's major social programs in the Division under the direction of an Assistant Director of the Bureau provides an opportunity to review objectives, requirements and performance of these programs

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across agency lines, and to appraise their interrelationships. Evaluation of these programs will be intensified and trade-offs identified. In addition, greater coordination of similar programs will be sought and opportunities identified for their restructuring through grant consolidation and other system changes in order to develop a more effective means of delivering services.

International Programs Division (estimated position requirements: 1970 - 34, 1971 - 34)

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

On a continuing basis, the Division gives attention to policies, programs, operations, and budgetary issues in regard to matters of national security, including intelligence, information, and foreign military and economic aid activities; U.S. participation in international agencies; the international aspects of the Food for Peace Program; U.S. governmental transactions entering into the balance of payments; international trade and finance; and U.S. procurement abroad. The Division participates in the analysis of such matters with staff of the National Security Council and other interagency bodies such as the Under Secretary's Committee and Interdepartmental Groups of the National Security Council.

During 1970, the Division is giving special attention to assisting in Presidential reviews aimed at more effective policy choices in the use of U.S. resources overseas, particularly for foreign economic and military assistance. The Division is working with the National Security Council program analysis staff to help design and produce country program budgets displaying U.S. outlays in selected countries abroad. In collaboration with the affected agencies, the Division is also giving major attention to the reduction of U.S. personnel overseas and to effecting improvements in requirements determination and resource allocation for intelligence activities involving several agencies.

During 1971, the Division will continue these activities. It anticipates greater emphasis on independent studies and analysis of intelligence programs. The Division will be involved in the review of any proposals for revamping our foreign assistance programs resulting from the review of the President's task force on international development. Attention will be given to ways to make increased and more effective use of multilateral organizations in economic assistance. An increase of activity is expected involving issues of foreign trade policy, preferences for less developed countries, U.S. trade promotion and export financing, in line with the President's message on world trade.

National Security Programs Division (estimated position requirements: 1970 - 49, 1971 - 53)

This Division is responsible for examination of budget requests, programs, operating methods, and legislative proposals of the Department of Defense, including the Office of the Secretary, defense agencies such as the Defense Supply Agency and the Defense Communications Agency, and the Departments of the Army, Navy, and Air Force. The Division is also responsible for the budget of the National Security Council and the Office of Emergency Preparedness, encompassing program analysis of that agency's functions relating to continuity of government, stockpiling of strategic and critical materials, disaster relief, and telecommunications management.

The Division reviews long-range programs, participates in the development of a long-range programming process, and prepares fiscal projections based on these programs. It conducts special analyses relating to problem areas of these agencies, emphasizing areas of common interest among them with a view toward improvements in coordination, program effectiveness, economy of operation, and utilization of resources.

To cope successfully with the workload, Division staff are assigned to parallel the management structure of the agencies. For example, this requires assignments to 50 major Defense appropriation accounts, 10 programs, and 4 military services.

Natural Resources Programs Division (estimated position requirements: 1970 - 45, 1971 - 46)

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

AGENCY AND PROGRAM RESPONSIBILITIES ASSIGNED TO:

ECONOMICS, SCIENCE, AND TECHNOLOGY PROGRAMS DIVISION

Administrative Conference of the United States
Atomic Energy Commission
Civil Aeronautics Board
Commerce Department
Communications Satellite Corporation
Executive Office of the President:
    Council of Economic Advisers
    Office of Science and Technology
    Council on Environmental Quality
    National Council on Marine Resources
    . and Engineering Development
Federal Communications Commission
Federal Field Committee for Development Planning in Alaska
Federal Trade Commission
Federal Maritime Commission
Interstate Commerce Commission
John F. Kennedy Center for the Performing Arts
National Aeronautics and Space Council
National Aeronautics and Space Administration
National Commission on Consumer Finance
National Commission on Fire Prevention and Control
National Gallery of Art
National Science Foundation
Office of Coordinator for Meteorology
Regional Commissions
    Appalachian
    Coastal Plains
    Four Corners
    New England
    Ozarks
    Upper Great Lakes
Renegotiation Board
Securities and Exchange Commission
Small Business Administration
Smithsonian Institution
Southeast Hurricane Disaster (FAP)
Transportation Department
Antarctic program
General scientific and basic research programs
Marine science, development, and engineering
Environmental quality programs

GENERAL GOVERNMENT MANAGEMENT DIVISION

Cabinet Committee on Opportunities for Spanish-
    Speaking People
Civil Rights, Commission on
Civil Service Commission
District of Columbia
Emergency Fund for the President
Expenses of Management Improvement
Executive Office of the President
    Bureau of the Budget
    White House
    Special Projects
Federal Deposit Insurance Corporation
Fine Arts, Commission of
General Accounting Office
General Services Administration
Government Procurement, Commission on
Justice Department
Legislative Branch
National Capital Planning Commission
National Commission on Causes and Prevention of Violence
Obscenity and Pornography, Commission on
Oliver Wendell Holmes Devise Fund, Permanent Committee
    for the
Post Office Department
Potomac River Basin, Interstate Commission on the
President's Advisory Council on Executive Organization
Reform of Federal Criminal Laws, National Commission on
Revision of Criminal Laws in D. C., Commission on
Subversive Activities Control Board
Tax Court of the United States
Treasury Department
United States-Mexico Commission on Border Development
    and Friendship
Washington Metropolitan Area Transit Authority

Internal security
Law enforcement assistance
Automatic data processing management
Personnel management
Property and supply management
Public buildings construction

HUMAN RESOURCES PROGRAMS DIVISION

Advisory Commission on Intergovernmental Relations
Equal Employment Opportunity Commission
Federal Home Loan Bank Board
Federal Mediation and Conciliation Service
Federal Radiation Council
Health, Education, and Welfare, Department of
Housing and Urban Development, Department of
Labor Department
National Commission on Product Safety
National Foundation on the Arts and the Humanities
National Labor Relations Board
National Mediation Board
National Railway Adjustment Board
Office of Economic Opportunity
President's Advisory Commission on Labor-Management Policy
President's Commission on an All-Volunteer Armed Force
President's Committee on Consumer Interests
President's Committee on Employment of the Handicapped
President's Council on Youth Opportunity
Selective Service System
Veterans Administration
Consumer protection
Environmental health
Model cities program
Poverty programs

INTERNATIONAL PROGRAMS DIVISION

Agency for International Development
Arms Control and Disarmament Agency
Export-Import Bank
Food aid program (P.L. 480)
Foreign Claims Settlement Commission
Intelligence Community:
    Central Intelligence Agency
    Defense Department
    State Department
Peace Corps
Special Representative for Trade Negotiations, Office of
State Department
Tariff Commission
United States Information Agency
International organizations, including international
    financial institutions
International trade, finance, and monetary programs
Military assistance program

NATIONAL SECURITY PROGRAMS DIVISION

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

NATURAL RESOURCES PROGRAMS DIVISION

Agriculture Department
American Revolution Bicentennial Commission
Atlantic-Pacific Interoceanic Canal Study Commission
Canal Zone Government
Corps of Engineers (civil functions)
Delaware River Basin Commission
Farm Credit Administration
Federal Coal Mine Safety Board of Review
Federal Power Commission
Indian Claims Commission
Interior Department

International Boundary and Water Commission
National Council on Indian Opportunity
National Water Commission
Panama Canal Company
Public Land Law Review Commission
Tennessee Valley Authority
Virgin Islands Corporation
Water Resources Council
Historical and memorial commissions
Interstate compact commissions on water
Natural resources
Water resources

OFFICE OF THE DIRECTOR

(estimated requirements: 1970-113; 1971-121)

Leadership, direction and coordination of the work of the Bureau of the Budget are provided by the Director, assisted by the Deputy Director, four Assistant Directors, and the Executive Assistant Director.

The Office of the Director also includes the Assistant to the Director for Public Affairs, the Office of the General Counsel, a Management Information Systems Staff, and the common management and service activities.

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

A Management Information Systems Staff was established in fiscal year 1969. The Management Information Systems Staff is responsible for planning, operating, coordinating, and evaluating information systems to support decision-making in the Executive Office of the President and to provide leadership and guidance in improving and integrating agency information systems and information management programs.

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

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

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

Immediate Office of the Director

Director
Deputy Director
Assistant Directors
Executive Assistant Director
General Counsel
Assistant to the Director for Public Affairs

Management Information Systems Staff

Director of Administration

- Budget and Management
  - Fiscal Services
- Personnel
- Security
- Administrative Services
  - Services
  - Duplicating
  - Graphics
  - Records
- Library

OBLIGATIONS BY OBJECTS (including reimbursements)

(Dollars in thousands)

	Object Class	Estimated 1970	Estimated 1971	Increase or Decrease
11	Personnel compensation	$ 9,520	$10,123	$ 603
12	Personnel benefits	707	770	63
21	Travel and transportation of persons	260	238	-22
22	Transportation of things	11	5	-6
23	Rent, communications and utilities	275	270	-5
24	Printing and reproduction	388	420	32
25	Other services	793	1,267	474
26	Supplies and materials	88	93	5
31	Equipment	119	124	5
	Total obligations	12,161	13,310	1,149
	Deduct estimated reimbursements	-20	-20	
	Total budget authority required	$12,141	$13,290	$1,149

Requirements for 1971 by Object Class
(Dollars in thousands)

Personnel compensation (11), $10,123

Together with estimated reimbursements, the funds requested by the Bureau for fiscal year 1971 will be sufficient to support 585 permanent full-time positions which includes 30 additional positions requested for 1971. The average numbers of permanent full-time employees are estimated at 563 for 1971 and 531 for 1970. A summary of personnel compensation by office and division is displayed in Attachment B.

Personnel benefits (12), $770

This estimate is for the Bureau's agency contributions to the Civil Service Retirement System, the Social Security program, the Federal Group Life Insurance program, and the Federal Employees Health Benefits program.

Travel and transportation of persons (21), $238

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

Transportation of things (22), $5

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

Rent, communications, and utilities (23), $270

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

Printing and reproduction (24), $420

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

Other services (25), $1,267

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

Supplies and materials (26), $93

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

Equipment (31) $124

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

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

	1969		1970		1971		Increase or Decrease 1971 over 1970	
	Total No.	Total Salary	Total No.	Total Salary	Total No.	Total Salary	No.	Salary
Budget Review	56	882,095	62	1,021,121	65	1,070,338	3	58,217
Executive Management	44	829,510	55	1,089,797	60	1,192,725	5	102,928
Legislative Reference	21	313,045	21	341,847	21	345,369	-	3,522
Program Evaluation	13	225,961	14	270,131	17	316,087	3	45,956
Statistical Policy	29	501,648	32	594,245	35	645,563	3	51,318
Economics, Science and Technology Programs	32	515,863	34	580,994	36	614,147	2	33,153
General Government Management	40	693,915	42	775,104	42	780,361	-	5,257
Human Resources Programs	53	783,635	54	880,036	55	900,666	1	20,630
International Programs	34	533,806	34	591,189	34	596,683	-	5,494
National Security Programs	41	659,077	49	873,333	53	924,046	4	50,713
Natural Resources Programs	44	667,727	45	776,134	46	799,857	1	23,723
Office of the Director	96	1,189,523	113	1,583,177	121	1,714,160	8	130,983
Total permanent	503	7,735,805	555	9,368,108	585	9,900,002	30	531,894
Pay above the stated annual rate		29,495		36,024		37,992		1,968
Deduct lapses	-9.3	-145,008	-24	-438,532	-22	-362,994	2	75,538
Net savings due to lower pay scales for part of the year		-18,127		-30,600		-		30,600
Net permanent (average number, net salary)	493.7	7,602,165	531	8,935,000	563	9,575,000	32	640,000
Positions other than permanent:								
Temporary employment		165,455		200,000		200,000		-
Part-time employment		95,991		112,000		112,000		-
Intermittent employment		41,167		126,000		90,000		-36,000
Special personal service payments:								
Payments to other agencies for reimbursable details		53,940		43,000		40,000		-3,000
Other personnel compensation:								
Overtime and holiday pay		104,059		104,000		106,000		2,000
Nightwork differential		-		-		-		-
Total personnel compensation		8,062,777		9,520,000		10,123,000		603,000

AUTHORITIES

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

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

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

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

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

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

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

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

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

Intergovernmental Cooperation Act of 1968 (Public Law 90-577), and the President's memorandum of November 8, 1968, delegating certain authority under that Act (33 F.R. 16487), which require the Director to issue rules and regulations with regard to (1) improved administration of grants-in-aid to the States; (2) special or technical services to State and local units of government; and (3) the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development.

5 U.S.C. 305, which requires the Director to prescribe and administer regulations under which each agency makes systematic reviews of its operations on a continuing basis.

5 U.S.C. 4112-4113 which requires the Director to issue regulations with regard to Government employee training programs, governing (1) reductions in payments to employees on account of contributions received from non-Government organizations for travel, subsistence, or other expenses, and (2) absorption of costs of training programs.

5 U.S.C. 5514(b), which requires the Director to approve regulations dealing with the collection of indebtedness on the part of Government employees as a result of erroneous payments made to them.

5 U.S.C. 5707, which requires the Director to issue regulations with respect to travel and subsistence expenses and mileage allowances.

5 U.S.C. 5901, which requires the Director to prescribe regulations necessary for the administration of that section dealing with uniform allowances for civilian employees.

44 U.S.C. 1108, which requires approval of the Director for the use of appropriated funds for the printing of periodicals.

44 U.S.C. 3501-3511 (the Federal Reports Act), which requires the Director to coordinate Federal reporting and statistical services in order to eliminate duplication, reduce the cost of such services, and minimize the burden on the public of furnishing information to Federal agencies.

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

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

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

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

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

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

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

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

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

Executive Order No. 11073 of January 2, 1963 (28 F.R. 203), which requires the Director and the Chairman of the Civil Service Commission to submit annually to the President certain reports relating to the Federal pay rates pursuant to 5 U.S.C. 5302.

Executive Order No. 11230 of June 28, 1965 (30 F.R. 8447), as amended by Executive Orders No. 11275 of March 31, 1966 (31 F.R. 5283), No. 11290 of July 21, 1966 (31 F.R. 10067), and No. 11294 of August 4, 1966 (31 F.R. 10601), which delegates to the Director the exercise of statutory authorities of the President involving (1) transfers of balances of appropriations, (2) interagency land transfers, land acquisitions, contracts for land acquisitions, and other land transactions, (3) regulatory functions with respect to travel, transportation of household goods, quarters and facilities, and similar matters,

(4) provisions of certain funds and support to the State of Alaska, (5) determinations and procedures with regard to transfers of land and other property to Alaska and Hawaii, (6) rates of charges for certain hospitalization and dispensary services, and (7) allocation of funds for management improvement.

Executive Order No. 11466 of April 18, 1969 (34 F.R. 6727), which authorizes the Director to designate, from time to time, projects for joint funding under section 612 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2962) and section 406 of the Juvenile Delinquency Prevention and Control Act of 1968 (42 U.S.C. 3886), and to designate or provide criteria for the designation of one Federal agency to act for all participating agencies in administering any such jointly funded projects.

General Statement

Mr. Mayo. Thank you, Mr. Chairman. I will be glad to make a statement.

Mr. Chairman and members of the committee, it is a pleasure for me to appear again before this committee to discuss the budget request for the Bureau of the Budget. I should say at the outset that the budget estimate before you at this time does not reflect the reorganization plan which the President recently submitted to the Congress. That plan, as you know, would, among other things, designate the Bureau of the Budget as the "Office of Management and Budget." That change indicates an intent to strengthen, in a major way, the Bureau's capability to assist the President in such areas as executive development, management information systems, organization and management systems, and operational coordination.

"NONDOLLAR" FUNCTIONS

As the President stated in his message, this upgrading of what we might call the "nondollar" functions of the Bureau will require additional staff resources. The budget request which we will be discussing today does not include those additional resources. After the reorganization plan becomes effective, the President will submit to the Congress requests for additional funds for both the Office of Management and Budget and the new Domestic Council. Although the details of such requests are still being worked out, I anticipate that they will involve the addition of approximately 100 positions in the Executive Office of the President.

The request before you for fiscal year 1971 will strengthen our capability to meet the increasingly complex needs of the Presidency.

INCREASE IN COMPLEXITY

Government programs have, over the years, vastly increased in number, scope, and complexity. In a similar fashion, the responsibilities of the Bureau of the Budget have also increased in their complexity. This committee, as evidenced by your continued and enlightened support, has certainly recognized this fact. I am equally certain that this committee recognizes it is the dedication and intellectual and physical stamina of our staff which is the primary reason that the Bureau of the Budget has been able to serve the President as well as it has.

Historically, the Bureau of the Budget has been a small agency. For fiscal year 1970, the Congress enacted an appropriation for the Bureau sufficient to fill 555 regular positions. However, 555 positions represented 40 fewer than the Bureau had in 1948 and an increase of only 21 over the 1949 level. This comparison takes on significant meaning when one considers the growth in Federal outlays for a growing number of increasingly complex Federal programs.

With this information as reference, I would like to discuss the Bureau of the Budget's current situation and budget request for fiscal year 1971.

BUDGET REQUEST

The appropriation of $11,650,000 for 1970 provided for 555 full-time permanent positions and 538 full years of employment. Because of the additional pay costs incurred as a result of the 1967 pay legislation, the third phase of which was implemented on July 13, 1969, by Executive Order No. 11474, we have reduced our estimated full years of employment level to 531 in order to enable us to absorb approximately 50 percent of those costs. We are requesting a supplemental appropriation of $491,000 for the balance of those costs. Accordingly, the total amount of funds estimated to be available to the Bureau in 1970 is $12,141,000, consisting of the $11,650,000 already appropriated and the $491,000 requested as a supplemental appropriation.

A continuing review of the Bureau's budget situation has permitted us to make reductions totaling $161,000 in the 1970 base. These reductions have been taken in areas such as intermittent employment, reimbursable details from other agencies, travel, rents and communications, and other services. A detailed breakdown is submitted in our justification materials.

Taking these reductions into account, our 1970 base for planning to 1971 is $11,980,000. Our requested increases for 1971 are as follows:

WORKLOAD AND NONDISCRETIONARY INCREASES

First, an additional $220,000 is needed to provide for workload and nondiscretionary increases. These include the cost of an extra workday in 1971, increased printing costs for the 1971 budget, and a portion of the 1971 costs of periodic step increases granted to employees in 1970. This increase is broken down into $188,000 for personnel compensation and related benefits and $32,000 for the estimated increased charges by the Government Printing Office for printing the budget document and related materials.

MAAGEMENT INFORMATION SYSTEMS

An increase of $652,000 is requested to continue the management information systems activities for the Executive Office of the President.

This project was inaugurated in fiscal year 1969 with the funds and staff from the President's Management Improvement Fund, the Bureau of the Budget, and the Office of Economic Opportunity. In fiscal year 1970, the Bureau's appropriation was increased to provide for a consolidation of funding so that the primary effort was funded by the Bureau of the Budget and the Office of Economic Opportunity. The requested increase represents primarily a further shifting of funding responsibility to the Bureau of the Budget's "Salaries and expenses" appropriation. The requested increase of $652,000 is substantially offset by a corresponding decrease in OEO's budget. Therefore, the total dollar level for this activity in 1971 would be approximately the same as in 1970.

A major accomplishment of this year's effort to improve the Federal budgetary decisionmaking process was the completion of a major study of the problems of relationship between the traditional budgetary processes and the newer planning-programing-budgeting concepts. We are now following up on that study by initiating pilot tests in the

Departments of Agriculture, Commerce, and Labor in order to prove the feasibility of integrating the information systems that support both budgetary and program categories and classifications. The tests and subsequent system development will continue into 1971.

Another accomplishment in 1970, in the area of management information systems, has been the effort to improve the computer systems used in support of analyzing, compiling, and publishing the Federal Budget. Based on our operational experiences in processing the 1970 budget, the systems have been updated and modified. In addition, three new systems were developed to analyze law enforcement, manpower, and income security programs. Experimental work was begun on a computer-controlled typesetting program.

The Bureau also has provided guidance and leadership on a number of projects concerned with interagency and intergovernmental information systems. Significant improvements have been made in the policy and procedures for the preparation of the 1970 edition of the "Catalog of Federal Domestic Assistance." Other accomplishments include initiation of the development of a system to provide better information for agency managers in the new Federal regional structure, improvements in the system for reporting Federal outlays on a geographic basis, participation with the Department of Housing and Urban Development and other agencies to assist municipalities in development of information systems to support local management needs, and leadership in a variety of other agency information system development activities.

Our budget request for management information systems activities in 1971 will permit the continuation of the projects mentioned above as well as developmental activities in other areas of Government-wide information systems. It will permit the addition of eight positions essential to the orderly continuation and strengthening of these activities.

RESTORATION OF ESSENTIAL POSITIONS

As I indicated earlier, the Bureau reduced the level of full years of employment from 538 to 531 as a result of absorbing a part of the costs of the 1969 phase of the 1967 pay legislation. We are now requesting an increase of $114,000 to permit the Bureau to restore these seven positions which had been planned for 1970.

ADDITIONAL STAFF AND SUPPORT

Finally, we are requesting an increase of $324,000 to support an additional 22 positions. These positions are in addition to the eight positions referred to earlier for management information systems activities, thus bringing the total staffing increase being requested to 30 positions.

We plan to assign the 22 new positions in the following areas:

Program evaluation and budget review, six positions.—The Bureau works closely with the Department of the Treasury, Council of Economic Advisers, and the Federal Reserve Board on fiscal and economic policy matters. One additional position is requested to support the Bureau's role in its important work in the field. Similarly, we propose to increase our capability for analysis of long-range priorities

and allocation of resources, and, therefore, request one additional position for that purpose.

We are also requesting one position for further work on implementing the recommendations of the President's Commission on Budget Concepts and on closer integration of budgetary procedures with the planning-programing-budgeting system.

The Bureau must play an increasing role in program evaluation and analysis in broad program areas which are multiagency in scope. Environmental protection is one such area. To provide necessary capability for "crosscutting" analysis, we request two additional positions.

The growth of Federal programs has required increased emphasis on early identification and analysis of major issues that will require presidential consideration. The Bureau works closely with the agencies in identifying those issues and monitors the conduct of agency studies to help assure their timely and adequate completion. We propose to add one position for this activity in 1971.

Intergovernmental cooperation and coordination of the grant-in-aid programs, five positions.—As part of the Bureau's work in helping to streamline the Federal grant-in-aid system, we have underway an effort to simplify and develop uniform accounting and financial requirements imposed on grant recipients. We also work with other Federal agencies to improve their financial management systems in such areas as internal audit, accrual accounting, integration of budget and accounting procedures, and financial reports for management purposes. Additional effort is needed in these fields, and we are requesting three additional positions for that purpose.

Ten regions with uniform boundaries were established a year ago for the five major domestic program agencies and regional councils have been established as coordinating bodies in the regions. In addition, the number of Federal executive boards are being increased from 15 to 25. The Bureau works closely with the regional councils and the Federal executive boards in support of their work. We are also working closely with other Federal agencies in new approaches to streamline and modernize the delivery of Federal programs—an effort called the "Federal Assistance Review." Further progress in these areas will require two additional positions in 1971.

Statistical coordination and improvement, three positions.—As new advances in information technology are realized, the opportunity to improve the integration and utilization of data generated by the various Federal statistical agencies is increased. Therefore, the Bureau must further explore the application of recent advances in information technology to improve statistical information and to provide a better balanced Government-wide program in this area. We would also intend to give additional attention to the problems relating to Federal-State statistical coordination activities and to prevent unnecessary duplication in this area. Therefore, for 1971, we request three additional positions to be used for statistical coordination and improvement functions.

Program analysis, eight positions.—To enhance the Bureau's capability for budgetary analysis and review in connection with the preparation of the President's budget, the Bureau needs eight additional positions in 1971. We plan to use these positions to strengthen

our review of programs in the following areas: airways and airport development, merchant marine, public transportation, environmental quality, agriculture, income security, and the procurement practices and research and development activities of the Department of Defense, primarily in the areas of manned strategic aircraft, missile technology, new fighter and attack aircraft, antisubmarine warfare systems, and ship missile systems.

SUMMARY

In summary, the Bureau of the Budget requests an appropriation of $13,290,000 for 1971, an increase of $1,149,000 over the amount estimated to be available for 1970.

The increases for 1971, after directing a $161,000 reduction in the 1970 base, are broken down as follows: $220,000 to meet workload and nondiscretionary increases; $652,000 to permit the continued development of management information systems for the Executive Office of the President and provide further Bureau support and guidance to the agencies in this area; (Parenthetically, as I indicated earlier, most of this is offset by a decline in OEO.) $114,000 to permit the restoration of seven essential positions lost due to the Bureau's absorption of a portion of the 1969 phase of the 1967 pay act; and $324,000 for additional staff and support. This will provide a total of 585 permanent full-time positions for 1971.

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

Mr. STEED. Thank you.

I think we will recess now until 2 o'clock.

AFTERNOON SESSION

Mr. STEED. The committee will be in session.

The committee will continue the consideration of the budget request of the Bureau of the Budget.

REORGANIZATION

Mr. Mayo, in your general statement you explain that the funds for the additional personnel to be needed when the reorganization plan is approved, are not contained in this request and you referred to the fact that when the supplemental request comes after the Domestic Council and the reorganization of the Bureau of the Budget have been affected would involve about a hundred extra people.

Mr. MAYO. Yes, sir.

Mr. STEED. Does this include both the Council and the extra people for Budget?

Mr. MAYO. Yes, sir.

Mr. STEED. What division would that entail?

Mr. MAYO. Approximately 70 for the Bureau of the Budget, or the Office of Management, and Budget as it would then be called, and 30 for the Domestic Council. The Domestic Council, as a practical matter, exists now within the White House budget with something around 40 or 45 people. So that when the supplemental comes through I would

anticipate it would include, not exactly a recission, but at least a lowering of the White House budget figure comparably.

Mr. STEED. Sort of a transfer of funds.

Mr. MAYO. I would think so. We haven't really faced up to the particulars yet. That is the way I visualize it at the moment.

Mr. STEED. What in round numbers would the additional cost probably be?

Mr. MAYO. One of the Ash Council members used a figure of $2 million for both the Domestic Council and our addition. I am not sure we would actually spend that much in fiscal 1971, because even if the reorganization plan becomes effective at the earliest possible date, we are going to start in fiscal 1971 with a base of zero for those 70 new positions and you couldn't possibly get full year effect in 1971.

Mr. STEED. Would that be only in the function of the Council itself?

Mr. MAYO. And the same thing would be true of the 30 there.

RECRUITING PROBLEMS

Mr. STEED. When you enlist manpower, since you are in the category of wanting them already trained instead of waiting around for people to get training, what sort of recruiting problem do you anticipate for this particular type of recruiting? Would it take very long?

Mr. MAYO. It would take quite a while. I have no desire just to bring people aboard so I can prove to you that we have no openings. That, I think, would be kind of silly. As you may know, in recent years roughly three-quarters of our recruitment has been people with some experience rather than directly out of school. I would expect that that might be even more so, a larger percentage, as we get into the expansion not only of the 30 new jobs that we have already talked about in the Bureau of the Budget, which is exclusive of the reorganization plan, but also the 70 that would be added basically on the management and executive development side of our work after the reorganization plan becomes effective.

We are discussing right now the general outline of the recruitment problem that this poses to us. Even if only a quarter of these new people are people right out of college, we will have to beef up our college recruitment, and we are quite cognizant of the fact that spring vacation is already here. Although we would like to get as many of those as we can from the graduating class this June, we may find ourselves in second place or third place because others have gotten there ahead of us.

The market is a little bit softer this year. I used to follow this market of the MBA's, the BA's and Ph. D's very closely. I don't any more.

Jim, would you agree with that or is it soft enough to make the statement?

Mr. FREY. What I have heard is that the market is softer. When I was an MBA, they were not particularly interested in public service careers, and they are now. So, maybe the salary differential is not quite as critical as it use to be.

Mr. STEED. You are pretty well able to envisage in your own shop why you need this manpower and what you are going to do with it?

Mr. MAYO. Yes, we are.

PERSONNEL NEEDS OF DOMESTIC COUNCIL

Mr. STEED. But in the Council since it is a fairly new ball game, it will take some time before they are able to firm up the size of what they need to be effective, won't they?

Mr. MAYO. This is a little fuzzier, as you say, and I have cautioned my friends over there, too, Mr. Chairman, that I would hope they would be prudent in terms of adding people only when they know what they are going to do with them, rather than rushing in.

One of the yet unresolved issues in terms of the Domestic Council vis-a-vis the Office of Management and Budget is the precision of the line dividing their responsibilities from ours. I can't really speak to that. You can't just say well, they are policy and we are mangement. Life isn't that simple. Because any management activities worth a tinker's dam are going to come into the question of policy. It is one of the products of management—policy decision. This is one of the products of budget review and budget control—recommendations with regard to policy options. Not policy decision literally, that is the President's personal prerogative here, but he has too much to do to make all the little decisions as to whether it is a good idea to move $100,000 from this HEW program to that HEW program. These are decisions which will have to be made perhaps a bit short of him within a basic game plan that is a Presidential decision.

IMPACT OF DOMESTIC COUNCIL

Mr. ROBISON. I want to be sure I understand the budgetary impact of the Domestic Council once it comes into being, not in dollars but in procedures. Am I correct in assuming that their budget, for staff purposes and whatnot, will be part of your budget or will we receive a separate budget for that item?

Mr. MAYO. It is my understanding that just as you review the National Security Council budget as a separate item with which I have nothing to do, except obviously in the usual process, and you have never asked me to testify on the National Security Council, neither would I expect that you would be asking me to testify on the Domestic Council's budget. As I said earlier, I visualize this to involve a process of detaching some people from the White House rolls, adding some people, and creating a new appropriation request as a product of the reorganization plan. There would be appropriate amendments to the White House budget and to ours. Ours would relate only to the Office of Management and Budget.

Mr. ROBISON. But we are talking about a division between the Bureau of the Budget, under its new name, and the Domestic Council of the estimated 100 new positions.

Mr. MAYO. Yes. 70 to us, 30 to them. This includes support as well as professional personnel.

Mr. ROBISON. So your budget would go up by those 70 persons?

Mr. MAYO. Ours would go up a little more than theirs would.

PURVUE OF THE BUREAU OF THE BUDGET

Mr. STEED. When you go back to the beginning of the concept of the Bureau of the Budget and check its course through the years, I am impressed with the fact that it came into being at a time when

the President felt like he had no central way of keeping his several activities in bounds and he felt like he needed a way to do that. As I read it in those days, the Bureau did a lot more actual participating with the President in his policymaking decisions. He did more of that sort of thing than he is able to do now. As years have gone by and the Government has grown, the very physical process that gets involved in all of these very complicated departmental budget items has loaded the Bureau of the Budget down in a way that maybe I can make a phrase that would indicate it—you are so busy in the action field that the contemplative or the study or the thinking is almost eclipsed.

You are so busy with the issues of the day that you don't really have time to step back and look at the whole thing and be able to give the President the sort of thing he really needed the most in the beginning, and this is becoming less and less possible.

Hopefully, some of this pressure would be taken off by the Council in one regard.

Mr. MAYO. Yes.

Mr. STEED. Plus the fact the Bureau of the Budget would be able to have a better chance to think about the whole package plus follow through to see that thinking became effective action all the way down the line.

Mr. MAYO. Right.

Mr. STEED. Is this a concept that you sort of have in mind?

Mr. MAYO. I think you have stated it very well. We have done quite a bit more long-range planning in the last year than we had in earlier years in order to try to assess the consequences of present programs, pricing them out with various economic assumptions and trying then to compare the cost of those programs and the new initiatives that the administration has suggested in the budget, with the revenues which are likely to be available under present tax law adjusted by those minor changes that we have suggested in the budget.

These add up on the revenue side to $266 billion for fiscal year 1975, with expenditures—just on the basis of what we know today without new initiatives—of $244 billion, which leaves a tidy-looking sum of $22 billion sitting out there as the pot of gold at the end of the rainbow in 1975.

The only trouble with that is that, like the proverbial pot of gold at the end of the rainbow, when you march to the end of the rainbow there is no pot of gold. I don't think any of us can visualize the situation where a President of the United States, who must have some political motivation or he will never get elected in the first place, much less re-elected, and a Congress which must have some political motivation for the same reason, could possibly stand still and have no new initiative for 4 years.

You and I also know that in the process of getting from here to there we can terminate some Government programs and cut back a few, but we are not going to come anywhere near meeting a significant proportion of the increased demands on us by canceling out existing programs. That becomes politically very difficult even if it should be economically justifiable. We are aware of that.

So, I think you can easily see if initiatives in any one year on the part of both the Congress and the Executive total only $2 or $3 bil-

lion, Mr. Chairman, you and I know that $2 or $3 billion will cost maybe $5 billion the second year and maybe seven or eight the third year. You take that sort of a pattern and, your $22 billion is gone.

BUILT-IN ANNUAL COSTS

Mr. STEED. That brings up something that has been in my mind the last few years, and I can illustrate it better by recalling the day you and the Secretary of the Treasury were before the whole Appropriations Committee for the broad outline of the budget. The questions and interest of members was so intense on the new action part of it that to me it seemed that the pipeline was almost overloaded. You include that in your charts and diagrams and as I have tried to analyze that, it seems to me we are going to wind up some day in some future Congress where all of the resources of the Government have already been committed and there is not going to be anything left for the Members of Congress to play around with then.

Mr. MAYO. Unless they increase taxes.

Mr. STEED. So, I think that if we could find some way to make everybody, especially the public, more conscious of what the built-in pipeline annual costs are that it might have a healthy effect on all of this reaching out for new things. Obviously, the old necessary functions of Government continue to cost more because the country gets bigger and the workload gets bigger.

Mr. MAYO. And prices go up.

Mr. STEED. And normal growth factor you have to live with. That is always going to take its toll. When you add that to what we are already committed to, what is already done, it narrows the field of discretion. I would like to think that you were getting in a position where you had the time and the resource to bring that out in more sharp focus, so that those that are apparently unaware of it or unconcerned about it as of now, could begin to be more impressed with it. I have in mind a rough chart. Go back several years and measure the difference between the total new obligational authority and the automatic pipeline and then take out the necessary part, like the interest on the national debt and the things you have to do, and keep extending these lines. Both lines continue to go up but the margin gets narrower and you have less to work with.

Mr. MAYO. Right.

DISCRETION IN APPROPRIATIONS

Mr. STEED. The best I could analyze it for this year when you really get down to it, you and the President in the beginning and now the Congress, when it comes to the matter of what you would call discretion, out of all of this 200 and some odd billion dollars, you are only arguing about $30 billion. You are already stuck with all the rest whether you like it or not. Am I off base on that?

Mr. MAYO. No, you are not off base at all. When I came into this job a year ago, I made the statement that if I could reduce from 99 percent to 98 percent the percentage of my time spent in doing the day-to-day things I would have doubled the amount of time available to do longer-range planning. And we have done that. These are

sort of made up figures, of course, but I am not saying the so-called 98 percent is an ideal.

I would like to spend maybe only 95 percent of my time on the shorter term facets of my job. But at the moment we are quite encouraged at the response we got to the setting of a definition as to what the resource pie would look like in 1975. Everybody, of course, wants to have us state piously how we are going to cut up the pie, if I may use the pun. But, we are not going to do that. That is something that the President will be suggesting as we go along, as indeed will the Congress. And I am sure the Brookings Institution and others will have some ideas. That doesn't mean we agree with them; there are different ways of getting from here to there. Different appraisals of national priorities are all to the good. We are the richest Nation on earth, but we still have fewer resources than we would like to have, because we are also the most imaginative people on earth in figuring out ways to spend money.

DANGER OF BUILT-IN EXPENDITURES

Mr. STEED. There is another way to look at the budget that really worries me. But this year, for instance, in the contemplated "expenditures" budget or "bills coming due" budget, as you projected in the presentation the other day, it showed that the action we take this year will only create about half of the bills you are going to have to pay for the whole year, because of this prior action that got in the pipeline.

Mr. MAYO. Yes.

Mr. STEED. When you think of the part of the new action you are going to have to fund during the same fiscal year it was authorized, these automatic items like interest on the national debt, then you have yours down to where we are just arguing about a rather shockingly small part of the total Federal budget.

I just don't think that this is well enough understood in the places where some of the decisions on it are made and especially in Congress.

I don't know whether there is any way to sharpen the knowledge and understanding of this part of it or not, but it is sort of like giving your wife all the credit cards she wants and never stopping to sit down and consider the problem of being able to pay when the bills come in.

Mr. MAYO. That is right.

Mr. STEED. Obviously, a great bit of it probably can't be avoided.

Mr. MAYO. We must be very prudent on it.

Mr. STEED. It seems to me there is more danger in the Federal fiscal operation from that standpoint than anything else. If we just didn't have such an enormous-pipeline, all kinds of other problems at the moment would be much simpler.

Mr. MAYO. I have made the statement a number of times that if George Romney locks the door at HUD and fires everybody except for the fellow that takes in the mail and issues the checks—there has to be more than one man to do that—his budget is up to three-quarters of a bililon dollars in 1971 without making one decision. Not one. That is kind of shocking. It isn't something George Romney has done. He inherited all of this. We thought up the idea of credit card government quite a ways back and housing happens to be the place where it has been put to use the most. People say why shouldn't it be—housing

is a long-term investment and so forth. But, we have overdone it, I think, in terms of setting a precedent that locks us in. A considerable portion of the HUD expenditures for 1975, Mr. Chairman, are already set in concrete unless we want to break a contract and go out and sue or be sued. For perfectly laudable human purposes, we are just overdoing it a little bit.

There are other areas that are a little different from that but they still involve commitments well in advance of expenditures. And in the case of construction of water pollution abatement facilities our proposal itself would ask Congress to enact $4 billion of Federal grants-in-aid to State and local governments for water pollution abatement projects over the next 4 years, but the whole $4 billion would be available a billion a year the way we have asked for it. So, the whole $4 billion shows up in obligational authority; yet at the end of the first year, even if we have fully obligated a billion dollars, you probably have only spent $150 million at the most.

So, there are some things where you do indeed have a justifiable lag in expenditures. It is hard to ask State and local governments to go ahead on the project if they are not sure where the next year's money is coming from. I cite that as an example which is a different sort of thing from spreading the cost over a long period of time. We could have said let's keep the annual appropriation process intact to assure the State and local governments enough to cover the payment of the principal of serial bonds with maturities of 20 or 30 years. This was suggested in some quarters as a new, bold, imaginative plan of financing water pollution facilities. That is the housing program, a few numbers changed and letters change—but it is nothing new. We resisted that and came up with a plan which, although it will add to obligational authority, does so in a reasonable way that won't go on forever. It will be largely obligated during the next 4 years, and the spending will lag behind that some, but over the next 6 or 8 years it will all be spent.

WATER POLLUTION

Mr. ROBISON. Mr. Mayo, in the water pollution field, as you will very well remember, the budget request for fiscal 1970 was $214 million for the waste treatment grant program.

Mr. MAYO. I well remember.

Mr. ROBISON. The House and the Senate marched up and down their respective Hills on this and we came out with a figure of $800 million as our compromise, with something like an $85 million carryover to add to that. Then, there was speculation as to whether or not, because of the freeze on construction and the inflationary situation all told, the administration would be willing to spend that amount. I happen to know that one of the basic problems, just as you know, in trying to spend anywhere near $800 million related back to the allocation formula under which those moneys go to the several States. You probably don't carry it in your head, but could you provide us for the record, with some information as to what the estimated expenditure under this particular program will be out of that $800 million appropriation for this fiscal year?

Mr. MAYO. Yes, I certainly will. We are going to make all of that $800 million available for obligation. We are not asking for any re-

cission of that, as you know. Some of this money will be to reimburse those faster spending States that have been more aggressive in getting their own programs going on water pollution abatement.

Mr. ROBISON. If you do not do that latter thing, all of us from those States looking for reimbursement will be down on your neck, you know.

Mr. MAYO. The fact is that you have proved your financial ability as well as your farsightedness in moving ahead. Some people say we should spend the money more on those States that lack the aggressive spirit that New York and various others have shown. That isn't the name of the ball game here.

SUPERHIGHWAY PROGRAM

Mr. STEED. This leads us up right to another headache. While I do not have as much of the problem in my State on pollution as Congressman Robison does, because of the great progress in New York, there is another item on which his State and mine shares a rather mutual interest, and that is the superhighway program and the reimbursement for toll roads.

Mr. MAYO. I am from Illinois, so I will join you.

Mr. STEED. Since we are now coming up to that last phase of the development of this great superhighway system, and we are not but a few years now from the termination date for the original concept of the trust fund, have you gotten into any thinking yet on whether the trust funds continuation after its expiration date would be solved or what will be done in this area?

Mr. MAYO. We are considering an extension of the trust fund which is the obvious thing that has to be done this year.

Mr. STEED. There was a stretchout in the actual construction from the original 13-year concept?

Mr. MAYO. Actually, even under present plans I think it will be at least 1976 or even 1977 before the construction will be finished. We have had some soul searching, so to speak, on the role of the highway trust fund in an economy such as ours, on whether it is indeed appropriate to insulate for quite a long period of time one specific source of revenue which has a tie to highways and yet has been used in past periods as a general revenue. We never tried to tie the cigarette tax to the elimination of air pollution and things like this.

Mr. ROBISON. It is a great thought.

Mr. MAYO. We haven't tried to suggest all sorts of more or less user charge approaches that are not really user charges, like the——

Mr. STEED. I think a great many States have learned that the big rush starting in the thirties and that came on through the forties of legislatures earmaking funds for so many things has come to be a curse rather than a blessing.

Mr. MAYO. Yes.

RAILWAY PASSENGER SERVICE

Mr. ROBISON. If the chairman would permit, it does seem to me as we approach the day when we are going to try to consider a national transportation system based on a national transportation policy, which to my mind requires consideration by Congress and the admin-

istration, of some method of providing not just highways and airports and air safety measures and so forth.

Mr. MAYO. Rail transportation.

Mr. ROBISON. I hate to bring this up. Some way to revive railway pasenger service so we have a balanced transportation system. It might be necessary for us in the future to give consideration to a transportation trust fund so called, and to which—and Lord, I can imagine now the jurisdictional battles there would be—but to which the highway people and the air transport people and the rail transportation people would eventually have access, including I might add, urban mass transportation which is, of course, what we have talked about in that line.

Mr. MAYO. We considered this to some degree last spring, and we didn't really feel it was timely. This was actually after we proposed that airport and airways development be financed out of a separate designated fund, as we put it. But we have also asked the Governors, many of whom have really taken the highway trust fund for granted, what are your priorities that you are urging us to put more money into water pollution abatement and into schools and various things, but no one is suggesting that some of this could be taken away from highways.

"Oh, no, that is safe, that is already wrapped up in its little package, don't touch that."

But from the standpoint of the economic good of the Nation we are just enough naive to think we really have to look for a clean sheet of paper once in a while, to ask the Governors to sit down and enumerate some of their priorities. Some of the Governors want us to take over the whole relief burden. They want to lock up some of these things and then fight out the resource allocation of what is left.

There are many States, Mr. Chairman, that have already passed the 50-percent mark on earmarking their revenue. As you have suggested, they have regretted it.

COORDINATION OF TRANSPORTATION EFFORTS

Mr. STEED. In talking about this subject of transportation, aren't we getting into an area now where inevitably the Council is going to find itself faced with the job of developing some broad across-the-board policy in the area of making mass transportation, air transportation, highway construction mesh together and complement each other instead of letting each one go with its own enthusiasts to just do by itself what they think. You take, for instance, this metropolitan transit program for the District here, as well planned out as it is, it had all of its whole emphasis on how to get people in and out of the District of Columbia from the suburbs. You have many other ways you get people in and out, and while that is going on you have to get people in and out from all over the country into Washington. And you can't blame those in charge of a program to be devoting their total energies to that one thing.

Whether it happens to step on the toes or cut a corner or fails to connect smoothly with some other part of the transportation picture is really not their major concern. That, then, calls for some super type

of thinker who is going to say, well, you can do just so much of this, because we are also over here doing something else and the better way to do it is to stop you at this point and bring the others to this point or vice versa.

Isn't this going to be an area, if the Council functions as intended, where it is probably going to be very soon called on to perform a major task?

Mr. MAYO. That is very likely. Even if you should be able to get your total transportation setup reconciled in terms of consistent policy, then you have the even tougher problem of deciding the proper allocation of resources among housing and transportation and water pollution and air pollution abatement and even noise abatement and how all this fits in in turn with public works development, as all of these things involve construction of plant and equipment in the public sector.

NATIONAL PLANNING

Mr. ROBISON. I think what we are getting back to, and it is high time we did, is an effort at national planning of the sort which, if a city now fails to do it, that city is automatically in trouble. If a village fails to do it, that village is automatically in trouble. This Nation has almost totally failed to make a real effort at national planning, and I am sure this is what the President had in mind when he put that sentence in the State-of-the-Union message about growth being a fine thing, but if we didn't direct it into constructive and planned channels it could be a disastrous thing, too.

Mr. MAYO. It certainly could.

COST INCREASES

Mr. STEED. Going back to another matter you mentioned on the budget about the additional money you are requesting on the basis of the Bureau of the Budget as it presently stands, you made reference to $32,000 increase in some printing costs which is understandable but rather sizable. What other types of costs of this sort are you confronted with in carrying out your work at your present level?

Mr. MAYO. This is perhaps the most obvious one simply because we all know what the budget looks like and you can see what has happened. The cost of printing the budget has gone up 30 some percent between 1966 and 1969.

Mr. ROBISON. But you got the price of the document down to the public and that is remarkable.

Mr. MAYO. We did on the little document. I have forgotten what the reason was for that.

Mr. COHN. It was not the printing costs. The Superintendent of Documents used to put the budget in a nice corrugated carton when he sent it. Now he found he could put it in a heavy paper cover and it would arrive safely most of the time. He saved a good bit of money on that and that is why the cost went down. Our printing costs didn't go down, his costs went down.

Mr. MAYO. The budget is such a tough document it will withstand the treatment of Mr. Blount's system.

BUDGETARY IMPACT OF REORGANIZATION

Mr. STEED. You are going to have the new concept of reorganization of boundary lines for various agencies of the Government being correlated to mesh together.

Mr. MAYO. Yes.

Mr. STEED. As I understand the expansion of the function you want to do is to have more and more people in the field looking at the picture as it applies itself at the action levels. Wouldn't your travel costs become a very sizable item if you are able to get this going?

Mr. MAYO. It would have to move upward. The travel costs in terms of the Bureau's expenditures presently is not a very large figure proportionately. It is $260,000 out of total budget of $11,650,000. We have that down a little for 1971.

Mr. FREY. We overprogramed our travel in 1970 and we lowered the base to reflect that.

BUDGET REQUEST

Mr. STEED. It is not true then, by the time you get through automatically cutting everybody else you still by reflex action, apply it to yourself.

Mr. MAYO. We have been accused of having to be like Caesar's wife over the years, and as I mentioned to you last year when I was up here on a similar excursion into the coming fiscal year, I didn't at that time have a specific suggestion as to how we might amend the budget we inherited for the Bureau of the Budget to expand it, but I intended to for 1971 and that is at least one projection I made I have now come through on.

Mr. STEED. I am not going to tell you the man's name for his own sake, but at a little ceremony at the White House earlier today one of the folks down there told me if they took the word "cut" out of your vocabulary you would be virtually crippled.

Mr. MAYO. I am very versatile. I have the words "subtract," "delete," "restructure with purpose of elimination." You just let me go, Mr. Chairman. I can go into German and other things, too, if you cut out all of the good English words.

FREEZE ON CONSTRUCTION AND PERSONNEL

Mr. STEED. What is the status now of the freeze on construction and also on personnel? You have made some easing of part of the construction freeze, as I understand it.

Mr. MAYO. That is correct, Mr. Chairman. The President announced Tuesday the termination of that part of the construction plan that related to federally assisted projects where there is State and local matching involved, and a termination of his urging the Governors and the other officials of the State and local governments to defer their own completely State-financed construction projects. There has been no change, however, in the President's announcement last September with regard to a 75-percent cutback in obligations for direct Federal construction, with the exception of construction that involves water pollution abatement projects by Federal agencies, an exception which he made on February 4.

But to go back to what he did release, Mr. Chairman, we figure that this involves about a billion and a half dollars of construction that has been postponed, to be financed $1,200 million by the Federal Government and $300 million in the matching grants at the State level, heavily predominated by the interstate highway program which is a 90–10 sharing program but including the 50–50 sharing of the costs of the ABC system of highways, and by hospitals and various other projects.

Mr. STEED. What about military housing?

Mr. MAYO. Military housing already had an exception.

Mr. SCHLESINGER. Not in the original cutback.

Mr. MAYO. I mean recently.

Mr. SCHLESINGER. There is a partial exception for the areas of greatest need.

Mr. MAYO. That is correct.

Mr. STEED. Concerning the freeze on personnel that has been invoked, is there going to be any easing in that area or has there been any?

Mr. MAYO. First of all, as you will recall, we were only filling vacancies to the extent of three out of four. That was the provision that was in the original 1968 Revenue and Expenditure Control Act. It has been repealed. This released the executive branch on its word that it would continue to observe personnel restraints but in a way that was more flexible than the three out of four formula permitted under which you were always in the difficulty of the agencies with the biggest turnover having the toughest job. You also ended up with this kind of situation—when you needed doctors in HEW in certain programs, the only way you could hire them, when the three out of four system was in effect, was to replace lab technicians and clerical people. So, you had doctors doing clerical and lab technicians work. Yet, it had to be done, because you wanted to get the doctors on the rolls, always hoping you could at some point end that process.

We have been much more flexible in this current year in observing the spirit of the congressional idea of restraint, which, of course, the President shares, and we expect that there will be a further decline in employment in 1970 as compared to not only the figures in 1969 but also to the level that was projected in the original budget for 1970. We are about 90,000 below the latter amount.

We expect in 1971 there will be a further decrease of about 5,600 which is small compared to the decrease that is likely for this year. The only way, however, to be perfectly frank about it, that we can accomplish this net decrease is by a decrease in the Defense Department civilian personnel that exceeds the increase in civilian agencies. In other words, the 5,600 is made up of a decrease of 55,800 in the Defense Department, offset largely by an increase in civilian agencies.

PERSONNEL FREEZE

Mr. STEED. I am interested in the current status of personnel freeze for this reason: You have referred to a recruiting problem that the Bureau has and as you know, in some of the agencies that are faced with the need for manpower just by sheer workload itself, which is easy to determine, there are just certain seasons of the year they can

hope to recruit the type people they have to have, college graduation, of course, being the most identifiable one.

In other instances, one or two have come to our attention, as the military cutback on civilian employment it makes available certain skilled-type people that other civilian agencies of the Government can make very fine use of.

For instance, in one military investigative field, I think in the Navy, where they had some very fine skilled people in this type work, Customs was able to take advantage of the fact they were laid off in the military. Since they used manpower that must have these expertise this gave them a sort of a windfall and they were able to take advantage of it, but it would have been tragic, I think, had a freeze kept them from doing that.

Are you thinking about these factors as you vary the freeze in the several agencies?

Mr. MAYO. We certainly are, and as you will recall, from the tables in the budget as well as the testimony of our associates in the Post Office and in the Treasury particularly, they have significant increases in 1971.

Now particularly with Treasury, I think we could justify even more increases in 1971 than we have in the budget if we had a little freer hand. But I think even here we have had to be somewhat restrictive in view of the President's desire that is very firmly held and of what we still interpret as Congressional intent, that overall Federal employment should be held at a minimum level consistent with efficiency. It is the consistent-with-efficiency point that bothers us as it does you on Customs and Internal Revenue, for instance, the two cases in point.

IMPACT OF PERSONNEL FREEZE IN IRS

Mr. STEED. I never will recover from the fact that—I don't know what you would call the intent but the effect of that manpower restriction in 1 year on Internal Revenue alone, not only has left some headaches that we have to be paid for in several succeeding years in terms of lack of experience and training and the time lag, but also it actually cost the Government more money in terms of taxes not collected than the whole thing could ever hope to save.

So, this was just a dramatic case to me of pennywise and pound foolish results. I hope we don't get into another mess like that.

Mr. MAYO. I feel that way too. The audit coverage in the Internal Revenue went down. We are trying to turn that around. But again you don't cure this overnight.

I have another illustration that I think is important here. It isn't in one of your responsibilities as a subcommittee chairman but it is nevertheless a significant one. The effect of the employment restraint was so heavy on the Social Security Administration, Mr. Chairman, that we looked at the overtime costs that were being created by this, and we were able to give the Social Security Administration some additional positions and save the Government $5 million. I think that was another case where the net result of the personnel ceiling that expired last June had in effect cost the Government money.

Mr. STEED. I think we had in our hearings last year a very dramatic documentation of what it did in the Treasury area. It was a high price to pay for the political glamour that somebody seemed to think was in this meat-ax approach of putting on such restrictions.

We, of course, realize your responsibilities in actually getting the nuts and bolts of the budget together and making it a workable document, but also going into that is a lot of things that are in, I guess you would say, the intangible field because it requires an endless amount of decision and determination and evaluation and, the prevention of overlapping and duplication and the consequences present and future when new programs are proposed to be initiated, and productivity, whether or not any given function of the Government is going in the right direction in that field, whether the way we measure it or encourage it is the best or soundest way. And then I guess you would call it cross-servicing or common activities of some agencies, the management improvements and so forth, and then whether or not approved practice of utilization of advance technology in one area is realized and adopted by others that could make useful progress with it. And finally, it comes down to something that I think if you had sufficient manpower a whole lot more could be done, and that is—I don't know what the right word is, but I guess you would call it the desirability factor.

The budget is presented to us many times on the basis of caseload. Yet, the word "caseload" is very loosely defined. The agency naturally tries to make a defense of what it calls a caseload. Sometimes this gets to be a sort of opinion that an outside look such as the Bureau of the Budget would give to it could refine it and tighten it and improve it.

In my case every now and then I have the opportunity to participate in the enactment of a law and the funding of a law to carry out a program that I think is very desirable. Then, when I go home and see how it comes out the other end of the horn I am sometimes dismayed and astonished at what the results were. Many times it is a far cry from what we were thinking about when it was at this level.

Do you think the Bureau of the Budget is ever going to be able to do as good a job as you would like in getting into what I would say is the meat of the coconut instead of having to rely so much on the vested interest or bias or enthusiastic viewpoint of the agency people themselves? Maybe I don't make clear what I am shooting at here.

Mr. MAYO. Yes; you do.

Mr. STEED. I am not trying to fault the people who make these representations but sometimes when I think I want to do something in my office my assistant shows me where there is a whole lot smarter and more efficient way to accomplish the same thing that I have come up with. It seems to me that if the Bureau of the Budget is not the one place in all Government where this sort of application is available we don't have any.

Mr. MAYO. We take this very seriously, Mr. Chairman. We are, indeed, making considerable progress in this whole area of management systems and coordination of programs.

I should also say in answer to your question as to whether we will ever get to where we are satisfied, the answer is, "No." If we get to where I think we would be satisfied I will change my standards to do better. But more importantly, we are making improvements—the whole idea, for instance, of having colocation of regional headquarters of the human resource agencies in 10 cities around the country much to the discomfort of the people in the various cities from which agency headquarters were or will be moved. I think that it is highly desirable that a city manager, for instance, with a program that he wants to get some Federal funds for doesn't have to go to three or four different cities when it is an interlacing of responsibility between OEO and HEW and Labor.

Somebody might sit in my seat and smugly observe that maybe we spend less Federal money that way by having the thing so disjointed that nobody knows where to make an application, but that isn't the way to save money. You save money through efficiency, not through inefficiency. But I am sure for everything I can think of in this regard Dwight Ink can think of quite a few more. Specifically on the management improvement side, we have a new Council set up, the President's Advisory Council on Management Improvement that met all last weekend on this very subject. Maybe Dwight would like to say a word on that. It is still fresh in his mind.

PRESIDENT'S ADVISORY COUNCIL ON MANAGEMENT IMPROVEMENT

Mr. INK. Mr. Chairman, there are a number of areas in which there is tangible progress being made. In a few weeks we will have something that might be of interest to the Chairman in terms of the progress made during this last year in which we can show you examples of where the red tape has in fact been cut back, where the numbers of forms have been reduced and consolidated, where the amount of time that is taken to get answers back to the States and communities has been cut back substantially. It is surprising how much cost goes into overhead while you are waiting for decisions to be made.

We can give you, I think, a number of rather interesting examples where this effort is beginning to show tangible results, and next year on the basis of these pilot operations and these examples we have, we are going into a broader range of programs.

Mr. STEED. If you could comment for the record, it might form some guidance for other agencies of the Government that haven't been reached yet, because sometimes an example does a lot of teaching.

Mr. INK. Yes, sir. Mr. Chairman, the management improvement program we are extending to all agencies of the Government and the President's Advisory Council that Mr. Mayo mentioned, which is advisory not only to the President but also to the Director of the Bureau of the Budget, is helping us develop a program for these other agencies.

I can cite one example of this which will apply to all agencies in the Federal Government. We are asking each agency and department to pick out—we are helping them a little bit in the process—management areas in which they have had the greatest difficulty, the chronic problem areas. We are asking them to set goals for improvement in

these areas, and to make a special, intensive effort to check back and report against those goals every month until they are under control.

The Defense Department is doing this in the areas of procurement, for example. They feel they have had too many letter contracts, and sole source procurement. They have set targets to get them down to more acceptable levels. This is a concentrated effort to focus specificially on those management problems that are most troublesome in each agency and department.

CONSOLIDATION OF AGRICULTURE AGENCIES IN OKLAHOMA

Mr. STEED. Mr. Director, a few years ago under the Eisenhower administration when Mr. Benson was Secretary of Agriculture and the late Ross Rizley was Chief Counsel, since he is a former Congressman from Oklahoma and an old friend of mine, we were able to get a deal worked out where four agencies of the Department of Agriculture that were scattered all over Oklahoma were brought on to the campus of Oklahoma State University in a building built and leased by the university to these agencies. We had the Farmers Home Administration, the Soil Conservation Service, ASC and Extension Service in the same building.

It has been interesting to me since to watch, having had a lot of firsthand experience about the difficulties my constituents had in approaching these agencies, and in the frictions and the competitions and the overlap of their functions. After they all got to where they lived together and shared the coffee cups together and what have you, without anybody doing anything it automatically just began to fall in place and began to coordinate itself together. And it has been probably the most refreshing result in terms of the people that do business with them than anything I have ever seen in the Government.

Mr. INK. I wish you had given us that example last year in the hearing. It would have been awfully helpful to us during the year when we were trying to do just that.

Mr. STEED. Nobody told them they had to do anything, but just the proximity and being where the public could see the whole thing at once, and the one office began to want to be a little nicer than the guy across the hall and it has had one of the most favorable results I have ever seen. You didn't need a coordinator, it coordinated itself.

Mr. MAYO. Is this down at Norman?

Mr. STEED. It is at Stillwater. So, what had really become a source of concern—a man would be in Oklahoma City in ASC and find out the rest of the problem had to go to Stillwater, FHA, or SCS. Now, he does the whole bit under one roof and he finds that the man in SCS that he is talking to can give him a good pitch of what the ASC will be able to do for him across the hall and so forth. I think if you went down and talked to the Government people involved and you asked them if they would like to be dispersed they would rise up in arms against it. Because every one I found, and I work with them all the time, believes that this being there together has helped him to do a better job in his own agency and instead of it creating friction and jealousies it has had the effect of eliminating them. And certainly, the public has been most pleased with it because it has been a convenience that never existed before.

Mr. INK. We are doing this with the agencies that Mr. Mayo talked about, Health, Education, and Welfare, HUD, Labor, OEO, and the Small Business Administration, and not only in the same city, but to the extent GSA can rework the leases, over a period of time bring them into the same building to accomplish these goals.

Mr. STEED. One spinoff from this I liked was the fact that certain individuals who would get disappointed in one office would come back telling some scare stories about how he was kicked around and mistreated and blaming somebody else. This doesn't happen any more because whatever he says in this office will be known at the next coffee break at the next office so he just didn't get away with playing one of them off against the other. This has had the effect of eliminating this sort of thing.

Mr. MAYO. It is a good point.

Mr. STEED. I think perhaps in many of these other functions, if physically this sort of an arrangement could be made, it will have that sort of a helpful effect. Certainly, it has worked out in that case.

Mr. ROBISON. Sort of a Federal "supermarket." You go up and down the aisle until you find the item you want.

Mr. STEED. In the first place, we got it done with our good friend, Mr. Benson, by showing him we could save him some money. It actually reduced the overhead costs of the agency. They also had what amounted to new and adequate and modern and air-conditioned facilities. So, the housing was much better, the parking for the public was better. But in addition to all of that, it just had the effect of making them work together better. And it is still true.

Off the record.

(Discussion off the record.)

KEY BISCAYNE AND SAN CLEMENTE

Mr. STEED. Mr. Mayo, I received a letter from you in regard to the residences at Key Biscayne and San Clemente and with your permission, I would like to make that letter a part of the record at this point.

Mr. MAYO. Yes, sir.

(The letter follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 13, 1970.

Hon. TOM STEED,
Chairman, Subcommittee on Treasury, Post Office, and Executive Office Appropriations, House of Representatives, Washington, D.C.

DEAR MR. STEED: This is in reply to a telephone inquiry from Mr. Aubrey Gunnels of your subcommittee staff concerning the authority for the expenditure of Federal funds in connection with Presidential activities in San Clemente, Calif.

The Presidential complex at San Clemente, referred to as the Western White House, comprises a residence, owned and maintained by the President; three prefabricated, movable, leased buildings, with option to purchase, which provide a total of 14,352 square feet of office space; a helicopter landing pad; and fencing, lighting and other security provisions. The office buildings and helicopter pad are located on Coast Guard property adjacent to the President's residence. These improvements are convertible to Coast Guard use at such time as they may no longer be needed for the President.

The Federal Government cost of the Western White House operation derives from two aspects of the Presidency—the statutory responsibility placed upon the Secret Service to protect the President, and inability of the President to delegate,

or defer action on, many of his responsibilities while he is away from Washington. Therefore, wherever the President is in residence, there must be provision for his protection, and facilities to permit him to carry on his Presidential resposibilities.

The General Services Administration, which provided the office space, lighting and landscaping at San Clemente, and the Secret Service cite the following authorities for the Federal outlays made in connection with establishment of the Western White House:

1. Authority for leasing the office buildings and furnishing such space is contained in 40 U.S.C. 285, 40 U.S.C. 490(e), 1950 Reorganization Plan No. 18 (40 U.S.C. 490 note), and Executive Order 11035 of July 9, 1962.

2. Authority for construction of the helicopter landing pad, installation of communications and security equipment, fencing, lighting and other security provisions is contained in section 2 of Public Law 90–331, approved June 6, 1968, and in annual appropriations to the General Services Administration for "Operating expenses," Public Buildings Service.

Sincerely,

ROBERT P. MAYO, *Director.*

Mr. STEED. Mr. Robison?

MANAGEMENT INFORMATION SYSTEM ACTIVITY

Mr. ROBISON. Mr. Mayo, how did it happen that the Bureau of the Budget got into partnership with the Office of Economic Opportunity in this management information systems activity?

Mr. MAYO. I will turn to Jim Frey. As you know, we are in effect, out of partnership with them for the 1971 budget. I will go to the source of information on the cause, not the effect.

Mr. FREY. As I understand it, the Office of Economic Opportunity has statutory authority to do things in the management information field and they began before we did. I believe we started our effort in 1969. I don't think there is any disagreement that we are the more appropriate agency to take the lead in this kind of an effort. But it has been a matter of time until we could finally get the funding arrangements straightened out and rationalized and I think we have done this in the 1971 budget.

Mr. ROBISON. You are taking over the functions of that operation now?

Mr. FREY. To my knowledge, the only thing in 1971 under the plan we presented here that OEO will continue to finance will be the printing and distribution of the catalog of Federal domestic assistance programs.

Mr. ROBISON. Won't you eventually take that over, too, in the new office? I think you should.

Mr. FREY. We haven't faced that question yet.

Mr. ROBISON. I know Mr. Rumsfeld is not wanting to talk about poverty and poor people now, but it seems a little odd to me that the agency dealing with low income people should be distributing catalogs of Federal aid programs for a much wider and general purpose than its own.

Mr. FREY. We have worked very closely with OEO in the development of the catalog. It has been under our policy guidance.

Mr. ROBISON. Is it being revised on a periodical basis?

Mr. HAASE. The program descriptions for the 1970 issue are now being edited and should be printed and published within the next 4 or 5 weeks—whatever the printer's leadtime will require. The latest policies do call for a quarterly update of the information. It will also be

released in a looseleaf form this time so that supplemental, or updating material can very readily be added to the basic document.

Mr. ROBISON. I think Congressman Roth, of Delaware, is entitled to considerable credit as an individual Member of Congress for having pioneered something of the same effort on his own. I don't know how much of his work you used; maybe he called on you for a lot of information?

Mr. HAASE. I think it has been a mutually reinforcing effort. Our staffs have been working together and see eye to eye on what should be in such a catalog both for public purposes and executive branch review and evaluation of these programs. The catalog has really served both of these purposes. We are in pretty close agreement with Congressman Roth on what kind of information ought to be in the document.

Mr. ROBISON. I hope you do switch to a looseleaf catalog type of book because I similarly hope, very strongly, we will get that consolidation bill that the administration has supported—the Grant Consolidation Act—through Congress so that we can begin to better coordinate if not consolidate these many programs.

PLANNING, PROGRAMING, AND BUDGETING SYSTEM

On page 4 of your prepared statement, Mr. Director, you talk about a major study of the problems of relationship between the traditional budgetary processes and the newer planning-programing-budgeting system. This study, you tell us, is complete. Have you detailed it for us? Does it appear in matters you have already discussed?

Mr. MAYO. I think I will turn to Mr. Haase again, to give you a little report on that, Mr. Congressman. We indeed have felt that one of the problems of the PPBS approach to things was that it, with some justification, got the reputation of being a little bit out on cloud 9, and also it wasn't too well integrated into the budget cycle.

We have taken steps to remedy that, and indeed we don't even have a division any more that is called PPBS; it is now called the Office of Program Evaluation. I think it is a less highfaluting sounding title, to say the least. Maybe it isn't quite as descriptive. What we are trying to do is evaluate program results, with newer techniques of analysis rather than with what you might call the traditional tools of a budget examiner. With that introduction, why don't you say a word or two, Wally?

Mr. HAASE. The PPB concepts were introduced on a Government-wide basis in 1965 after some limited experience in the Department of Defense. At the time these newer PPB concepts were implemeted, they were somewhat superimposed on top of the existing appropriation budgeting processes. Now that we have had several years of experience with these concepts we felt it was time to take a look at what we have learned and see if we can't fully integrate these newer principles with the more traditional processes.

The problem is that the previous processes were very much oriented toward resource input. The PPB concept attempted to focus more on what kind of benefits were being produced by Government programs. To dovetail these concepts necessitates that we have sort of a two-dimensional matrix has never been fully developed. In short, what we

are trying to do is develop a framework and system whereby we can relate program results to resources consumed and both to managers that have responsibility for running the programs.

Mr. ROBISON. And all of this will carry forward, will it not, into at least that portion of your new operation which will be called the Office of Management, as separated from your more traditional work on the budget, is that right?

Mr. MAYO. Yes.

Mr. ROBISON. You also tell us, Mr. Mayo, that in this study there will be some pilot tests of how it would work out in conjunction with the Departments of Commerce, Agriculture, and Labor. Can you identify the specific areas you are looking at.

Mr. FREY. In the Department of Agriculture we are doing the pilot tests on the rural housing programs, in the Department of Labor we are looking at the manpower programs, and in the Department of Commerce, various science and technology programs. We felt that this combination gave us a fairly good mix of programs to test the feasibility of the further integration of the traditional budget than the new programing concept.

AUTOMATION OF DATA COLLECTION AND ANALYSIS

Mr. ROBISON. Do you want to give us any further details about the stated three "new systems" that have been developed to analyze law enforcement manpower and income-security programs?

Mr. HAASE. This is an extension of the automation efforts that were started last year. What we have been doing is gradually converting the manual process for collecting, assembling, and analyzing data that get printed in the special analyses of the Budget of the United States which is a supplement to the basic budget document. These are three new areas in which the data collection and analysis was automated last year.

FIELD WORK

Mr. ROBISON. You do make reference to the Bureau's role in this important work in the field. This, we find on page 6 of your prepared statement, Mr. Mayo. You don't have any field offices or permanent field personnel, do you?

Mr. MAYO. No, sir. We have none planned in terms of field offices. In connection with the Ash Council's recommendations we would be beefing up our efforts at coordination of programs which would require more of our people to be in the field on spot assignments.

Mr. ROBISON. My next question would have been to have asked you how you relate the absence of field staff people at the moment to the new plan, and you have answered it for me.

LONG RANGE EVALUATION

Looking at the long range evaluation problem, you are only asking for, as I understand it, one more position in this budget before us. Presumably, if the change comes about there would be additional people in a supplemental request for that particular purpose. I am talking about the analysis of long range priorities and allocation of resources.

Mr. MAYO. Probably not. We do have a staff that is fairly capable that is now being able to spread its wings a little bit more in this regard, and we thought that one person would be enough as an addition here. Now, we have a couple of unfilled vacancies—if I am stating it correctly, Jim—in this area, too, and we would hope to beef it up in that way. The new personnel basically would be in management systems, in coordination, in executive development, and in management information systems rather than being to any significant extent in the evaluation area or the long-range planning area where we have some increased capacity either on board or authorized for 1970.

Mr. INK. I think it is also fair to say that the new change contemplates evaluation work being given a higher priority among many of the people who are already on board and in some of the existing organizations. So, it is contemplated there will be greater emphasis in the program evaluation area.

Mr. COHN. I think the way to explain that is, we are trying to get a little more work out of our existing personnel. We find it is important that the individual examiner who works on this year's budget also keep in mind where it is going 5 years out. And you can't divide one year from the next—as we are finding now. We started doing this last year when we were working on the 1971 budget in terms of a 5-year projection.

Mr. ROBISON. I think that is one of the most interesting and admirable features of the new budget, this attempt you have made, the first anyone ever did that I know of, to look down the road 5 years and tell us, the best you could, what our total resources might be then, and from those total resources tell us what, in the eyes of this administration, has already been tentatively allocated to new initiatives.

Mr. COHN. Now that we are working on the 1972 budget, we are going to the same people who worked on 1971 budget last year, because they were looking then at 1972, as well as 1973, 1974, and 1975. Therefore, they already have a leg up on 1972. So, we have to keep the forward look there with our individual program examiners, but we need this one additional position for the central guidance, coordination, and summarization of the work that is done by the individual examiners.

Mr. ROBISON. I wish there would be some way we could get that chart showing that 5-year estimate hung up in the committee room of every legislative committee so that when it—I am serious about this—considers new authorization bills they will take a look at the total picture and see whether we are taking too big a bite out of our future resources or not. Of course you, Mr. Mayo, in submitting the Bureau of the Budget reports to the legislative committees, do try to do this, anyway.

Mr. MAYO. Yes.

FEDERAL EXECUTIVE BOARD

Mr. ROBISON. With reference to page J–7, can you give us some more detail about the regional councils and Federal executive boards? I would like to have you give me a definition, for the record, as to what a "Federal executive board" is.

Mr. MAYO. I would ask Mr. Ink to do that, because he is working with them more closely than I am.

Mr. INK. The Federal Executive Boards have actually been in existence for a number of years, although we are increasing the number.

The membership is essentially the head of each agency that is in the metropolitan area. They come together, from time to time, not just for the sake of knowing each other, but so that they can work together in those activities which have a Government-wide impact. It is not a program coordinating unit, it is rather to deal with such matters as perhaps a new policy on equal employment that affects all of the departments and agencies.

The Civil Service Commission man out in the field will meet with the Federal Executive Board as a group so that the instructions are understood by everyone. The instructions that come down from headquarters go through a series of levels of bureaucracy and by the time they get out in the field the word one department's field personnel has is somewhat different than the word another department's personnel has. So, this is a means of tying them together insofar as those things which cut across the board. Management improvement is an area we give special emphasis to—suggestions on ways each of their units in the field can cut costs and handle the mail more efficiently for example.

I met with the FEB at Atlanta yesterday, and one of the things they were looking at, Mr. Chairman, was the problem of automation in mail handling and how much the different departments could help by getting some uniform method for addressing envelopes for preventing the jam-ups that occur in the mechanized equipment. That is the kind of thing the boards deal with.

The Regional Council is different in several respects. One, it is operational in nature. Two, in order to be operational, it is a much smaller group. It is comprised of these social agencies we have brought together in one area. Three, it is concerned with a region whereas the FEB is concerned with a metropolitan area.

Increasingly, there are programs and projects which involve a number of different agencies in social areas. We have close to 1,000 different programs and in order for the mayor and the city council to draw effectively and intelligently upon all of these different fragmented programs, they have to deal with them in packages, and that generally means working with two or three or four different agencies. If we can get our Federal people in the field to work together in trying to respond to these requests and these plans that the local people come in with, we think we can cut down on the time and effort involved on the part of the Federal employees, and, more importantly, we feel we can respond more effectively to the State and local people.

I should tell you this, though: The councils are simply the field directors of these agencies. We feel very strongly about that because we think if they have special people who are council members you are going to have a council as an entity unto itself. It is going to be another level of government or it will be another unit that people will have to go to, and instead of cutting red tape it will add to red tape. So, we feel very strongly about this, that it is the regional directors themselves and the only authority a regional council has is the authority that the individual members have as directors for their department. There is no special authority given to a regional council.

Mr. STEED. During World War II, the defense effort created a need for all kinds of transportation that was of tremendous importance. As the war effort grew and people got involved from that side of the transportation problem it became evident that people in the private

sector, carriers and all the others, had to have some way to clear back and forth. And an organization sprung up here just out of sheer necessity that became known as the "Road Gang." They developed a weekly luncheon where they would gather and swap information around the table. And during the time that the Public Works Committee was working on the super highway bill and I was involved, I had occasion to go down and address this group. It was so important and did so much good it followed on for many years after the war was over and to some extent still exists today. I don't believe I have ever seen an instance of better swapping of information between private resources the Government is using, and the Government users of private resources having a way to exchange ideas and work out problems and get answers to questions. Does this council in effect work in this same sort of way?

Mr. INK. Yes; it does. But it goes one step further than that in that not only does it exchange information and ideas but also the members try to relate their planning so that if, for example, they are talking in Chicago about a model cities program, the OEO director out in the field and the HUD director in the field can plan together.

As an example of this was the Council meeting several months ago that found that the OEO regional director was just about to send a letter out to the community action agency and the HUD regional director was just about to send a letter to the mayor in the same city which were in conflict with each other. Had they gone—this was a highly visible area—the mayor would have had a public problem on his hands generated unwittingly by the conflicting action of two Federal agencies. But they caught it in time and when the two letters went out they were in consonance with each other and the problem was avoided.

DOMESTIC COUNCIL

Mr. CONTE. I understand the Domestic Council is worried right now about what happens when a Cabinet member sends a program down to the White House. It gets bottled up in red tape. We just had an example of that in the case of getting silver out of the half dollar and keeping it out of the new Eisenhower dollar coin. The thing went around in circles down there for months. One thing that is troublesome is the question of whether this outfit is going to move or is going to get seesawed in with a little outer periphery down at the White House that will have to discuss all of these domestic issues before they can make a decision.

Mr. MAYO. The point of the Domestic Council is to formalize a process of final decisionmaking short of the President himself so that he is faced only with those alternatives that he must really decide on. There is no intention here of putting in another layer of bureaucracy between the Cabinet and the White House, and indeed the way I visualize this working is that in the clearance process there will be White House input on a fairly quick basis—I should say Domestic Council input, when it is organized—that indeed will not take as long as the present process does. Otherwise, as you have hinted, what is the point of it.

Mr. CONTE. I hope you are right because the small bills we have had have gotten buried down there. It is unfortunate. They should have been up here and we should have acted upon them.

Mr. COHN. Sometimes it is a question of where they are buried. We have had many examples of legislative requests for reports kicking around in agencies, in the effort to coordinate the different parts of the agency.

EISENHOWER DOLLAR LEGISLATION

Mr. CONTE. I realize that is not the example I raised. I gave you a concrete one—the silver bill. You could make a decision on that in 3 minutes. We kicked it around in the Joint Coinage Commission for 2 years. It went up and down the Hill 1,500 times. Then it got locked up in the White House because the Troika had to make a decision. This is ridiculous. Now we are in the hot frying pan on it with Congressman Wright Patman. We could have had the bill on the President's desk 6 months ago.

Mr. MAYO. The Troika wasn't the bottleneck here. There have been a couple of meetings I have attended in the White House, where I guess the Troika has been represented that still couldn't reach a final conclusion—I won't refer to the fact that it took the Commission that long to come up with the recommendation. Maybe there is some excuse for a little time on the other side. But it did evolve into a question, Is this going to be the coin of the realm, or isn't it; are you going to have an auction system; are you going to sell an Eisenhower dollar for $5 or $2.50? I thought a couple of times it had been resolved but apparently not.

Mr. CONTE. Those were decisions that could have been made after the bill was passed. We are not going to pass on what a coin is worth. It is just a question of whether you are going to put some silver in 150 million or 100 million Eisenhower commemorative coins. That was the only decision.

I certainly hope you will have something to say about the price of this coin. It should be a $5 coin. I am going to leave this on the record because in this business you are going to get criticized if you have a $5 coin. You will get criticized just as hard if you have a $2 or $3 coin. I rub my hand when I think of the fantastic profit we could make on a $5 coin. I know the letters and requests I get, and I assume every other Member of Congress gets, for proof sets which make a $3 profit for the Government. I am not talking about price. I am talking about profit. You can keep that mint going 24 hours a day, 7 days a week, and still not keep up with the orders. Coin collectors will buy them for $5. I hope it makes good business sense, and it might even make the difference in balancing this budget.

Mr. MAYO. I will merely say that your remarks strike a very responsive chord.

Mr. CONTE. I will leave it at that.

Mr. MAYO. I will, too.

REGIONAL COUNCILS

Mr. ROBISON. Getting back to the Regional Councils, as such, these are an outgrowth, are they not, of the President's interest in trying to establish uniform regions and common regional office locations for the Department of Labor, HEW, HUD, and OEO, as well as SBA?

Mr. INK. These are part of the President's broad 3-year program to streamline as much of the grant-in-aid system as we can. The re-

gional councils have that membership but also on an ad hoc basis other departments will be participating on special problems that involve them. The Department of Transportation particularly.

Mr. ROBISON. You have got regional councils set up now in six areas.

Mr. INK. Ten.

Mr. ROBISON. Can you name the 10?

Mr. INK. Yes.

Mr. ROBISON. For the record, if you will.

(The information follows:)

Atlanta
Boston
Chicago
Dallas-Ft. Worth
Denver
Kansas City
New York
Philadelphia
San Francisco
Seattle

FEDERAL EXECUTIVE BRANCH

Mr. ROBISON. With respect to the Federal Executive Boards, if I read the justification right you have them in 15 cities, and you hope to augment that number by 10 more.

Mr. INK. Yes. They are being augmented because there are almost no out-of-pocket costs or expenditures for the FEB's. In fact, on Monday I am going down to Miami to get one set up there.

Mr. ROBISON. In the same way as you just have, will you provide for the record a list of the cities where you now have them, and those where you hope to add them?

Mr. INK. Yes, sir.

(The information follows:)

EXISTING FEDERAL EXECUTIVE BOARDS

Atlanta
Baltimore
Boston
Chicago
Cleveland
Dallas-Ft. Worth
Denver
Honolulu
Kansas City
Los Angeles
Minneapolis-St. Paul
New Orleans
New York
Philadelphia
Pittsburgh
Portland
St. Louis
San Francisco
Seattle

FEDERAL EXECUTIVE BOARDS YET TO BE ESTABLISHED

Albuquerque
Buffalo
Cincinnati
Detroit
Miami
Newark

BENEFITS OF REGIONAL COUNCILS

Mr. ROBISON. I think you can make, Mr. Mayo, some outstanding achievements through this kind of an effort, and I want to congratulate both the President and Bureau of the Budget for carrying it forward. Can you already point to any specific improvements of any sort, Mr. Ink, that directly or indirectly flow from this? Without going into specific city problems or regional problems, has there been any specific reductions, let's say, in redtape time or processing time as a result?

Mr. INK. We do have some specific examples of reduction in red-tape which, as I indicated earlier, in a few weeks we will be happy to provide to the committee. And this next year as we widen the program we expect to have a lot more.

Mr. ROBISON. We would like to print the record before these 2 weeks are up. If you can give us two or three for the record we will know, when we read it, where we are going and where you are going.

Mr. INK. We will supply that, sir.

(The information follows:)

Three examples:

HEW cut red tape by substituting a one to five page preprinted commitment document for a 100- to 2,000-page planning document from each State in each of 22 formula grant programs.

HUD reduced average processing time for water and sewer facilities grants applications from 52 weeks to 31 weeks by eliminating unnecessary steps and delegating project approval authority from Washington to regional offices.

Interior reduced processing time for land and water conservation fund grants from 95 days to 30 days by eliminating unnecessary steps and further reduced over 85 percent of the grants to 20 days by additional delegations to the field.

EDUCATIONAL INSTITUTIONS

Mr. ROBISON. I am interested in what you have accomplished, or begun to accomplish, in trying to establish with educational institutions a single agency that will be responsible for negotiating with them this perennial "indirect cost" question. I notice this is discussed on page J–10 of the justifications. I bring it up only to highlight it. There certainly has been a tremendous burden, I think, on our educational institutions, and a great deal of confusion as to who is "on first base" in this sort of a hassle. If you can do anything to improve that, hurray for you.

Mr. INK. We are, and are about one-third of the way through doing this for 2,000 educational institutions across the country, and we hope eventually to do the same thing with respect to State and local governments.

FEDERAL RESEARCH

Mr. ROBISON. You are also trying to do something in Federal research areas, as shown on page 15 of the justifications.

There is a continuing problem here that becomes a budgetary problem, eventually, with respect to the level of Federal research, and let me give you an example of what I mean.

Mel Laird over in the Pentagon decided and, I think quite properly as well, in response to congressional pressures, to reduce Defense Department research activities. Some of these, then, that ought to be ongoing in nature are shoved over, or tend to be shoved over, into the lap of the National Science Foundation, for instance so that, while one budget item goes down, correspondingly the pressures rise for another budget item to go up, to pick up the slack. Do you wish to address yourself to this problem at all?

Mr. MAYO. This is a very real problem this year in particular and is complicated somewhat by the Mansfield amendment. It is very unlikely that in the process—in fact, that is what a bit of complaint is about—it is very unlikely that the National Science Foundation will be in a

position from a budget standpoint of picking up a great many of the research projects that are disengaged by the Department of Defense unless it finds some of its own projects marginal and has a shift in resource allocation. The net result of what you are describing here, I think, will be, for better or for worse, a reduction in Defense of a particular type of research. The dollars going into research nationally though will still be increasing in 1971. Dr. Schlesinger may want to embroider a bit what I have said.

Mr. SCHLESINGER. The decline in research within the Department of Defense oriented toward the universities has been modest. As we look to the future and the thrust of the Mansfield amendment, I think we will have to be alert to further action to carry out the spirit of that amendment.

Mr. ROBISON. Thank you.

WATER RESOURCES

Now, when we come to water-resource policy I still tend to feel that we are a long way from having a national water policy. I think the Water Resources Council on which I understand, Mr. Mayo, you are a member——

Mr. MAYO. Yes.

Mr. ROBISON (continuing). Is able to perform a most valuable function along these lines, but you have to make a continuing effort at it. I am sure you recognize this.

Mr. MAYO. I certainly do.

Mr. ROBISON. Especially now, with the developing public interest, as well as congressional interest, in the environmental and water-pollution field. Incidentally, while we are talking about this, you may well be required to anticipate a budgetary problem in connection with the administration's proposal for changing the method of financing the waste-treatment plant program which, for all I know, could well be tied up here in Congress for quite a long time. If the bill that passed the House last year in the water resource field and then got tied up in the Senate, in Senator Muskie's committee over there, relating to oil pollution problems and so on as you know, and that still has yet to clear both Houses, is any indication we might be talking about this new $4 billion Federal program in Congress for a long time.

I am not going to ask you to tell us what the administration's position might be, yet, but if this should happen, and it should be the congressional desire to proceed for one more year, let us say, under the existing authorization for $1.25 billion for the waste-treatment plant program, I suppose we are going to have to shuffle around our budget priorities and take another look at the whole situation.

Mr. MAYO. I would hope that what you are suggesting here won't take place and that indeed the Congress would see its way clear to enact the program pretty much as the President has recommended it. If there were an annual appropriation again, an authorization and an appropriation—

Mr. ROBISON. I think the authorization carries over for one more year.

Mr. MAYO. Yes, it does, you are quite right. Indeed if there is another annual appropriation, there is the question that the Presi-

dent's program at least suggests a solution to, namely, what does the State and local unit rely on to be sure it isn't selling bonds for a Federal program that may not have money available for it after he sold the bonds. That hasn't been solved by the continuation of the annual appropriation process for another year. So, I would hope that that could be avoided.

Mr. ROBISON. What I was leading into is the fact that our Public Works Subcommittee of this committee on which I also serve is going to have a tough decision to make. Because, if the new authorizing legislation isn't through for the administration's proposal by the time we want to bring our bill to the floor, what do we do—leave out all further money for the waste-treatment plant program or hope it gets through in light of the probability that the people will just not abide a seeming stoppage of progress under this program?

Mr. MAYO. I think it would be unfortunate if the initiative from the Government as a whole toward a real attack on the problem of water pollution somehow ground to a halt or slowed down as a result. I think "Washington," regardless of whether it was the Congress or the administration, would get the blame for that.

Mr. ROBISON. It would.

Mr. MAYO. Throughout the country. As we all recognize, this is one of the things that is replacing Vietnam as something that youth can organize in behalf of and I think it would be unforunate if we gave the youth of America another illustration of the "establishment" laying an egg, so to speak.

Mr. ROBISON. On page J–18, where there is a reference to water resources project reports, I imagine here what you are referring to are the reports on the authorization of these projects rather than with reference to their funding.

Mr. MAYO. That is correct.

CHANGING RESPONSIBILITIES

Mr. ROBISON. I would like to ask you to take a few minutes with me now on this, and I will leave you totally free without my asking questions to give me a statement about it, with perhaps help from Mr. Schlesinger. Can you now give us a description of the changing nature of the responsibilities that the Bureau now has over the defense budget that it did not have a year or so ago?

Mr. MAYO. Yes, I would be glad to do that. It is fairly simple and straight forward, Mr. Congressman. In June last year the President gave me an instruction in writing that in the preparation of the 1971 budget I was to consider the budget process as applying equally to all agencies in the Government, not just to agencies other than the Defense Department.

As a result of his direction, therefore, and his support throughout the remainder of the budget cycle—and indeed counting on that again this year, and I have no reason to believe I won't get it—the Defense Department was, along with Labor and HEW and Justice and so forth, given a target figure in August as, in effect, their appropriate share in our eyes—it was with full presidential knowledge but without presidential commitment as to the final result. But with full presidential knowledge, each target was part of a set of targets which

added up to what we thought was a reasonable total for the Federal budget for the fiscal year 1971. These are outlay targets.

As we went through the fall in the budget review it is true that we continued to follow the practice, which both Secretary Laird and I find a very efficient practice, of the building blocks of the Defense budget being put together jointly by the Bureau of the Budget staff and the staff of the Secretary of Defense. The result of that, however, produces essentially two things. It produces the budget submission by the Secretary of Defense. It also produces a set of issues on behalf of the people studying it, helping to compose it, from our standpoint. In other words, they have not compromised my position in any way by their participation in that process.

We came then to the submission of the budget figures and the Defense Department did indeed come within the target, just as did other agencies, although not all. Some we had to grant, in effect, an exception to the target. But Defense was not one of those.

The appeal process went forward after I had discussed the budget in its detail with the President and Mr. Schlesinger was with me on all of those occasions. The appeal process went forward and, as a matter of interest, of the 20 largest agencies, 12 of which, of course, were Cabinet departments, 10 had their budget settled short of any appeal to the President. It was all negotiated with Presidential approval, of course. The other 10 saw fit to make use of their right of personal appeal to the President of the United States, and they did so. One of those was the Department of Defense and I could probably go through the list with you. HEW was one and OEO was one, and Transportation was one. There were a couple of minor items in housing and something in Agriculture, but there were other agencies, including Treasury and Justice and Commerce, where the negotiation had already been completed.

I merely go into this much detail to illustrate to you that we feel that the spirit of the President's direction to me of equal treatment was indeed carried out last year. The only difference was in the joint staff review in the early stages of budget preparation, and the fact that as a practical matter because of the very size of the Defense budget, it was the last to be discussed with the President and represented the last of the appeals. But in proper fashion. It didn't just lag way after all the rest. The last of those appeals was settled on the day after Christmas as a practical matter.

NATIONAL SECURITY COUNCIL

Mr. ROBISON. I think the only part of your answer that I would like some further amplification on, would be the relationship of all of this to the National Security Council.

Mr. MAYO. The National Security Council played an important role in the discussion of the budget priorities along the way, and in the meetings with the President, where the budget decisions were made by him, Henry Kissinger was present at all of those relating to the Departments of State and Defense, but also in connection with some of those that had other peripheral relationship to the Defense budget.

Mr. ROBISON. Does the Bureau advise the National Security Council of the fiscal impact, where relevant, of certain defense policy deci-

sions? I don't mean fiscal impact in a pure dollar sense, but as related to the overall budgetary impact.

Mr. MAYO. Yes. The Bureau has a specific responsibility relating to the casting of the budget in military versus civilian terms, to oversimplify it, where we make available to the National Security Council in their deliberations a perspective on various alternative approaches to civilian programs as we look on out not only to the budget year but beyond that, so that they can have some idea—not that it is overly controlling—but some idea as to whether various alternatives in military strategy are consistent with the President's tax structure, let us say, or a balanced budget. And we point out that if they go indeed to what they might prefer, looking at it fairly narrowly, it would involve expenditures that force us either to a deficit position or new taxes or cutting back on domestic programs. We all know that within a given military strategy there is a certain amount of flexibility and timing. You can stretch some things out, you can have different force structures, you can do a great many different things without in effect undermining your basic strategy decision.

Mr. ROBISON. Thank you very much for going into such detail. It is a subject in which both the Congress and the public are very much interested, as you know.

Mr. MAYO. You are welcome.

Mr. STEED. Mr. Conte.

BUREAU OF THE BUDGET

Mr. CONTE. I want to take this opportunity to commend the Director of the Bureau of the Budget for the outstanding job he has done, the fine presentation he has made here today, and his forthright answers. I recently sat in on some hearings in another committee, not the appropriation committee. We were interrogating some of the regulatory agencies. One of my colleagues began tearing you apart, and continued to for a good many days. When he got through with the witness, I said to the witness, "If you are not confused now, you certainly will be after you go before the Appropriations Committee. If you think you got treated badly by the Bureau of the Budget, wait until you get up there. They are out there to cut as much as they can, too."

You have a tough job, one of the toughest in the Government by far. It takes a man of great fortitude to take all the heat.

FARM SUBSIDY LIMITATION

On page 30 of the justification you say:

> The Bureau of the Budget is responsible for assessing the long- and short-range budgetary impact and effect on prices and farm income of Department of Agriculture proposals and alternatives and for making recommendations to the President.

Last year on page 393, I asked you about my amendment to limit farm subsidies to $20,000 per farm. Since then it passed the House again in 1969 only to be knocked out in the Senate. That was the second time the same amendment passed the House. I felt, with the best information I had, that we could save $300 million a year if that

amendment passed. You said last year: "I found myself sympathetic with it. Not just saving money but maintaining equity appealed to me."

I was wondering if you had any opportunity to appraise this situation and to talk with the Secretary of Agriculture in formulating his budget. He has sent a bill up here. I know it is before the Agriculture Committee. It provides for a $110,000 limitation per crop which I think is too much. I have a bill before that committee, which may be too low, which provides for $5,000 limit per crop. Have you been able to go into this field at all, and study it, and see whether there is some happy medium that will save money for the taxpayers and also provide the equity that you spoke about?

Mr. MAYO. Yes; we have looked at it in some detail and we have worked with the Department at the staff level; I have talked about this with Secretary Hardin on a number of occasions. We have suggested that the Secretary go down somewhat from the $110,000, and I am not just sure where that stands at the moment. As you know, he is working with two of your colleagues.

I know this has been discussed with Mr. Poage and Mr. Belcher, and I am hopeful that we can indeed come up with a limitation provision that will be responsive to what I agreed with you a year ago and still agree with you is a desirable objective.

I personally do feel that the $5,000 is too low. I also have some concern as to how this would work on certain crops, but I don't think you probably want to go into that now. But I think this is part of the trade-off in the negotiation that is going on right now in the Agricultural Committee and I am not just sure—I haven't had a report in the last few weeks—I am not sure what progress they are making.

Mr. CONTE. They have gone around in circles. The big question is whether they will separate the food stamp bill from the agriculture bill. They have not gotten very far on the subsidy limitation. We check daily with them. We have let them know that we are not frozen in on the $5,000 per crop limitation.

If they do not come up with what some of us in the Congress feel is an equitable solution, I am afraid they are going to lose this year. The public is aroused. They know the House passed it twice already. I just hope they have the sensibility to come out with a good bill because they will need to in order to get the necessary support on the floor of the House.

OIL IMPORT PROGRAM

In another area on which you have worked, and for which I want to commend you, you have been an observer on the Cabinet Task Force on Oil Import Control. You joined with the majority, I believe, in agreeing the national security would be adequately protected by a program of increased imports. That report acknowledges that the program now costs the American consumer $5 billion annually in artificially high prices. I am sorry that the President has not accepted the recommendation. He pushed it off now into another study.

But do you not feel, as a budget director, that if we could get rid of this artificially high price, it would go a long way toward helping our fight against inflation?

Mr. MAYO. I think it would be helpful if we were to move also into a tariff system as against strictly a quota system. I think it probably would end up to be a fairer approach to the problem. Of course, as I look at it with my gimlet eye, it would also bring some money into the Treasury, which I can't ignore.

Mr. CONTE. It sure would. It would be a sizeable amount of money.

Mr. MAYO. It could be, yes.

Mr. CONTE. Even the $1.35 a barrel they are talking about could mean a tremendous amount of revenue to the Treasury.

PROCUREMENT OF HANDTOOLS

Mr. Mayo, 2 years ago, in hearings on the fiscal 1969 bill, I questioned Mr. Zwick about the inequitable situation that prevails in the case of Government procurement of handtools. Despite the fact that most of these handtools are procured for the Defense Department, they do not receive the DOD's 50-percent differential treatment because GSA, not DOD, does the procuring. The situation is no better today. It is estimated that foreign source suppliers have either been low bidder and in line for awards or actually awarded around $5 million worth of handtool potential business by GSA in the past 6 months. Much of this is the direct result of the inadequate 6-percent differential. Have you considered this problem, and if so, do you favor letting GSA adopt the DOD 50-percent differential?

Mr. MAYO. In 1962 the Department of Defense adopted its present 50-percent differential (exclusive of duties) as part of a series of temporary measures designed to improve the balance-of-payments situation. Since then, questions have arisen over the lack of uniformity in differentials used by the Department of Defense and the General Services Administration. I am sure that you will appreciate that the 50-percent differential results in higher budgetary costs and has potentially adverse effects on our efforts to reduce international trade barriers.

ADEQUACY OF FEDERAL BUDGET PROCUREMENT

Mr. CONTE. In a report dated February 9, 1970, the Joint Economic Committee concluded, among other things, that the Federal budget document had serious deficiencies. It went on to say that the scope of the document was "still far too limited to enable rational consideration of economic policy alternatives by the Congress." How would you reply to that statement?

Mr. MAYO. In testimony before the Joint Economic Committee on September 25, 1969, I stated:

The budget—by which I mean The Budget of the United States Government and its Appendix—is intended primarily to present the President's proposals on new legislation and appropriations and on overall fiscal policy for the coming year for congressional action. This being so, the Budget and its Appendix are designed primarily to serve the needs of those in the Congress who are its principal users—the Joint Economic Committee in its appraisal of fiscal policy and the House and Senate Appropriations subcommittees in their review of individual appropriation requests. Data requested by these users have high priority when the budget documents are being planned.

"At the same time, we recognize that there are other important users, including Members of the Congress and the general public. For them we publish: a comprehensive discussion of Federal activities by function, historical data for both functions and subfunctions, various special tabulations, the popular *Budget*

in Brief, and the widely used *Special Analyses* volume, which contained 18 special analyses this year:

A. Federal transactions in the national income accounts,
B. Funds in the budget,
C. Agency borrowing and investments,
D. Investment, operating, and other budget outlays,
E. Federal credit programs,
F. Principal Federal statistical programs,
G. Unobligated balances of budget authority available in 1970,
H. Foreign currency availability and uses,
I. Civilian employment in the executive branch,
J. Federal education programs,
K. Federal manpower programs,
L. Federal health programs,
M. Federal income security programs,
N. Federal programs for the reduction of crime,
O. Federal aid to State and local governments,
P. Federal public works activities,
Q. Federal research, development, and related programs,
R. Selected agency budgets by program categories.

The budget document cannot meet all the needs of the Congress; it has to be supplemented by detailed agency justifications, by committee hearings, and agency testimony, and by special studies and tabulations undertaken for the cognizant committees. Much of what the Joint Economic Committee had in mind must be provided separately from the budget document if we are to keep the document from becoming so unwieldy as to impair its usefulness and severely delay its transmittal.

FEDERAL ASSISTANCE REVIEW

Mr. CONTE. You mention the Federal Assistance Review that was launched in 1969 on page 7 of the justifications. What is its current status, and what has been learned from it so far?

Mr. MAYO. On March 27, 1969, the President directed the Urban Affairs Council agencies to work together with the Bureau of the Budget toward modernizing the complex Federal delivery systems for assisting States and communities.

Specifically the President directed: first, uniform regional boundaries and headquarters for five agencies—HEW, HUD, OEO, Labor and SBA, second, Federal regional councils in the 10 regional centers, and third, an intensive interagency program to cut redtape and streamline Federal assistance programs.

We have completed the first year of a 3-year effort and are preparing a progress report for the President. Measurable accomplishments can be reported in a number of important areas. But these are only a beginning. We have now constructed the machinery, set it in motion, and achieved a momentum that will enable us in the next 2 years to substantially reduce the redtape that has encumbered the efforts of Federal agencies to assist States and communities in attacking their most pressing problems. The three examples of redtape cutting mentioned earlier resulted from this effort.

BOB STUDY OF FEDERAL TRADE COMMISSION

Mr. CONTE. According to page 9 of the justifications, BOB conducted a management and organization survey of the Federal Trade Commission. It was not too long ago, as I recall, that Nader's Raiders

and the American Bar Association issued some highly critical reports on the FTC. Was the BOB survey as unfavorable as those two reports?

Mr. MAYO. The Bureau of the Budget's management review of the Federal Trade Commission was designed as a management assistance effort on behalf of the Chairman to provide him with recommendations for improving organization and procedures at the Commission. The findings and conclusions of both the Nader effort and the American Bar Association commission reports were carefully reviewed as part of this effort. The principal thrust of the Bureau of the Budget was to identify management problems within the context of the Commission's ongoing programs and provide positive suggestions for improvement. This was done and the recommendations were submitted to the Chairman for his use as deemed appropriate.

EMPLOYMENT DATA ON ECONOMICALLY DISADVANTAGED

Mr. CONTE. On page 13 of the justifications, you mention new experimental programs to secure data on the employment problems of the economically disadvantaged. Could you comment further on these programs?

Mr. MAYO. The Department of Labor has sponsored the collection by the Census Bureau of data on the employment problems of the disadvantaged in the poverty areas of six cities for the past year and a half. These surveys collect more information than is possible in our monthly national employment survey, and attempt to identify personal or community conditions which may hinder adequate employment—factors such as ill health, lack of skill, inadequate transportation, inadequate child care facilities. Some questions attempt to get at attitudes toward work. Some of these questions are experimental and the results must be analyzed to judge their usefulness. The Bureau of the Budget has established a small interagency group to work with the Labor Department in planning appropriate analyses useful to the public and in guiding agency programs. The Bureau expects to use these results to determine if the plan for this and related surveys should be modified, expanded, or redesigned in future years.

MEASURING HOUSING CONDITIONS

Mr. CONTE. On page 14, you mention development of a procedure for measuring the condition of housing that was initiated in 1970. Please describe that procedure and how the effort will be intensified in 1971?

Mr. MAYO. The item on condition of housing was dropped from the 1970 Census of Population, Unemployment, and Housing. During 1970, the Department of Housing and Urban Development, in consultation with the Bureau of the Budget, the Census Bureau, the Bureau of Environmental Management in the Public Health Service, and others, developed for testing a technique for obtaining measures of housing condition by using trained professional observers. A short form of the survey will be developed and tested for use by unskilled enumerators, observing only the exterior of the structure. The results of the latter will be matched against the former, the objective being to develop a survey giving satisfactory results that can be applied on a large scale by unskilled observers. In addition, the Bureau of Environmental

Management has developed and is field testing a survey in 1970 that is aimed primarily at the neighborhood influence on the quality of housing. This survey is coordinated with HUD's.

In 1971, the results of this experimental and testing work will be analyzed. Their correlation with other factors which are considered to be elements in overall housing quality—heating, plumbing, kitchen facilities, etc.—will be studied. The Bureau of the Budget, through its Office of Statistical Policy, will be intensively involved in coordinating all of these activities and in evaluating their results.

TRANSPORTATION PROGRAMS

Mr. CONTE. Mr. Mayo, as you know, I am now the ranking minority member of the Transportation Subcommittee rather than this subcommittee, and as such I am most interested in transportation questions. On page 15, you mention that BOB plans extensive analysis of the transportation field. I would appreciate your comments at this time on some of the areas you consider important, namely, (a) airport/airways legislation; (b) mass transit legislation; (c) future highway programs; (d) Federal role in highway safety; (e) Coast Guard equipment and facility replacement program; and (f) rail passenger service?

Mr. MAYO. The airways/airports legislation provides for a considerable increase in investment in new equipment and facilities, airports, and research and development. The Government must insure that these investments bring forth the most beneficial results. The crux of the problem is how best to achieve maximum system expansion at lowest total system cost. In addition to capital investment in the existing system, plans must be made to assure that research and development results are phased into the operating system so that equipment procurements properly anticipate system improvements and modifications.

Similarly, in the 12-year, $10 billion program envisioned in the mass transit legislation, grant priorities will need to be established to assure that program objectives are met and criteria developed to evaluate the effectiveness of individual projects. For example, the relative emphasis to be placed on commuter service, suburban collectors, central business district distributors, and economically deprived job opportunity transportation will need to be determined. The program should also provide for appropriate identification and demonstration of new and improved public transportation systems and facilitate community adoption of these systems where they prove most effective.

At present, Federal-aid highway programs center largely around the Interstate and ABC systems. For the most part, they are limited to construction grants. As the Interstate program gradually approaches completion, the character of the future highway program needs to be explored. It is by no means clear that a continuation of the current program in the same form is the best future course. Any examination of the objectives and structure of the post-Interstate highway program should include the pros and cons of lesser Federal involvement and greater State and local involvement, Federal assistance for other than construction, urban transportation problems and demands, and State and local flexibility in applying Federal assistance.

Reduction of highway deaths, injuries, and property damage is a

complex problem. As you know, there are different opinions as to whether the non-Federal matching of highway safety grants should be incremental, or whether funds for ongoing State and community programs should serve as the non-Federal share. There are also differences of view as to the desirability of program priorities within the grant program. No single, easy solution to the problem of highway deaths and destruction is in sight. Rather, over the long run, a combination of approaches is more likely, such as improvements in safety standards of vehicles and roads, regulation, and education. However, with further study and experience, it should be possible to select specific programs which would produce the greatest benefits, at least cost.

The Coast Guard is basically a field operation with a large number of ships and shore facilities distributed throughout the nation's waterways, shore lines, and adjacent ocean areas. Many of these facilities are old and in need of either refurbishment or replacement. At the same time, new technology and changes in the substantive environment in which the Coast Guard operates have an impact on the rate and manner in which the reequipping of the Coast Guard takes place. The need is to determine the best mix in schedule for replacement which will optimize cost effectiveness and budget impact.

The subject of the future of rail passenger service is now being considered by both the Congress and the administration. The underlying problem is that there is no clear, consistent opinion as to the future potential or need for this type of service in the total national transportation system. Commuter service would be eligible for assistance under the mass transit program. However, the economic picture for long-haul passenger service is not bright. Furthermore, the impact of passenger service on the cost of freight service is not well understood.

The Department of Transportation is engaged in studying all of the aforementioned areas. The Bureau of the Budget monitors and reviews these efforts for impact on the budget and for consistency with programs and policies in related areas outside of the Department of Transportation.

COORDINATION OF ENVIRONMENTAL QUALITY WORK

Mr. CONTE. On page 15, you indicate that BOB will coordinate all the work in the environmental quality area. How will this be done?

Mr. MAYO. Federal activities related to the quality of the environment are carried on by many departments and agencies. The primary responsibility for promoting coordination of these activities lies with the newly established Council on Environmental Quality.

Within the Bureau of the Budget, examination of programs and budgets for the various agencies occurs in several divisions. The Bureau would intend to use additional staff to assist in pulling together within the Bureau program and budgetary information relating to environmental quality. This will increase the Bureau's ability to lay before the President data on the overall involvement of the Federal Government in this area and assist him in arriving at an overall strategy for Federal activities in environmental quality.

Additional staff will also be used to collect and compile annually data on Federal funds for environmental quality activities which can be available for general use within the Federal Government and for public consumption.

FAMILY ASSISTANCE PROGRAM

Mr. CONTE. On page 16, you state that the Family Assistance Program will require the development of a new administrative system. What will BOB's role be in developing this system?

Mr. MAYO. The Bureau has worked with the executive departments on the family assistance program since the early developmental stages. Our participation has involved technical assistance in developing program cost estimates and meshing the benefit schedules for closely related programs, such as the food stamp program of the Department of Agriculture.

As preparations are made for the administration of the new program, the Bureau will work with the affected agencies.

This activity will involve cooordination, advice, and counseling to insure development of a system which accommodates multiagency program needs at the national, State and local levels. For example, the Bureau will work with the Departments in determining the needs for and location of administrative personnel and offices; interrelationships between the administrative systems of the Departments of HEW, Agriculture, Treasury and the Veterans' Administration; and working relationships between Federal, State and local systems.

REVIEW OF DEFENSE BUDGET

Mr. CONTE. Last year at page 386, I asked about BOB review of the Defense budget. I see you are asking for 53 positions in 1971, an increase of four over 1970, to analyze national security programs. I certainly support your plans to give these programs a good hard look. You say on page 17 that "review and analysis will cover not only the financial requirements to support Defense programs, but also an examination of the underlying rationale for such programs and the manner in which the programs will proceed." I think it would be good for the record to have you expand upon the preceding statement, especially with respect to analyzing underlying rationale and the manner in which programs proceed.

Mr. MAYO. Our examiners begin their annual review of the Defense budget during the late winter and early spring with a view toward acquiring as much information as possible about the programs and major issues in their assigned areas.

First, they become intimately familiar with the underlying factors that determine the upcoming Defense budget proposals. These factors include our international commitments and the interests they protect, existing and emerging threats, the strategies for countering these threats, and the alternative resources to do so. While it is not the job of the Bureau's examiners to assess intelligence estimates or to advise upon the extent of our international commitments, they must be familiar with these considerations in order to evaluate the budget impact of the strategies, force structures and weapons systems proposed by Defense.

Once a budget program is initiated, a whole host of other considerations enter the picture and must be also scrutinized. These include such

subjects as systems cost experience, technical development progress, proposed versus realized effectiveness, the likelihood that specified performance can be obtained within cost limits, specific test results, necessary adjustments to reflect changes in the threats, orderly progress toward goals, duplication of capabilities, the degree of concurrency in development and production, the timely availability of subassemblies and matching components, and many other similar issues.

Armed with knowledge about these factors, our examiners are better able to accomplish an independent and responsible analysis.

Mr. CONTE. How will BOB operate within the newly organized Defense Program Review Committee?

Mr. MAYO. The Bureau of the Budget is represented on the Defense Program Review Committee, and will make recommendations on specific issues to that committee, as will other agency representatives. In the larger context of advising the President on the size and composition of his annual budget, specific recommendations of the committee will constitute one of several staff sources of alternatives for consideration in the allocation of resources.

Mr. CONTE. Mr. Mayo, in the defense spending area, you specifically mention at page 8 of your prepared statement manned strategic aircraft, missile technology, new fighter and attack aircraft, antisubmarine warfare systems, and ship missile systems. Would it not be fair to conclude from your emphasis upon these programs that they are in need of a comprehensive review before further money is spent on them?

Mr. MAYO. Yes. Every program within every budget appropriation is in need of a continuous comprehensive review every year. The budget review process is, therefore, structured to provide that such a review is accomplished in the preparation of each budget. Every effort is made to assure that old programs compete as vigorously for funds as new ones. No area is exempt from this exhaustive review.

IMPLEMENTATION OF WATER POLLUTION CONTROL LEGISLATION

Mr. CONTE. On page 19, you state that BOB works with the Department of the Interior on implementation of the major water pollution control legislation enacted in 1965 and 1966. Are you satisfied with the extent to which that legislation has been implemented?

Mr. MAYO. In implementing these laws, the Department has been encumbered in some cases by the lack of authority in the enforcement area and by delays normally encountered in accelerating such a program at both the Federal, State, and local levels. We believe that the delays encountered in increasing the magnitude of this program have been overcome to a great extent. The difficulties encountered due to a lack of authority will be overcome with the enactment of the administration's legislative programs which has been submitted to Congress. These proposals provide for broader enforcement authority, a new formula for allocation of construction grants to the States which will permit greater response to the needs of the States, a continuing authority for construction grants which will permit States and municipalities to plan ahead, and increased grants to States and interstate agencies to support their water pollution control programs.

ALASKAN OIL PIPELINE

Mr. CONTE. On page 19, you also state that BOB participated as an observer on the task force chaired by Interior to review the application for an oil pipeline across Alaska. Would you not agree that such a pipeline could result in permanently altering the very delicate balance of nature that exists in Alaska at this time?

Mr. MAYO. As you have noted, the Bureau of the Budget has participated in an observer role on the Federal task force chaired by Interior to review the application for an oil pipeline across Alaska. We agree that such a pipeline could alter the very delicate balance of nature in Alaska. It is for this reason that Interior Department has been interested in assuring that any pipeline would be built with technology sufficient to safely accommodate pipeline construction in the Arctic environment. Bureau staff have reviewed several agency budget estimates related to the applications for such a pipeline and other facilities. The President's fiscal year 1971 budget includes estimates for Interior to conduct investigations and suveillance so as to carry out its responsibilities for the protection of the natural resources and fragile Arctic environment in Alaska both through the period of prepermit investigations and negotiations and possible postpermit issuance activities.

Mr. CONTE. Thank you.

Mr. MAYO. You are welcome.

Mr. STEED. Mr. Edwards?

DEFENSE DEPARTMENT BUDGET

Mr. EDWARDS. Was the President's instruction to you insofar as the Defense Department was concerned, a new approach?

Mr. MAYO. Yes. The approach of completely equal treatment was new. The joint review part—I am kind of begging your question—was not new, but that wasn't literally in his instruction either.

Mr. EDWARDS. Did you have to come up with more people to pursue this?

Mr. MAYO. I don't feel this particular part of the responsibility required any more people. It was a question of how the President felt and how I was to respond to that. Although we are increasing modestly the number of people analyzing the Defense program, that was not the reason why there was in the previous administration an unequal treatment of the civilian versus the military side.

Mr. EDWARDS. How many of those eight program analysis positions will probably go to the Defense Department?

Mr. MAYO. Four of the eight.

SUPPLEMENTAL

Mr. EDWARDS. The new Domestic Council and the Office of Management and Budget, you say on page 1 that you will be coming back for a supplemental for about a hundred new positions a little later on.

Mr. MAYO. Yes.

Mr. EDWARDS. Was this not contemplated in the fiscal 1971 budget that was presented in January?

Mr. MAYO. We knew there would be a plan along these lines when we prepared the budget in January. The Ash Council was not prepared nor was the administration prepared to be as specific as I have indicated now and as we have indicated in the last 2 weeks, because as a practical matter we hadn't floated the reorganization plan, and the details just hadn't been worked out yet. This is a pretty complicated proposition even though the reorganization plan itself is reasonably simple, and we weren't prepared when we had to put the budget to bed.

Mr. EDWARDS. Will the additional costs of this actually work against the surplus written into the 1971 budget?

Mr. MAYO. Yes, it would. I think we are talking about something like $2 million as full year costs. If we are at zero when we start the fiscal year and at full strength of additional 100 positions at the end then we are probably going to spend only half that amount, more like a million than $2 million in the first year. But don't hold me to that digit, it is pretty rough.

MANAGEMENT INFORMATION SYSTEM PROGRAM

Mr. EDWARDS. Is the management information system program working well?

Mr. MAYO. Yes, I think so. This is a new area. We are doing a lot of pioneering here, Mr. Congressman, and we feel that the new people we are going to put into this will give us an opportunity to move a little faster. We have done much of our work to date in one area through a private contractor, expert in the management area and, as we have indicated in the statement, we are now moving into the pilot testing phase. We think that management information systems are very important to the agencies as well as to the Bureau in its budgetary and management responsibilities and also, of course, to the President and to the new Domestic Council in considering the options on various programs. If we don't have good data we are less likely to make the right decision.

CIGARETTE TAXES

Mr. EDWARDS. On a little different subject, we were talking about pollution a while ago, do you have at your fingertips about how much revenue we take in a year in cigarette taxes?

Mr. MAYO. I believe it is just about $2 billion a year or 8 cents per package tax.

Mr. EDWARDS. You can put the exact figure in, if you will.

Mr. MAYO. I think it is very close.

(The information follows:)

Receipts from cigarette taxes in fiscal year 1969 were $2,082 million. Receipts from all tobacco taxes were $2,136 million.

LOSS IN CIGARETTE TAXES

Mr. EDWARDS. As you know, beginning in January of next year no cigarette advertising will be on television, and if it has the desired result this should cause a reduction in the sale of cigarettes. I wonder if you folks have given that any consideration or whether you see it as much of a loss in taxes?

Mr. MAYO. I don't believe our estimate for 1971 makes any assumption of a drastic change as a result of no advertising. An awful lot of people that I know, even those who smoke, have a pretty good switch upstairs and they turn off the commercials as they come along.

Mr. EDWARDS. Some of us are going to be awfully disappointed if it doesn't cut down on some of the sales, but I expect maybe you are more nearly correct than I am.

Mr. MAYO. There has been a movement away from cigarette smoking, as we are all aware. Some of the State cigarette tax returns have been publicized in this regard. I haven't followed our own returns on a month-to-month basis on cigarette taxes, but it won't surprise me if they showed some of that trend. Do we have an increase from 1970 to 1971?

Mr. COHN. It is rather stable. In 1969 actual Federal receipts from cigarette taxes were 2 billion 82 million. The 1970 estimate is down a little to 2 billion 40 million and the 1971 estimate is 2 billion 90 million. So, I think we can say it is about 2 billion and the precise figures are certainly within the margin of error of any estimate of this kind.

We noticed after the Surgeon General's report that there was some decline in tax receipts and then it started to move up again. It is a picture of relative stability in sales even though probably the number of people of ages that smoke will continue to go up.

Mr. EDWARDS. Thank you, Mr. Chairman.

SUMMARY OF IMPACT OF REORGANIZATION

Mr. STEED. Mr. Mayo, to wrap it up, will you prepare for the record a brief summary of the Bureau as it now exists in terms of the percent of time or resources devoted to your major functions in relation to how you hope it will be when the new organization plan goes into effect?

Mr. MAYO. I will be glad to, Mr. Chairman.

Mr. STEED. This would be a matter, I would think would be good, to have the bits and pieces we talked about all day summarized in a little package.

Mr. MAYO. It would involve some guesswork obviously, but that is what you and I are supposed to do. An educated guess.

Mr. STEED. We just want a broad outline of the major functions. If you do that I think it would be helpful in keeping the main ball game in focus.

Mr. MAYO. We will be glad to.

(The information follows:)

We estimate that approximately 55 to 65 percent of the Bureau of the Budget's total professional staff time is currently devoted to budget review, program evaluation, long-term resource allocation analysis, development of fiscal policy, and related activities. About 20 to 25 percent is devoted to the improvement of Government organization and management, including operational coordination and development of management information systems. Legislative analysis and coordination accounts for an estimated 15 to 20 percent of professional staff time.

Reflecting the intent of the President's reorganization plan for the Executive Office of the President and assuming that the staff resources of the Office of Management and Budget would be increased over the level now available to the Bureau of the Budget, we estimate that professional staff time consumed by budget review, etc., would amount to about 45 to 55 percent; by organization and management activities, about 30 to 35 percent; and by work on legislation, about 15 to 20 percent.

The foregoing percentages indicate primarily an intent to increase significantly our staff resources for organization and management activities. In absolute terms, we would devote no less effort to budget review and program evaluation; indeed, we would expect to place greater emphasis on such functions as in-depth evaluation of Government programs.

CONCLUSION

Mr. STEED. The day has been long and arduous for you and we are sorry we have had to take so much of your time. You have been most informative and very cooperative and the committee is appreciative. I want to commend you for the good work you are doing and thank you for your cooperation.

Mr. MAYO. Thank you.

FRIDAY, MARCH 20, 1970.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

WITNESSES

JERRE S. WILLIAMS, CHAIRMAN
HAROLD L. RUSSELL, COUNCIL MEMBER
EMORY N. ELLIS, JR., EXECUTIVE SECRETARY
DAVID E. KARTALIA, STAFF ATTORNEY

Mr. STEED. The committee will be in order.

The committee is in session today for the further consideration of the budget requests for the executive branch. Today we take up the budget for the Administrative Conference of the United States.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 30-02-0100-0-1-908	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Studies to improve administrative procedure (program costs, funded) 1/	246	250	380
Change in selected resources 2/	-9	...	...
10 Total obligations.....	237	250	380
Financing:			
25 Unobligated balance lapsing..	13	...	...
40 Budget authority (appropriation)	250	250	380
Relation of obligations to outlays:			
71 Obligations incurred, net	237	250	380
72 Obligated balance, start of year	48	46	51
74 Obligated balance, end of year	-46	-51	-61
77 Adjustments in expired accounts	-1	...	...
90 Outlays.....	238	245	370

1/ Includes capital outlays as follows: 1969, $8 thousand; 1970, $4 thousand; 1971, $2 thousand.

2/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $38 thousand; (1969 adjustments - $1 thousand) 1969, $28 thousand; 1970, $28 thousand; 1971, $28 thousand.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
SALARIES AND EXPENSES
OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 30-02-0100-0-1-908	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	112	156	175
11.3 Positions other than permanent	24	24	87
11.5 Other personnel compensation	1	...	1
11.8 Special personal services payments	9	...	...
Total personnel compensation	146	180	263
Personnel benefits:			
12.1 Civilian	9	12	16
~~13.0 Benefits for former personnel~~			
21.0 Travel and transportation of persons	18	16	35
~~22.0 Transportation of things~~			
23.0 Rent, communications, and utilities	14	14	15
24.0 Printing and reproduction	...	7	25
25.0 Other services	43	14	18
26.0 Supplies and materials	7	3	6
31.0 Equipment	...	4	2
~~32.0 Lands and structures~~			
~~33.0 Investments and loans~~			
~~41.0 Grants, subsidies, and contributions~~			
~~42.0 Insurance claims and indemnities~~			
~~43.0 Interest and dividends~~			
~~44.0 Refunds~~			
99.0 Total obligations	237	250	380

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
SALARIES AND EXPENSES

Personnel Summary

Identification code	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	11	12	12
Full-time equivalent of other positions	1	1	5
Average number of all employees	8	10	17
Average GS grade	11.2	10.5	10.5
Average GS salary	$14,873	$15,550	$15,836

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level II, $42,500	1	1	1
GS-18, $33,495	1	1	1
GS-17, $28,976 to $32,840	1	1	1
GS-16, $25,044 to $31,724	...	1	1
GS-14, $18,531 to $24,093	1	1	1
GS-12, $13,389 to $17,403	1	1	1
GS-11, $11,233 to $14,599	1	1	1
GS-9, $9,320 to $12,119	1	1	1
GS-7, $7,639 to $9,934	1	1	1
GS-5, $6,176 to $8,030	1	1	1
GS-4, $5,522 to $7,178	1	1	1
GS-3, $4,917 to $6,393	1	1	1
Total permanent positions	11	12	12
Unfilled positions, June 30	-3	-4	-2
Total permanent employment, end of year	8	8	10
HIGHER LEVEL POSITIONS			
Executive level II, $42,500: Chairman	1	1	1
GS-18, $33,495: Executive director	1	1	1
GS-17, $28,976 to $32,840: Executive secretary	1	1	1
GS-16, $25,044 to $31,724: Research director	...	1	1

The Administrative Conference of the United States is a permanent, independent agency authorized by Public Law 88-499, August 30, 1964, 5 U.S.C. 571-576. The Conference embodies the philosophy that outstanding private practitioners, legal scholars and high-ranking representatives of Federal agencies can combine their experience and judgment to develop procedural improvements in agency processes. The implementation of Conference recommendations will result in greater fairness and expedition to the public and to greater efficiencies in governmental functions.

The Administrative Conference was activated in January 1968, has held three plenary sessions, and has adopted 17 recommendations, some of which have been implemented and others are in the process of implementation. Thus, the Conference is fully organized and its work well under way.

During 1969, legislation was enacted to amend the Administrative Conference Act to raise the ceiling on authorized appropriations from $250,000 to $450,000. (Public Law 91-164, December 24, 1969.) The House Committee on the Judiciary found the existing $250,000 limitation to be "unduly restrictive" (House Report No. 91-214, 91st Cong. 1st Sess., May 16, 1969).

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And the Senate Committee on the Judiciary in its report observed that the $250,000 limitation imposed in 1964 was based on estimates "which did not include sufficient funds and which wholly failed to take into account the substantial increase in general costs which has taken place in the meantime." The Committee then said:

> "In a memorandum, dated March 3, 1969, and which is a part of the record, the Conference compared the 1964 estimated operating costs with current operating costs, essential to accomplish the same congressional objectives. The conclusion, which is fully supported by that document is that it will today require approximately $400,000 to do what Congress then contemplated could be done on a budget of not to exceed $250,000.
>
> "Both the Senate and House hearings support the conclusion that the $250,000 limitation is outdated and so restrictive as to prevent the Conference from engaging in any meaningful research program. The committee is of the view that, properly funded, the Conference can achieve substantial economies in governmental procedures which will more than compensate for a modest increase in its budget." (Senate Report No. 91-596, 91st Cong. 1st Sess., December 10, 1969).

Basis of cost estimates

The budget of $380,000 for fiscal year 1971 is based on the experience of the operations of the Conference to date. After payment of the salaries of a small professional staff and fixed overhead charges, less than $50,000 of our current $250,000 annual

appropriations has been available in fiscal 1970 for the hiring of consultants and the payment of travel for Committee meetings and plenary sessions. Yet it is funds for these latter activities that are absolutely essential if the Conference is to function effectively.

Under this budget, there is no change from prior years in the authorized size of the permanent staff of the Conference. Including the Chairman, it establishes a ceiling of six professionals and six supporting personnel. In fact, the funds sought would authorize a staff of not more than 10 in fiscal 1971. Thus, the dollar increase over fiscal 1970 reflects only the recent salary increases authorized by law.

Almost all new funds, as is more fully described below, are for the employment of additional temporary consultants and experts and to pay for increased travel, per diem and incidental expenses involving committee and plenary sessions.

Considerations affecting costs by object class are as follows:

1. Personnel compensation - $263,000

(a) Personnel compensation (permanent positions) - $175,000.

The Chairman is assigned responsibility for providing staff support necessary for the Assembly, the Council, and the Committees of the Conference. He and his staff organize and direct all

Conference studies and research ordered by the Assembly or the Council. Members of the Chairman's staff conduct research for Committees of the Conference, prepare agendas for meetings, act as the secretariat and generally aid the Chairman in assuring the orderly flow of Conference business. In addition to the preparation and implementation of Conference recommendations, the staff conducts investigations for the Office of the Chairman, furnishes legal opinions on request to Government agencies, and collects and disseminates statistics on case volume, backlogs and related matters.

To enable the Chairman to perform these functions, the statute contemplates a small but highly skilled permanent staff to provide objectivity and imagination and special talents in the conduct of Conference business.

The appropriation requested would provide money for the salaries of the Chairman and a full-time staff of four professionals and five clerical employees, as follows:

Permanent Positions

Chairman	$42,500
Executive Director (GS-18)	33,624
Executive Secretary (GS-17)	30,908
Attorney (GS-14)	18,531
Executive Assistant (GS-11)	14,658
Confidential Secretary (GS-9)	10,607
Secretary (GS-7)	8,659
Stenographer (GS-5)	6,828
Clerk (GS-4)	6,074
Clerk-Typist (GS-3)	5,148
TOTAL PERM. PERSONNEL (177,537)	178,000
Lapses	-3,000
NET PERSONNEL COMPENSATION	175,000
Overtime	1,000

(b) Personnel, positions other than permanent - $87,000.

The general membership of the Conference has been divided into ten standing Committees along functional lines. Each Committee has seven to eight members, including a Committee chairman and a member of the Council to serve as liaison member. The Committees normally undertake two or three studies a year, utilizing the permanent staff and intermittent employees according to the nature of the research involved.

The Conference is of the opinion, based on its experience and that of the temporary Conferences, that the most efficient and economical way to proceed with in-depth studies of a technical

nature is to make greater use of part-time, highly skilled, professional consultants. The temporary services of law professors and the work they have produced has proven this to be a most productive approach. The cost per research project is far less than would be incurred through a corresponding cost increase in permanent staff. Neither lawyers just out of law school nor the use to the maximum extent possible of the permanent staff provides an adequate substitute.

The needs of the standing Committees and of the Conference are for temporary consultants or contract employees on an average of six of seven days each month. Under this budget each of the 10 standing Committees would have available the services of a prominent young scholar or two for a total of approximately 75 days each year.

In addition, the statute contemplates investigations and research directly under the supervision of the Chairman. Three such consultants each working approximately 40 days a year would cost an added $12,000.

The total amount thus expended for research consultants would be $87,000.

2. Personnel benefits - $16,000.

It is estimated that the cost of retirement, social security, and health and insurance benefits will be $16,000.

3. Travel - $35,000.

As noted above, members of the Conference, although not compensated for their participation, are entitled under the Act to reimbursement for travel expenses incident to their participation. Also, considerable travel is involved in the work of university professors and other consultants who participate as intermittent employees performing studies and research. Further, the Chairman and key staff people are expected from time to time to meet with and discuss Conference activities with professional, business, governmental and other interested groups throughout the country.

Of the 82 members of the Conference, approximately 25 are persons located in cities other than Washington. This is to provide geographic distribution and to obtain the best qualified members wherever located. In addition, some 8 to 10 of the intermittent employees of the Conference at any given time during the year will be from out-of-town universities. Their duties

necessitate considerable travel both to and from Washington and also to other universities, foundation headquarters, etc., in the conduct of their research.

It is estimated that each out-of-town member of the Conference will make at least 4 trips to Washington during fiscal 1971 to attend Committee meetings or plenary sessions, and that consultants will average approximately 10 trips per year for purposes of research. It is estimated, further, that each of these 200 individual trips will cost an average of $150 for transportation and per diem. Accordingly, including some travel by the Chairman and professional staff, the total cost of travel during the fiscal year 1971 is estimated at $35,000.

4. Rent, communications and utilities - $15,000.

This cost takes into account the geographical distribution of the membership of the Conference, its intermittent employees, and the need for frequent consultation with some 34 Departments and agencies of Government. It includes postage, telephone service, and rental of a duplicating machine and one standard Type II Sedan equipped with air-conditioning.

5. Printing and duplication - $25,000.

Printing and reproduction represent a considerable part of the cost of operations since widespread circulation of Conference

documents is an essential step in gaining agency implementation of its recommendations. Included here are funds for printing and distributing recommendations with supporting reports to the President, the Congress, the agencies, university libraries and other interested organizations. There are 17 recommendations with reports now complete and 15 - 20 additional recommendations with reports can be expected during fiscal 1971. It is contemplated that there be printed in permanent form an Official Reporter of Conference actions to contain these documents. There is also the requirement to print and distribute an Annual Report, and update statistical data on case loads, time data and related information on agency proceedings.

6. Other services - $6,000.

This item provides $6,000 for stenographic reporting services required to transcribe the plenary session of the Conference, for equipment maintenance and related contingencies.

7. Services of other agencies - $12,000.

The costs of administrative services to be provided under contract by the General Services Administration during fiscal 1971 are estimated to be $12,000.

8. Supplies and materials - $6,000.

This item includes the cost of office supplies, books, legal periodicals, technical materials, and related items.

9. Equipment - $2,000.

It is estimated that purchases of operating equipment and replacement of office machines will be approximately $2,000 in fiscal 1971.

SUMMARY ESTIMATE OF EXPENSES OF
THE ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
FOR THE FISCAL YEAR 1971

1. Personnel Compensation

(a) Permanent Positions

Chairman	$42,500	
Executive Director (GS-18)	33,624	
Executive Secretary (GS-17)	30,908	
Attorney (GS-14)	18,531	
Executive Assistant (GS-11)	14,658	
Confidential Secretary (GS-9)	10,607	
Secretary (GS-7)	8,659	
Stenographer (GS-5)	6,828	
Clerk (GS-4)	6,074	
Clerk-Typist (GS-3)	5,148	
TOTAL PERM. PERSONNEL (177,537)	178,000	
Lapses	-3,000	
NET PERSONNEL COMPENSATION	175,000	
Overtime	1,000	
Consultants	87,000	
	263,000	263,000
PERSONNEL BENEFITS	16,000	
TRAVEL	35,000	
UTILITIES	15,000	
PRINTING & DUPLICATING	25,000	
OTHER SERVICES	6,000	
GSA SUPPORT CONTRACT	12,000	
SUPPLIES AND MATERIALS	6,000	
EQUIPMENT	2,000	
	117,000	117,000
TOTAL BUDGET		$380,000

Mr. STEED. We are very pleased to have the Chairman of that Conference, Mr. Jerre S. Williams, and Council member, Mr. Harold L. Russell, with us.

Mr. Williams, if you would like to make a general statement at this point, we would be glad to hear you.

GENERAL STATEMENT

Mr. WILLIAMS. Thank you, Mr. Chairman. I have submitted some testimony in writing which I believe is in your hands. Rather than read it, which doesn't profit either of us very much, I would like to emphasize a few things.

(The statement follows:)

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to provide supporting information with respect to the President's 1971 budget request for the Administrative Conference of the United States.

The request is for $380,000. This is an increase of $130,000 over last year's budget of $250,000. It reflects for the first time an amount which I believe will make it possible for the Administrative Conference to begin to justify the high aspirations which the President, the Congress and many organizations and dedicated individuals have expressed in the potential of the agency.

As you will recall, the Administrative Conference results, in large part, from a recommendation of the temporary-experimental Administrative Conference of 1962. In a letter of December 1962 to President Kennedy from Judge E. Barrett Prettyman, the Chairman of that Conference, said:

> "We recommend the establishment of means by which agencies in the Federal Government may cooperatively, continuously, and critically examine their administrative processes and related organizational problems. Believing that the main sources of information as well as the resolve to couple fairness with efficiency lie within the agencies themselves, we urge that the proposed organization be composed largely of governmental personnel, but with a sufficient infusion of outside experts to assure objectivity and variety of views.

> "We recommend the creation, on a permanent footing, of the Administrative Conference of the United States, to be composed of a council and an assembly."

With the strong support of the American and Federal Bar Associations, and bipartisan executive and legislative endorsement, enabling legislation was enacted in 1964. The Conference was activated in early 1968.

The original enabling legislation, until amended a few months ago, contained a statutory ceiling on Conference authorizations in the amount of $250,000 per annum.

In our appropriations for 1969 and 1970 the Congress implicitly recognized the fact that $250,000 was a base figure for Conference operating funds. This, I believe, is a fair conclusion to be drawn from the fact that despite general economies in most programs, the President requested and the Congress on each occasion appropriated the full amount of our statutory ceiling.

In my opinion we have a most commendable record of accomplishments based on the level of operation permitted by that budget. But our achievements during the past two years could have had a far greater impact had we enjoyed the benefit of the additional funds we now seek.

As I am sure you know, both the prior and present Administrations supported legislation to afford relief from the statutory ceiling of $250,000. They did so on the simple premise that the agency could not effectively carry out its important legislative mandate on such a restricted budget. Last year, Congress amended the statute to raise that statutory ceiling to $450,000. (P.L. 99-164)

The reports of both the House and Senate Judiciary Committees clearly indicate that these important bodies felt that the $250,000 ceiling was unduly restrictive and that approximately $400,000 would be needed to accomplish what Congress previously thought could be done for $250,000.

While I certainly think that the reasons which supported lifting our ceiling last year also support the increased budget we are seeking now, I am not here today to ask for $380,000 for 1971 simply because Congress saw fit to raise the statutory ceiling on appropriations. I am here to tell you why we cannot live a productive life any longer with only $250,000.

The $250,000 ceiling was arrived at by drawing on the cost and operating expenses of the 1962 Conference and adding in the salary cost for eleven people at the 1962 wage level. By 1962 standards the amount was low. By 1968, when the Conference first got under way, that figure was wholly out-of-date; and today it is completely inadequate.

This can be demonstrated dramatically by comparing current salary levels with those used in determining the $250,000 total budget ceiling for the Conference in 1962. In 1962 it was estimated that salaries for the anticipated ten staff members plus the Chairman would amount to $121,500. The Conference has never been able to hire up to this number of employees; and the actual annual salary rate for the eight full-time staff employees plus my salary at this very moment is approximately $163,000. Our estimate for fiscal 1971 would add two additional nonprofessional employees, bringing the total salary level to $178,000, or $56,000 more than anticipated in 1962 even though we would be employing one less professional than was included in the 1962 estimate.

When you add the costs of communications and utilities, printing and duplicating, miscellaneous supplies and equipment, and a contract for support services with the General Services Administration (which was not even anticipated back in 1962), you can readily see that over $200,000 out of our $250,000 current budget are expended before we even reach the expenses for the major general activities of the 82-man Conference.

Of the approximately $50,000 remaining we are now spending about $15,000 per annum on travel expenses including those of our Conference members and consultants to attend a limited number of committee meetings and our plenary sessions. This leaves, with some carry-over contract funds, about $40,000 for the payment of administrative law experts who act as consultants to our committees and special project contractors, and who produce studies supporting recommendations of the committees and the Conference. With this amount we have been able to retain approximately twenty consultants and contractors whose average pay is about $2,000 per year. I ask you to draw upon your experience as members of this committee, and your knowledge of the consultant fees paid by other Departments and agencies to evaluate the adequacy of the $40,000 we have been spending for this purpose.

Despite these severe financial limitations, the Conference has made significant recommendations for legislation and agency action, and we expect that more will come before the plenary session now scheduled for June.

Seventeen recommendations have already been adopted, well over half can be and are being implemented by voluntary agency action and without the need for Congressional legislation. A brief summary of some of these actions follows.

1. In the area of protecting consumer interests and affording the general public better opportunity to participate in administrative action, the Conference has suggested several courses of action.

One recommendation calls for a People's Counsel to represent the poor in agency rulemaking proceedings. Some aspects of this recommendation may be put into effect by voluntary agency action. However, full implementation requires legislation, and such a bill, S. 3434, has already been introduced in the Senate. It provides for a Public Counsel Corporation, and if enacted, would fully implement the legislative part of this proposal.

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A recommendation that there be published a general Consumer's Bulletin written in language that can be readily understood to advise the average American of consumer-oriented activities of his Government affecting his interests. This will be sort of a layman's Federal Register. The President in his special message last October on "Protection of Interests of Consumers" has specified that his Special Assistant for Consumer Affairs will establish such a publication. A recommended new office of Consumer Affairs in the Executive Office of the President would continue to publish a consumer bulletin.

Another bill recommended by the Conference /S. 3569/ would require that public rulemaking be conducted in proceedings involving "public property, loans, grants, benefits, or contracts," kinds of proceedings now exempt from rulemaking by the Administrative Procedure Act.

2. In the interest of reducing delay and eliminating unnecessary procedures, the Conference adopted a recommendation to dispense with duplicative license de-certification hearings conducted by the Federal Aviation Agency and the National Transportation Safety Board was adopted. The FAA has already

agreed in proposed new rules to dispense with its formal hearings, mostly involving air pilot licenses. This proposal alone will result in substantial savings to the Government.

3. Other significant Conference action during the past year includes: (a) a recommendation culminating in the introduction of a bill /S. 3568/ which will substantially reduce the availability of sovereign immunity as a defense against allegedly wrongful acts of Government officials; (b) a recommendation dealing with judicial enforcement of NLRB orders which is being readied for Congressional consideration; and (c) a series of recommendations to improve the status and quality of hearing examiners.

A number of important studies are being prepared for our June meeting. We hope to have a significant recommendation in the area of discovery. The fairness of the procedures of the Renegotiation Board, including judicial review by the Tax Court, are the subject of careful review. The procedures under which the Securities and Exchange Commission issues "no action" letters will be under scrutiny. Other possible subjects for recommendations include parties defendant, summary judgment and judicial review of Civil Service Commission adverse personnel actions.

While we have been able to accomplish this much, I feel that we have only scratched the surface. A number of projects have been postponed or put on the back burner for the lack of adequate financing. As I indicated earlier, our present budget allows about $50,000 a year for research, travel and general Conference meetings. Under the budget we seek there would be no significant increase in what I have previously described as fixed overhead costs. We plan to add ~~a lawyer and a secretary~~ two employees, to make a staff of ten. We also need to print for general distribution the useful research reports prepared by the staff and consultants. But under the new budget, some $130,000 is earmarked for research, travel and related expenses. We would then be in a position to commence research projects of much broader scope and applicability.

Some of the projects that we are beginning or need to be undertaken include:

1. An in-depth study of the accessibility of agency procedures to the general public including the use of the Freedom of Information Act -- how it has been implemented, and what changes, if any, may be desirable.

2. The publication of a comprehensive manual containing suggestions for expediting the trial of administrative proceedings, particularly protracted cases.

3. A long needed study of immigration procedures, for example, those employed in "change of status" proceedings.

4. An exploration of fairness and efficacy of the release procedures available in Federal mental institutions.

5. A study of the adequacy of judicial review of land condemnation determinations and the need for a "model quiet title statute."

6. A review of a number of HEW, HUD and other grant and benefit programs to determine whether the procedures can be improved to make them fairer, less expensive and more effective.

7. An examination into procedures to improve fairness and public awareness of pre-merger procedures at the Federal Trade Commission and the Department of Justice.

8. A study of the role that computers can play in administrative proceedings, such as licensing and rate-making.

The Administrative Procedure Act of 1946 is now 25 years old; it needs thoughtful study and careful revision.

The question of delegations of functions, separations of functions, internal agency procedures, judicial review -- these and a host of questions are in need of examination.

There is also the "Ombudsman" question. Can this system, or some modification of it work on our Federal system to the advantage of the public. We need some experiments, some controlled tests.

More rights are now determined by administrative agencies than by the courts. They affect more people and involve more money. The fairness and effectiveness of procedures by which these decisions are rendered are in need of a fresh look. This is why the Administrative Conference was created. We ask the Congress to give us the money we need to do the job.

INTRODUCTION OF WITNESSES

Mr. WILLIAMS. My name is Jerre S. Williams and I am Chairman of the Administrative Conference of the United States. Today I am accompanied by a member of our Council, Mr. Harold L. Russell, a practicing lawyer of Atlanta, Ga., who has been on the Council since the beginning of the Administrative Conference, and who is here also to testify briefly on the Conference and its work from the point of view of the practicing bar.

Also, I have with me today Mr. Emory N. Ellis, Jr., who is the new Executive Secretary of the Conference and who is seated over here on my left. He just came to us from the Civil Aeronautics Board, where he was the Administrative Assistant to the Chairman.

Our Executive Director, Mr. John F. Cushman, whose name appears on our witness list, had a death in the family and was unable to be here.

I am also accompanied by Mr. David Kartalia, staff attorney with the Conference. He has been with us now for some time.

Mr. STEED. If you would like to submit the biographical sketches for the record, we would be glad to have them.

Mr. WILLIAMS. Thank you very much. We will do that.

(The sketches follow:)

BIOGRAPHICAL SKETCH OF JERRE S. WILLIAMS

Jerre S. Williams was born in Denver, Colo., August 21, 1916, the son of the late Wayne C. Williams and Lena Day Williams. He was reared in Denver where his father was a practicing attorney and at one time was attorney general of Colorado and also Special Assistant to the Attorney General of the United States.

Mr. Williams graduated from the University of Denver in 1938 with an A.B. degree in political science; graduated from Columbia Law School with an LL.B degree in 1941. While at Columbia Law School he was an editor of the Columbia Law Review and a Kent scholar. He was admitted to the Colorado Bar in 1941, the Texas Bar in 1950, and the Bar of the U.S. Supreme Court in 1945.

In 1941, Mr. Williams began his law teaching career at the University of Iowa Law School. In the summer of 1942, he served as an attorney in the Office of Price Administration while awaiting his call of active duty in the Air Force. In the fall of 1942, he entered the Air Force and served as a legal officer in the Air Transport Command until his release from active duty in 1946.

In the spring and summer of 1946, Mr. Williams served as assistant professor of law at the University of Denver Law School while awaiting his joining of the faculty at the University of Texas Law School in the fall of 1946. He served successively as an associate professor of law and professor of law at the University of Texas until his appointment as Chairman of the Administrative Conference of the United States in October of 1967. In 1964, he was named the Rex G. Baker and Edna Heflin Baker professor of constitutional law at the University of Texas. In 1958, he was the first professor in the law school to be awarded the Teaching Excellence Award upon designation of the students. He was given this award again in 1964. Mr. Williams has also taught summer terms at the University of Chicago Law School, the University of California at Los Angeles Law School, and the University of North Carolina Law School. In 1955 and 1956, Mr. Williams took leave from the University of Texas to serve as associate staff director of the Special Committee on Loyalty-Security of the Association of the Bar of the City of New York. In the summer of 1960, he made a study of comparative free speech problems in London, England, under a grant of Ford Foundation funds from the University of Texas Law School. In 1964–66, he served as Chairman of the Southwest Regional Manpower Advisory Committee under the joint appointment of the Secretary of Health, Education, and Welfare and the Secretary of Labor.

Mr. Williams is the author of several books, including the "Supreme Court Speaks, 1956." "Cases and Materials on Employee's Rights, 1952," second edition,

1958, and he is the editor in chief of the third edition of "Labor Relations and the Law, 1965." In 1963, he won the Ross Essay Prize of the American Bar Association. He delivered a paper at the Fifth International Congress of Labor Law and Social Legislation in Lyon, France, in 1963, and in 1966, he delivered a paper at the Sixth International Congress of Labor Law and Social Legislation in Stockholm, Sweden. He is also the author of numerous articles in legal publications.

An active labor abritrator for many years, Mr. Williams is a member of the National Academy of Arbitrators, having served on its Board of Governors.

BIOGRAPHICAL SKETCH OF HAROLD L. RUSSELL

Harold L. Russell, born Abingdon, Va., July 1, 1916; educated at Hendrix College (A.B. 1947) and Columbia University (LL.B., 1940); admitted to the bar of New York (1941) and the bar of Georgia (1942); member of the firm Gambrell. Russell, Moye & Killorin, and predecessor firms, 1951–, partner, 1947– : member, Atlanta, Federal and American Bar Associations; State Bar of Georgia; Lawyers Club of Atlanta; the Association of the Bar of the City of New York, former chairman, Administrative Law Section, American Bar Association.

BIOGRAPHICAL SKETCH OF EMORY N. ELLIS, JR.

Emory N. Ellis, Jr., executive secretary, Administrative Conference of the United States.

Mr. Ellis, age 40, is a native of Washington, D.C. He is married and has five children.

He attended the College of Arts and Sciences of Georgetown University, graduating in 1952. He entered the U.S. Navy soon after graduation and served almost 3 years before being released from active duty as a lieutenant (j.g.) in December 1955.

He entered Georgetown Law School in February 1956 and received his LL.B. from that school in 1958.

He then spent over 3 years in the private practice of law in Washington; most of which was before Federal and District of Columbia administrative agencies.

In May of 1961, Mr. Ellis took a position as trial attorney with the Subsidy Division of the Bureau of Economics, Civil Aeronautics Board. Through the next 9 years he progressed through the positions of Chief of the Legal Division, Bureau of Operating Rights, and Assistant Director, Bureau of Operating Rights, and finally became administrative assistant to the Chairman in the summer of 1968.

Mr. Ellis received an award from the Board for sustained superior performance in 1964, and has been nominated by the Board for the Federal Bar Association's 1970 Tom C. Clark Award.

In February 1970, Mr. Ellis acceded to the position of executive secretary of the Administrative Conference.

He is a member of the bar of the District of Columbia and a member of the American Bar Association.

BIOGRAPHICAL SKETCH OF DAVID E. KARTALIA

David E. Kartalia, born May 27, 1941; educated in Milwaukee, Wis., and Detroit, Mich., public schools, University of Michigan (A.B., 1963), and University of Chicago Law School (J.D., 1966); associated with Chicago law firm, 1966–68; staff attorney, Administrative Conference of the United States, 1968– ; admitted to the bar of Illinois; member, Chicago and Illinois Bar Associations.

BUDGET REQUEST

Mr. WILLIAMS. This year the Administrative Conference is asking for the sum of $380,000. This is an increase over our appropriation last year of $130,000. There is a substantial and significant background for this increase. When the Conference was set up by statute in 1964, an appropriation ceiling of $250,000 was established which was set to meet operating expenses at that time and was actually based upon the expenses of the temporary conference which operated in 1961 and 1962.

It was understood from the very beginning when I became Chairman that that appropriation ceiling was too low. We were successful last year in getting enacted through the Congress with the backing of the current administration and also the preceding administration, and signed by the President, an amendment to our appropriation ceiling, to raise the ceiling to $450,000 a year.

A major aspect of that raising of the ceiling is seen in the Senate and House report on page 2 of our budget request. That is the blue book, where there is a substantial quotation from the Senate report. That report indicates that the ceiling was raised with a clear understanding that the $250,000 contained in the ceiling was really approximately $400,000 today in view of the raises in salary and the like.

I would like to inroduce into the record the memorandum which is referred to in that statement in our budgetary request, since the statements of the House and Senate in support of that increase are based upon that memorandum, showing that the approximately $250,000 is now approximately $400,000.

Mr. STEED. Without objection, that will be made a part of the record.

(The memorandum follows:)

March 3, 1969

MEMORANDUM COMPARING THE 1964 ESTIMATE OF OPERATING COSTS WITH THE PRESENT BUDGET REQUIREMENTS

On March 5, 1964, Subcommittee No. 3 of the House Committee on the Judiciary held hearings on the Senate-passed bill to establish the Administrative Conference as a continuing agency. Judge E. Barrett Prettyman, Chairman of the two pilot Conferences called by President Eisenhower in 1953 and by President Kennedy in 1961, submitted a detailed estimate of the cost of the proposed activity. His estimate is summarized as follows at page 54 of the printed hearings:

Salary of the Chairman	$ 20,500
Full-time staff (5 professional and 5 clerical)	101,000
Per diem pay of experts employed part-time	80,000
Printing, reproduction, and duplicating	27,000
Travel expenses	18,000
Utilities, equipment, supplies and other expenses	10,000
Total estimated annual cost	$ 256,500

When the full Committee voted to report the bill, it adopted several amendments, one of which, based upon this estimate, imposed a $250,000 ceiling on appropriations for the Conference. The bill ultimately was enacted with this limitation.

Over the past five years operating costs for activities of this nature have increased substantially. To provide for the operation of the Administrative Conference in the manner and at the same level of activity as contemplated by the Congress when it passed the Administrative Conference Act in 1964 will require approximately $150,000 more than the amount of the present ceiling. The purpose of this memorandum is to explain the increases.

Salary of the Chairman - Only one member of the 80-90 member Conference receives compensation for his participation. He is the Chairman, and his salary is fixed by the Act at "the highest rate established by statute for the chairman of an independent regulatory board or commission" (5 U.S.C. 573(b)). Thus, the Chairman's compensation is set at the same level as that of the Chairman of the Atomic Energy Commission, Level II, and pursuant to Public Law 90-206, December 16, 1967, and the recent action of the current Congress with respect thereto, compensation at that level now is $42,500 per annum.

Full-Time staff - The 1964 estimate contemplated a full-time staff of 5 professional and 5 clerical employees to provide necessary support services for the Chairman, the 11-member Council, and the ten committees into which the membership is divided. The $101,000 which appears as the second item of the above schedule was to cover the cost of their salaries and personnel benefits.

In accordance with the general reductions in employment levels dictated by Public Law 90-364, June 28, 1968 and the President's Memorandum on the subject dated February 17, 1969, the number of full-time staff positions has been reduced from 10 to 8 (4 professional and 4 clerical). However, the General Schedule salary table under the Federal Employees Salary Act of 1962, 5 U.S.C. 5332, has been revised upward six times since the 1964 estimate - effective July 1, 1964 (P.L. 88-426), October 1, 1965 (P.L. 89-301), July 1, 1966 (P.L. 89-554), October 1, 1967 (P.L. 90-206), July 1, 1968, and July 1, 1969 (P.L. 90-206 and E.O. 11413, June 11, 1968). These pay raises and corresponding changes in personnel benefits (computed according to the standard Bureau of the Budget formula at 7% of total salaries at the "payline" level) increase the total cost of full-time staff, beginning with the fiscal year 1970, to approximately $157,620.

Intermittent employment - An essential feature of the success of the 1961-62 Conference was the research work performed and the reports prepared by law school professors engaged on a part-time basis to work on special projects of the several committees of the Conference. Their work is again essential to the effort. These experts were paid at rates of from $50 to $75 per day. The total amount of such compensation paid

by the Kennedy Conference was $113,568.45. Based upon that experience, the 1964 estimate included an item of $80,000 or an average of $8,000 per committee for such intermittent employment.

Substantial increases in faculty salaries (upon which the per diem rates authorized are based) and the increasing reliance of private foundations and government grant programs upon the part-time employment of university professors now make it impossible to obtain the experience and talent needed for Administrative Conference studies at the per diem rates paid by the 1961-62 Conference. Instead, the $100 per day maximum fixed by the Act (5 U.S.C. 575(c)(10)) tends to become the standard, and a minimum of $11,500 per committee or a total of $115,000 is needed to provide the necessary part-time research support.

The 80 to 90 members of the Conference, including American Bar Association presidents, university presidents and law school deans, scholars of national reputation, and many of the Nation's most respected lawyers, represent a tremendous wealth of knowledge and experience in law and government. They serve for two-year terms without compensation. To provide them with inadequate research assistance is to waste an invaluable asset of the Government.

Printing and reproduction - Because the 1961-62 Administrative Conference spent a total of $40,498.12 on duplicating and reproduction services during its 18 months of operation, the 1964 estimate included $27,000 or approximately two-thirds of that amount to cover the annual cost of such services.

Over the past five years, significant improvements in equipment and technology have effected reductions in printing costs. However, the Office of the Comptroller, Government Printing Office, advises that notwithstanding these savings, rising labor costs have increased GPO charges approximately 21% over that period. Therefore $32,670 is needed today to provide the services which $27,000 would have paid for in March 1964.

Travel expenses - Although members of the Conference (other than the Chairman) receive no compensation for their services, the Act (5 U.S.C. 573(c)) provides that they are entitled to

reimbursement for travel expenses under 5 U.S.C. 5703, including $16 per diem in lieu of subsistence. To assure the broadest possible representation of affected interests, the Conference membership is selected from all parts of the country. Each member attends two plenary sessions and at least three committee meetings at other times during the year. A somewhat greater amount of travel is required of the law school professors employed on a per diem basis to provide research assistance since they make trips to Washington in connection with their research, in addition to travel incident to Conference and committee meetings. Also, the Chairman and Executive Director occasionally travel in the interests of encouraging the participation of bar and industry groups in Conference studies.

Thoughout the 1961-62 operation, most of the out-of-town members of the Conference declined to submit travel vouchers, and the 1964 estimate of travel costs anticipated a continuation of that experience. Now, as a permanent agency, almost all members regularly submit vouchers. In addition, according to the Civil Aeronautics Board Bureau of Accounts and Statistics, air fares have increased approximately 10% since 1964. The average trip in connection with Conference activities now costs approximately $127 for air fare, $24 for per diem in lieu of subsistence, and $13 for airport buses and taxis, telephone calls, and other allowable expenses, or a total of $164 per trip. Since the Conference operation involves a minimum of 200 trips per year, it is reasonable to expect a total expense of at least $32,800.

Other expenses - The 1964 cost estimate concluded with an item of $10,000 to cover furniture, books, equipment, supplies, and other miscellaneous costs. Payroll, fiscal, and supply services for the continuing Conference now are performed by the General Services Administration. That agency's charge for its services, alone, is $12,000 at the present time. The total amount needed for these "housekeeping" services, plus long-distance and other telephone services, the cost of transcripts of plenary sessions, and all of the other items of miscellany contemplated by the 1964 estimate, therefore, is at least $20,000.

Recapitulation

Item of expense	1964 Estimate	Present cost
Chairman's salary	$ 20,500	42,500
Full-time staff	101,000	157,620
Per diem employment	80,000	115,000
Printing and reproduction	27,000	32,670
Travel	18,000	32,800
Other expenses	10,000	20,000
	$ 256,500	400,590

Mr. WILLIAMS. So, frankly, the most important point we have for you today is the fact that legislation has been enacted raising our ceiling to $450,000, which is a clear indication that the Congress and the President believe that the $250,000, which is what we have been operating under, is not adequate.

Our budgetary request for $380,000 is an adequate, solid request for funds to do what the Conference can do, and for the first time truly demonstrate the effectiveness of the Conference in carrying out its statutory charge given to it by the Congress to investigate and make recommendations to improve administrative practices and procedures throughout the Federal Government.

If we do not get this increase, we will be in the position of having virtually all our appropriation go for fixed overhead. This means that the increase is the critical sum—as is shown in our budgetary request and in my prepared statement—that the increase is the critical sum to give us the moneys for adequate travel expenses and for the adequate per diem expenses for those young law professors who do the basic research in developing these recommendations for improvement of administrative procedures.

CONTRIBUTIONS

In this connection I would reemphasize something that I have said to you before that is of the utmost importance. The Administrative Conference gets hundreds of thousands of dollars of contributed legal services from the private practitioners and law professors who are members of it and who work without any compensation, only travel expenses; and indeed, also from the top-level Government administrators who serve and contribute a great deal of their time and energies to the work of the Conference.

I am frankly quite proud of the record of the Administrative Conference thus far in the less than 2 years we have been actually operating in view of our budgetary limitations. Let me very briefly mention a few of the matters where we have already taken action by way of recommendation and followup of that action.

CONSUMER SERVICES

First with respect to the area of consumers. the Conference has recommended the establishment of a people's council to represent the poor in agency rulemaking. A bill to do this is now in the Senate. It is Senate bill 3434.

We have recommended the establishment of a brief, short, simple Consumer's Bulletin to be distributed by the Government so that the public generally knows what its Government is doing in the way of administrative procedure. President Nixon directed his Special Assistant for Consumer Affairs to establish such a bulletin in his consumer message and indicated that ultimately this bulletin would be published by the new Office of Consumers Affairs which he was recommending be established.

ADMINISTRATIVE PROCEDURE ACT

The Conference has also recommended the elimination of the exemption of grant and benefit programs from the rulemaking provisions of the Administrative Procedure Act. Now they are exempt from those procedures and we are recommending that they no longer be exempt but become part of the significant procedures that give the public an opportunity to participate in the rulemaking process.

A bill to accomplish this objective has now been introduced in the Senate. It is Senate bill 3569.

ELIMINATON OF UNNECESSARY PROCEDURES

Another major area of activity of the Conference which will greatly increase as our budget is increased is the moneysaving aspect, of what we can do concerning delay and the elimination of unnecessary procedures.

One of our recommendations is an excellent example of this. Growing out of a citizen's complaint which came to our office, we made a study of the hearing procedures of the Federal Aviation Agency in their licensing disciplinary procedures against pilots and other air personnel. We discovered that the FAA was giving a full and complete hearing—adjudicatory hearing—on these matters, even though a full adjudicatory hearing is required by statute to be given by the National Transportation Safety Board. In other words, here are two complete, full hearings on exactly the same issue. We recommended that the FAA hearing be eliminated.

The FAA took immediate steps to do so, and is now in the process of a rulemaking procedure to eliminate that duplicative and unnecessary hearing. There will be a substantial saving to the taxpayer.

Further on behalf of the citizen, we have recommended the substantial limitation upon the use of the doctrine of sovereign immunity by Government agencies as a way of retreating from a test on the merits as to the validity of an administrative action taken.

A bill to carry out this recommendation is now in the Senate. It is Senate bill 3568.

I might add that these bills in the Senate all have bipartisan support, or most of them have.

We have recommended that NLRB orders be self-enforcing. This would put the NLRB in the same category as other independent regulatory agencies and would again accomplish a substantial saving of taxpayers' funds by not forcing the NLRB to have to go to court to enforce its orders. Obviously, the orders would still be subject to the same amount of judicial review and challenge they are now subject to, just as the orders of other agencies are.

We have done a great deal of work on improving the status of hearing examiners.

We have our next plenary session scheduled for June. We are going to have a number of significant recommendations before the Conference at that time, recommendations on discovery in the administrative process, on the procedures of the Renegotiation Board, on the Securities and Exchange Commission no-action letters, on the institution of summary judgment procedures in the various agencies, and possibly on the judicial review of Civil Service Commission personnel actions.

CONFERENCE PROCEDURES

Mr. ROBISON. Mr. Williams, where will you hold that plenary session? Here in Washington?

Mr. WILLIAMS. Yes; in Federal Office Building No. 7, on June 2 and 3.

Mr. ROBISON. Who attends?

Mr. WILLIAMS. It is open to the public. The 82 members of the Conference attend. We typically have a few newsmen attend, and then some interested groups.

For example, we had significant recommendations on hearing examiners before us at the last session, and a substantial number of hearing examiners attended. Not many members of the general public attended. A few did.

Mr. ROBISON. Do you break down the Conference into study groups?

Mr. WILLIAMS. The Conference consists of 10 committees. Every member of the Conference is a member of a committee. Each committee has a chairman. They are in effect the study groups. Each has assigned to it one or two young law professors as its consultants who do the actual work in researching the problems that the committee is interested in.

CONSULTANTS

Mr. ROBISON. Does the Conference pay these law professors?

Mr. WILLIAMS. It does. Up to $100 a day per diem.

Mr. ROBISON. As consultants?

Mr. WILLIAMS. As consultants.

Mr. ROBISON. That comes out of what?

Mr. WILLIAMS. That comes out of our personnel budget.

Mr. ROBISON. $87,000 is asked for that?

Mr. WILLIAMS. Yes, sir.

Mr. ROBISON. These study issues are issues that the members of these separate study subcommittees, I guess you would call them, look at on a year-round basis, not just at the time of the conference?

Mr. WILLIAMS. That is correct.

Mr. ROBISON. At the time of the session?

Mr. WILLIAMS. This is a long process; yes. The consultant goes in depth into a problem. He develops a detailed report and suggested tentative recommendations. This then goes to a committee which refines his recommendations, carefully considers them. The refined proposed recommendations then go through the Council to the floor of the assembly at its plenary session, where they are debated just as if they were proposed legislation, and can be treated the same way—can be amended, returned to the committee, or passed, and so on.

NEED FOR CONFERENCE

Finally, I would simply say that for the future we certainly see—stretching into the indefinite future—the need for the work of the Administrative Conference. There is much to be done in the way of improving administrative procedures on behalf of the citizen and on behalf of governmental efficiency.

In fact, in many ways you can say the problem is one of keeping up with the rapid developments. For example, we must get into the problem of the impact of computers. We are now making a general review of the social security benefit procedures, which, of course, have become such a significant part of Federal administrative action. We are trying to keep our sights broad, as we have, I think, on the recommendations we have adopted thus far.

For example, we are making studies of the procedures concerning persons in mental hospitals, of immigration procedures, and of the judicial review of land title controversies. We are also concerning ourselves with the ultimately fundamental questions of separation of functions within independent regulatory agencies, separation of the policymaking and the adjudicatory or enforcement function, which is a perennial problem.

We recognize the need for continual review of the basic Administrative Procedure Act. Suggested revisions can be found in some of the recommendations we have already adopted.

Finally, we recognize an obligation to keep in mind, keep considering, how the concept of the ombudsman might possibly be introduced into the Federal structure where needed and in a scope that would enable it effectively to do its job without getting in the way of efficient governmental administration.

With these ideas in mind, with the great contribution being given by the members serving without pay, I would state I feel very firmly that the budget of $380,000 is a bargain for the Government. It will enable us to show for the first time what the Administrative Conference can do, and will enable it to go forward toward improving administrative procedures throughout the Federal Government.

I believe that is all I would like to say now. Either after some more questions to me or right now, I would like to give Mr. Russell the opportunity to make whatever statement he wishes to make.

Mr. STEED. Mr. Russell, do you want to make any comment at this stage?

Mr. RUSSELL. Any time you think appropriate.

Mr. STEED. Go right ahead.

HISTORY OF CONFERENCE

Mr. RUSSELL. Mr. Chairman, Mr. Robison, I appreciate the opportunity to be here. As Mr. Williams indicated, I live and practice law in Atlanta, Ga. I have had a varied practice but the emphasis has been on administrative practice and procedure, in both professional and from the standpoint of what you call extracurricular bar association activity.

About 14 years ago I was chairman of the Administrative Law Section of the American Bar Association, and it was then felt that the administrative agencies, of whom there are so many, as you know, needed an organization comparable to the Judicial Conference, which functions, as I am sure Mr. Robison knows, for the courts of the United States in the area of exchanging viewpoints and ideas for improving practice in the courts. We have had that Judicial Conference in the U.S. courts for many years; and it worked well. It was thought we ought to have the same kind of thing for the administrative

agencies. They never talked to each other about their practices and procedures and had no communication among themselves and no vehicle for exchanging ideas to help them improve their practices and procedures.

About 5 or 6 years ago, with the strong support of the American Bar Association, the legislation setting up this Conference was passed. We are now in our second year of work on the Conference.

POTENTIAL OF CONFERENCE

The Conference, I think, has something Mr. Williams didn't emphasize as much as I would; it has a tremendous opportunity for genuine accomplishment in the field of assisting the agencies to secure expedition, economy, and efficiency in their operations and handling of public problems and problems in which the public is interested.

Also in this area—and he did emphasize this somewhat—in the area of assuring fairness to the people who are subject to and controlled by, in so many ways, the operations of these agencies.

CONTRIBUTIONS

As Chairman Williams indicated, I serve on his Council. There are 40 private lawyers serving either on the Council or as members of the Conference. The members of the Council are not paid either, Mr. Steed. We suppose they get reimbursed for expenses, but like many of the men I know on the Conference and on the Council, I, for one, have never had a penny of reimbursement for my expenses coming to Washington to attend meetings of the Council or of the Conference.

I figure that each of these 40 people contributes an average of about 150 hours a year to the work of the Conference at a minimum. Chairman Williams indicated that at the price of Washington lawyers, that is a lot more than this budget request in dollar amount. Atlanta lawyers would get up to the amount of the request, I guess, on a sliding scale basis. If you are out in Oklahoma, it would be about the same as Atlanta would be. It is a tremendous contribution.

There is one other thing in this area that is important. Mr. Robison was asking about this. It was my observation that these consultants, who are primarily younger law school professors, turn out an extraordinary amount of work for very reasonable cost. I think that they do it because they feel there is a prestige element involved in undertaking these jobs.

Chairman Williams puts a ceiling on them, and says: "You get so much a day; I can only allow so many days on this project." These fellows don't want to turn out a job unless they think it is a good job, so they spend the time necessary to get out good work.

AGENCY RULES

There are two areas here that I would like to emphasize—Mr. Williams didn't emphasize them—where the future work of this Conference is going to be very important.

The first is, in the area of rules. I mean agency rules.

If you have 65 agencies in Washington today, you still have a situation where you have 65 separate different sets of rules for the practice

of law before these agencies. For example, there are probably almost 65 ways to count time. You count the first day, the last day, count Saturdays, Sundays; if something falls on a Saturday, it goes to a Monday and comes back to a Friday. Some day this Conference is going to persuade—I am confident—the agencies to look realistically at the matter of getting uniformity in rules. That is going to save a lot of money for the people in the agencies and among the public because it will eliminate the confusion.

Furthermore, in this process the agencies will pick up good ideas from one another. Right now you would be surprised how many agencies sit with their rules and never look to see whether agency X, Y, Z might have something better than they have in this area.

One of our jobs is to try to get them to work together and exchange their ideas to improve the practice and procedure.

WORKLOAD MEASURE

The other thing I think is going to be very helpful—and it is going to come out of this Conference, I believe—is that we are going to get something comparable to what you are now able to do in the courts; that is, some kind of statistical measure of work production of these agencies in deciding the cases and getting orders out. I know that you have agencies come up here and tell how overburdened they are and you cannot tell whether they can do a better job or worse job in relation to the money which is being spent on them, whether they are doing a good job in getting the work out.

I hope that sometime soon we can find some precedural or statistical measure which will measure those results and encourage these people to perform better. This conference has the strong support of the bar of this country and of the American Bar Association, and it is a public operation entirely.

The $380,000 can be better spent here than most anywhere I know in the interest of saving the public money and in making the Government work better for the people.

Thank you very much.

PUBLIC LAW 91–164

Mr. STEED. Mr. Williams, in the reference you made to the amendment to the act which raised your ceiling, would you provide a text of that act for the record?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

Public Law 91–164, 91st Congress, H.R. 4244, December 24, 1969

AN ACT To raise the ceiling on appropriations of the Administrative Conference of the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 576 of title 5, United States Code, is amended to read as follows:

"§ 576. Appropriations

"There are authorized to be appropriated sums necessary, not in excess of $450,000 per annum, to carry out the purposes of this subchapter."

Approved December 24, 1969.

LEGISLATIVE HISTORY:
HOUSE REPORT No. 91-214 (Committee on the Judiciary).
SENATE REPORT No. 91-956 (Committee on the Judiciary).
CONGRESSIONAL RECORD, volume 115 (1969):
October 31: Considered and passed House.
December 12: Considered and passed Senate.

PERSONNEL AUTHORIZATION

Mr. STEED. How many people are you now authorized under the expanded act?

Mr. WILLIAMS. We are authorized a complement of 12 people. We have never had more than 8. We hope to add two—to make it 10—under the budget request of $380,000; that is 10 permanent people, full time.

Mr. STEED. In addition to that, the additional manpower used is on a consultant basis?

Mr. WILLIAMS. Yes, sir. There is no specific limitation on that. We just have the budgetary limitation.

CONTRIBUTIONS

Mr. STEED. You have referred to the donation of time that you have had. Are there any other uncompensated services of individuals that you have access to?

Mr. WILLIAMS. Yes. I would spell them out. They have been stated but I would spell them out a little bit. First, the governmental members of the Conference obviously are donating time because they hold full-time jobs elsewhere. This is extra duty for them.

I would also emphasize what Mr. Russell emphasized; our young consultants, although we say that we are paying them from $75 to $100 a day, most of them don't get compensated for all of the days they put in, because we have not had the money and they want to do the job right and complete it. It has not been at all uncommon for someone being compensated for 20 days of work, obviously to have spent 30 or 35.

Mr. STEED. Some agencies are authorized and even encouraged to solicit contributions from State and local government agencies and foundations to help broaden and expand their activities. Are you situated where anything of this sort is possible?

Mr. WILLIAMS. We are not authorized specifically in the statute to do it. I would think that it would be possible to do that. I very quickly took the position myself that we needed to get a solid foundation of support from the Government in the first instance, because this is a Government agency which must deal with Government agencies.

Mr. STEED. Let me illustrate. Suppose a foundation is interested in what you propose to do in the field of welfare and wanted a broader and deeper attention to that subject and was willing to furnish you resources in terms of money to go beyond what your own resources would let you do; could you do that?

Mr. WILLIAMS. Yes; I believe we could do that. We have been working with the National Industrial Conference Board in the hopes that we can get them to do a survey job for us which would not cost the Government anything. So we have begun to explore those possibilities.

Mr. STEED. When you get into the sort of thing that you do, that becomes a very close first cousin now. And then do things that other agencies are doing. Let us assume that some other agency had, for reasons other than you, an approach—the problems had been gone into—and they come up with some published materials that you would need sizable quantities of to augment what you are doing. What arrangements do you have to acquire matters of that sort or to utilize what somebody else has done that you can fit into your situation?

Mr. WILLIAMS. We have no specific regular arrangement. We have already done this sort of thing on several occasions. We have used different arrangements. In many cases we have been furnished at no cost some of the work that we needed. On other occasions we have been loaned basic copies and we have reproduced them on our Xerox machine for our own use.

We have certainly taken the position all along that we are never trying to study something to the exclusion of someone else. We encourage other people to work as broadly as possible, for them to use our material and for us to use their materials as much as possible. These arrangements have been made on various informal bases.

FUTURE OF CONFERENCE

Mr. STEED. The first work done in this field was on a temporary or ad hoc sort of basis, one shot sort of thing?

Mr. WILLIAMS. That is right.

Mr. STEED. Under the permanent law, it is my understanding that the Conference will be a permanent operation.

Mr. WILLIAMS. Yes, sir.

Mr. STEED. What about the tenure of yourself and your Council members and your staffing; what are the methods used and under what circumstances do they serve?

Mr. WILLIAMS. The Chairman is given a 5-year term. He is appointed by the President and confirmed by the Senate. The members of the Council are apponted to 3-year terms by the President without Senate confirmation. The public members of the Conference by statute have 2-year terms. Those first 2-year terms are running out at the end of June of this year. The Council has already made the policy determination upon my recommendation that we should, at that time, rotate half of the public members of the Conference and retain half in order to establish a regular rotation pattern.

The Government members of the Conference serve at the pleasure of their own agencies. Some of them are automatically members but they may substitute representatives to take their place. For example, each member of the Cabinet is a member of the Conference; but he may appoint someone to take his place. Thus, whoever is representing the Department of Agriculture serves at the pleasure of the Secretary of Agriculture.

The same thing is true of the independent regulatory agencies. The Chairman is automatically a member of the Conference but he may designate someone to take his place. And some Chairmen have served themselves. The continuity is dependent upon the agency. They are in control of their representatives. The staff members of the Con-

ference—the only other group of full time personnel—are under the typical civil service rules.

Finally, there are temporary consultants hired by the Chairman—under a general authority given him by the Council. The Council does not pass on each one as we hire him for this part-time work.

I believe that covers all of the personnel involved.

DUPLICATION OF EFFORT

Mr. STEED. We have a number of agencies that are generally concerned in some of the areas that you are, agencies such as the Office of Intergovernmental Relations, Advisory Council on Intergovernmental Relations, Special Assistance to the President, which is a new item this year. Now the Council on Domestic Affairs that is pending in the Reorganization Plan No. 2.

Obviously their interest in cutting out duplication, in streamlining and having lateral communication and coordination in many areas that their mission requires them to work in a lot of ways relates itself to the same goal that you have.

How do you relate yourself to these agencies? You don't feel like there is any duplication?

Mr. WILLIAMS. Mr. Chairman, that is a very useful question and it enables me to place the role of the Administrative Conference in its proper place probably more effectively than I have done before in these hearings.

There is unquestionably a measure of duplication in the sense that we are concerned in the same general areas that you mentioned. The Administrative Conference, however, is the only agency which has as its prime focus the legal relationship between the citizen and the agency. We are not an agency directly concerned with policy issues, such as which agency should be handling which kind of problem, whether the whole transportation area should be united into one agency, or whether a particular function should be assigned to this agency or to that agency. Those organizations—all the agencies to which you refer—have their major focus upon that problem. That is not to say we are not concerned with that problem, but we are concerned with that problem only indirectly. Our major focus of concern is this legal bridge between the citizen and his Government. It is a legal process or procedure by which he deals with the Government. These other agencies don't focus basically on that. Therefore, we have our own particular area of focus, and we are the only ones that are really involved in this area.

We have enough overlap and concern with this matter of reorganization and assignment of functions among the various agencies that we have been working with the people more directly involved. For example, I spent a day with the President's Advisory Council on Executive Organization. We are in constant communication with these other agencies and organizations, but they recognize, and we recognize, that we are focusing at a different place than they are focusing, by and large.

Mr. RUSSELL. May I supplement that?

I think that in the way a lawyer puts it, we are worried with the practice, the practice and procedure before the agencies. How do they

do the job that Congress has given them to do? I don't think we have a primary responsibility at all in what the job is or whether Congress let two people get into it or whether there is a duplication. What we are worried about is whether these agencies operate efficiently, expeditiously, and fairly, whether their practices and procedures are good, just like the Judicial Conference of the United States does for the Federal District Courts and for the Circuit Courts of Appeals. We do the same job for the agencies, and we ought to focus primarily on that because we have that responsibility in practice and procedure. Nobody else has. None of these other people have the responsibility.

WORK SCHEDULE

Mr. STEED. You made a very good report on the work you have been able to accomplish up to now. You have outlined some work that you are going into ahead, but how do you go about deciding what your work schedule will be?

Mr. WILLIAMS. This again is a very useful question because I think it shows the versatility of the Conference. As I mentioned to Congressman Robison, we have 10 standing committees. Every member of the Conference is a member of a committee. These committees have broad and, in some cases, definitely overlapping jurisdictions, but they have primary focus in different areas.

For example, we have one committee on licensing, another one on rulemaking, another on agency organization and procedure, another on personnel, and so on.

Many of our projects are generated within those committees. Remember, these committees are made up of a split membership of public members and top representatives from the Government agencies. These top practicing lawyers and law professors from outside know more than anybody else in the United States what the major problems are in this area of administrative procedures. They generate many of the subjects themselves.

In addition, the Chairman under the statute has the specific authority himself to investigate matters and to generate subjects for consideration by the Conference; and some of our recommendations have come out of this power of the Chairman. Just one that comes to mind offhand is the recommendation on the Consumers' Bulletin. This came out of the Office of the Chairman rather than out of one of the committees. We have both of these sources for projects. The actual refinement of what we are going to be working on right away is a function of the Office of the Chairman working with the Council; the Council of 10 being sort of a board of directors for the Conference, and again composed of very top people in the administrative law field. This is how we focus upon a particular project that we will be working on.

CONSULTANTS

Mr. STEED. We have gone through your process and we have picked a project and we are going to set up the machinery to work it out and you need a professor of law to do this consulting work. Who selects that man?

Mr. WILLIAMS. By and large I have done that. In one sense I must state frankly that this has been one of the advantages that I have had in this position. As a professor of law on leave myself, I know the field very well and I know the top people in the field. In addition, we have on the Conference, I would say, half a dozen of the top administrative law experts in the academic field: Professor Gellhorn of Columbia, Byse at Harvard, Nathanson at Northwestern, Davis at Chicago, and so on. Typically, the process has been one of my consulting with them as to the people they know who are good in this field, consulting with the deans of the various law schools—whom I know because I have been a law teacher for over 20 years—and getting the names of the top young men working in the administrative law field.

Getting strong recommendations for someone, I simply approach the man directly and say, "I would like to hire you"—since it is my responsibility to hire staff—"I would like to hire you on a part-time basis to work for us to develop this particular project."

If he agrees to do so, we write a contract and move ahead on that basis.

BUDGET INCREASE

Mr. STEED. Let me see if I have the picture fairly well in my mind as to the main reason why you are seeking to go from a budget of $250,000 to a budget of $380,000.

We have here a problem area.

We are going to fence it in and get it where it can be managed and improved.

For $250,000 you build your fence on three sides, but you don't have enough to build a fence all the way around it. With the $380,000 you add on the rest of the fence so you feel like you have your problems solved?

Mr. WILLIAMS. I would say that is very accurate and effective. Let me state that the fourth side of the fence is the in-depth study of the problem. With our top administrative experts we can see the problem is there. We have a clear understanding that something needs to be done in this area, but we need someone to get into it objectively affirmatively to advance an inquiry as to what can be done to solve this problem. That is really the fourth side of the fence. That is where the actual staff work of the part-time consultants and my own staff comes in. That is what we need the money for.

Mr. STEED. Sometimes we are faced with the situation referred to as throwing good money after bad. But your situation is a situation where if you go this far it is bad not to invest additional amounts so the full benefits that can flow from it?

Mr. WILLIAMS. This is certainly true, Mr. Chairman. It is this extra money which enables us to take the active role in developing the recommendation after our necessary overhead to staff the conference and to staff its meetings. It is this amount of money that is needed for this extra job which is the critical job.

Mr. STEED. Let me put it another way. If we are going as far as you are now able to go, it is just not good business to not go the other step? Since everybody agrees that the need to go where you are now going is vital, you are saying that we can not really get on top of this job and do what is expected unless we have these additional resources?

Mr. WILLIAMS. Mr. Chairman, you put it better than I can put it.

Mr. STEED. Mr. Robison?

Mr. ROBISON. Mr. Chairman, I should like to congratulate Mr. Williams for the fashion in which he has presented and supported his budget request and explained and defended his need for a budgetary increase.

I also would like to congratulate Mr. Russell for coming here as a private citizen today—evidently again at his own expense—another trip to Washington among many that he has previously made in order to further the work of this conference.

Mr. RUSSELL. I confess to you that one of the principal clients of my office is Eastern Air Lines, and sometimes I can find some business that they have here at the same time I come to see Mr. Williams. That was not true this morning.

Strangely enough, I had to ride Delta up this morning and I got here all right.

Mr. ROBISON. We are glad you came because I think it always gives us a fresh insight into the needs for and usefulness of an operation to hear people outside of the Government and someone other than those who have—if you will forgive my saying so—a vested interest in this operation and its continuance.

Again, I thank you.

FUTURE OF CONFERENCE

Mr. Williams, it has not been brought out, but this is intended to be a permanent sort of an operation and an ongoing operation. Isn't it?

Mr. WILLIAMS. It is.

Mr. ROBISON. You do not look forward in your mind to a day when you will say "Our job is done and we are out of business"?

Mr. WILLIAMS. No, I do not. The developments have been occurring so rapidly in the administrative field—the burgeoning of the administrative processes—that in the foreseeable future it seems to me we must keep on top of it or the Government collapses.

LEVEL OF OPERATIONS

Mr. ROBISON. In connection with that, do you see a necessity for the Conference to continue to build up its staff and its budget requests absent the problems of the future with inflation, or will this be about the level of operations that the future might demand?

Mr. WILLIAMS. Except for the problem of inflation, I would not envisage a significant increase in the budget of the Conference if the $380,000 level is achieved. We now have budget increase authorization—not a budget authorization, but an appropriation authorization—to $450,000 annually. I told the House committee when they were considering this that for the next 2 or 3 years I saw $450,000 as adequate, maybe, for as much as 5 years at maximum. But with the problems of inflation and so on, we would probably have to come back for a small raise again.

I do not see this as just the beginning of a new large Government agency. I think it would destroy its effectiveness if we did that.

In the general range of $500,000, with the foreseeable inflation in the next few years; yes, that ought to be adequate.

MEMBERS OF CONFERENCE

Mr. ROBISON. Mr. Russell, in his opening remarks, referred to the possibility that there may be as many as 65, I think that is the figure he used, agencies or administrative agencies of one kind or another scattered here and there throughout the Federal Establishment.

Is that about an accurate figure?

Mr. WILLIAMS. Including the governmental departments and the agencies that we are concerned with, and probably breaking down some of the governmental departments into separate functions for our purposes—for example, immigration being a separate function within the Department of Justice and taxation being a separate function within Treasury—you may well get up to around the figure 65.

What we actually have is a representation of approximately 33 governmental departments and agencies in the Administrative Conference.

Mr. ROBISON. Can you provide for the record a list of those 33?

Mr. WILLIAMS. Yes, sir.

(The information follows:)

EXECUTIVE DEPARTMENTS AND OTHER ADMINISTRATION AGENCIES REPRESENTED ON THE ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

EXECUTIVE DEPARTMENTS

Department of State.
Department of the Treasury.
Department of Defense.
Department of Justice.
Post Office Department.
Department of the Interior.
Department of Agriculture.
Department of Commerce.
Department of Labor.
Department of Health, Education, and Welfare.
Department of Housing and Urban Development.
Department of Transportation.

ADMINISTRATIVE AGENCIES

Atomic Energy Commission.
Board of Governors of the Federal Reserve System.
Bureau of the Budget.
Civil Aeronautics Board.
Civil Rights Commission.
Equal Employment Opportunity Commission.
Federal Communications Commission.
Federal Home Loan Bank Board.
Federal Maritime Commission.
Federal Power Commission.
Federal Trade Commission.
General Services Administration.
Interstate Commerce Commission.
National Aeronautics and Space Administration.
National Labor Relations Board.
Office of Economic Opportunity.
Securities and Exchange Commission.
Selective Service System.
Small Business Administration.
U.S. Civil Service Commission.
Veterans' Administration.

GOALS OF CONFERENCE

Mr. ROBISON. To highlight the problem, I think it might be well for me to repeat from your own prepared statement, the final paragraph as shown on page 11, in which you say:

> More rights are now determined by administrative agencies than by the courts. They affect more people and involve more money. The fairness and effectiveness of procedures by which these decisions are rendered are in need of a fresh look. This is why the Administrative Conference was created.

Mr. WILLIAMS. Thank you. That is it.

Mr. ROBISON. That is a good summary, and I doubt if many Members of Congress, let alone probably even the people working in the administrative agencies, realize the truth of your statement that more rights are determined by administrative agencies than by the courts.

I don't think any of us would have accepted that if we had heard it elsewhere. We would have said that can't possibly be so. But it is so.

Mr. WILLIAMS. It certainly is so. And if you will just stop and think for a moment of the entire social security and veterans' structure of the Government, for example, you can begin to see how the numbers just become tremendous.

Mr. ROBISON. Well, certainly I would wholeheartedly support Mr. Russell's suggestion, that you ought to begin to bring about uniformity—if the Conference can do it, or at least can lead in that direction—uniformity in agency rules and procedures.

Mr. WILLIAMS. We are beginning here. We are making a beginning.

Mr. ROBISON. And also efficiency in the expedition of both the Government's business and the peoples' business and, naturally enough, fairness, especially insofar as the public interest is concerned.

PEOPLE'S COUNSEL

Can you tell us a bit more about this "People's Counsel" operation that you mention on page 6?

Mr. WILLIAMS. Yes. This recommendation, which was adopted by the Conference a year ago last December, grew in part—not entirely—from the fact that was revealed at the time of the Poor People's March in Washington and Resurrection City, where, you may recall, one thing that was revealed—and this is just an example—was the fact that the food stamp plan was ineffective because the regulation required a poor person to have something like $20 to $25 to buy the food stamps in the first place; and most of the people involved never had that much money at one time.

The complaint was: "We weren't consulted about the regulations in the food stamp plan." And at the time of that protest the food stamp plan was changed not to require the large initial sum.

Mr. ROBISON. The "we" being the poor people?

Mr. WILLIAMS. The "we" being the poor people at that time. Now, the Committee on Rule Making, as part of that complaint and part of their own belief, began to see that even consumer groups were not representing, the labor unions were not representing, the really economically disadvantaged in the whole panoply of Federal rulemaking that may have an effect upon them. This can include such things as natural gas ratemaking of the Federal Power Commission. It can cer-

tainly include medicare rules and all sorts of rules with regard to veterans' benefits. It can include rules applicable to the Department of Agriculture's programs for poor people, and so on. And thus these people were not being represented.

Now, what the recommendation does is, first, ask the departments and agencies to set up procedures by which the point of view of the disadvantaged—who normally are not heard from in such processes—can be heard. And we have received back from the departments and agencies indications of the various steps they are taking to do this.

But what the committee proposed in addition was the creation of what was in effect a Washington law firm for the representation of the economically disadvantaged in the rulemaking process. They didn't recommend just how this should be carried out. They suggested that one possibility would be a quasi-public corporation, like the Public Broadcasting Corporation or the American Red Cross, but which would be in a sense a Washington law firm to represent the poor people in this policymaking process.

And it is that kind of organization which is provided for in the bill which has been introduced in the Senate.

Now, it would not be an organization that would try to decide among the various competing groups of poor people as to who would run it. It would be an independent public body somewhat along the lines, we might say, of a public defender; but the lawyers there would assume their own responsibility to represent the poor, rather than be controlled by some private poor people's group competing for favor. And their job would simply be to insure that these economically disadvantaged people—who can't even afford to join a consumers' group or something like that—that their point of view is heard in these various rulemaking functions which affect them in one way or another in our society. And that briefly is the recommendation.

Mr. ROBISON. But the thrust of the idea is to improve the rules and procedures of any administrative agency in which a disadvantaged person might have reason to bring a petition.

Mr. WILLIAMS. That is correct.

Mr. ROBISON. So that he or she was adequately heard. The thrust of the idea would not be to the area of legislative policy, would it?

Mr. WILLIAMS. No. But it would be to the area of rulemaking policy in the agencies. It would not be to the area of a specific adjudicatory claim of some individual. It would not be that function.

FAA

Mr. ROBISON. I notice, since I have had a good deal of intermittent correspondence from private pilots, that you have made a recommendation relative to the FAA.

Mr. WILLIAMS. Yes. That was the one eliminating the duplicative hearing in the FAA.

Mr. ROBISON. Yes; but something beyond that, having to do with formal hearings mostly involving air pilot licenses.

Mr. WILLIAMS. That is it.

Mr. ROBISON. That is it.

Mr. WILLIAMS. That is it. The Airline Pilots Association agreed to our recommendation to eliminate that hearing because they also recognized it was purely duplicative.

Mr. ROBISON. I hope that helps, because there seems to have been for a good many years a sort of ongoing battle between the private pilots and the FAA over a good many things.

Mr. WILLIAMS. The private pilots association took a rather neutral position on this. They didn't enthusiastically support it, but they did not enthusiastically oppose it either.

Now, let me also add, this is another one of those recommendations that the staff itself has developed. Mr. Kartalia, who is here, is the one who made that study and prepared that report. In other words, this was one of those functions which was carried out by the office of the Chairman, and not by a committee. The citizen's complaint came to me originally. Mr. Kartalia began to get into it, saw this duplicative hearing, and developed the report and recommendation which went through the Council and then on the floor of the Conference.

Mr. ROBISON. Where do you think the recommendations that the Conference may make—or perhaps already has made—will lead in the direction of improving the status and quality of hearing examiners?

Mr. WILLIAMS. We have specifically recommended a pilot project possibly to take the place of selective certification, which is a very controversial process, as I am sure you know being a lawyer. I would say that this is a rather significant breakthrough, to have this Federal agency, which in a sense represents all of the agencies—make a recommendation that we try to develop an alternative to selective certification, which is the process by which an agency carries a veto over the hearing examiners whose names may be submitted to them.

Now, in addition to that, we have recommended jointly with the American Bar Association—and the American Bar Association is solidly behind this—the establishment by the Federal Government of a continuing legal education center for hearing examiners and other governmental attorneys. So we have been moving in this direction.

ATOMIC ENERGY COMMISSION

Mr. ROBISON. Are you examining, or will the Conference examine, the rules and procedures in license cases of such agencies as the Atomic Energy Commission?

Mr. WILLIAMS. Yes, we are. The chairman of our licensing committee is Commissioner Ramey of the Atomic Energy Commission. We have already taken one step in that direction as a result of the *Scenic Hudson* case, which held that the Federal Power Commission had not adequately considered the points of view of conservationists and others in the licensing, or the location, of that power project on the Hudson River.

The Conference, at its last plenary session, adopted a recommendation. It is in general and rather hortatory terms, but it is specifically directed at the problem of insuring that alternative points of view be received in considering these matters of licensing of power projects and the like.

Mr. ROBISON. The reason I asked is, along with the developing interest in the environment, the public has generally felt shut out in Atomic Energy Commission licensing proceedings, especially that part of the public that represents the conservationists, the environmentalists, and so on, with respect to whom, up to now, the Commission examiners

have more or less said, "Well, those are areas outside of our jurisdiction.

"We are here to consider matters of nuclear safety, and that is about it, and if you are interested in other things, you will have to go elsewhere." And the public doesn't know where else to go.

So if you can do something, with the concurrence of the AEC and perhaps with authorizing legislation, to improve that situation, I think you would have helped. And I am sure there are other examples of this that we could offer.

Mr. WILLIAMS. As I am sure you are aware, we are specifically, by statute, forbidden to concern ourselves with substantive matters. Our concern is procedural. Yet we have taken the position all along that when substantive policy matters get involved, as you as a lawyer know they do get involved, with procedure so that the two are inextricably intertwined, we must concern ourselves with the public policy matters as they relate to the procedural matters. And it seems to me the kind of thing you are describing is just that sort of thing.

Where the citizen is getting a procedural runaround on the ground that "This isn't within our policy area," we are concerned with the procedural runaround, and we might very well end up then with a recommendation that the policy situation is confused and needs to be corrected so that the citizen can be heard. And this would be in our jurisdiction.

STAFFING OF CONFERENCE

Mr. ROBISON. That is exactly what I had in mind.

Finally, would you identify for the record the persons occupying the high level positions you have listed in the justifications. The Chairman is yourself, of course.

Mr. WILLIAMS. Yes.

Mr. ROBISON. At the executive level, too.

Mr. WILLIAMS. Mr. John Cushman, who is a career Government attorney, is the Executive Director. The Executive Secretary is Mr. Emory Ellis, who is here in the room, and who just came with us. We have no research director, and that position is not included in our current budget—even though it is in our authorization—because we have not had the funds. The only other professional we now have is Mr. Kartalia, who carries the title of staff attorney.

Mr. STEED. Mr. Edwards?

STUDIES

Mr. EDWARDS. Thank you, Mr. Chairman.

How do you get kicked off in one of these studies of yours? Who suggests the study, and what does a citizen do to get his complaint before you, and this sort of thing?

Mr. WILLIAMS. There are various ways. The various standing committees of the conference themselves generate some of these studies. The chairman himself, as he sees people in the area and as he talks with them, may see a problem. And thus, he may also generate a study.

Finally, as I mentioned earlier, in talking with Congressman Robison, our recommendation on the FAA duplicative hearing is one that was generated from a citizen's complaint.

Mr. EDWARDS. Is this a citizen who wrote you, or somebody on the council?

Mr. WILLIAMS. A citizen who wrote the Administrative Conference. This letter came as a result of a notice contained in—I am not sure—either the Kiplinger Letter or a story in Business Week. But both of them contained descriptions of our agency and an indication that if a reader had something that he felt was wrong and ought to be corrected, he should let us know.

Now, it was made very clear in these publications that we are not ombudsmen, and that we cannot resolve a particular citizen's complaint, but that we want to hear from citizens so we will know where they think problems lie. And this was one that came in and indicated to us that a problem might exist. When Mr. Kartalia got into it he discovered that the problem was more fundamental than the complaint itself, that it was the duplicative hearing.

Mr. EDWARDS. In that particular case, is that citizen ever told, oh, boy, you have really helped us find this problem and we are solving it now?

Mr. WILLIAMS. Yes.

Mr. EDWARDS. In other words, you continue to stay in touch with a man like that?

Mr. WILLIAMS. We have answered the letters of those citizens; and what we have actually done with some citizens' complaints is to send them to the representative of that agency who is on the Conference, since he is a member of our Conference, and say, "We thought you would be interested in knowing that a citizen has complained about this activity." And in a number of instances on their own the agencies have taken up correspondence with the citizen and worked it out.

Mr. EDWARDS. The average citizen, I would venture to say the average Congressman, has never heard of your Conference. I therefore assume that you must get complaints or mail by referral as much as anything else?

Mr. WILLIAMS. That is correct.

Mr. EDWARDS. Where does this generally come from?

Mr. WILLIAMS. The referral, if there has been referral, has typically come either from the White House or from one of the agencies. Actually, we don't get very much in the way of citizens' complaints, and the reason why is that whenever notice has been given that we exist, it has been emphasized that we cannot resolve the particular complaint as an ombudsman could. Because if we don't state such a limitation, then we are promising too much.

Mr. EDWARDS. It is fair to say that you don't go about soliciting business of this type?

Mr. WILLIAMS. We have not done it on a broad basis to the whole citizenry. We enthusiastically backed the Kiplinger Letter and Business Week when they said they wanted to put in a notice—just as long as the notice made it clear that we were not here to resolve the complainant's problem, but that we wanted to hear what his complaints were.

Now, this is the project that I mentioned to you earlier that we are trying to work out with the National Industrial Conference Board.

We are working with them on the possibility of their making a study of the tremendous number of businesses represented by the National Industrial Conference Board to find out what the complaints of businessmen are in their dealings with the Government. So we want to seek complaints, but we don't want to seek them with a promise that we are going to solve a particular complainant's problem.

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. RUSSELL. Incidentally, Mr. Chairman, I might interject, regarding Mr. Edwards comments, that I have often thought that, as this Conference develops, it might be something that could well be called on by you gentlemen in Congress when you get genuine inquiries as to problems in the area of administrative practice and procedure and you think maybe you want something more than an answer from the agency involved.

I know so often you get inquiries about something that maybe the Maritime Commission may have been doing and you send it over there and get a reply from them, but you might get a more objective reply from Jerre Williams.

Mr. WILLIAMS. We have had a few of those consultations.

Mr. RUSSELL. On the other hand, I would hate to see this organization so early in its life get caught in any political binds. So I would hope that you wouldn't send him anything that was a real hot potato.

Mr. EDWARDS. Isn't it true that if the Congress should start making considerable use of this Conference that you would be back in here asking for more money? You couldn't really handle an abundance of that sort of thing with your present staff, could you?

Mr. WILLIAMS. That would be true. As a matter of fact, we were consulted by a Member of Congress about the possibility of taking over a broader function in this respect. Our answer to him was, well, you must recognize that this will substantially increase the size of our operation and our budget.

CONCLUSION

Mr. STEED. Gentlemen, on behalf of the committee I want to express our appreciation for your appearance and the advice and counsel you have given us.

Mr. WILLIAMS. Thank you very much, Mr. Chairman.

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COUNCIL OF ECONOMIC ADVISERS

WITNESSES

PAUL W. McCRACKEN, CHAIRMAN
HENDRIK S. HOUTHAKKER, MEMBER
HERBERT STEIN, MEMBER
ALBERT H. COX, JR., SPECIAL ASSISTANT TO THE CHAIRMAN
JAMES H. AYRES
NANCY F. SKIDMORE

Mr. STEED. The committee will be in order.

The committee will now take up the budget request of the Council of Economic Advisers, and we are very pleased to have the Chairman, Mr. Paul W. McCracken, and his associates with us.

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code		19 69 actual	19 70 estimate	19 71 estimate
	Program by activities:			
	Economic analysis (program costs, funded)	1,082	1,214	1,233
	Change in selected resources 1/	31	-27	-----
10	Total obligations	1,113	1,187	1,233
	Financing:			
25	Unobligated balance lapsing	17	-----	-----
	Budget authority	1,130	1,187	1,233
	Budget authority:			
40	Appropriation	1,130	1,137	1,233
44.20	Proposed supplemental for civilian pay act increases	-----	50	-----
	Relation of obligations to outlays:			
71	Obligations incurred, net	1,113	1,187	1,233
72	Obligated balance, start of year	49	86	66
74	Obligated balance, end of year	-86	-66	-70
77	Adjustments in expired accounts	-2	-----	-----
90	Outlays, excluding pay increase supplemental	1,074	1,159	1,227
91.20	Outlays from civilian pay act supplemental	-----	48	2

1/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $4 thousand; 1969, $35 thousand; 1970, $8 thousand; 1971, $8 thousand.

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

Identification code		19 69 actual	19 70 estimate	19 71 estimate
	Personnel compensation:			
11.1	Permanent positions	705	773	817
11.3	Positions other than permanent	126	83	83
11.5	Other personnel compensation	32	32	32
11.8	Special personal service payments	3	23	23
	Total personnel compensation	866	911	955
12.1	Personnel benefits: Civilian employees	56	61	63
21.0	Travel and transportation of persons	12	15	15
23.0	Rent, communications, and utilities	36	62	62
24.0	Printing and reproduction	56	40	40
25.0	Other services	36	103	76
26.0	Supplies and materials	10	8	8
31.0	Equipment	10	14	14
	Total costs, funded	1,082	1,214	1,233
94.0	Change in selected resources	31	-27	-----
99.0	Total obligations	1,113	1,187	1,233

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Personnel Summary

Identification code	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions----	60	56	57
Full-time equivalent of other positions	9	5	5
Average number of all employees--------	56	55	56
Average GS grade----------	7.1	7.9	7.9
Average GS salary----------	$8,225	$9,617	$9,805
Average salary of ungraded positions---	$18,442	$19,351	$19,249

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Identification code	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive level II, $42,500	1	1	1
Executive level IV, $38,000	3	2	2
Ungraded	25	23	24
GS-11, $11,233 to $14,599	3	3	3
GS-9, $9,320 to $12,119	4	4	4
GS-8, $8,449 to $10,987	7	9	9
GS-7, $7,639 to $9,934	3	3	3
GS-6, $6,882 to $8,943	4	2	2
GS-5, $6,176 to $8,030	----------	1	1
GS-4, $5,522 to $7,178	1	----------	----------
GS-3, $4,917 to $6,393	2	1	1
GS-2, $4,360 to $5,665	2	----------	----------
Ungraded	5	7	7
Total permanent positions	60	56	57
Unfilled positions, June 30	-22	-6	-6
Total permanent employment, end of year	38	50	51

COUNCIL OF ECONOMIC ADVISERS
SALARIES AND EXPENSES

Identification code	1969 actual	1970 estimate	1971 estimate
HIGHER LEVEL POSITIONS			
Executive level II, $42,500:			
Chairman	1	1	1
Executive level IV, $38,000:			
Council member	2	2	2
Executive Director, Price Stability Committee	1		
Ungraded, $33,495:			
Economist		1	1
Ungraded, $30,908:			
Economist		1	1
Ungraded, $30,500:			
Economist		1	1
Ungraded, $30,000:			
Economist		2	2
Ungraded, $29,000:			
Economist		1	1
Ungraded, $28,384:			
Statistician		1	1
Ungraded, $28,000:			
Economist	2	2	2
Ungraded, $27,401:			
Economist	1		
Ungraded, $25,500:			
Economist	1		
Ungraded, $25,118:			
Statistician	1		
Ungraded, $24,357:			
Economist	1		
Ungraded, $23,750:			
Economist	1		
Ungraded, $23,100:			
Economist	1		
Ungraded, $23,000:			
Economist	3		

COUNCIL OF ECONOMIC ADVISERS
ADVANCES AND REIMBURSEMENTS

Program and Financing (in thousands of dollars)

Identification code	19 69 actual	19 70 estimate	19 71 estimate
Program by activities:			
10 Economic studies and analyses (costs-obligations) (object class 25.0)	88		
Financing:			
11 Receipts and reimbursements from: Federal funds	-88		
Budget authority			
Relation of obligations to outlays:			
71 Obligations incurred, net			
72 Obligated balance, start of year	6	61	
74 Obligated balance, end of year	-61		
90 Outlays	-55	61	

Mr. STEED. Mr. Chairman, if you would like to identify your colleagues for the record, we would then be glad to hear any general statement you want to make.

INTRODUCTION OF WITNESSES

Mr. MCCRACKEN. Thank you, very much, Mr. Chairman. I have with me the other two members of the Council of Economic Advisers, Dr. Stein and Dr. Houthakker. Also Dr. Cox, who is special assistant to the Chairman of the Council, and James Ayres and Mrs. Nancy Skidmore, who are in the administrative aspects of the Council's work.

Mr. STEED. If you have new people who haven't been here before and you want to submit their biographies for the record, we would be glad to have them.

Mr. MCCRACKEN. Fine. That would be Dr. Cox.

(The information follows:)

BIOGRAPHICAL SKETCH OF ALBERT H. COX, JR.

1. Personal.—Born: St. Louis, Mo., October 13, 1932. Wife: Frances. Children: Cynthia and Bruce.

2. Education.—B.B.A. and M.B.A., University of Texas, 1954 and 1956; Ph. D., University of Michigan, 1965.

3. Employment.—Vice president and associate economist, First National Bank in Dallas, 1964–69; secretary, Banking and Financial Research Committee, American Bankers Association, New York, 1963–64; assistant vice president and associate economist, Republic National Bank, Dallas, 1962; economist, First National City Bank, New York, 1960–61; assistant professor of finance, Southern Methodist University, 1959–60; research analyst, Federal Reserve Bank of Chicago, 1957–58; and lecturer in finance, University of Texas, 1955–56.

4. Publications.—"Defensive Open Market Operations and the Reserve Settlement Periods of Member Banks" (with Ralph F. Leach), Journal of Finance, March 1964.

"Open Market Operations and Reserve Settlement Periods: A Proposed Experiment" (with Ralph F. Leach), Journal of Finance, September 1964.

Review of "Regulation Q: Issues and Alternatives," by Lawrence F. Ritter in National Banking Review, September 1965.

"Perpetual Prosperity: The Hardest Stretch of the Road," Financial Analysts Journal, March–April 1966.

Book: "Regulation of Interest Rates on Bank Deposits," Michigan Business Studies, 1966.

"Regulation of Interest on Deposits: An Historical Review," Journal of Finance, May 1967.

"Review of Indicators of Business Expansions and Contractions," by Geoffrey Moore and Julius Shiskin, in Business Economics, summer 1967.

Mr. STEED. You may proceed in your own way.

GENERAL STATEMENT

Mr. MCCRACKEN. I have a very short statement here which I might read, that will take but 2 or 3 minutes.

First, I want to express our appreciation for the opportunity to be here today to present the appropriation request of the Council of Economic Advisers for the fiscal year 1971.

BUDGET REQUEST

The Council respectfully requests an appropriation of $1,233,000. This request represents an increase of $46,000 over the Council's anticipated budget of $1,187,000 for fiscal 1970, which is composed of a basic

appropriation of $1,137,000 and an anticipated supplemental of $50,000 to cover a portion of Pay Act costs as a result of Public Law 90–206.

Of the requested $46,000 increase, personnel compensation would absorb $28,000 which is the additional amount needed in fiscal 1971 to cover entire Pay Act costs and $16,000 for an additional staff position. Personnel benefits would absorb $2,000 as a result of Pay Act costs.

The additional position requested reflects the Council's need for the performance of administrative management functions on a full-time basis. These functions have been assumed on a part-time basis by the Special Assistant to the Chairman. We feel that this additional position is necessary not only in the the interest of a more efficient administrative operation but to allow the Special Assistant to devote his time fully to the areas of the Chairman's activity.

This committee is familiar with the general activities of the Council, so I will simply request permission to insert in the record the Annual Report to the President on the Activities of the Council of Economic Advisers During 1969 as well as the full text of my statement.

I shall be happy to answer any questions you may have relating to our budget submittal or to the activities of the Council.

Mr. STEED. Without objection, the report and statement will be made a part of the record.

(The information follows.)

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 1969

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1969.

THE PRESIDENT:

SIR: The Council of Economic Advisers submits this report on its activities during the calendar year 1969 in accordance with the requirements of the Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

PAUL W. MCCRACKEN,
Chairman.
HENDRIK S. HOUTHAKKER.
HERBERT STEIN.

Report to the President on the Activities of the Council of Economic Advisers During 1969

In 1969, for the third time in its history, the Council of Economic Advisers was entirely reconstituted as the result of a change of Administration. Paul W. McCracken took office as Chairman of the Council on February 4, 1969, replacing Arthur M. Okun, who became a Senior Research Fellow at the Brookings Institution, Washington, D.C. Mr. McCracken, who had previously served as a Council Member for 2 years during 1957 and 1958, is on leave of absence from the University of Michigan where he is Edmund Ezra Day University Professor of Business Administration.

Herbert Stein and Hendrik S. Houthakker also became Members on February 4, 1969. They succeeded Merton J. Peck, of Yale University, and Warren L. Smith, of the University of Michigan. Mr. Houthakker is on leave of absence from Harvard University where he is Professor of Economics. Mr. Stein is on leave from his post as Senior Research Fellow at the Brookings Institution.

Below is a list of all past Council Members and their dates of service:

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Karl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	Feburary 15, 1968	January 20 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Merton J. Peck	Member	February 15, 1968	January 20 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.

ECONOMIC POLICYMAKING AND THE COUNCIL OF ECONOMIC ADVISERS

RESPONSIBILITIES OF THE COUNCIL

The Employment Act of 1946 describes explicitly the objectives of economic policy as "creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power." The foremost duty of the Council of Economic Advisers (CEA) is to give the President advice, based on economic analysis, which will assist him in assuring that this responsibility of the Federal Government is met.

A variety of analytical techniques is used, ranging from economic models incorporating complex equation systems to the careful judgment and appraisal that must finally temper the answers from formal systems. Statistical analyses of many aspects of economic conditions and stabilization policies are a continuing part of Council work. Final output of this analysis is reflected in personal consultations with the President and in memoranda from the Chairman of the Council to the President and others in the Administration.

Although the Employment Act of 1946 specifically directs the Council "to appraise the various programs and activities of the Federal Government," this function of the Agency is less familiar to the general public because it is largely internal. The Council works with other agencies to assist the Administration in formulating proposals for new programs and policies and in reappraising existing ones. It also recommends positions on bills proposed in Congress. Since January 20 the Council has made formal recommendations on 190 bills that have been either in the early stages of consideration by the Administration or the Congress or have come to the President's desk to be signed or vetoed. The Council brings to its appraisal the analytical methods of economics, and it seeks to take the viewpoint of the public at large, or the economy as a whole.

During 1969, the Council participated in formulating a number of new Administration programs, including programs for manpower training, transportation, social security, unemployment compensation, welfare, and agriculture. In each case, following background analysis by the staff, the Council's position was defined in memoranda to the President. The CEA also played a role in drafting some proposed legislation.

Analysis by the Council and its staff also helped reexamine a number of existing Federal Government programs, policies, and procedures. Among these was the CEA's participation in interagency efforts directed at such matters as interest rate ceilings on bank deposits, minority business enter-

prise, international monetary reform and trade policy, meat and oil imports, wheat exports, and a wide range of other programs and policies.

Much attention was devoted to the pressing problems in the construction and housing sectors of the economy during 1969. The Council played an active role in interagency groups dealing with lumber prices, housing prospects in the seventies, and the cutback in new contracts for direct Federal construction. The Council also participated in the Cabinet Committee on Construction appointed by the President, and the Chairman of the Council was directed by the President to serve as Chairman of this Committee. The Chairman of the Council also chaired a committee to study policies for handling the Government's uranium enrichment plants.

The CEA assists the President in the preparation of his *Economic Report* and also prepares its own *Annual Report.*

POLICY COORDINATION

The Council and its staff are in daily contact with other Government officials. There is especially close coordination among the Treasury, the Budget Bureau, and the CEA. At least weekly the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Council meet. Known as the "Troika," this coordinating group has two other "tiers." The second tier consists of one of the other two Council Members, the Assistant Director of the Budget for Economic Policy, and the Assistant Secretary of the Treasury for Economic Policy. A third tier, consisting of senior staff economists from the three agencies, meets frequently to appraise the economic situation and its policy implications. Outlook memoranda are prepared and cleared through the second tier of the Troika for use by the principals. The Troika meets with the President frequently. From time to time the Chairman of the Board of Governors of the Federal Reserve System participates in these meetings also.

The new Cabinet Committee on Economic Policy, established by Executive Order of the President on January 24, 1969, serves as a major forum for broader policy discussion and coordination. Members include the President, the Vice President, the Secretaries of the Treasury, Agriculture, Commerce, Labor, and Housing and Urban Development, the Counselors to the President (Mr. Burns and Mr. Moynihan), the Director of the Bureau of the Budget, the Deputy Under Secretary of State for Economic Affairs, and the Chairman of the Council of Economic Advisers (who coordinates the work of the Committee).

This Cabinet Committee considers the broad spectrum of economic program and policy issues. During 1969, the President appointed subcommittees to study such problems as post-Vietnam planning, agricultural trade, economic aspects of antitrust laws, legal ceilings on interest rates, Federal lending policies and procedures, establishment of a commission to review

Federal statistics, and the availability and prices of softwood lumber and plywood.

The Cabinet Committee on Construction was established by the President on September 4, 1969, in response to the growing problems in this industry. Its purpose is to study the impact of Federal activities on the industry and to appraise the Nation's needs for construction and housing and to devise ways to meet these needs. Formerly under the Cabinet Committee on Economic Policy, the interagency Task Force on Requirements for the Housing Program became a part of this Cabinet Committee. Members of the Cabinet Committee on Construction are the Secretaries of Commerce, Labor, Housing and Urban Development, and Transportation, the Postmaster General, the Administrator of the General Services Administration, and the Chairman of the Council of Economic Advisers.

The Council participates in a variety of other activities of interagency concern. Reflecting this wider role, the Chairman of the Council serves as a member of the Rural Affairs Council, the Urban Affairs Council, and the National Defense Review Committee; he meets with the National Security Council and the Environmental Quality Council when agenda items make this relevant. The other two Council Members as well as senior staff economists also participate in the task forces and study groups designated by these councils. The Chairman of the Council regularly attends Cabinet meetings.

There is a particularly close association between the Council and the Joint Economic Committee (JEC) of the Congress, a Committee which was also created by the Employment Act of 1946 "to make a continuing study of matters relating to the *Economic Report*" and generally for the purposes of furthering the objectives of the Act. Each year, soon after the President has submitted his *Economic Report* to Congress, the Council testifies before the JEC, which itself is required by the Act to file a report to the Senate and House by March 1 of each year, presenting its findings on the recommendations and content of the *Economic Report*. Testimony may also be presented to the JEC at other times throughout the year. During 1969, the Council testified four times before the JEC. On February 17, the Council testified on the economic thinking of the new Administration. On April 30, the Chairman testified before the Subcommittee on Economic Statistics of the JEC in support of the decennial census. On June 12, the Chairman testified before the JEC's Subcommittee on Economy in Government on defense spending and national priorities in the years ahead. And on October 23, the Council reviewed economic conditions and the outlook with the Subcommittee on Fiscal Policy of the JEC.

Although Council testimony in the past has largely been limited to the Joint Economic Commitee, three exceptions arose in 1969. On March 25, the Chairman testified before the Senate Committee on Banking and Cur-

rency with regard to interest rates and monetary policy. On May 20, the Chairman appeared with the Secretary of the Treasury and the Director of the Bureau of the Budget before the Committee on Ways and Means of the House on behalf of the Administration recommendations for extending the income tax surcharge. And on September 23, the Council testified before the Committee on Government Operations of the House of Representatives on a bill that sought to formalize the apparatus of wage-price guideposts.

At the international level, the Council Members and staff are active participants in meetings of the Economic Policy Commitee (EPC) of the Organization for Economic Cooperation and Development (OECD). The Chairman of the Council heads the U.S. delegation to the EPC. This Committee is part of the international machinery by which nations strive for better mutual understanding and coordination of their domestic economic policies. A Member and senior staff economists also participated in the subcommittees of the EPC on balance of payments and international financial problems (Working Party III), and Council staff have been active in OECD studies of the short-term outlook (Working Group on Short-Term Economic Prospects), of long-term economic growth (Working Party II), and of manpower policies pursued in the member countries (Manpower and Social Affairs Committee). In 1969, Council personnel attended seven of these international meetings.

PUBLICATIONS

The Council's *Annual Report* remains a major communication between the Council and citizens generally. About 54,000 copies of the January 1969 *Economic Report* have been distributed. The Council also prepares *Economic Indicators,* a monthly publication of the Joint Economic Committee. The current circulation of *Economic Indicators* is approximately 10,000.

PUBLIC CONTACTS

The Council arranged periodic meetings during the year with groups of leading academic, business, and labor union economists, in order to keep informed about their views on the major economic questions of the day. There is a constant stream of visitors to the Council from outside of Government, among them business and labor leaders, students, educators, foreign visitors, the press, and interested citizens generally. Informal interviews and discussions are also held on a wide range of economic policy problems and issues. Finally, to explain economic conditions and policies during the year, Council Members made a number of public speeches and granted interviews to newspapers and magazines.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

Under authority of the Employment Act, as amended by Reorganization Plan No. 9 in 1953, the Chairman of the Council bears full responsibility for employing the Agency's staff, and he is officially charged with reporting the Council's views to the President.

OTHER COUNCIL MEMBERS

The day-to-day direction of the professional staff is the general responsibility of the other two Council Members. While the Council has no departments, there is an informal division of responsibilities by subject area. Mr. Houthakker's responsibilities include economic analyses by the Council's staff in such areas as the balance of payments and international financial matters, trade policy, foreign aid and economic development, agriculture, transportation, industrial organization and antitrust, labor relations, long-term economic growth, consumer affairs, natural resources, technology, and environmental problems.

Mr. Stein's responsibilities include forecasting and analyses of economic conditions, fiscal policy and taxation, monetary policy and financial institutions, housing and urban affairs, welfare and social security problems, education, manpower and human resources, national defense matters, and post-Vietnam planning generally.

In addition to these responsibilities, Mr. Houthakker and Mr. Stein represent the Council in a wide variety of official capacities, including meetings of the Cabinet Committee on Economic Policy and the Cabinet Committee on Construction. One of these two Members is always designated as Acting Chairman when the Chairman is absent from Washington.

PROFESSIONAL STAFF

At the end of 1969, the Council's senior professional staff included 16 economists and one statistician. Assisting the Chairman in carrying out his numerous official responsibilities is the Special Assistant to the Chairman, Albert H. Cox, Jr. Mr. Cox also handles press relations for the Council, acts as staff secretary for the Cabinet Committee on Economic Policy, and performs professional duties, including work in his primary fields of specialty (financial markets and monetary conditions).

Senior Staff Economists William H. Branson, Murray F. Foss, and Frank C. Ripley work primarily on analyses and forecasting of economic conditions. Mr. Branson, who along with Mr. Foss represents the CEA in the third tier of the Troika (discussed earlier), also did extensive work during the year on the Administration's proposed welfare program and on the review of economic aspects of the defense program. Mr. Ripley's primary responsibility has been in the development and refinement of the Troika

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forecasting models, the analysis of price-making forces, and other econometric studies.

Senior Staff Economist Phillip D. Cagan and Staff Economist Robert René de Cotret cover monetary policy and financial institutions and the influence of developments in this area on economic activity. Senior Staff Economist Charles E. McLure, Jr., has been concerned with matters of fiscal policy and public finance, including tax policy, problems of measuring the Federal budget, cost-benefit analyses of expenditure programs, social security, and economic and budgetary aspects of Federal credit programs.

The fields of human resource development and labor market analysis are assigned to Marvin H. Kosters and Michael H. Moskow, both Senior Staff Economists. Mr. Kosters and Mr. Moskow are primarily concerned with labor market conditions, manpower programs and problems, industrial relations, labor union developments, and wage trends and prospects.

Housing and construction problems, and the problems of small business and minority business enterprise are the primary focus of Sidney L. Jones, Senior Staff Economist. Mr. Jones also serves as the staff secretary for the Cabinet Committee on Construction. Staff Economist Irene Lurie works in the field of welfare and income maintenance and on other economic aspects of poverty problems.

Three Senior Staff Economists specialize in economic analysis of particular programs and activities of the Federal Government. During 1969, Thomas G. Moore participated in a wide variety of interagency studies, including those concerned with the uranium enrichment facilities of the Atomic Energy Commission, urban mass transit, the supersonic transport, pollution problems, domestic satellite communications, antitrust policy, airports and airways, economics of marine resources, electric power reliability, and international aviation policy. Studies relating to oil import quotas, tariff preferences for less developed countries, and foreign aid were among those to which Senior Staff Economist Edward J. Mitchell contributed. Senior Staff Economist Harold O. Carter is concerned with the economics of agriculture and the many aspects of agricultural and rural development programs and policies.

Saul Nelson has been the Senior Staff Economist concerned with price and commodity developments, and during the year he participated in various interagency studies in these fields. In October, Mr. Nelson was given a leave of absence to work on a project for the International Bank for Reconstruction and Development.

Analysis of international economic problems is carried forward by G. Paul Wonnacott and Thomas D. Willett, Senior Staff Economists. Mr. Wonnacott has been concerned with such areas as balance of payments and international financial developments, foreign trade policy, and problems concerning the interrelationships of domestic economies. In addition to participating in the coverage of these areas, Mr. Willett has been engaged in the study of longer range aspects of international financial policy.

Frances M. James, Senior Staff Statistician, is in charge of the Council's Statistical Office. Miss James has major responsibility for managing the Council's economic and statistical information system. She also supervises the preparation of *Economic Indicators* for publication, the preparation of tables and charts for a wide variety of meetings throughout the year and for the *Economic Report,* and the fact-checking of memoranda, speeches, and testimony.

Assisting the senior professional staff are four Junior Economists, Leslie J. Barr, Paul N. Courant, Robert A. Kelly, and Rosemary D. Marcuss. Barry M. Levenson and Timothy B. Sivia are research assistants. Assisting Miss James in the Statistical Office are Teresa D. Bradburn, Catherine H. Furlong, Christine L. Johnson, and V. Madge McMahon.

From time to time, leading members of the economics profession have acted as consultants to the Council in various capacities. At the end of 1969, the list of active consultants included Edward F. Denison (Brookings Institution), Marten S. Estey (University of Pennsylvania), Ray C. Fair (Princeton University), Milton Friedman (University of Chicago), Gottfried Haberler (Harvard University), Arnold Harberger (University of Chicago), David J. Ott (Clark University), George Stigler (University of Chicago), and Lloyd Ulman (University of California).

In 1969 the Council continued its student intern program. Under this program the Council employs a limited number of outstanding students in economics, both graduate and undergraduate, for various periods of time, particularly in the summer. Employed under this program in 1969 were Henry E. Cole, W. Donald Dresser, H. Diana Hicks, Neil J. McMullen, Paul B. Manchester, Richard C. Marston, Mary E. Procter, Daniel L. Rubenfeld, and Earl M. Unger. Mr. Dresser, Mr. McMullen, and Miss Procter also returned as consultants during preparation of this *Annual Report.*

SUPPORTING STAFF

The Council's Administrative Officer, James H. Ayres, has responsibility for office management, including general supervision of the secretaries and messengers, duplicating, and the Agency's budget. Mr. Ayres, who reports to the Special Assistant to the Chairman, is assisted by Nancy F. Skidmore, Elizabeth A. Zea, and Bettye T. Siegel.

The secretarial staff includes Daisy S. Babione, Mayme Burnett, Mary C. Fibich, Elizabeth F. Gray, Laura B. Hoffman, Bessie M. Lafakis, Patricia A. Lee, Betty Lu Lowry, Eleanor A. McStay, Joyce A. Pilkerton, Dorothy L. Reid, Earnestine Reid, and Linda A. Reilly. Margaret L. Snyder serves primarily as the Agency's contact for general public information. James W. Gatling, Judson A. Byrd, and A. Keith Miles operate the duplicating and messenger department.

In preparing its *Annual Report,* the Council relied upon the editorial skills of Rosannah C. Steinhoff.

DEPARTURES

Charles B. Warden, Jr., who had served as Special Assistant to the Chairman for more than 3 years, resigned to accept a position with Data Resources, Inc., Lexington, Mass.

The Council's professional staff is drawn primarily from universities, largely on a 1-year basis. Many, therefore, who had served the Council during 1969 were not on the staff at the end of the year. Senior Staff Economists who resigned during the year were Leonall C. Andersen, F. Gerard Adams, Barry P. Bosworth, Frederick W. Deming, Marten S. Estey, Lawrence B. Krause, James W. Kuhn, Roger G. Noll, David J. Ott, Jack Rosen, Courtenay M. Slater, Thomas T. Stout, and Luther T. Wallace. Junior economists who served the Council in 1969, but were not members of the staff at the end of the year, were Susan R. Ackerman and Roselee N. Roberts. Research assistants Elaine R. Goldstein and Joanne C. Turner also served for a part of the year. Secretarial resignations included Frances V. Broderick, Anne G. Donnelly, Gladys R. Durkin, Roberta R. Kirk, Helen H. Knox, Karen J. MacFarland, Lucille F. Saverino, and Joy T. Sindelar.

The Council of Economic Advisers suffered a great loss with the passing of David W. Lusher, June 15, 1969. Mr. Lusher, widely known in this country and abroad as a student of economic developments and policy, joined the staff of the Council in March 1952.

COUNCIL OF ECONOMIC ADVISERS
BUDGET REQUEST FOR FISCAL YEAR 1971

The Council of Economic Advisers respectfully requests an appropriation of $1,233,000 for fiscal year 1971. In the judgment of the Council, this is the minimum appropriation required by the Council to carry out adequately its responsibilities to the President under the Employment Act of 1946. This request represents an increase of $46,000 over the Council's anticipated budget of $1,187,000 for fiscal year 1970, which is composed of a basic appropriation of $1,137,000 and an anticipated supplemental of $50,000 to cover a portion of Pay Act costs.

Of the requested $46,000 increase, personnel compensation would absorb $28,000 which is the additional amount needed in fiscal 1971 to cover the entire Pay Act costs and $16,000 for an additional staff position. Personnel benefits would absorb $2,000 as a result of Pay Act costs. The additional staff position reflects the Council's need for a staff member to act as manager of office administration of the Council. These duties have been assumed on a part-time basis by the Special Assistant to the Chairman, but it is considered necessary in the interest of efficient operation of the Council to have someone to deal solely with these administrative matters.

Summary of Requested Increase in
Fiscal Year 1971 Budget

FY 1970 Appropriation		$1,137,000
Pay Act Supplemental		50,000
Total FY 1970 (56 positions)		$1,187,000
FY 1971 Increase:		
Personnel compensation		44,000
Pay Act Costs	$28,000	
1 Additional Position	16,000	
Personnel benefits		2,000
Total FY 1971 (57 positions)		$1,233,000

The duties of the Council are set forth in the Employment Act of 1946. They include the following:

1. To assist and advise the President in the preparation of the Economic Report;

2. To gather and analyze timely information concerning current and prospective economic developments and report regularly to the President on the relationship of these developments to the achievement of maximum employment, production, and purchasing power as prescribed in the Act;

3. To appraise and report to the President on the extent to which the various programs and activities of the Federal Government contribute to the carrying out of the purposes of the Act;

4. To develop and recommend to the President national economic policies to foster and promote competitive enterprise, to avoid economic fluctuations, and to maintain maximum employment, production, and purchasing power; and

5. To make such studies, reports and recommendations on Federal economic policy and legislation as the President may request.

In carrying out these duties, the Council consults regularly with other governmental agencies and departments, as well as with the Congress, and representatatives of business, labor, consumers, agriculture, State and local governments, and the economic profession. In addition, the members and staff of the Council are frequently called upon to serve on interagency advisory groups in a wide variety of fields.

Included in the Council's staff is a statistical unit which is responsible for the monthly publication of Economic Indicators and the preparation of the statistical material in the annual Economic Report of the President as well as for providing continuous statistical assistance to the Council and professional staff.

'11 Personnel compensation

A total of $955,000 is requested for all categories of personnel compensation.

12 Personnel benefits

The estimate of $63,000 covers the Council's share of costs of employees' life insurance, health benefits, retirement, and Federal Insurance Contribution Act taxes.

21 Travel and transportation of persons

The estimate for travel is $15,000. Except for approximately $650 for rental of the Council's car from the Government motor pool, the estimate is to cover travel by the Council Members, staff, and consultants. This is a minimum request consistent with Council responsibilities to consult with representatives from various sectors of the economy.

23 Rents, communications, and utilities

The estimate of $62,000 is for telephone service, postage, telegrams, and the rental of Xerox and data processing equipment.

24 Printing and reproduction

The estimate for printing and reproduction is $40,000 -- $38,000 of which is for the annual Economic Report of the President, and the remainder for other necessary printing and reproduction.

25 Other services

The estimate for other services is $76,000. This includes $20,000 to be paid to the Bureau of the Budget for administrative services, and the balance for public health service, security investigations, chart work, and the purchase of electronic data processing machine time.

26 Supplies and materials

The estimate of $8,000 includes office supplies and materials, and newspapers and periodicals.

31 Equipment

The estimate for the purchase of needed equipment is $14,000 which would cover the usual capital maintenance and replacement requirements.

STRUCTURE OF OPERATIONS

Mr. STEED. Mr. Chairman, have you had any significant changes in the composition and structure of your operations during the last year?

Mr. MCCRACKEN. During the last year, we have had none in any major way. We have had one or two things, however, that I think might be worth noting. In other words, the basic functions and operations of the council are very much what they have been.

We have had a substantial amount of work incident both to the Cabinet Committee on Economic Policy, which we mentioned last year, and also the Cabinet Committee on Construction which the President appointed last September, of which I am chairman.

Mr. STEED. Each President has his own way of using the various tools of his office. Could you give us a summary of how the present occcupant of the White House makes use of your services?

Mr. MCCRACKEN. This activity would distribute itself into certain categories.

There is, first of all, the essentially personal relationship between the President and the chairman which involves the whole myriad of conversations and discussions about economic policy. These may be initiated by the President's calling me, or they may be initiated by my making a request to see him if something has come up that I want to discuss with him.

Beyond that, there are the somewhat more organized or group discussions with, for example, the troika—the Secretary of the Treasury, the Director of the Budget, and myself—and there may be other ad hoc groups which may include other pertinent Cabinet members.

The President also has made significant use of the Cabinet committee type of format. For example, the Cabinet Committee on Economic Policy, the Cabinet Committee on Construction, as well as the other Cabinet groups.

LEVEL OF OPERATIONS

Mr. STEED. Since you got an increase in some positions between 1969 and 1970 and you are only asking for one this year, I assume that you feel like you have leveled out at about your best size of performance?

Mr. MCCRACKEN. In our judgment, with this administrative work that I have indicated in my statement, this ought to cover our needs.

REORGANIZATION PLAN NO. 2

Mr. STEED. The Congress currently has before it Reorganization Plan No. 2 setting up the Domestic Council, which I understand is, in a sense, patterned somewhat after the National Security Council in its relationship to the Presidency?

Mr. MCCRACKEN. Yes.

Mr. STEED. What impact will this have on your functions?

Mr. MCCRACKEN. I think this doesn't really change the positioning of the Council of Economic Advisers in the Executive Office of the President.

The council continues to report directly to the President, as it does now. So that our basic function of being advisory to the President remains essentially unchanged.

CEA RELATIONS WITH THE PRESIDENT

Mr. STEED. Well, now, it is a fact that since in all the myriad of responsibilities heaped upon the President that he more nearly participates personally in economic decisions than he does some of the other so-called duties of the President?

Mr. MCCRACKEN. That is right.

Mr. STEED. And because of that, you must have, and maintain, a more personal relationship with him than would be true in the case of some of the other facilities that the President is surrounded with in the general performance of his total job. Is that a true statement?

Mr. MCCRACKEN. I think that would be a fair statement. The things that get the President's attention, of course, will be those where there are active and urgent and important policy issues. Economic policy and economic developments have been a rather urgent area since he took over. He is himself, of course, also deeply involved in the other areas—foreign policy, and so forth. But he certainly is participating very actively in the economic field.

CEA RELATIONS WITH THE DOMESTIC COUNCIL

Mr. STEED. If we get any of the sort of benefits from the Domestic Council that is anticipated, isn't it going to require a fairly close liaison between your shop and that operation, since so much of the sort of thing they will be concerned with gets into the economics very quickly?

Mr. MCCRACKEN. This will require an appropriate liaison between these two. I think the Domestic Council will be more closely related to some of the functions which the Budget Bureau performs. The area of economic analysis and economic policy is one where the competence within the Executive Office will remain in the Council of Economic Advisers. This is at least my understanding.

CEA RELATIONS WITH THE FEDERAL RESERVE BOARD

Mr. STEED. Do you have, and if so to what extent, any liaison or contact or consulting facility with the Federal Reserve people?

Mr. MCCRACKEN. We have a very close relationship. About every 3 weeks we have a meeting of the full Council, the three of us, and the full Board there. That usually is a luncheon meeting.

Mr. STEED. In other words, this goes beyond just obtaining statistical information?

Mr. MCCRACKEN. Yes. I might add, the Chairman and I just last week made an arrangement to meet, perhaps once a week, just to discuss matters of common interest.

MAJOR ACTIVITIES

Mr. STEED. What have been some of the major activities you have been required to perform during the year?

Mr. MCCRACKEN. During the last year?

Mr. STEED. Yes. The areas in which you have been the most concerned, identified by subject or category.

Mr. McCracken. Let me just indicate a few of these. We were centrally involved in the work of the Cabinet Committee on Construction, which in turn prepared the statement that the President issued Tuesday.

Then we have been very active on a continuing basis in the whole area of fiscal policy and developing the economic guidelines for our proper fiscal and budget policy. This took many forms, ranging from analysis of the current budget to development of projections looking 5 years ahead, so that we could have a little better idea of where we are going in the longer run. This, I might add, was the substance of chapter 3 in our Economic Report.

We were actively involved in the vast amount of work and research incident to trying to cost out the family assistance plan, which goes back a little earlier last year.

Then we have a substantial amount of just day-by-day, on-going activity, reviewing proposals, analyzing bills that may be coming up.

OIL IMPORTS

Mr. Steed. Let me take a case like this, and one in which I happen to have some interest. The President set up a Cabinet-level committee on this matter of oil imports, and after it finished its work and made recommendations to him, as I viewed it, he had a decision to make that involved policy. But I would assume, before he made that decision, he would be very concerned about what the economic impacts pro or con would be. How do you fit in with him at a time like that?

Mr. McCracken. After the Oil Import Committee had submitted its report to him, we analyzed it very carefully and submitted our own analysis of the various options which the President would have and the pros and the cons.

I think one of our most important functions is to try not to make decisions, but to try to sort out the questions and the considerations in each issue.

Mr. Seed. When he has more than one option, he of necessity would want to know what might flow from the exercise of one option as against another.

Mr. McCracken. Yes, sir.

ECONOMIC REPORT

Mr. Steed. How much of your time is required to prepare the Economic Report?

Mr. McCracken. This is a major undertaking. It really dominates our activity at the Council, beginning around mid-November and carrying through until finally it goes to the printer sometime around mid-January. So for about 8 weeks it is the major item on the agenda.

Mr. Steed. This being an annual sort of thing—and we are in an age, it seems to me, at least, that will lend itself to such a kaleidoscopic changing scene—do you have any difficulty of trying to finally say, "Well, as of today we report this," and almost before you get it off the press something happens to sort of soften the base on which you made the decision. Is that a problem that you are faced with?

Mr. McCracken. It is a problem for some parts of the report. There will be other parts that are less sensitive to changing current developments.

But the Economic Report must always contain an analysis of the current economic situation and outlook, and particularly the section which looks ahead for the next year is a part of the report that we keep open until we simply have to go to press.

Mr. Steed. In the printing and distribution of the report, does your budget have to foot the bill on that—the cost of that?

Mr. McCracken. I think that we do.

Mr. Ayres. Yes, sir.

ECONOMIC INDEXES

Mr. Steed. In past appearances of the Council, I have in mind that we have been told at one time or another that, basically in some of your on-going policy determinations, that sooner or later about 37 indexes get involved. Some have a great deal more importance than others, and, of course, some are of an annual nature type, some quarterly, and some almost on a daily basis. And this brought up the matter of which of these elements that are so important to making economic determinations have a time lag that weakens their importance, and what could be done to speed up the accessibility of this type of information to those of you making economic policy determinations from them? Has there been any improvement in the field of getting data together that these indexes are composed of?

Mr. McCracken. This matter of timeliness of basic information is a very urgent one. I discussed that a bit with some of the people in the statistics production activity in the executive branch of the Government. My general impression is that it is going to be difficult to advance the availability of these data very much more until we can get more prompt responses of the basic returns from the companies who report the basic data.

In other words, we have compressed this about as far as we can—the time between when the basic returns come in and when they are printed.

Mr. Steed. We have hoped that at least the indexes from which Government statistics are related could be improved as we go more and more into automatic data processing, and also that maybe new types of information could be made available.

For instance, in the case of Internal Revenue, once they get automatic data processing to perform their major mission, they then are in a position to extract information that prior to that automation would have been impossible to get.

Mr. McCracken. Yes.

Mr. Steed. I have a feeling, not being expert in the subject, that we are sort of in the primary stage of mining this resource for what it eventually may come to be. What is your thinking on that?

Mr. McCracken. I think you are touching on a very important issue there. As a professor at the university, I used to note that occasionally economic indicators, with which we have something to do, might carry something like total personal income for the previous month, but was unable to carry Federal Government expenditures later than the month before that. In other words, there was a curious lag here between the

Government's own data and what the statitsticians could find. I haven't checked it recently. I think this lag may have been corrected—this specific lag.

Also, some of our basic income estimates have often had to be corrected or reestimated years later as the Internal Revenue computations of basic income would finally become available.

Mr. STEED. Every now and then you read something where somebody in your field of operation will have made a statement or have written a statement where they base a decision on the fact that over a long period of time a certain index shows something, and they have learned that if that is doing this, something else over here will be pinned down to about this point.

Then every once in a while you read where something has been so traditionally related one to the other over a long period of time suddenly doesn't work anymore. What do you do when you get into one of these kinds of problems?

Mr. MCCRACKEN. That is a difficult problem, because economic analysis has to rely on the assumption that there are basic patterns of regularity. On the other hand, these patterns are not mechanistically determined in most cases the relationships do occasionally shift.

It ultimately just comes down to a question of judgment in looking at these facts.

ANALYSIS OF ECONOMIC INDEXES

Mr. STEED. For instances, we learned here on this subcommittee that if the gross national product does a certain thing, or if income tax returns reach a certain level or gain a certain percent, or if wages do a certain thing or certain of these indexes are at a certain position of percent of increase, we can pretty well know that there is going to be some more pieces of mail to be delivered during the coming year. These things will relate themselves together very reliably.

Mr. MCCRACKEN. Yes.

Mr. STEED. And from that you are able then to make what I consider an educated guess on what the anticipated increase in a volume that has a cost factor as important as mail delivery has to it. Are there many other areas where this sort of thing is possible?

Mr. MCCRACKEN. Yes. This kind of analysis was enormously expanded by the advent of the computer. In our own work we rely on very elaborate econometric systems or econometric models which basically depend upon relationships somewhat along the lines that you have indicated.

Now, these results are not infallible. So we have to apply a limit of judgment, naturally. But they are very useful.

CHANGING TECHNOLOGY

Mr. STEED. In the fast changing pace of things, you read something every once in a while that is astonishing—like, for instance, I heard a lecture recently where a man made the statement that if a doctor who got out of medical school 10 years ago hadn't kept up with medical advances he would be in real trouble because 95 percent of the medicines now prescribed didn't exist 10 years ago.

And then you get into a situation where they say that in certain scientific fields the discovery of new knowledge is so rapid that you

can't write a textbook any more unless it is a looseleaf textbook, because before you get the textbook off the press it is outdated.

Are men in your line of work finding increasing problems like this that complicate your ability to make what you consider reliable economic predictions and forecasts?

Mr. McCracken. The technology of economic analysis is a fascinating thing. As you were speaking, I was thinking of the economics that I learned as a graduate student, and that isn't what I spend much of my time at any more. It has gone way beyond that.

ECONOMIC FORECASTING

Mr. Steed. You know, people who have to forecast or predict have ways to get ulcers that many other people don't have. I guess everybody to some extent has been interested in weather forecasting. Of course, with technological improvements they claim that they are now on the button more often with their predictions than used to be possible. Of course, there are many things that contribute to that.

I was just wondering if this is illustrative of what is taking place in the tools and the technical advantages that economic analysis lends itself to now.

Mr. McCracken. Yes, I think we have this same thing in our own way.

Mr. Steed. Mr. Robison?

Mr. Robison. I was interested in your colloquy with Dr. McCracken, Mr. Chairman. We can bring into play all the new technical skill that we have these days in order to project what the weather will be, but when we come to the economic picture we have got the human factor involved, and I don't know how anybody is going to figure out how that is going to work out.

Dr. McCracken, a good many years ago—more than I care to remember now—I, too, took a coure in basic economics at Cornell University. While I did pretty well with most of my other grades, I think I got the worse grade there I got in all my 4 years of undergraduate work there. But, looking back at it, I guess it doesn't matter, for the same basic reason you touched upon a moment ago—that all the economic theories they then tried to teach me have long since been discarded, and we are now operating on a new set of theories nobody understands, least of all myself.

I notice that you draw the same salary that I do, but I wouldn't change jobs with you for a million dollars at this moment.

Mr. Edwards. Do you get ugly letters about your salary?

Mr. McCracken. We occasionally get some.

Mr. Robison. Seriously, though, Mr. Chairman, I think we are blessed to have Dr. McCracken at this difficult moment in our Nation's economic history heading this most essential operation. I am most happy to have noted in the year and several months now that he has had that job, the characteristics of steadiness and coolness under fire that he has exhibited. And I certainly wish you well, Dr. McCracken.

Mr. McCracken. Thank you.

Mr. Robison. Along with the other members of the council I would like to ask only a very few questions relating to the budget, since this is not a hearing of the Joint Economic Committee but a hearing with respect to your budget, though I would have a thousand questions on policy I would like to ask you.

CONSULTANTS

Does the Council hire outside help, consultants or whatnot, or is it self-sufficient, mostly?

Mr. McCracken. We have a certain amount of activity with outside consultants. This will take two forms. We may have consultants come in from time to time for a 1-day meeting. And occasionally we will retain a man to do a study on a specific subject.

Mr. Robison. Where would that be covered under your budget request—positions other than permanent, something like that?

Mr. McCracken. That is correct.

Mr. Robison. That figure seems to be down a bit, both in 1970 and as projected for 1971 over what it was in 1969. I don't know if that means anything in particular, other than the fact that you might be using outside people a little less than they were used in 1969.

Mr. McCracken. I think that largely reflects the changeover.

VIP COM SYSTEM

Mr. Robison. On that same page of the justifications, evidently you had an increase in either your rent, communications and utilities, one or the other—not much. Did somebody increase your rent, or is that the cost of the telephone?

Mr. Ayres. In which year is this, sir?

Mr. Robison. The one from $36,000 in 1969 to $62,000 in 1970, and that is what the level is for 1971.

Mr. Ayres. Yes, sir. We put in a VIP Com system.

Mr. Cohelan. What system?

Mr. Ayres. It is a type of computer system. It is to handle a tremendous amount of inquiries with standard types of responses, and you put these responses on a computer. It saves a tremendous amount of time, secretarialwise, and performs at a much higher rate of speed. It cost us some money, but it saves us money in additional salary expenses.

OTHER SERVICES

Mr. Robison. Another very small item. Since we otherwise deal in billions, let's talk about thousands for a while. It is kind of fun. Other services in 1969 were $36,070. They zoomed up to $103,000 and back to $76,000 for 1971.

Mr. Ayres. Sir; on that, the object class 94 reflects changing in selected resources; that is, the unpaid, undelivered orders. As you can see in 1969 we have a plus 31 and in 1970 it is a minus 27. In 1970 the minus 27 is a bookkeeping entry which pushed the figure of 76 up to 103. Our requests for 1970 and 1971 were both 76, but it is unpaid, undelivered orders that accounts for the change in 1970. And for the bookkeeping it has to go in there.

PERSONNEL VACANCIES

Mr. Robison. With respect to personnel overall, 57 is what you aim at in 1971, but you presently have, I gather, six vacancies, and you might have six on through 1971. Is that correct?

Mr. AYRES. The six vacancies, sir, that we have there is strictly an estimate that we project. It is as of the end of the fiscal year. We are never absolutely sure of how many people we are going to have working at that particular time. Again it is an estimate, whereas the figure in 1969 on the total permanent employment was an actual figure.

COUNCIL MEMBERSHIP

Mr. ROBISON. Finally, would you—we know who the Council members are, of course, including the Chairman—but could you identify the Executive Director of the Price Stability Committee, Dr. McCracken?

Mr. MCCRACKEN. The Cabinet Committee on Price Stability was a committee appointed by President Johnson. That committee was discontinued by the new administration.

Mr. ROBISON. Oh. I read it correctly now. I see. There is no such office at the present time?

Mr. MCCRACKEN. That is right.

Mr. ROBISON. Finally, with respect to the ungraded, higher level positions, all of whom seem to be economists, is it generally accurate to say that all of these changed with the change in administration?

Mr. MCCRACKEN. No. Most of these people are actually university professors here for 1 year. So there is a high turnover. We had perhaps I think something like four at the time we came in who did not remain with the new Council. It is more an annual turnover type problem.

Mr. ROBISON. These professors come and go, and usually stay for a year or two, if you can keep them that long?

Mr. MCCRACKEN. If we can keep them for a second year, they do. It is 1 or 2 years.

Mr. ROBISON. That is all the questions I have, except I would like to wish Dr. McCracken well. A great many things are resting on his ability to make his forecasts accurate and his judgment wise. Among those lesser things, I suppose one would have to include my own political future.

Mr. MCCRACKEN. Thank you, sir. We will do our best.

Mr. STEED. Mr. Cohelan.

ECONOMIC REPORT

Mr. COHELAN. Mr. McCracken, tell me a little bit about the economic report. How many do you put out? How is it determined, the amount of printing?

Mr. MCCRACKEN. How many did we publish?

Mr. AYRES. The Council ordered around 7,000 this year, sir, and it is strictly a matter of history.

Mr. MCCRACKEN. You mean how many were published?

Mr. COHELAN. Yes. How many did you print?

Mrs. SKIDMORE. I don't know how many the Printing Office printed, but they have sold 28,000 to date.

Mr. AYRES. We ourselves had 7,000, but the Printing Office, as Mrs. Skidmore said, sold 28,000.

Mr. COHELAN. What is the total print?

Mrs. SKIDMORE. We don't have that figure, but we can get it.

Mr. MCCRACKEN. We will supply that for the record.

(The information follows:)

The Government Printing Office printed a total of 78,000 copies of the 1970 Economic Report.

Mr. COHELAN. My feeling, of course, is that this is a most important educational document, and should be as widely dispersed as possible. Do you undertake to see that it is mailed to all our universities, Dr. McCracken?

Mr. MCCRACKEN. We have a selected mailing list ourselves which is most of the 7,000.

Mr. STEED. If the gentleman will yield, the Government Printing Office is required by law to make publications of this sort available to depository libraries throughout the country. This will normally take nearly 20,000 copies of a publication of this sort.

WAGE AND PRICE CONTROLS

Mr. COHELAN. I have been interested, Dr. McCracken, in comparing economic reports, and of course this is the first new report under the new administration. I was a little disappointed that you didn't get into a discussion of wage controls and price controls. Is there any explanation for that? Your views are well known.

Mr. MCCRACKEN. Since we were not proposing to go down that road, we did not include it. I am trying to remember if we had any discussion in the annual report.

Mr. STEIN. We had some discussion of the previous guideposts. We indicated why we thought they had not worked and why we did not resume these policies in 1969. Since everything that was said about guideposts policy would have applied equally to other wage and price controls, we have a section called direct influence on wages and prices, pages 23 to 25.

Mr. MCCRACKEN. That section does not refer to direct wage and price controls directly, but it discusses the issue.

Mr. COHELAN. On that subject, it has been a source of some annoyance to me to hear our Secretary of the Treasury imply and comment that we might have to consider this as a tool, and then to find that he has been contradicted in other quarters. How do you feel about that?

Mr. MCCRACKEN. In my judgment, wage and price controls would be unfortunate and very disappointing, and therefore I would not want to see them, even though I take seriously the problem of inflation. I would oppose them.

Mr. COHELAN. But wouldn't it be wiser, Dr. McCracken, if we—without advocating wage and price control—did not tell the Nation that we have excluded it as a possible tool to employ in the fight against inflation?

Mr. MCCRACKEN. The main problem in discussing the possibility of using wage and price controls is that it creates at least that degree of incentive then for establishing as favorable a price base as possible. This was the experience in the Korean conflict.

Mr. COHELAN. Yes, but isn't it true that a decisionmaker, an entrepreneur in making his decisions, trying to anticipate and predict what the price level is going to be has an enormous advantage in knowing

that he is not going to have any interference by the Government at all in this area?

Mr. McCracken. I agree; yes.

Mr. Cohelan. We may be entertaining the idea of employing some measure of price control. What about that?

Mr. McCracken. I have not myself been in favor of selective credit controls.

Mr. Cohelan. Can you expand on that?

Mr. McCracken. I would be very glad to.

Let me say that we do have a problem of very heavy demand on our capital and credit market. We have a particular problem in the case of housing and mortgage financing and the financing of State and local projects. These are urgent problems and I would not for one moment denegate the importance of this.

REGULATION W

Mr. Cohelan. What about this credit card? That is the most inflationary thing I have in my wallet. What about regulation W?

Mr. McCracken. Regulation W would hit primarily the automobile and the appliance areas. Those markets are pretty soft now.

Mr. Cohelan. When you cut back on construction you are doing the same thing, aren't you?

Mr. McCracken. You mean control of inflation?

Mr. Cohelan. In other words, to get at the problem of inflation you have to begin somewhere. It seems to me that at this level, the consumer level of credit, this is a very tender area, to be sure, but it was a very effective one as well.

Mr. McCracken. My only point is that the automobile market and the market for the big consumer items generally would be the items particularly hit by regulation W. They are quite soft already.

Mr. Cohelan. I have a very high regard for the professional competence of this advisory committee. I think we have been fortunate over the years in having some of our Nation's leading scholars on the committee.

INFLATION

Mr. McCracken, the current one is certainly no exception. I wish that you would comment on the remark that was made by one of our political leaders the other day when he said that inflation is all over. What did you think of that?

The minority leader, Mr. Gerald R. Ford of the House of Representatives told the Nation that inflation was all over, it is ended.

Mr. McCracken. We can say this: The policies that we have been pursuing for the last year are now beginning to make or have put into place the basis now for making substantial progress in cooling off the inflation. If you will go back to 1968, you will find that the rate of price increase was accelerating during this period. In the first half of 1969 the rate of increase was running at 6.1 percent per year. That is the Consumer Price Index. The second half rate of increase was 5.9, and thus far in 1970 the rate of increase is 5.5. I am very hopeful myself that with the policies that we have had, and given the lags between these policies and the effects on the price level, by the second half of the year we will have made real progress.

UNEMPLOYMENT

Mr. COHELAN. What do you consider to be an acceptable level of unemployment?

Mr. MCCRACKEN. I don't like any.

Mr. COHELAN. As a measure of inflationary control, price stability.

Mr. MCCRACKEN. I don't like any unemployment. Public policy always has to have programs, manpower training programs, and other measures to deal with these problems, trying to minimize the problem of unemployment. At the same time, we recognize that while our objective was to get at the inflation, not to increase unemployment, that measures of restraint could court the risk of some rise in unemployment.

Before the Joint Economic Committee we indicated that our unemployment rate for the year, associated with our projections of business activity generally, $985 billion gross national product, for example, was 4.3 percent.

Mr. COHELAN. Do you expect it will go any higher than that?

Mr. MCCRACKEN. The 4.3 would be an average for the year and this would suggest naturally a range.

Mr. COHELAN. Let me ask you a nasty question. Some economic projections indicate that it will go as high as 6 percent. What do you think?

Mr. MCCRACKEN. No; I don't see that.

CONSTRUCTION FREEZE

Mr. COHELAN. I understand that now the President is unfreezing the freeze. What influence will that have on this?

Mr. MCCRACKEN. On construction?

Mr. COHELAN. Yes.

Mr. MCCRACKEN. What was unfrozen there was, of course, the State and local part of the program which was initiated last September. The estimate, I think, is that this would add $1.2 billion of obligations in. I think the additional expenditures for the remainder of this fiscal year 1971 will be $625 million. For the rest of calendar year 1970 expenditures will be $175 million.

Mr. COHELAN. What is the measure of thrust that it will give the economy from your viewpoint?

Mr. MCCRACKEN. I don't think it has any major significance for the whole economy in 1970. It will help to pick up activity in the construction industry perhaps by the latter part of the year. This, incidentally, was a part of our construction message, the major part of which dealt with programs to expand the supply of skilled labor in the construction industry. It seemed reasonable as a part of this to have some fairly modest relaxation in this program that was announced last September.

"AGENDA FOR THE NATION"

Mr. COHELAN. Have you revised your views or has the Council revised its views since I think it was Mr. Stein's paper—in the "Agenda for the Nation" about the so-called Vietnam dividend?

Mr. MCCRACKEN. We should turn to Mr. Stein.

Mr. STEIN. The paper, "Agenda for the Vietnam Dividend," was Charley Schultz' paper. I didn't write in "Agenda for the Nation" on that subject. So I really am not acquainted with that.

Mr. COHELAN. Are you acquainted with the other thesis?

Mr. STEIN. Chapter 3 of our report summarizes this problem. This discussion reviewed the total resources that will become available as a result of the growth of the economy and the claims upon them, looking out 5 years ahead, and found that with the existing programs, the claims on the national output would exhaust the national output to 1973 and come very close to exhausting it through 1975. That is, we didn't find there was likely to be a large pool of unused resources from which we could pay for new programs without giving up other programs. This was based on estimates of the cost of the present programs and the programs the President has proposed.

Mr. COHELAN. This means that we have to sit down and very carefully allocate our resources as efficiently as possible?

Mr. MCCRACKEN. That was the lesson we were trying to draw from the data reviewed.

Mr. COHELAN. I want to thank you again. We all wish you well in the years ahead.

Mr. MCCRACKEN. Thank you.

Mr. STEED. Mr. Edwards?

BUDGET REQUEST

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. McCracken, really you have not changed your budget request at all, to speak of, except for adding one new staff position?

Mr. MCCRACKEN. That is correct. And enough to handle the third phrase of the Pay Act.

Mr. EDWARDS. These are things that you had to build in?

Mr. MCCRACKEN. Yes, sir.

MEMBERSHIP CRITERIA

Mr. EDWARDS. With this great turnover that you apparently have in your economists on the staff, what criteria do you use in bringing an economist into the Council?

Mr. MCCRACKEN. Our first requirement is a high degree of professional competence. Since we know that people in the profession fairly well, we can identify that pretty easily. One question that I sometimes am asked about this matter of recruiting has to do, quite frankly, with political affiliation. My standard statement is that that is a matter of no concern to me if it is not of any concern to the individual. I would say that our staff is, in the true sense of the term, a professional operation, and that is what we ask for.

Mr. EDWARDS. I am sure that economists are very much like lawyers; very few of them agree on anything. Do you concern yourself at all with the basic theory of a prospective economist in your Council? In other words, surely you must know some in the field who have way-out theories on one side or the other, regardless of party. Does that concern you when you look for these kind of people?

Mr. McCracken. Our basic concern here would be that the individual have the capability to perform in the true sense of the term, at a professional level. We want analysis. We don't want sermons. Most of the problems that we have to deal with are essentially technical and professional in character.

Given a family assistance plan; what will it cost? This is a difficult technical problem but it is a very important one. Similar kinds of questions arise with our concern about environmental programs. What are the economic costs?

These are professional activities and professional operations.

Mr. Edwards. Thank you, Mr. Chairman.

Mr. Robison. Off the record.

(Discussion off the record.)

Mr. Robison. Thank you.

Mr. McCracken. Let me say on the record that I am very proud of our staff. I think we have an excellent staff.

MONETARY POLICY

Mr. Steed. Dr. McCracken, recently when the Secretary of the Treasury was before this committee and in a discussion of the matters that had gone into some of his determinations about budget operations, we were in the area of impact of inflation and high interest and this sort of thing. He made a statement that I think I understood, and if I can repeat it with any degree of accuracy, it meant that he felt that about all that could be done to combat these problems was being done in the fiscal restraints area. He thought more could be done in the monetary control side of the picture.

Do you have any views about the relative importance of these two approaches?

Mr. McCracken. I think monetary policy has been as severe as it would have been prudent to have it, particularly beginning with roughly the middle of 1969 and carrying on to perhaps early this year. This was producing some rather severe strains in the economy. Given the tax bill that we finally got, that we now have, I feel also that we couldn't prudently do any more through fiscal policy because we have been about as severe on the expenditure side of the budget as we could at that time.

The effects of those policies, by the way, are largely yet to be seen. I think we have several months ahead that will reflect the impact of those anti-recessionary, anti-inflationary policies on the economy.

Mr. Steed. What is available in the area of monetary changes that might have an impact on this?

Mr. McCracken. One possibility, of course, would have been even more severe general monetary policies, open market policies, discount policies, and so forth. I would not have considered that approach to have been wise through that period. We had a severe problem of inflation, but there is a limit to how severely you can hit the economy at any one time.

Mr. Steed. I gathered from what he said that he felt that while he thought the fiscal policy was going at about the level that he thought was prudent, he thought we either were now at or were getting close

to a time when some changes perhaps in the direction of easing up of the monetary policy might be possible.

Mr. McCracken. Tuesday when we were at the press conference incident to this construction message, I was asked about Arthur Burns' testimony in which he pointed to very recent data which seemed to suggest some easing.

I made the observation there that one robin does not make a spring, but it is nice to hear that robin sing.

INTEREST ON THE NATIONAL DEBT

Mr. Steed. One of the straws in the wind that has impressed me the most from the material that we have had presented to us, probably since I am such an amateur layman it has no significance. But for all the years that I have been on this subcommittee, the estimated cost of the interest on the national debt has always been higher in the coming year than in the current year. All of a sudden we find that now, for the current year, the 1970 fiscal year, the estimated cost on the national debt will be $19.1 billion. The projection for 1971 is a flat $19 billion, being $100 million less. And as we go over these matters with the debt managers and get some reading on how much of the debt must be refunded and what the trend is in the cost for the 90- and 180-day notes and bills, they must have reached some conclusion that since we know the debt is not going to be any less, somewhat higher, that there must be some easing off in the interest costs that they expect to encounter because, for no reason than just the crazy reason laymen get, that to me, I take as a very significant straw in the wind.

Mr. McCracken. I agree.

Mr. Steed. It is only a small matter of $100 million, a little bit of money when you are talking about $19 billion, but that is a trend. They must have had some reason to make that estimate.

Under the law, the first monies the Treasury gets are pledged to pay the interest on the national debt. So there is no question about that being paid. Since a misguess on that would, in terms of guessing too low, just multiply itself all the way up the ladder on all the other Government costs, I would assume that those who make that particular projection are not only very cautious but probably always on the side of making sure that they are not going to be read out of the ball game.

With all the assumptions that I have made regarding that particular little package, it just impressed me as having this finally a trend in the other direction. It just showed up here. Even though it is a small amount, it sticks out like a sore thumb. I have taken more encouragement from that than anything I have heard or read or been told.

How do you feel about that? You are one of the experts that is supposed to react more expertly to these things than I would.

Mr. McCracken. If we do get some easing in the money market, it ought to have a significant effect on interest on the debt because so much of it is short-term debt which rather quickly starts to reflect the change in rates.

Mr. Steed. I just wanted to see whether I am getting myself exercised unduly or not.

Mr. McCracken. No, I think it is a good straw.

CONCLUSION

Mr. STEED. Gentlemen, I want to first apologize for the fact that we are running a little late today and I am sorry to keep you waiting, but we appreciate your appearance. Also, we want to thank you for your cooperation and information that you have given us. It is some comfort to know that in this particularly very important area of Government function you have been able to stay so close in the coming year with what you are this year in terms of costs.

Unfortunately, many other agencies can't say as much.

Mr. MCCRACKEN. Thank you very much, Mr. Chairman, for your hearing us.

Mr. STEED. We stand adjourned until 2 o'clock.

FRIDAY, MARCH 20, 1970.

TAX COURT OF THE UNITED STATES

WITNESSES

W. M. DRENNEN, CHIEF JUDGE
WILLIAM F. HUFFMAN, ADMINISTRATIVE OFFICER OF THE COURT
O. A. KEETER, BUDGET AND FISCAL OFFICER

Mr. STEED. The committee will be in order.

The committee is in session this afternoon to hear the budget request for the Tax Court of the United States. We are delighted to have our old friend Chief Judge Drennen, and the Administrative Officer and Budget Officer.

TAX COURT OF THE UNITED STATES

DEPOSIT FUNDS

(in thousands of dollars)

Identification code 33-10-6000-0-9-000	1969 actual	1970 estimate	1971 estimate
72 Obligated balance, start of year .	18	21	16
74 Obligated balance, end of year(-)	-21	-16	-18
90 Expenditures	- 3	5	- 2

TAX COURT OF THE UNITED STATES

300-101

SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 33-10-0100-0-1-904	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. General administration	2,506	2,957	3,001
Total program costs, funded	2,506	2,957	3,001
Change in selected resources	8	- 2	- 1
10 Total obligations	2,514	2,955	3,000
Financing:			
25 Unobligated balance lapsing	49	.....	.....
Budget authority	2,563	2,955	3,000
Budget authority:			
40 Appropriation	2,563	2,815	3,000
44.20 Proposed supplemental for civilian pay act increases	.....	140	.....
Relation of obligations to outlays:			
71 Obligations incurred, net	2,514	2,955	3,000
72 Obligated balance, start of year.	122	130	140
74 Obligated balance, end of year(-)	- 130	- 140	- 145
77 Adjustments in expired accounts .	- 8	.....	.....
90 Outlays, excluding pay increases supplemental	2,498	2,811	2,989
91.20 Outlays from civilian pay act supplemental	.....	134	6

TAX COURT OF THE UNITED STATES

SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 33-10-0100-0-1-904			1969 actual	1970 estimate	1971 estimate
Selected resources as of June 30 are as follows:					
	1968	Adj. 1968	1969	1970	1971
Unpaid undelivered orders	22	- 3	27	25	24
Total selected resources	22	- 3	27	25	24

1 Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $22 thousand (1968 adjustments, - $3 thousand); 1969, $27 thousand; 1970, $25 thousand; 1971, $24 thousand.

TAX COURT OF THE UNITED STATES

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 33-10-0100-0-1-901		1969 actual	1970 estimate	1971 estimate
	Personnel compensation:			
11.1	Permanent positions	2,002	2,370	2,399
11.3	Positions other than permanent	5	4	4
11.5	Other personnel compensation	1	2	2
~~11.8~~	~~Special personal services payments~~			
	Total personnel compensation	2,008	2,376	2,405
	Personnel benefits:			
12.1	Civilian	138	156	162
13.0	Benefits for former personnel	109	140	140
21.0	Travel and transportation of persons	61	68	68
22.0	Transportation of things	3	4	4
23.0	Rent, communications, and utilities	27	30	30
24.0	Printing and reproduction	35	21	27
25.0	Other services	80	87	90
26.0	Supplies and materials	26	30	30
31.0	Equipment	19	45	45
~~32.0~~	~~Lands and structures~~			
~~33.0~~	~~Investments and loans~~			
~~41.0~~	~~Grants, subsidies, and contributions~~			
~~42.0~~	~~Insurance claims and indemnities~~			
~~43.0~~	~~Interest and dividends~~			
~~44.0~~	~~Refunds~~			
	Total Costs - Funded	2,506	2,957	3,001
94.0	Change in selected resources	8	- 2	- 1
99.0	Total obligations	2,514	2,955	3,000

TAX COURT OF THE UNITED STATES

SALARIES AND EXPENSES

PERSONNEL SUMMARY

Identification code 33-10-0100-0-1-904	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions ..	171	169	169
Average number of all employees	152	161	161
Average GS grade	9.2	9.2	9.2
Average GS salary	10,596	11,810	11,927

EXHIBIT 35

TAX COURT OF THE UNITED STATES
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID
FROM FUNDS AVAILABLE TO THE TAX COURT OF THE UNITED STATES

DETAIL OF PERMANENT POSITIONS

33-10-0100-0-1-904	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Judicial level, $40,000	22	22	22
GS-16, $25,044 to $31,724	5	5	5
GS-15, $21,589 to $28,068	2	2	2
GS-14, $18,531 to $24,093	9	8	8
GS-13, $15,812 to $20,555	6	8	7
GS-12, $13,389 to $17,403	20	22	23
GS-11, $11,233 to $14,599	14	11	11
GS-10, $10,252 to $13,330	1	1	1
GS- 9, $ 9,320 to $12,119	33	29	29
GS- 8, $ 8,449 to $10,987	20	23	23
GS- 7, $ 7,639 to $ 9,934	8	9	9
GS- 6, $ 6,882 to $ 8,943	3	2	2
GS- 5, $ 6,176 to $ 8,030	16	15	15
GS- 4, $ 5,522 to $ 7,178	6	6	6
GS- 3, $ 4,917 to $ 6,393	3	3	3
GS- 2, $ 4,360 to $ 5,665	3	3	3
Total permanent positions	171	169	169
Unfilled positions, June 30 (-)	-19	- 8	- 8
Total permanent employment, end of year	152	161	161

EXHIBIT 35

TAX COURT OF THE UNITED STATES
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID
FROM FUNDS AVAILABLE TO THE TAX COURT OF THE UNITED STATES

DETAIL OF PERMANENT POSITIONS

33-10-0100-0-1-904	1969 actual	1970 estimate	1971 estimate
HIGHER LEVEL POSITIONS			
Judicial level $40,000			
Judges	16	16	16
Judges (Retired-recalled)	6	6	6
GS-16, $25,044 to $31,724			
Attorney (special assistant to Chief Judge)	1	1	1
Clerk to the Court	1	1	1
Commissioners	3	3	3

TAX COURT OF THE UNITED STATES

300-10

TAX COURT JUDGES SURVIVORS ANNUITY FUND

Program and Financing (in thousands of dollars)

Identification code 33-10-8115-0-7-904	1969 actual	1970 estimate	1971 estimate
Program by activities:			
10 Annuities (Total cost-obligations, class 42.2)	11	20	20
Financing:			
21 Unobligated balance available, start of year (-):			
Treasury balance	- 10	- 13	- 9
U.S. Securities (par)	-148	-173	-198
24 Unobligated balance available, end of year:			
Treasury balance	13	9	10
U.S. Securities (par)	173	198	218
60 New obligational authority	39	41	41
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)	11	20	20
90 Expenditures	11	20	20
Expenditures are distributed as follows:			
01 Out of current authorizations	11	20	20

It is estimated that the Court will docket 6,000 new cases in the fiscal year 1971, which is a decrease of 1.2% below the 6,075 docketed in the fiscal year 1969. The volume of new cases received each year since the fiscal year 1966 has remained fairly even and the estimate for 1971 assumes that this level for new cases will continue through the budget year.

The Court closed 5,987 cases in the fiscal year 1969 which is an increase of 1.1 percent over the previous year. Substantial progress has been made during 1969 in the more expeditious handling and calendaring of small tax cases which involve deficiencies of $1,000, or less, and the Court anticipates greater usage of this new procedure as small taxpayers generally become aware of its availability. It is estimated that 6,200 cases will be closed in the fiscal year 1971.

The pending caseload on June 30, 1969 was 11,154 cases, a decrease of 1.4% from the previous year. The Court anticipates a further slight reduction in the pending caseload in the budget year and has set the estimate at 10,814 cases on June 30, 1971.

The proposed trial program of the Court has been set at 160 weeks of scheduled trial work in 1971. Trials will be conducted in approximately 50 major cities throughout the United States, including Washington, D. C.

A total of $77,426 was collected by the Court and deposited into the General Fund of the Treasury during the fiscal year 1969. Collections are estimated to be $80,000 in both the current and budget years.

On June 30, 1969, there were 11,154 cases pending before the Court involving tax liabilities or excessive profits determined at $1,531,111,654. By category, these pending cases are shown in the table below:

Category	Pending Cases	Tax Liability or Excessive Profits Determined
Income Tax Cases (includes one Section 722 case)	11,125	$1,485,451,654
Renegotiation Cases	29	45,660,000

On June 30, 1969, there still remained pending on the docket of the Court one case arising under Section 722 of the Internal Revenue Code of 1939, which provides special relief from the imposition of excessive profits taxes. No new cases were docketed and none were closed.

The pending caseload of renegotiation cases, which involve excessive profits determined under renegotiated Federal Government contracts and arise from disagreements of contractors with determinations made by the Renegotiation Board, was increased from 24 to 29

cases during the fiscal year 1969. Public Law 90-634 extended the provisions of the Act through June 30, 1971. During the past year 11 new cases were received and 6 were closed.

As required by Section 1311 (b), of the Supplemental Appropriation Act of 1955, as amended, (31 U.S.C. 200 (b)), it is certified herewith that all statements of obligations reported and furnished to the Bureau of the Budget, in connection with requests of the Tax Court of the United States for proposed appropriations for the fiscal year 1971, consist of valid obligations as defined in Section 1311 of that Act.

The outstanding obligations of the Tax Court of the United States on June 30, 1969, were $132,140.81. Of this amount $83,248.96 represents accrued payrolls and obligations to other departments of the United States Government, and $48,891.85 was owed to outside vendors.

The total budget request contained in these estimates for the fiscal year 1971 is $3,000,000. The appropriation for fiscal year 1970 was $2,750,000 plus supplemental requests of $140,000 for the pay increase authorized by Public Law No. 90-206, and $65,000 for salaries of a Judge and his staff, for a total of $2,955,000. The net increase for 1971 will be $45,000.

Forecast of New Obligational Authority, Expenditures and End of Year Employment
(in thousands of dollars)

The forecast of new obligational authority, expenditures and end of year employment for the 3 years succeeding the budget year, as required by Section 22.2 of Bureau of the Budget Circular A-11, is shown in the table below:

Fiscal Year	New Obligational Authority	Net Change	Expenditures	Net Change	End of Year Employment
1970	2,955	-0-	2,945	-0-	161
1971	3,000	45	2,995	50	161
1972	3,030	30	3,023	28	161
1973	3,035	5	3,039	16	161
1974	3,040	5	3,038	- 1	161

The above estimates are based on the assumption that the work program of the Court will proceed at approximately the current volume. The increases result from mandatory requirements over which the Court has no control.

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ANALYSIS OF BUDGET AUTHORITY AND OUTLAYS
(In thousands of dollars)

TAX COURT OF THE UNITED STATES

Account and Functional Code		1969 enacted	1970 estimate	1971 estimate	Increase or Decrease (-)	Explanation
TAX COURT OF THE UNITED STATES						
Federal Funds						
General and Special Funds:						
Salaries and expenses	904 NOA	2,563	2,815))) D/140)	3,000	45	
	Exp	2,498	2,945	2,995	50	
Trust Funds						
Tax Court Judges Survivors Annuity Fund						
	904 NOA	39	41	41		
(Benefits payments)	Exp	11	20	20		
Total, Tax Court of the United States						
	904 NOA	2,602	2,996	3,041	45	
	Exp	2,509	2,965	3,015	50	

D/ Proposed for separate transmittal, civilian pay act supplemental

ANALYSIS OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

TAX COURT OF THE UNITED STATES

Totals for the Tax Court are distributed as follows:

	1970		1971	
	NOA	Exp	NOA	Exp
Federal funds:				
Enacted/transmitted	2,815	2,945	3,000	2,995
Separate transmittal:				
(D) Civilian pay	140			
Total Federal funds	2,955	2,945	3,000	2,995
Trust Funds:				
Enacted/transmitted	41	20	41	20
Total trust funds	41	20	41	20
Total Tax Court of the United States	2,996	2,965	3,041	3,015

STATEMENT OF RECEIPTS— TAX COURT OF THE UNITED STATES (33-10)

(Department or agency)

33-10-0869-0-1-904

(In thousands of dollars)

Receipt symbol	Receipt Account Title	Source category	Type	Function	1969 actual	1970 estimate	1971 estimate	Comments
23-0869	Fees, Tax Court of the United States	0869	G		77	80	80	

STATEMENT OF RECEIPTS— TAX COURT OF THE UNITED STATES (33-10)

(Department or agency)

33-10-8115-0-7-904

(In thousands of dollars)

Receipt symbol	Receipt Account Title	Source category	Type	Function	1969 actual	1970 estimate	1971 estimate	Comments
	Tax Court Judges Survivors Annuity Fund							
23-8115.1	Deductions Employees Salaries	0232	G		12	15	15	
23-8115.2	Interest and Profits on Investments	1670	U	952	7	6	6	
23-8115.3	Employing Agency Contributions	1669	U	951	20	20	20	
	Total				39	41	41	

TAX COURT OF THE UNITED STATES

NUMBERS OF CIVILIAN PERSONNEL

	Number of employees at end of year					
	1969		1970		1971	
	Full-time in permanent positions	Total	Full-time in permanent positions	Total	Full-time in permanent positions	Total
Salaries and expenses	152	155	161	161	161	161
Total employment in budget schedules, (except disadvantaged summer youth employees) ..	152	155	161	161	161	161
Number of disadvantaged summer youth employees excluded above	xxx	-0-	xxx	-0-	xxx	-0-

TAX COURT OF THE UNITED STATES

ANALYSIS OF CIVILIAN PERSONNEL COMPENSATION

	1969		1970		
	In preceding Budget (1)	Actual (2)	In preceding Budget (3)	Proposed for 1971 Budget (4)	1971 Proposed (5)
A. Total civilian personnel compensation	$1,991,000	$2,008,077	$1,990,000	$2,236,100	$2,405,000
B. Adjustments for changes in pay scales not reflected in 1969 obligations in 1970 budget (-):					
2. Pay Act Increases Increases effective during the year	xxx	xxx	xxx	+ 140,000	xxx
C. Adjusted personnel compensation	1,991,000	2,008,077	1,990,000	2,376,100	2,405,000
D. Average number of all civilian employees	155	152	160	161	161
E. Average compensation (Line C divided by Line D)	12,845	13,211	12,438	14,758	14,938
F. Percent change in average compensation 1971 over 1970	xxx	xxx	xxx	xxx	1.2 1/

1/ The 1.2% increase in average compensation for 1971 over 1970, results from the annualization of salaries for the new Judge and his staff.

TAX COURT OF THE UNITED STATES

ANALYSIS OF PAY ABOVE MINIMUM

Year	Minimum pay	Pay above minimum	Weight	Adjusted pay above minimum	Number of positions	Adjusted average pay above minimum	Change in average above minimum
GS Series:							
1966	$1,184,234	$ 112,617	1.208	$ 136,041	142	$ 958	-0-
1967	1,306,521	106,888	1.176	125,700	149	844	-114
1968	1,317,450	113,813	1.144	130,202	148	880	36
1969	1,445,434	133,385	1.091	145,523	148	983	103
1970	1,571,970	164,078	1.000	164,078	147	1,116	133
1971	1,569,817	183,402	1.000	183,402	147	1,248	132

INCREASE IN PAY ABOVE MINIMUM FOR 1971

Amount of Increase

1971 pay above minimum	$183,402
1970 pay above minimum	164,078
Difference	$ 19,324

Distribution of Increase

Salaries and Expenses $19,324

TAX COURT OF THE UNITED STATES

NARRATIVE STATEMENT ON PROGRAM AND PERFORMANCE

The Tax Court hears and decides cases involving income, estate and gift tax deficiencies and claims for refunds of excess profits taxes under the special relief sections of the Internal Revenue Code, and cases involving determinations of excessive profits on contracts renegotiated by the Federal Government.

For 1971, the Court proposes a trial program of 160 weeks to be held in approximately 50 cities. This program should result in closing approximately 6,200 cases.

The actual and estimated work volume of the Court is presented in the following tabulation.

	Actual 1968	Actual 1969	Per cent*	Estimated 1970	Per cent*	Estimated 1971	Per cent*
Filed	6,326	6,075	- 4.0	6,000	- 1.2	6,000	-0-
Reopened	90	69	-23.4	80	15.9	80	-0-
Closed	5,920	5,987	1.1	6,300	5.2	6,200	-1.6
Pending at close of year	10,997	11,154	1.4	10,934	- 2.0	10,814	-1.1
Written Opinions by the Court	421	520	23.5	.....	....	.....	.....

Percentage increase or decrease over previous year.*

TAX COURT OF THE UNITED STATES

JUSTIFICATION OF ESTIMATES

FISCAL YEAR 1971

Summary of the Requirements of the Court for the Budget Year

These estimates for the fiscal year 1971, provide for the salaries of the sixteen Judges of the Court, nine Judges retired under the provisions of Section 7447, Internal Revenue Code of 1954, as amended, (six of whom are expected to perform further full time judicial duties under recall by the Chief Judge) the immediate staffs of these Judges, and the administrative and operational personnel of the Court. Also included in the estimates are the necessary funds for official travel, records shipments, mailing expenses, the Court's share of contributions to the Federal Insurance Contributions Act, to the Civil Service Retirement Fund, the Federal Employee's Group Life Insurance Program, the Federal Employee's Health Benefits Program and the Tax Court Judges Survivors Annuity Fund, reimbursement of Unemployment Compensation costs, and the pro rata share of the costs of telephone communications and employee health program services (health unit) which are provided through agreements with the Treasury Department and the Department of Health, Education and Welfare.

The additional $45,000 requested by the Court for the fiscal year 1971, is to provide $25,000 for the annualization of salary for a Judge and his staff ($65,000 of which was provided in fiscal year 1970), net within-grade salary advancements of $10,000, payment of an amount of $6,000 into the Civil Service Retirement Fund, and $4,000 for stenographic reporting services which increased 10¢ per page in F. Y. 1970.

TAX COURT OF THE UNITED STATES
SALARIES AND EXPENSES

Statement Relating 1969, 1970, and 1971 Programs

(In thousands of dollars)

1969 program (total costs)	2,506
Personnel compensation	+ 368
Personnel benefits	+ 18
Benefits for former personnel	+ 31
Equipment	+ 26
Other increases	+ 22
Other decreases	- 14
1970 program (total costs)	2,957
Personnel compensation	+ 29
Other increases	+ 15
1971 program (total costs)	3,001

ANALYSIS BY ACTIVITIES

	1969	Decreases	Increases	1970	Decreases	Increases	1971
Administration and Adjudication	2,506	14	465	2,957	-0-	44	3,001
Total program costs	2,506	14	465	2,957	-0-	44	3,001

TAX COURT OF THE UNITED STATES

AGENCY BORROWING AND INVESTMENT

Tax Court Judges Survivors Annuity Fund (33-10-8115-0-7-904)

(in thousands of dollars)

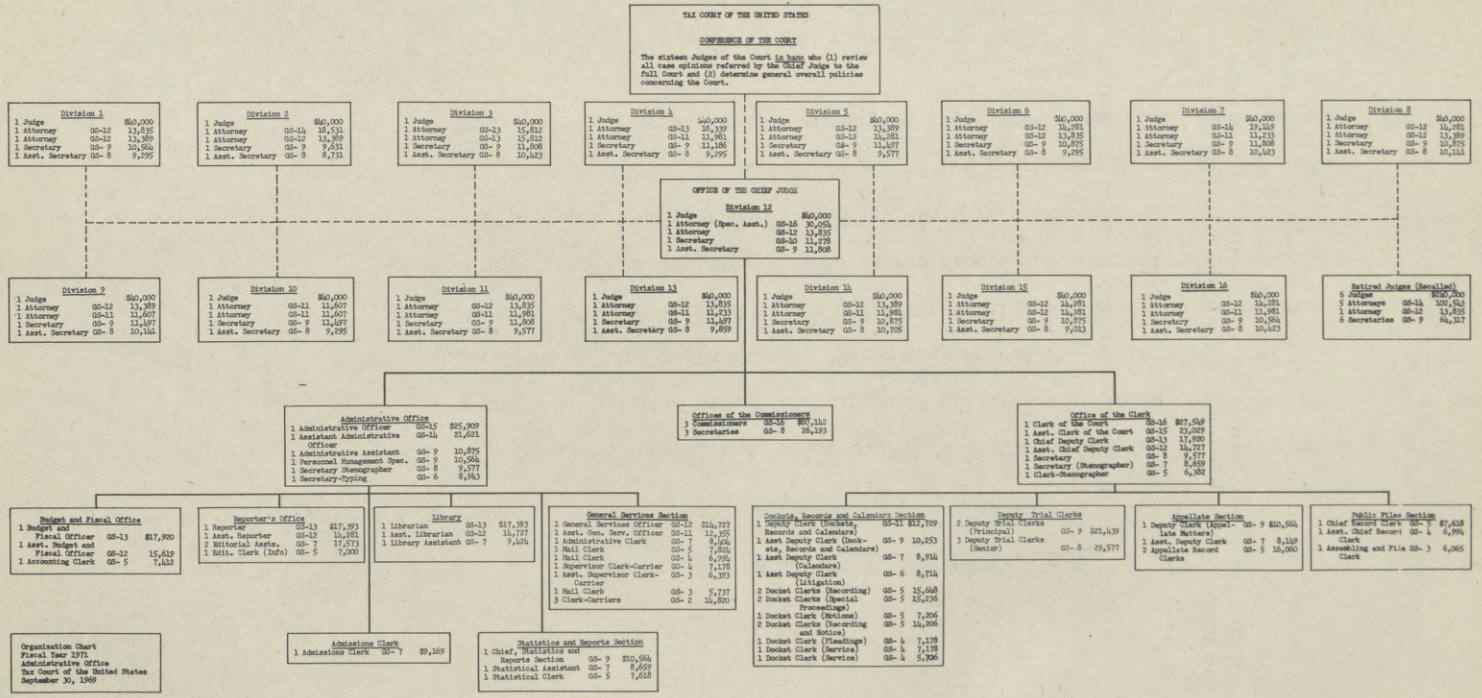
Investments in U. S. Securities		1969 Actual	1970 Estimate	1971 Estimate
99.23	Outstanding investments in public debt securities, start of year	148	XXX	XXX
99.24	Outstanding investments in public debt securities, end of year	173	198	218

TAX COURT OF THE UNITED STATES

TAX COURT JUDGES SURVIVORS ANNUITY FUND

This fund, established under 26 U.S.C. 7448, is used to pay survivorship benefits to eligible widows and dependent children of deceased Judges of the Tax Court of the United States. Participating Judges pay into the fund 3% of their salaries or retired pay to cover creditable service for which payment is required and such additional funds as are needed are provided through the annual appropriation to the Tax Court of the United States.

On June 30, 1969, thirteen Judges of the Court were participating in the fund, and two eligible widows were receiving survivorship annuity payments.


TAX COURT OF THE UNITED STATES
CONFERENCE OF THE COURT
The sixteen Judges of the Court in banc who (1) review all case opinions referred by the Chief Judge to the full Court and (2) determine general overall policies concerning the Court.
Division 1
1 Judge $40,000
1 Attorney GS-12 13,035
1 Attorney GS-12 13,389
1 Secretary GS- 9 10,564
1 Asst. Secretary GS- 8 9,295
Division 2
1 Judge $40,000
1 Attorney GS-14 18,511
1 Attorney GS-12 13,389
1 Secretary GS- 9 9,631
1 Asst. Secretary GS- 8 8,731
Division 3
1 Judge $40,000
1 Attorney GS-13 15,812
1 Attorney GS-13 15,812
1 Secretary GS- 9 11,808
1 Asst. Secretary GS- 8 10,423
Division 4
1 Judge $40,000
1 Attorney GS-13 16,139
1 Attorney GS-11 11,981
1 Secretary GS- 9 11,186
1 Asst. Secretary GS- 8 9,295
Division 5
1 Judge $40,000
1 Attorney GS-12 13,389
1 Attorney GS-12 14,281
1 Secretary GS- 9 11,497
1 Asst. Secretary GS- 8 9,577
Division 6
1 Judge $40,000
1 Attorney GS-12 14,281
1 Attorney GS-12 13,835
1 Secretary GS- 9 10,875
1 Asst. Secretary GS- 8 9,295
Division 7
1 Judge $40,000
1 Attorney GS-14 19,149
1 Attorney GS-11 11,233
1 Secretary GS- 9 11,808
1 Asst. Secretary GS- 8 10,423
Division 8
1 Judge $40,000
1 Attorney GS-12 14,281
1 Attorney GS-12 13,389
1 Secretary GS- 9 10,875
1 Asst. Secretary GS- 8 10,111
OFFICE OF THE CHIEF JUDGE
Division 12
1 Judge $40,000
1 Attorney (Spec. Asst.) GS-16 30,054
1 Attorney GS-12 13,835
1 Secretary GS-10 11,278
1 Asst. Secretary GS- 9 11,808
Division 9
1 Judge $40,000
1 Attorney GS-12 11,389
1 Attorney GS-11 11,607
1 Secretary GS- 9 11,497
1 Asst. Secretary GS- 8 10,111
Division 10
1 Judge $40,000
1 Attorney GS-11 11,607
1 Attorney GS-11 11,607
1 Secretary GS- 9 11,497
1 Asst. Secretary GS- 8 9,295
Division 11
1 Judge $40,000
1 Attorney GS-12 13,835
1 Attorney GS-11 11,981
1 Secretary GS- 9 11,808
1 Asst. Secretary GS- 8 9,577
Division 13
1 Judge $40,000
1 Attorney GS-12 13,835
1 Attorney GS-11 11,233
1 Secretary GS- 9 11,497
1 Asst. Secretary GS- 8 9,859
Division 14
1 Judge $40,000
1 Attorney GS-12 13,389
1 Attorney GS-11 11,981
1 Secretary GS- 9 10,875
1 Asst. Secretary GS- 8 10,705
Division 15
1 Judge $40,000
1 Attorney GS-12 14,281
1 Attorney GS-12 14,281
1 Secretary GS- 9 10,875
1 Asst. Secretary GS- 8 9,013
Division 16
1 Judge $40,000
1 Attorney GS-12 14,281
1 Attorney GS-11 11,981
1 Secretary GS- 9 10,564
1 Asst. Secretary GS- 8 10,423
Retired Judges (Recalled)
6 Judges $240,000
5 Attorneys GS-14 100,543
1 Attorney GS-12 13,835
6 Secretaries GS- 9 64,317
Administrative Office
1 Administrative Officer GS-15 $25,909
1 Assistant Administrative Officer GS-14 21,621
1 Administrative Assistant GS- 9 10,875
1 Personnel Management Spec. GS- 9 10,564
1 Secretary Stenographer GS- 8 9,577
1 Secretary-Typing GS- 6 8,943
Offices of the Commissioners
3 Commissioners GS-15 $80,140
3 Secretaries GS- 8 26,193
Office of the Clerk
1 Clerk of the Court GS-16 $27,549
1 Asst. Clerk of the Court GS-15 23,029
1 Chief Deputy Clerk GS-13 17,920
1 Asst. Chief Deputy Clerk GS-12 14,727
1 Secretary GS- 8 9,577
1 Secretary (Stenographer) GS- 7 8,659
1 Clerk-Stenographer GS- 5 6,382
Budget and Fiscal Office
1 Budget and Fiscal Officer GS-13 $17,920
1 Asst. Budget and Fiscal Officer GS-12 15,619
1 Accounting Clerk GS- 5 7,412
Reporter's Office
1 Reporter GS-13 $17,393
1 Asst. Reporter GS-12 14,281
2 Editorial Assts. GS- 7 17,573
1 Edit. Clerk (Info) GS- 5 7,000
Library
1 Librarian GS-13 $17,393
1 Asst. Librarian GS-12 14,727
1 Library Assistant GS- 7 9,424
General Services Section
1 General Services Officer GS-12 $14,727
1 Asst. Gen. Serv. Officer GS-11 12,355
1 Administrative Clerk GS- 7 8,424
1 Mail Clerk GS- 5 7,810
1 Mail Clerk GS- 4 6,994
1 Supervisor Clerk-Carrier GS- 4 7,178
1 Asst. Supervisor Clerk-Carrier GS- 3 6,303
1 Mail Clerk GS- 3 5,737
3 Clerk-Carriers GS- 2 14,820
Dockets, Records and Calendars Section
1 Deputy Clerk (Dockets, Records and Calendars) GS-11 $12,729
1 Asst Deputy Clerk (Dockets, Records and Calendars) GS- 9 10,253
1 Asst Deputy Clerk (Calendars) GS- 7 8,914
1 Asst Deputy Clerk (Litigation) GS- 6 8,714
2 Docket Clerks (Recording) GS- 5 15,648
2 Docket Clerks (Special Proceedings) GS- 5 15,236
1 Docket Clerk (Motions) GS- 5 7,206
2 Docket Clerks (Recording and Notice) GS- 5 14,206
1 Docket Clerk (Pleadings) GS- 4 7,178
1 Docket Clerk (Service) GS- 4 7,178
1 Docket Clerk (Service) GS- 4 5,706
Deputy Trial Clerks
2 Deputy Trial Clerks (Principal) GS- 9 $21,439
3 Deputy Trial Clerks (Senior) GS- 8 29,577
Appellate Section
1 Deputy Clerk (Appellate Matters) GS- 9 $10,564
1 Asst. Deputy Clerk GS- 7 8,149
2 Appellate Record Clerks GS- 5 16,060
Public Files Section
1 Chief Record Clerk GS- 7 $7,618
1 Asst. Chief Record Clerk GS- 4 6,994
1 Assembling and File Clerk GS- 3 6,065
Admissions Clerk
1 Admissions Clerk GS- 7 $9,169
Statistics and Reports Section
1 Chief, Statistics and Reports Section GS- 9 $10,564
1 Statistical Assistant GS- 7 8,659
1 Statistical Clerk GS- 5 7,618
Organization Chart
Fiscal Year 1971
Administrative Office
Tax Court of the United States
September 30, 1969

Mr. STEED. Judge Drennen, if you would like to identify your two colleagues for the record, and we will be delighted to hear any general statement you want to make.

INTRODUCTION OF WITNESSES

Judge DRENNEN. Thank you, Mr. Chairman.

On my left is Mr. Huffman, the new administrative officer of the U.S. Tax Court. He was the assistant and Mr. Schonfelder retired fairly recently and Mr. Huffman was made administrative officer.

On my right is Mr. Keeter, the budget and fiscal officer.

GENERAL STATEMENT

Mr. Chairman and members of this committee, it is again my pleasure to appear before this committee and to have the opportunity to present to you the appropriation requirements of the Tax Court for the fiscal year 1971. The court greatly appreciates the assistance given by this committee and would like to thank the members of the committee for their consideration and understanding of the court's needs in its annual requests for operating funds.

BUDGET REQUEST

The court's 1970 appropriation was $2,815,000. In addition, the Budget Bureau has approved a supplemental request of $140,000, to provide for the cost of the pay increases authorized by the Federal Salary Act of 1967 and Executive Order No. 11474. The budget estimates now being considered by this committee in the amount of $3 millions therefore represent, on a comparative basis, an increase of $45,000 over 1970 funding.

SUPPLEMENTAL REQUEST

For your further information, there also has been included in House Document No. 91–272, now awaiting consideration by the Congress, an additional supplemental request for the fiscal year 1970 in the amount of $83,000. These funds are to be used to accommodate the added functions and responsibilities attendant upon the change in the court's status brought by the enactment of Public Law No. 91–172 which established the Tax Court as a court of record under article I of the Constitution of the United States.

SMALL TAX DIVISION

The Tax Court was authorized and directed to set up a small tax division within the court to handle the cases of small taxpayers, expeditiously and with as little formality as possible. While the court has been experimenting in this area with its own procedure during the past year, this provision of the law does not become effective until January 1, 1971. We were authorized to employ commissioners to carry out this function.

It may be of some interest to the committee to know that in recognition of the demand for more expeditious and simplified procedures to be used for the handling of small tax cases, and in anticipation

of possible enactment of legislation on this matter, the Tax Court implemented its own interim procedure starting on January 1, 1969, for the handling of those small tax cases. Public Law No. 91–172 gave the court statutory authorization to try and to adjudicate with finality small tax cases involving disputed deficiencies of $1,000 or less. The number of cases to be tried as small tax cases continues to increase and for the first 8 months of fiscal year 1970 the court docketed 1,448 small tax cases, closed 858 such cases and on February 28, 1970, had a pending caseload of 1,123 cases. This new procedure provides the small taxpayer with an opportunity to have his case heard with as little formality, delay and expense as possible.

WORKLOAD OF THE COURT

The workload of the court, which arises principally from taxpayers seeking adjudication of tax deficiencies determined by the Commissioner of Internal Revenue in income, estate and gift taxes, continued in 1969 to remain at approximately the same level of operations as in 1968. For fiscal year 1969 the court docketed 6,975 new cases, closed 5,987 cases and on June 30, 1969, had a pending caseload of 11,154 cases. For the current year through February 28, 1970, 3,840 cases were docketed, 3,421 were closed and the pending caseload stood at 11,614 cases. The court continues to maintain a systematic review of all docketed cases to assure that each case is scheduled for trial as soon as possible after it is at issue and the parties indicate readiness for trial.

Mr. Chairman and members of this committee, most of you are familiar with the operations of the Tax Court and from your review of the court's budget requests over the years I believe you will agree that it is a rather stable organization which we endeavor to manage in an efficient and economical manner. I wish to assure you that the court will continue to follow this policy in its operations. It is my considered judgment that the appropriation request now before you represents the court's best estimates of and fairly presents the court's requirements for the budget year, except for the cost of employing additional Commissioners and supporting personnel, and attendant expenses, which the court was authorized to employ to implement and carry out the small tax case procedures provided for in the Revenue Act of 1969. This act was enacted subsequent to the time our budget estimate for fiscal 1971 was submitted to the Bureau of the Budget and the request will have to take the form of an amendment when it has been approved by the Bureau of the Budget.

I shall now be happy to answer any questions you may have concerning the court's budget estimates or the work of the court generally, and I thank you for the time given me to make this presentation.

I do want to call the amendment to your attention because we are not in a position to ask for this now but I certainly want you to know it is in the offing.

NEW TAX LEGISLATION

Mr. STEED. Judge, hasn't it been your experience that when far-reaching new tax laws are enacted, as in the Tax Reform Act, not long thereafter it generates an upsurge of business for the court?

Judge DRENNEN. Yes, sir. I think the history of the Tax Court would indicate that. There is a lag of probably 3 years because it takes that long for these laws to surface to audit and come into our court.

CASELOAD

Mr. STEED. Your caseload is edging up a little bit, and with more than 11,000 cases pending do you think that that leaves you in a very secure position to take on a heavy increase in business?

Mr. KEETER. The 11,000 includes the small tax cases.

Judge DRENNEN. The court in the past has gone through this experience. We have had the same number of judges.

Mr. STEED. You don't feel that you can get this back under better control before the new flood of business?

Judge DRENNEN. I think that we can. I think one reason for this increase showing up right now is the small claims procedure. It is going to be interesting to see how this works in 1971, whether there is going to be an increase in it or a decrease. My guess is there might be a decrease because under our present method of handling these small cases, there is no finality to our decision; there is a right to appeal. Under the Tax Reform Act, that procedure is final. If taxpayers elect to come under it, they have no appeal.

I don't think there will be as many as we are getting right now. I think we are having an influx at this time; that might cut down some next year.

TAX COURT APPROPRIATION

Mr. STEED. Judge, I am not very much up on my mystery of why these appropriation bills are organized the way they are. Some of them were already set up when I got here on this particular subcommittee. The title of our bill is "Post Office, Treasury, and Executive Offices." When I think about you, I wonder how we got you. Are you a member of the legislative, judicial, or administrative branch of Government?

Judge DRENNEN. I imagine that you got us because up until the beginning of this year we still had the title of independent agency within the executive branch of the Government. Now under the Tax Reform Act we are a court under article I of the Constitution. All we know is that we are no longer in the executive branch but we don't know whether we are in the judicial or legislative branch.

Let me say this along that line, I hope that you will retain jurisdiction of our appropriation.

Mr. STEED. We are not complaining.

Judge DRENNEN. You have been very considerate in the past.

Mr. STEED. It just intrigued me to notice how we get in the habit of listing everything one way or the other and then you come along and I am ust not sure what label that you would be entitled to.

U.S. TAX COURT

Judge DRENNEN. May I point out to you that instead of the Tax Court of the United States we are now the U.S. Tax Court.

Mr. ROBISON. Mr. Chairman, it might be fitting to observe that no matter why we have this particular item before us, it is well that we have the judge, as you put it, rather than that he has us.

Mr. STEED. Will the use of commissioners in connection with small claims give you an opportunity to relieve your judges of some of the time-consuming business that they have had to wrestle with?

Judge DRENNEN. Yes, sir.

Mr. STEED. And leave them with the more difficult cases.

USE OF COMMISSIONERS

Judge DRENNEN. If the taxpayer has a determination of deficiency of a thousand dollars or less for any 1 year, he can elect to come under the small claims procedure. Then we send these commissioners out to handle the cases. This is the way we anticipate doing it.

We also may use the commissioners for time-consuming trials of big cases where they can take the evidence, as we have been using commissioners in the past.

IMPACT OF POSTAL STRIKE

Mr. STEED. It may not be a matter of any concern by the time this bill sees the light of day, but as of the moment, since there is an incipient postal strike underway and the threat is that it might become general, has this or could this have any impact on the court?

Judge DRENNEN. It will have a very definite impact, I hope not long range. The jurisdiction of this court is dependent upon having a petition filed in the court within 90 days after the notice of deficiency is mailed to the taxpayer. The filing normally is considered receipt by the court. The postal strike will interfere with our receipt of many petitions.

The law does provide that the date of mailing, which means the postmark date, will be accepted as the date of filing. As I understand it, in some areas they cannot even get a postmark on the petition. I have discussed this among not only the members of the court to see whether we can do anything about it, but also with Chief Counsel in Internal Revenue Service yesterday, because they are involved.

This being a matter of jurisdiction and the statute being rather unbending on the 90-day period, we are going to have to devise some way of taking jurisdiction over these cases wherever the taxpayer made every effort he could to get in on time.

Mr. STEED. Not being a lawyer, I can think of all sorts of legal answers to anything. This is the advantage laymen have over lawyers.

Judge DRENNEN. We may have to use some of them in this situation.

Mr. STEED. Would it meet the requirement of the law if I, being unable to get my material in the post office and postmarketd and on the way to you, to beat the deadline if I wired you that it was ready and available and as soon as facilities permitted it would be on its way?

Judge DRENNEN. Very definitely.

Mr. STEED. The court accepts something like that?

Judge DRENNEN. We will accept a telegram.

Mr. STEED. Showing the good faith and complying with the 90-day requirement?

Judge DRENNEN. We accept a telegram and stamp it as filed on a certain date and then advise the taxpayer to file an amended petition.

Mr. STEED. This would offer the best way for people involved, especially in any sizable amount of litigation, to protect themselves?

Judge DRENNEN. Yes, sir.

There are a few other possibilities, such as using a private postal meter and having the person who places the stamp on the envelope make an affidavit of what he did toward mailing the petition. We would accept that date as a filing date. We thought of sending somebody up to our New York courtroom and putting a notice in the newspapers that we would receive petitions at our courtroom in New York City, but it would reach so few we thought it would be a rather useless gesture.

SMALL CLAIMS COMMISSIONER

Mr. STEED. Is it your idea that these small claims cases you have already initiated some action on are giving you some expertise and knowhow in setting up the commissioner function?

Judge DRENNEN. Yes, I think we have gotten experience that will be quite valuable in implementing this new law.

SMALL CLAIMS COURT

Mr. STEED. What is the reaction of the taxpayer involved? How does he react to this new facility?

Judge DRENNEN. Frankly, I think we have gotten a good number of them in that that shouldn't be in court. On the other hand, I do think they appreciate the opportunity to have a hearing, just put their cards on the table before an impartial judge. A lot of them seem to be satisfied at least, even though we have to decide the case against them, which they are not if they have to sort of give up their case at the administrative level of the Internal Revenue Service because they cannot afford to take it on——

Mr. STEED. Looking at it from the standpoint of the Federal Government as against the court or the Internal Revenue, but in its entirety as it stands in front of the citizen, it makes it possible for him to have a matter of this importance to him adjudicated without having to go to a lot of time and expense. This is a significant thing to the citizen, don't you think?

Judge DRENNEN. I think very much so. We have tried, with the assistance of the American Bar Association, to set up arrangements with the lawyer referral services everyplace we go to have available several lawyers to talk to these taxpayers in small cases if they want a lawyer. We send out a notice to them in advance that this is available to them. Strangely enough, in only two or three instances so far have the taxpayers taken advantage of this. It is a little early to tell whether this is going to be helpful or not. We are going to continue it until we have a better insight into whether it is worth the time and trouble it takes to make these arrangements.

AVAILABILITY OF SMALL CLAIMS COURT

Mr. STEED. One of the great advantages to the taxpayer who is all stirred up about his little matter is with the commissioner coming to some point in here where he is spared the necessity of a lot of travel cost and time?

Judge DRENNEN. Yes, sir.

Mr. STEED. To have his day in court.

Judge DRENNEN. I would hope—and we presently have trial calendars scheduled in about 56 or 57 major cities we get to at least once a year—I would hope that under this new procedure we will be able to get to every district where there is a district court, which would be about 93, thereby taking the court out to the taxpayers, closer to the taxpayers.

Mr. STEED. You think more in terms of identifying of this type of case at a level where the Federal district court now try cases, rather than the least spreadout way?

Judge DRENNEN. Not at different levels, but at least it makes the court available at the same place.

Mr. STEED. This is much more a dispersal of it?

Judge DRENNEN. That is right.

SMALL TAXPAYERS

Mr. EDWARDS. Would the Chairman yield?

About the small taxpayers. As the judge knows, this has been one of my pet projects. Do you have any feel or any statistics as to whether in fact the small taxpayer is winning any of these or many of them? Is it worth something to him more than just having his day in court? Is he in fact proving occasionally that the revenue agent was wrong?

Judge DRENNEN. I am sure he is, occasionally. Our experience so far has been that the vast majority of these cases are settled. We get to them faster. The man knows he has a day in court, and when the case is docketed for trial in our court it is turned over to the lawyers representing the commissioner rather than the administrative people. I think the lawyer has a little better feel of the chances in court. I don't know how the settlements are working out, but my guess is that the small taxpayers are doing a little better in that regard.

In the cases that we have tried, yes, they win some of them, but they have always won some of them. I cannot see any trend one way or the other that way.

Mr. EDWARDS. You feel the taxpayer as a whole is receiving a general benefit from having this available to him?

Judge DRENNEN. We feel that he thinks he is getting a fair shake out of it. I think that is very important to him.

Mr. EDWARDS. Thank you.

Mr. ROBISON. Mr. Chairman?

Mr. STEED. Yes.

SMALL CLAIMS COURT

Mr. ROBISON. Judge Drennen, besides the finality of the court's jurisdiction in small tax cases, how does the procedure differ? Specifically, can a taxpayer in such a case appear without counsel?

Judge DRENNEN. Yes, sir. Of course, they can now.

Mr. ROBISON. Anyway?

Judge DRENNEN. Yes, sir.

Mr. ROBISON. Before you as well?

Judge DRENNEN. Yes, sir.

Mr. ROBISON. But more likely in the small tax cases this would be the situation, would it not?

Judge DRENNEN. It is pretty hard to say. Actually, since we have implemented this small claims procedure of our own, about 30 to 32

percent of the cases we had filed last year were pro se. This does not necessarily mean a lawyer is not in the case; only that he didn't sign the petition and didn't file an entry of appearance when the petition was filed. A lawyer may already be in the case and our files would not show it, or a lawyer may come in later. However, so far as we can tell there has been a striking increase in the number of pro se cases filed. That has gone from 18 percent of the cases filed to 30 or 32 percent in the past year. I think they are doing this now under our informal procedure and probably will continue under the other procedure.

Mr. ROBISON. Beyond the question of whether or not they have counsel, you did mention that the procedure itself is less formal?

Judge DRENNEN. Yes, sir.

Mr. ROBISON. What do you mean by that?

Judge DRENNEN. Under the new procedure, for instance, we can decide the case from the bench. We will have to write up a very short opinion and it will go through the chief judge of the division but the parties will know at the time, in a good number of these cases, what the court's decision is. The rules of evidence applied and the procedures for presenting evidence will be more relaxed.

SMALL CLAIMS COMMISSIONERS

Mr. ROBISON. The case will be heard by a commissioner rather than one of the judges?

Judge DRENNEN. Well, I think we will use commissioners on a good number of them. I intend to put these small cases on regular trial calendars as well, the same as we have during the past year. We just expedite them by putting them on trial calendars out of turn and give them a priority for hearing, having their case heard. I expect to use both judges and commissioners.

Mr. ROBISON. You have three commissioners now?

Judge DRENNEN. We have, or we are authorized three. Actually we have only one at the present time. We had one other employed and he died. Under the new law, the salaries of our commissioners will go from civil service grade 16 to the same salary level as a commissioner of th Court of Claims, which is $36,000 salary. So we are not employing any additional commissioners under the civil service at this time. The supplemental appropriation bill that we have in will authorize employment of three commissioners, including the one that we have, to sort of help get this thing ready to go as of the first of next year.

Mr. ROBISON. At the $36,000 level?

Judge DRENNEN. Yes, sir.

Mr. ROBISON. That is what the budget before us projects?

Judge DRENNEN. No. The budget before us now does not include that. That will be in this amendment which is not ready yet.

COURT LOCATIONS

Mr. STEED. Judge, since we have not, to my knowledge, used it in some years, could you provide for the record a list of the places where the court now sits and, if possible, as many of the places where commissioners may sit in addition to that?

Judge DRENNEN. Yes, sir.

(The information follows:)

Locations where the U.S. Tax Court has regularly scheduled a trial session at least once each year provided there are cases ready for trial at the location:

Alabama: Birmingham
Alaska: Anchorage
Arizona: Phoenix
Arkansas: Little Rock, or Memphis, Tenn.
California: Los Angeles, San Francisco
Colorado: Denver
District of Columbia: Washington
Florida: Jacksonville, Miami, Tampa
Georgia: Atlanta
Hawaii: Honolulu
Idaho: Boise
Illinois: Chicago
Indiana: Indianapolis
Iowa: Des Moines
Kansas: Kansas City
Kentucky: Louisville
Louisiana: New Orleans
Massachusetts: Boston
Michigan: Detroit
Minnesota: St. Paul
Mississippi: Jackson
Missouri: Kansas City, St. Louis
Montana: Helena
Nebraska: Omaha
Nevada: Las Vegas
New Jersey: Newark (New York City courtroom usually used)
New Mexico: Albuquerque
New York: Buffalo, New York City
North Carolina: Greensboro
Ohio: Cleveland, Cincinnati, Columbus
Oklahoma: Oklahoma City or Tulsa
Oregon: Portland
Pennsylvania: Philadelphia, Pittsburgh
South Carolina: Columbia
Tennessee: Knoxville, Memphis, Nashville
Texas: Dallas, Lubbock, El Paso, San Antonio, Houston
Utah: Salt Lake City
Virginia: Richmond
Washington: Seattle
West Virginia: Charleston, Huntington
Wisconsin: Milwaukee, or Chicago, Ill.

Locations where the U.S. Tax Court proposes eventually to send commissioners and/or judges to try small tax cases under the procedure provided in 7463, IRS Code of 1954, as enacted by the Revenue Act of 1969, when there are small tax cases ready for trial in that location. Section 7463 does not become effective until December 30, 1970, and it will take some time before cases arising in these areas will be ready for trial. Arrangements will also have to be made for courtroom or hearing room facilities. However, the locations listed below represent the location of a U.S. district court in each district in the country, and we are hopeful that arrangements can be made for the use of their facilities for this purpose.

Alabama: Birmingham, Mobile, Montgomery
Alaska: Anchorage
Arizona: Phoenix, Tucson
Arkansas: Little Rock, Fort Smith
California: Los Angeles, San Francisco, San Diego, Fresno
Colorado: Denver
Connecticut: Hartford
Delaware: Wilmington
District of Columbia: Washington
Florida: Miami, Jacksonville, Tampa, Tallahassee
Georgia: Atlanta, Savannah, Macon
Hawaii: Honolulu
Idaho: Boise, Pocatella
Illinois: Chicago, Danville, Peoria, or Springfield
Indiana: Indianapolis, Evansville, Fort Wayne
Iowa: Des Moines, Cedar Rapids
Kansas: Wichita
Kentucky: Louisville, Lexington
Louisiana: New Orleans, Shreveport
Maine: Portland
Maryland: Baltimore
Massachusetts: Boston, Springfield
Michigan: Detroit, Grand Rapids
Minnesota: Minneapolis or St. Paul, Duluth
Mississippi: Jackson, Greenville
Montana: Helena, Billings
Missouri: St. Louis, Kansas City
Nebraska: Omaha
Nevada: Las Vegas, Reno
New Hampshire: Concord
New Jersey: Newark, Atlantic City
New Mexico: Albuquerque
New York: New York City, Buffalo, Albany, Syracuse
North Carolina: Raleigh, Greensboro, Asheville
North Dakota: Bismarck
Ohio: Cleveland, Cincinnati, Columbus, Toledo
Oklahoma: Oklahoma City, Tulsa
Oregon: Portland
Pennsylvania: Philadelphia, Pittsburgh, Harrisburg, Scranton
Rhode Island: Providence
South Carolina: Charleston, Columbia
South Dakota: Aberdeen
Tennessee: Memphis, Nashville, Knoxville
Texas: Dallas, Houston, San Antonio, El Paso, Lubbock
Utah: Salt Lake City
Vermont: Burlington
Virginia: Richmond, Norfolk, Roanoke
Washington: Seattle, Spokane
West Virginia: Charleston, Huntington
Wisconsin: Milwaukee, Green Bay, Eau Claire
Wyoming: Cheyenne

Judge DRENNEN. In increasing the coverage, I hope that we can do this—not all of a sudden. I don't think that we can start out——

Mr. STEED. In those places where you are already assured that you can have——

Judge DRENNEN (continuing). And pick up more places as we go along.

JUDGES OF THE COURT

Mr. STEED. How many judges did you say you now have?

Judge DRENNEN. Sixteen active judges.

Mr. STEED. You are authorized——

Judge DRENNEN. Sixteen. We have a full complement for the first time in a long time.

Mr. STEED. Are you using any of the retired ones part time?

Judge DRENNEN. Yes, we are using about, I think, five that are actually doing recall work.

Mr. STEED. Is your staff adequate to keep up this kind of a judicial workload?

Judge DRENNEN. I think the staff is adequate, except that we will need additional staff people to handle the commissioners.

COURT BUILDING

Mr. STEED. What is the situation concerning your long unsuccessful effort to get a new home?

Judge DRENNEN. As mentioned last year, the site approved for the Tax Court building was leased to the Federal City College several years ago without our knowledge and we have complained about it because we felt that we would not be likely to have funds appropriated for our building until the Federal City College had some site of its own. So last September, I guess it was, or October, we went to the General Services Administration, discussed this matter with them, and asked them to provide us with another site, if they could find one, which they say they think they can do. Fortunately, the new site suggested is just across the square from where the original site was. In other words, if you are familiar with the location, behind the Labor Department Building, the Government took over all of that block. The new site will be over on Third Street instead of Second Street, between D Street and E Street.

Actually, we feel it will be a better lot than the site we had before. They are in the process now, as I understand it, of having the architect look it over to see whether the same building plans can be adapted to this site. I am pretty sure that they can.

Mr. STEED. What is the situation in probable time to bring it into reality?

Judge DRENNEN. I think if we can get the GSA to put a request into the budget for next year, I am sure that we will be ready to go.

Mr. STEED. How many years to get it built?

Judge DRENNEN. This, Mr. Chairman, you know more about that than I do.

Mr. STEED. Under the best of circumstances you are talking about 4 or 5 years?

Judge DRENNEN. I would say 4 years probably.

RENEGOTIATION CASES

Mr. STEED. What is the renegotiation caseload?

Judge DRENNEN. That has increased, by the way. We now have pending, I think it is, 42 or 43 renegotiations cases. We have had a good percentagewise increase in these cases.

Mr. STEED. Don't these cases average out more time than the ordinary case or typical case?

Judge DRENNEN. I would say so, yes. There is lot of money involved in these cases. We are directed to try those cases de novo. In other words, we don't take the record made before the Renegotiation Board, and it involves the taking of a lot of evidence. We have used commissioners for this purpose, taking evidence in these renegotiation cases, and I think we will continue to do so.

CASE BACKLOG

Mr. STEED. In regard to the backlog, do you have an average time from filing until closing of cases?

Judge DRENNEN. Yes, we have figured it out. If I can remember the time, I think it is on the average of something like 9 to 10 months.

Mr. STEED. Is that more or less than was true heretofore?

Judge DRENNEN. Well, I would feel fairly certain that it is less on the average now because of the small tax cases taking less time. They go into the average on a case basis. I think the others are probably about the same length of time that we mentioned before. I think every case is being put on a trial calendar about as soon as the parties are ready to put it on.

Mr. STEED. We sure hope you get a happy and early solution to your housing problem. We will do whatever we can to be of assistance.

Judge DRENNEN. We certainly appreciate it, Mr. Chairman. I thank all of you gentlemen for your courtesy in letting me appear here.

Mr. STEED. Mr. Robison?

CASELOAD

Mr. ROBISON. Judge Drennen, I would assume that this small tax case emphasis has added to the normal workload of the court?

Judge DRENNEN. I think it has. It is pretty hard to tell because we don't know whether this has been a shift in how we classify them or whether it has actually increased the caseload. The caseload has gone up a little bit in the last year.

SMALL TAX CASE DIVISION

Mr. ROBISON. What you are going to set up in the future will be a new division within the court to focus on this?

Judge DRENNEN. Yes, sir. One of the judges designated as chief judge of the Small Tax Case Division, and he will have charge of the commissioners?

Mr. ROBISON. It has 16 divisions already?

Judge DRENNEN. That is right.

Mr. ROBISON. You are going to have 17?

Judge DRENNEN. No, not an additional division. It would be one of the 16.

Mr. ROBISON. One is going to go full blast on small tax cases, so to speak?

Judge DRENNEN. Yes. I imagine that we will designate one judge to head that division for 6 months and then another one for 6 months, unless sombody finds out he loves that work and maybe we will leave him there.

RETIRED JUDGES

Mr. ROBISON. I confess to some confusion, and I confess to it often around here. But from my reading of page 19 of the justifications where we are told that the estimates for fiscal 1971 provide for the salaries of the 16 judges of the court, and also for nine judges retired under the provisions of sections so-and-so of the Internal Revenue Code, and then in parentheses (six of whom are expected to perform further judicial duties by recall of the chief judge).

We are not really paying the salaries of 16 judges plus nine retired judges, but only six out of those nine?

Judge DRENNEN. No. Nine are retired and are entitled to salaries set up for retirement. I mean, as retirement salary after retirement. They are all subject to recall.

Mr. ROBISON. All of the nine?

Judge DRENNEN. For 90 days out of the year. All nine of them. When they are recalled, if their retirement salary was $20,000, they are put back on regular salary, the full salary. I think that that is an explanation. I think the figure should be five as of now, rather than six. The other four are really just too old to be able to do any work.

Mr. ROBISON. There are only nine living retired judges?

Judge DRENNEN. That is right.

Mr. ROBISON. That figure is a temporary figure that goes up or down depending on the situation?

Judge DRENNEN. Yes, sir; very definitely.

COLLECTIONS

Mr. ROBISON. Could you tell us what the collections are that you have; are these fees?

Judge DRENNEN. Yes, they are filing fees, and we make a charge for the certificates to practice and for certification of the documents that are asked for.

Mr. ROBINSON. The total of these is estimated at $80,000 in both the current fiscal year and the budget year we are talking about? And these collections, by way of fees, go into the general fund of the Treasury, not in your own fund?

Judge DRENNEN. That is correct.

WRITTEN OPINIONS

Mr. ROBISON. There seems to have been an increase in written opinions. This would appear to be indicated on page 16 of the justifications. At least an increase in 1969 over 1968. Is this because the cases are a bit more complex now than they used to be?

Judge DRENNEN. This is pretty hard to say. This varies from year to year. One reason for that is, up until last fall, we had been short at least one, and as many as four, judges at one time for the period of 4 or

5 years. The same vacancy didn't last that long, but we would have one filled and another one would occur. We just had fewer judges, for one thing.

Then another thing is that these figures will vary from year to year, depending on the type of cases that you are getting.

Mr. ROBISON. Mr. Chairman, I think that is all that I have.

Mr. STEED. Mr. Edwards?

PENDING CASELOAD

Mr. EDWARDS. On June 30, 1969, you had a pending caseload of 11,154 cases. Does that include any pending small claims cases as well?

Judge DRENNEN. Yes, sir.

Mr. EDWARDS. In other words, at this point you lump everything together with your statistics?

Judge DRENNEN. That is right. All the statistics that are in here are lumped together; that includes everything.

SMALL CLAIMS CASES

Mr. EDWARDS. Isn't it fair to say that even before you had this Small Claims Division you still had appeals or cases tried in your court for less than $1,000?

Judge DRENNEN. Yes, sir.

Mr. EDWARDS. In other words, you didn't start off getting $1,000 cases, so this is all not a net gain insofar as your caseload is concerned when you picked up these small claims cases?

Judge DRENNEN. No; it is not. What we have done, under our informal procedure, is to simply classify and stamp as small claims cases, anything involving $1,000 or less. Taxpayers have not had to request it or anything. Prior to inaugurating this procedure we had many cases involving $1,000 or less, but they were not separately designated. There may have been some increase in the total number of cases filed as a result of this procedure having been advertised.

I think more of them have probably been coming into court that may have defaulted beforehand before coming to court.

Mr. EDWARDS. Is it possible that a small case of less than $1,000 would, nevertheless, be of such importance that a tax lawyer would insist on it not being tried in this procedure but go through the regular trial procedure?

Judge DRENNEN. Yes, sir. Under our present setup, we do get motions from both the commissioner and from taxpayers' counsel at times asking that it be removed from the small case category. Actually, I don't know why it should be, because all we are doing is expediting the trial of the case and making it less formal if they want it that way. If anybody wants to file a brief or be formal in a small tax case, they can. Under the new procedure in effect next year, the taxpayer will have to elect to come under this procedure and there won't be so much leeway. However, there is a provision which will permit the Commissioner of Internal Revenue to elect out in the event he finds that the case involves a legal question that has ramifications all over the country.

AGE OF CASES

Mr. ROBISON. This leads me into a question, if I might recapture the floor.

Have you taken any breakdown by age of your pending caseload?

Judge DRENNEN. We have a breakdown of age.

Mr. ROBISON. Some of the cases run back quite a number of years?

Judge DRENNEN. Yes, sir. Last year I went through all of the older cases, and most of them are pending in the larger cities, like in New York, Chicago, Los Angeles, and placed them on special report calendars directing the lawyers for the taxpayers and the Government to come into court and report on the status of those cases; what is causing the delay in getting them ready for trial. These are cases that we have not put on trial calendars because the parties have said they were not ready for trial. I set most of them for trial during this winter term and this spring term. I think we are moving a lot of them out. There are a lot of them reluctant to go to trial and a lot won't move because the taxpayer may be in prison or something like that. There is one group of cases, for instance, involving 118 docket numbers which are counted in our statistics as separate cases. Some of them were started back in 1947, 1948, 1949, and we have been trying to move those cases ever since. Now they are set for trial in June and we have had the lawyers get together to pick four or five cases which will answer all the questions and try to dispose of all of them that way. If we can do that, we can get an immediate reduction of about 120 cases.

Mr. ROBISON. Congratulations to you on that. I wish all our Federal judiciary were making as firm a frontal attack on their backlogs as you seem to be doing.

Judge DRENNEN. They are just harder to present and harder to decide as they get older. We would rather get rid of them.

Mr. ROBISON. What would you guess would be the average length of time between when a case comes to you or is filed, or whatever the proper word is, and when you finish it? What is the average?

Judge DRENNEN. I believe I said 9 or 10 months on the average. I am not sure whether that might be the time that a case gets to trial on the average. I am inclined to think it is. I don't believe we can handle them quite that fast. I would guess that—Bill, do you have the figures?

Mr. HUFFMAN. Nine to 10 months to get to trial.

Judge DRENNEN. I would guess 15 or 16 months before they are disposed of, on the average.

SMALL CLAIMS PROCEDURE

Mr. ROBISON. Finally with respect to the small claims procedure, do you have to be concerned about new legal precedents? You are still following the same basic law there as you would be doing in the other case?

Judge DRENNEN. Yes, sir. As a matter of fact, the new law setting up the small claims procedure specifies these cases shall not be used as precedents. Therefore, we can decide them from the bench.

Mr. ROBISON. Thank you, Mr. Chairman.

CONCLUSION

Mr. STEED. Judge, on behalf of the committee, I want to thank you for your appearance.

Judge DRENNEN. Thank you very much, Mr. Chairman. It is always a pleasure to be here.

Mr. STEED. Our pleasure, too, and we appreciate your cooperation.

Judge DRENNEN. Thank you, sir.

FRIDAY, MARCH 20, 1970.

NATIONAL SECURITY COUNCIL

WITNESSES

WILLIAM WATTS, STAFF SECRETARY

JAMES C. FALCON, BUDGET AND MANAGEMENT OFFICER

Mr. STEED. The committee will now take up the budget request for the National Security Council.

NATIONAL SECURITY COUNCIL

SALARIES & EXPENSES

Program and Financing (in thousands of dollars)

Identification code 03-40-2000-0-1-903	1969 actual	1970 estimate	1971 estimate
Program by activities:			
10 Policy and operations coordination (costs-obligations)	791	1,861	2,182
Financing:			
Receipts and reimbursements from:			
11 Federal funds (-)	---	-1	---
14 Non-Federal sources (-)	-6	---	---
25 Unobligated balance lapsing	26	---	---
Budget authority:			
40 Appropriation	811	1,860	2,182
71 Obligations incurred (net)	786	1,860	2,182
72 Obligated balance, start of year	76	161	201
74 Obligated balance, end of year	-161	-201	-233
77 Adjustments in expired accounts	-33	---	---
90 Outlays	668	1,820	2,150

NATIONAL SECURITY COUNCIL

PERSONNEL SUMMARY

Identification code 03-40-2000-0-1-903	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	47	75	75
Full-time equivalent of other positions	1	2	2
Average number of all employees	38	64	73
Average GS grade	9.5	9.9	10.0
Average GS salary	$11,951	$13,344	$13,744

NATIONAL SECURITY COUNCIL

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 03-40-2000-0-1-903	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	489	876	993
11.3 Positions other than permanent	9	31	33
11.5 Other personnel compensation	42	107	107
11.8 Special personal service payments	70	232	232
Total personnel compensation	610	1,246	1,365
12.0 Personnel benefits	37	70	85
13.0 Benefits for former personnel	--	--	--
21.0 Travel and transportation of persons	11	60	60
22.0 Transportation of things	--	--	--
23.0 Rent, communications, and utilities	17	25	27
24.0 Printing and reproduction	2	4	4
25.1 Other services	11	410	616
25.2 Services of other agencies	12	4	4
26.0 Supplies and materials	9	12	12
31.0 Equipment	82	30	9
32.0 Lands and structures			
33.0 Investments and loans			
41.0 Grants, subsidies, and contributions			
42.0 Insurance claims and indemnities			
43.0 Interest and dividends			
44.0 Refunds			
99.0 Total obligations	792	1,861	2,182

NATIONAL SECURITY COUNCIL

DETAIL OF PERMANENT POSITIONS

	1969 actual		1970 estimate		1971 estimate	
	Number	Total salary	Number	Total salary	Number	Total salary
GRADES AND RANGES						
Executive Level IV, $38,000	0		1		1	
GS-18, $33,495.....	3		5		5	
GS-17, $28,976 to $32,840....	1		2		2	
GS-16, $25,044 to $31,724....	2		3		3	
GS-15, $21,589 to $28,069....	1		3		3	
GS-14, $18,531 to $24,093....	2		1		3	
GS-13, $15,812 to $20,555....	2		6		6	
GS-12, $13,389 to $17,403....	1		3		1	
GS-11, $11,233 to $14,599....	1		3		3	
GS-10, $10,252 to $13,330....	1		3		3	
GS-9, $ 9,320 to $12,119....	10		14		15	
GS-8, $ 8,449 to $10,987....	8		9		9	
GS-7, $ 7,639 to $ 9,934....	5		8		8	
GS-6, $ 6,882 to $ 8,943....	1		4		4	
GS-5, $ 6,176 to $ 8,030....	3		6		6	
GS-4, $ 5,522 to $ 7,178....	2		3		2	
GS-3, $ 4,917 to $ 6,393....	2		1		1	
Total.....	45		75		75	

NATIONAL SECURITY COUNCIL
DETAIL OF PERMANENT POSITIONS

	1969 actual		1970 estimate		1971 estimate	
	Number	Total salary	Number	Total salary	Number	Total salary
HIGHER LEVEL POSITIONS						
Executive Level IV, $38,000					—	
Executive Secretary.....	0		1		1	
GS-18, $33,495						
Deputy Executive Secretary	0		1		1	
Senior Staff Member.....	3		4		4	
GS-17, $28,976 to $32,840.....						
Internal Security Coordinating Officer.....	1		1		1	
Senior Staff Member	0		1		1	
GS-16, $25,044 to $31,724						
Senior Staff Member.....	2		3		3	

SALARIES AND EXPENSES, NATIONAL SECURITY COUNCIL

ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1970
(Dollars in Thousands)

	Av. Pos.	Amount
1970 Appropriation Enacted by Congress and Authorized Level for 1970	64	$1,860
Estimates, 1971	73	2,182

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1970

	Appropriation						Increase or Decrease (-) for 1971					
	FY 1969		FY 1970		FY 1971		Total Changes		Program Changes		Other Changes	
	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount
Policy and operations coordination	38	792	64	1,861	73	2,182	9	321	9	311		10
Total appropriation, authorized level, and budget estimate	38	792	64	1,861	73	2,182	9	321	9	311		10

SALARIES AND EXPENSES, NATIONAL SECURITY COUNCIL

Object Classification (in thousands of dollars)

		1969 Actual	1970 Est.	1971 Est.
	Personnel compensation:			
11.1	Permanent positions	489	876	993
11.3	Positions other than permanent	9	31	33
11.5	Other personnel compensation	42	107	107
11.8	Special personal service payments	70	232	232
	Total personnel compensation	610	1,246	1,365
12.1	Personnel benefits: Civilian employees	37	70	85
21.0	Travel and transportaion of persons	11	60	60
23.0	Rent, communications, and utilities	17	25	27
24.0	Printing and reproduction	2	4	4
25.0	Other services	23	414	620
26.0	Supplies and materials	9	12	12
31.0	Equipment	82	30	9
99.0	Total obligations	792	1,861	2,182

Personnel Summary

	1969 Actual	1970 Est.	1971 Est.
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Program and Financing (in thousands of dollars)

		1969 Actual	1970 Est.	1971 Est.
	Program by activities:			
10	Policy and operations coordination (costs--obligations)	791	1,861	2,182
	Financing:			
	Receipts and reimbursements from:			
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74	Obligated balance, end of year	-161	-201	-233
77	Adjustments in expired accounts	-33	---	---
90	Outlays	668	1,820	2,150

BUDGET JUSTIFICATION -- FISCAL YEAR 1971

The National Security Council was established pursuant to Public Law 253, Title 1, Section 101, 80th Congress, approved July 26, 1947, as amended by Section 3 of Public Law 216, 81st Congress, approved August 10, 1949, and by Section 501 (e) of Public Law 165, 82nd Congress, approved October 10, 1951. By reorganization plan no. 4, effective August 20, 1949, the Council was placed in the Executive Office of the President.

The statutory function of the Council is to advise the President with respect to the integration of domestic, foreign and military policies relating to the national security.

Subject to direction by the President, it is the responsibility of the Council to assess and appraise the objectives, commitments and risks of the United States in relation to actual and potential military power, to consider policies on matters of common interest to the departments and agencies of the Government, and to make such recommendations and such other reports to the President as it deems appropriate or as the President may require.

Council members are: the President, the Vice President, the Secretary of State, the Secretary of Defense, and the Director of the Office of Emergency Preparedness. The Joint Chiefs of Staff are the military advisers to the Council and the Director of Central Intelligence is its intelligence adviser. An Assistant to the President is the principal supervisory officer of the Council. It has a staff headed by a civilian Executive Secretary appointed by the President, with such other personnel as may be authorized.

As an advisory body to the President, the Council's organization has been shaped to meet the President's needs and to be compatible with his methods of work. It is used to present broad issues of national security policy to the President for his decision.

The NSC Staff provides day-to-day staff support for the President on national security matters. It seeks to ensure that national security information provided to the President by the responsible agencies, whether in connection with policy recommendations or otherwise, is responsive to his needs. The staff arranges for the preparation of information and policy presentations to the President and to the Council on national security problems. It also performs secretariat functions for the Council, circulating agenda and papers, recording the actions of the Council and the decisions of the President on national security policy questions and helping to ensure that officials concerned are informed of the President's decisions.

An Administrative Office is responsible for the performance of administrative services relating to personnel, budget, fiscal, supply and general services, records, reproduction, courier, and related matters. This office also provided administrative services to the Office of Science and Technology for several years, through 1969. The increased demands for support of the Council's work and the NSC staff required discontinuance of OST support in early 1970.

In accordance with President Nixon's direction, the activity of the Council and the demands on its staff experienced a sharp increase during the second half of fiscal 1969. This higher level of activity will prevail for all of fiscal 1970 and is expected to continue throughout fiscal 1971.

The total estimated budget requirement for 1971 is $2,182,000, an increase of $322 thousand from 1970 obligations. This change has two main components: an increase of $117 thousand for 9 additional man-years and the full-year costs of the pay increase effective in July, 1969 and which was absorbed in 1970; and an increase of $200 thousand for additional contractual research on in-depth policy studies direct by the Council. There are also minor increases and decreases in other areas of expense.

MULTIYEAR PROGRAM PLANS

The size of the National Security Council staff and the extent of its programs depend largely on the requirements of the President and the Council members.

1969

The staff complement remained unchanged from 1968 at 48 functional positions. For a portion of the year, a ceiling of 34 employees was placed on the NSC Staff pursuant to Section 201 of the Revenue and Expenditure Control Act of 1968 (PL 90-364). Following his inauguration, President Nixon revitalized the National Security Council system and called on it for an expanded role in foreign policy consideration and studies. The personnel ceiling was lifted and actual employment increased to 46 at year's end. A supplemental appropriation of $147 thousand was enacted to finance the additional personnel and activity.

Total appropriated: $811,000

1970

The increased emphasis on the Council's role and the resultant stepped-up activity is operative for the full fiscal year. The 1970 appropriation enacted provides for an increase in the staff to 75 and for a commensurate level of supporting services and expenses. The use of contract services to assist in making certain regional and longer range policy studies is provided for within the amount available. Improvements in document control and storage of classified records are underway.

Total appropriated: $1,860,000

1971

The number of positions provided for 1970 is anticipated to be adequate for 1971. The number of man-years will increase by 9, reflecting fuller utilization of the 75-position complement throughout the year. Additional effort is estimated for contractual research to support long-range and in-depth policy studies directed by the Council. Certain support costs, including continuing improvements in document control, are expected to increase slightly.

Total estimate: $2,182,000

1972-1974

It is anticipated that the level of staff and supporting expense proposed for 1971 will be adequate for this period. Minor additions to the staff may be necessary to meet unforeseen contingencies in the field of national security affairs and appropriation increases may be necessary for such contingencies and for possible statutory pay raises. The only area for which possible major changes are anticipated is that of contractual research. Future annual levels are dependent upon the Council's ability to identify appropriate policy questions in a timely fashion and the effectiveness of the effort during 1970 and 1971.

ANALYSIS OF NEW OBLIGATIONAL AUTHORITY AND EXPENDITURES (in thousands of dollars)

NATIONAL SECURITY COUNCIL-- ADMINISTRATIVE BUDGET

Account and Functional Code	1969 Enacted	1970 Estimate	1971 Estimate	Increase or Decrease (-)
General and special funds:				
Salary and expenses 903				
NOA:	811	1,860	2,182	322
Exp.	668	1,820	2,150	330

NATIONAL SECURITY COUNCIL-NUMBERS OF CIVILIAN PERSONNEL

	Number of employees at end of year					
	1969		1970		1971	
	Full-time in permanent positions	Total	Full-time in permanent positions	Total	Full-time in permanent positions	Total
Salaries and expenses	45	46	75	77	75	77
Number of disadvantaged summer youth employees included in above total	0	0	0	0	0	0

Program and Performance

The National Security Council advises the President regarding national security policies. This appropriation provides staff services for the Council's policy coordination activities.

ANALYSIS BY ACTIVITIES

	1969	Decrease or Increase	1970	Decrease or Increase	1971
Personnel compensation	610	+636	1,246	+119	1,365
Personnel benefits	37	+ 33	70	+ 15	85
Travel and transportation	11	+ 49	60	0	60
Rent, communications, and utilities	17	+ 8	25	+ 2	27
Printing and reproduction	2	+ 2	4	0	4
Contractual services	23	+391	414	+206	620
Supplies and materials	9	+ 3	12	0	12
Equipment	82	- 52	30	- 21	9
	792	+1,069	1,861	+321	2,182

JUSTIFICATION OF ESTIMATES -- OTHER OBJECTS -- FISCAL YEAR 1971

12	Personnel Benefits Contributions for retirement, life insurance and hospitalization benefits	$ 85,000
21	Travel and Transportation of Persons Attendance of NSC staff members at conferences and meetings on national security affairs, both domestic and foreign; consultant and contractor travel; official taxi fares	60,000
23	Rents, Communications, and Utilities For local telephone service, toll calls, telegraph and cable charges	27,000
24	Printing and Reproduction For stationery and printed forms	4,000
25	Contractual and Other Services Rental of reproduction machinery and equipment used in document control; maintenance of typewriters, office machines and microfilming equipment, teletype news service ($16,000); Continued development of interim solutions to problems of information handling in support of the President and the Council ($150,000); Contractual assistance in the study of long-range and in-depth policy questions directed by the Council ($400,000); Reimbursement for employee health room facilities; minor building alterations and labor for moving equipment; rental of automobile from Inter-Agency Motor Pool ($4,000)	$ 570,000
26	Supplies and Materials For administrative and office supplies, including supplies for operation of White House Situation Room, newspapers, periodicals, maps and charts	12,000
31	Equipment General office equipment and books, including replacement items	9,000
	Total -- Other Objects	$ 767,000

INTRODUCTION OF WITNESSES

Mr. STEED. We are pleased to have with us Mr. William Watts, the staff secretary, and Mr. James Falcon, budget and management officer.

Mr. Watts, since I believe this is your first appearance we will be pleased to make your biographical sketch a part of the record.

(The sketch follows:)

BIOGRAPHICAL SKETCH OF WILLIAM WATTS

William Watts was born in New York City, on May 30, 1930. He attended private and public schools in the New York City area and graduated, magna cum laude, from St. Paul's School in Concord, N.H. He attended Yale College, from which he resigned to enlist in the U.S. Air Force in early 1951. He completed his undergraduate education while in the Air Force in 1953 at Syracuse University, from which he received the B.A. degree in Soviet studies. Following completion of his Air Force service, Mr. Watts continued his Soviet language and area studies at Harvard University, receiving the M.A. in 1956.

Mr. Watts' 4 years of Air Force service included a tour of duty in Germany as an intelligence specialist.

Mr. Watts was appointed a Foreign Service Officer in 1956. Following duty in the Bureau of Intelligence and Research, he was assigned in 1958 to the American Embassy in Seoul, Korea, where he engaged in consular work and served as North Korean reporting officer. Mr. Watts received additional Russian language training at Oberammergau, Germany, prior to assignment to Moscow in 1961 for 2 years as a cultural affairs officer. Following his return to Washington in 1963, he undertook Chinese language training and was assigned to the Office of Asian Communist Affairs in the Department of State.

Mr. Watts resigned from the Foreign Service in May 1965 to join the staff of the Ford Foundation in New York City as a program officer, first in the Office of Policy and Planning, and then in the Office of Government and Law. In October 1968, he accepted the New York State cabinet-level appointment of Gov. Nelson Rockefeller to direct the new Office for Urban Innovation. He resigned from that office to join the National Security Council as a senior staff member and staff secretary in August 1969.

Mr. Watts is married to the former Harriet Mayor. They have three children, Evelyn, 12, Shelby, 9, and Heidi, 7, and reside in Washington, D.C.

Mr. STEED. Now if you would like to make a general statement, we will be glad to hear you.

GENERAL STATEMENT

Mr. WATTS. Thank you, Mr. Chairman. I appreciate the opportunity to join you this afternoon.

BUDGET REQUEST

This committee has under consideration today a budget estimate of $2,182,000 for the expenses of the National Security Council during the fiscal year 1971. This amount represents an increase of $322,000 above the 1970 appropriation of $1,860,000, and reflects the continued high level of Council and supporting staff activity initiated by President Nixon when he took office 14 months ago.

The membership and general responsibilities of the National Security Council are provided by law and are well known to the members of this committee. Within that framework, however, the Council's machinery and methods of procedure historically have been adapted to meet the needs and work methods of the incumbent President.

NSC REPORT

President Nixon believes that his consideration of foreign and security policy issues will be most effective if supported by a system which insures that all facts are considered, all responsible parties are heard, and all options presented. This belief is so central to his thinking that he included a discussion of his National Security Council system in his first, and the Nation's first, report to the Congress on foreign affairs, on February 18.

The report entitled: "U.S. Foreign Policy for the 1970's, A New Strategy for Peace," laid out the objectives he expects his NSC system to achieve:

Our policy must be creative: foreign policy must mean more than reacting to emergencies; we must fashion a new and positive vision of a peaceful world, and design new policies to achieve it.

Our policymaking must be systematic: our actions must be the products of thorough analysis, forward planning, and deliberate decisions. We must master problems before they master us.

We must know the facts: intelligent discussions in the National Security Council and wise decisions require the most reliable information available. Disputes in the Government have been caused too often by an incomplete awareness or understanding of the facts.

We must know the alternatives: we must know what our real options are and not simply what compromise has found bureaucratic acceptance. Every view and every alternative must have a fair hearing. Presidential leadership is not the same as ratifying bureaucratic consensus.

We must be prepared if crises occur: we must anticipate crises where possible. If they cannot be prevented, we must plan for dealing with them. All the elements of emeregncy action, political as well as military, must be related to each other.

Finally, we must have effective implementation: it does little good to plan intelligently and imaginatively if our decisions are not well carried out.

The NSC system—the Council's membership, its supporting committees and specialized groups—is interagency in character, in keeping with the statutory responsibiilties of the Council members. The NSC staff financed by this budget serves the system by participating at all stages of policy development. The staff's method of operation is interagency, but its function is central: to see that policy questions are brought before the Council in the manner prescribed by the President.

OPERATIONS

In furtherance of the President's objectives and working with personnel of the member agencies, the NSC staff contributes to creativity by its efforts to integrate the military, political, economic, and diplomatic aspects of policy questions, and by identifying and arranging for the use of outside expertise as represented by consultants and contractual research.

It helps insure that policymaking is systematic by participating in anaylsis and identifying the future issues, and by supporting the progressive stages of the process through establishing meeting sched-

ules and agenda and managing a heavy flow of information. It contributes to the establishment and consideration of all the pertinent facts by maintaining continuing contact with the foreign affairs—national security—intelligence agencies and by leading interagency teams conducting country program analysis studies.

The NSC staff helps identify and explore policy alternatives, incorporating the results of its integrative and factfinding activities.

It participates in crisis contingency planning, helping to combine potential military and political responses into a comprehensive plan of action.

Once policy decisions are made by the President, the Council's staff is responsible for their dissemination and explanation to those responsible for their implementation.

A year ago when representatives of the NSC last appeared before this committee they presented to you the budgetary changes needed to finance the transition from the previous administration's system to the more formal and comprehensive methods directed by President Nixon. Since that time, a great deal has been done in support of that transition. Additional staff personnel have been hired and we anticipate filling all 75 authorized positions by the end of the year. During the past year, our office space allotment has been doubled and its utilization has required considerable alteration and equipping. We have improved the storage and control of the many sensitive documents that are handled daily. We have initiated the use of contractual research to bring more outside ideas to bear on the policy questions under consideration. We have developed and are installing a revised accounting system to make full use of the accrual method in our financial management and reporting. We have established night shifts for our document controllers, mailroom, and fileroom so that there is support to the staff from 8 a.m. until 11 p.m. on weekdays. There is coverage every Saturday and for Sundays when required.

During calendar year 1969, the Council held 37 formal meetings and I expect that this will be the typical number for the next few years. Ninety studies of national security issues and policies have been initiated. Each month, we acquire almost 1,500 action items and documents, 1,000 of which require entry into our formal control system. Our cable screeners receive, review, and route to the professional staff more than 600 State Department, Defense, and CIA telegrams per day.

The changes in our estimates from 1970 to 1971 are those of degree, rather than of kind. No new activities are anticipated for 1971. We are projecting the full employment of 75 positions throughout 1971. This will generate 9 more man-years than in 1970 and the cost will increase accordingly. The use of outside contractors to conduct research into specific or long-range problems is proving useful and we are requesting a $200,000 increase in funds for this purpose in 1971. Other areas of support are expected to require little change from amounts available in 1970.

In this statement, I have attempted to describe the current nature and volume of the Council's work and to relate those factors to its budgetary requirements for 1971. I would be glad to elaborate on any of these points or to answer any of your questions.

REORGANIZATION PLAN NO. 2

Mr. STEED. Mr. Watts, in view of the fact that part of the Council's mandate is "to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security," and in view of the fact that we have now pending Reorganization Plan No. 2, which sets up the Domestic Council, which we are told is patterned to some degree on the National Security Council concept, will this involve any of your activities in any way in the form of overlap or conflict, or anything of that nature?

Mr. WATTS. As a matter of policy, while the thinking has been going on in setting up the Domestic Council, we have been working closely with members of that side of the White House staff, to try and explain to them how we operate and to give some advice and consultation as to how they might set themselves up.

As a general matter, most of the issues with which the National Security Council deals—because of their very nature of being on the international scene as opposed to the domestic side—there is not a great deal of back and forth between the two sides of the House, so to speak. I can imagine that there might be some areas where this would increase.

As we discussed when I called upon you recently, sir, the whole question of the problem of drug and drug control is one in which there are both international as well as domestic aspects. I could see clearly some—I don't know if you call it overlap as much as—cooperation in trying to arrive at how this particular problem is handled.

I think that the nature of our work and the efforts on our part to limit ourselves to the international sphere have meant that as a matter of day-to-day practice there has not been that much contact.

There is another area I might mention, and that is the question of draft deferments. This is of course an issue which also has domestic as well as international implications and considerations, and again here clearly we would be working closely with those members of the domestic staff that have responsibility for that area.

RELATIONS WITH DOMESTIC COUNCIL

Mr. STEED. Then you see the relationship between the National Security Council and the Domestic Council as one of coordination and liaison, rather than any other of the normal interagency problems?

Mr. WATTS. I would think so, yes, sir. I might add on that point that our dealings are overwhelmingly with three agencies: The Department of State, the Department of Defense, and the Central Intelligence Agency. The Domestic Council will have its main burden with the domestic agencies—Health, Education, and Welfare; Labor; Interior, any many of the other domestic agencies. So once again it would be more one of coordination rather than of overlap.

Mr. STEED. There are three different subjects that I want to go off the record on and ask about, because I am not sure we ought to discuss them on the record.

Mr. WATTS. Yes, sir.

(Discussion off the record.)

CASE STUDY

Mr. WATTS. A useful example of a case study, so to speak, to show how the Council system goes through consideration of an issue was in the case of consideration of chemical warfare and biological research. The issues were extremely complicated and had not been looked at in detail for many, many years. Then, by direction from the President, a national security study memorandum was issued, instructing concerned agencies to look into all of the questions relating to this very difficult issue, starting right back at the beginning.

Pursuant to the directive issued by the President, the agencies studied this through an interagency panel (known as the interdepartmental group) with representatives from the concerned agencies. These are usually chaired by the Department of State, although in special cases another agency may preside. The study came forward through the NSC system to the review group at the White House, which is chaired by Dr. Kissinger. That again has representatives from each of the agencies concerned, at a higher level than the drafting officers.

The papers were studied and restudied, thrashed out and redrafted, new questions asked, new doors opened. It finally came back and went to a full meeting of the Council.

At meetings of the Council generally—and in this case in particular—the President tends not to make an immediate decision. He hears the debates and the points of view of the various Cabinet officers and other principals, and then comes out with his decision or decisions, promulgated as a rule in the form of a national security decision memorandum.

I think it is the kind of a case where you find many different points of view and many different considerations from the various agencies, and the system sees to it that they were able to get out on the table. As I said in my prepared statement, the President is not interested in having a sort of lowest common bureaucratic consensus that he simply ratifies or rejects. He wants to be presented with the whole range of the issues and then go ahead and make up his own mind.

Mr. STEED. Again off the record.

FOREIGN AID PROGRAM

Mr. STEED. Another thing that I think offers some opportunity to create problems is when you look at the foreign aid program and, of course, it is easy to interpret the military and the economic aid phases of it, but it also has many other facets. And then when you take into account the impact that this general sort of thing follows on through the international banks, for one sort or another, is there a way that the President, and through him, the responsible part of our Government coordinates all these sorts of things so that one group following its mandate doesn't get something started at a time when it throws out of balance something else that has been of a very quiet and confidential nature? How do you keep from these several kinds of international ballgames causing the wrong kind of cross currents?

Mr. WATTS. This actually relates to one of the efforts of the Council and its work as an integrating body within the Government, which I

think has been most exciting, and I know the President is personally very pleased with the way this is beginning to develop.

We have on the Council staff now an Office of Program Analysis, which has, I believe, seven people, and we are right now in the process of bringing on another man. These are people who are trying to bring more of a systematic analytical approach, to try to look across the board at the impact of American activities in a given country.

We are undertaking a series of what are called country studies that are worked through the Program Analysis Office. They are trying to do exactly what you are suggesting, looking at all of the American activities in a given country, including the military activity, the regular AID mission, other Federal activities.

Now, it is very difficult to go the step beyond and to take into account all of the private efforts that may be going on in a given country. It is difficult, I would think almost impossible, because, first of all, there are so many of them, and second, there is no specific governmental control of these.

But what we do have underway is a series of program studies of the countries in which the National Security Council staff participates, working very closely with the Bureau of the Budget and with the AID mission and various other agencies to try and look at all of the activities, how they tie together and what their total impact on a given country is.

As I mentioned, the President has been very pleased with these studies as they are beginning to come out. They take time. These are not things you do in a hurry, because you have got to do a staggering amount of groundwork and digging.

LEVEL OF OPERATION

Mr. STEED. Well, you had a substantial increase in personnel last year and from the budget request this year, I assume that you feel you are now manned up at about the level that you need to provide the services the President wants in his present concept of the use of the Council, is that right?

Mr. WATTS. Yes, sir. I don't think you would ever want to say that you would never want to hire anybody else. But I think in general terms this is absolutely correct. We are now close to our 75 man ceiling in terms of the direct hiring for the Council. We continue to have people from other agencies, either we pay, or they are on a nonreimbursable loan to us. I think that we are in a good position to be doing what the President wants. The workload has been heavy.

WORKLOAD

Mr. STEED. How would you describe your workload in this area? Obviously unexpected situations or crises would have a high priority on your time?

Mr. WATTS. Yes, sir.

Mr. STEED. And then when you are not dealing with some unanticipated situation like that, you have what I would call a planned workload. As between the two, how does it divide out—about what percent of one and what percent of the other? In other words, how much

margin for stepping in without notice to meet a crisis do you have in manpower?

Mr. WATTS. That is very difficult to answer in terms of percentages. Every one of our geographic operators works on his regular normal continuing workload, but at any time that a specific crisis arises, he is simply going to have to put some of the relatively more routine work aside and just pitch in to work full time, and often this means people working 2 or 3 days virtually without sleep, if a given issue arises.

COUNCIL MEETINGS

Mr. STEED. Maybe we could get a picture like this. How many scheduled Council meetings would you have in a year, and then how much additional that just come up on the spur of the moment?

Mr. WATTS. Actually, it goes a little beyond that, in the sense that we are trying to anticipate the very kind of crisis management that you are suggesting.

In terms of actual numbers, last year there were 37 meetings of the Council, and the way we are going this year I think it really will be just about the same. But we have a separate group, whose membership is still within the Council system, called the Washington Special Actions Group. The whole purpose of this Washington Special Actions Group is to try and anticipate, to consider where you might have a problem area, what the nature of that problem might be, and then if it happens, how do you go about handling it without having to start from scratch when it occurs. The membership of the Washington Special Actions Group does include the representatives from the other agencies, not just the National Security Council, as is the case in all of these efforts.

For example, I believe in fact that at the time that Mr. Moose was here last year this was just after the shootdown of the EC–121. At that time this group working to get staff support from us and from the other agencies. For the duration of that particular episode the desk man really had to put aside some of his other activities. We try as much as we can to be anticipating this in advance, to set up a sort of hypothetical scenario that you can turn to and start to implement if you get into these situations.

Crises always have a way of never being quite the way that you predict them to turn out. But at least we have some kind of a head start on that when it does occur.

Mr. STEED. Of course you get certain specific calls by the President for chores he wants you to perform.

Mr. WATTS. That is right.

Mr. STEED. And I imagine this is quite true in the crisis sort of thing.

Then you have other work projects that are not in the "time is of the essence" sort of thing. Who decides this type of thing? Does this come out of Council meetings, or does the staff do it?

Mr. WATTS. As a matter of practice, when something comes up on the spur of the moment, the kind of sudden urgent item that you are suggesting, normally the way this occurs is that the staff man for that area just turns to, assuming it is a specific geographic area, and he invariably will be in touch immediately with his counterparts in

the Department of State, Department of Defense or other agencies, to turn themselves of a given project or a given crisis.

I think that it is true that, by and large, over the past year we have not had a whole series of major crises booming up every other day or so.

I would like to come back to one point, though, on something that is implicit in what you were saying about the Council being the one to decide or to move on each urgent matter. The normal procedure of a Council meeting is that these are items that have been coming up and being prepared over a period of time. In other words, Council meetings are scheduled for several weeks in advance. The purpose of this—and the way to try to handle the business rationally in a Council meeting—is that you have to do a great deal of preparation, so the President is thoroughly briefed on what the issues are, what the various alternatives are, and the pros and cons. So to the degree it is possible to maintain this kind of schedule, you want to do it, because then, when you get the principal officials sitting around the table, they have got the kinds of papers in front of them and the kind of background and briefing that permits them to have the most thorough and pointed kind of discussion.

When something comes up on a more urgent basis, there is no question about it, it simply pushes in at the top. But trying to anticipate some of this through the Washington Special Actions Group, as I was suggesting, what we hope is that we will lessen the number of times you have to bring the full Council to session on a sudden issue overnight. Under those circumstances, the opportunity to brief them, to have the principals briefed and therefore to have the kind of a thorough discussion, is harder.

CONTRACTS AND CONSULTANTS

Mr. STEED. From your budget request, you are expanding to some extent the use of consultants and contractual services. Could you give us some typical examples of what this involves?

Mr. WATTS. Yes, sir. If I might just make sort of a general comment on our desires to use contract research, there are two things in mind. First of all, the professional staff remains quite small and is responsible for dealing with a tremendous number of subjects. What this tends to mean is that the staff is, as you are suggesting, regularly concerned with an on-going flow of business. It is very difficult for them to sit back and look down the road 2, 3, or 4 years at a time. So we have felt it important that the Council should have the ability to call on contract research, particularly in terms of project-oriented consultants that we would bring in for a series of meetings or to work on a given paper.

I would like, if I may here, to discuss this a little further off the record.

(Discussion off the record.)

Mr. STEED. Back on the record.

POLICY COORDINATION

One final question. In your justification material, you refer to the "Council's policy coordination activities."

Could you explain that a little?

Mr. WATTS. Yes, sir. As I described before, as all of the studies the President levies on the various agencies move out through the Council and back to the bureaucracy, somebody has to be responsible to make sure the questions the President wants asked have been answered. And once the President has made a decision and put out a decision memorandum and given a directive, then he needs to know the decisions are in fact implemented.

Here the council staff plays a role—to try and make certain, in accordination with the other agencies, that these things are going on. This is a day in and day out function of policy coordination, and it means all of us on the staff have to spend a great deal of time with our counterparts in the other agencies, in talking with them, discussing with them how things are moving, the direction things are going in, the followup, are deadlines being met.

The President has asked for a report back on a certain issue by a certain period of time. Does it come in? Does it answer the questions the President raised? This is the kind of policy coordination which is often hard to see, but it is just a continuing part of our activity, day in and day out.

Mr. STEED. Mr. Robison?

Mr. ROBISON. Mr. Watts, I am glad to see you could make it up here this afternoon, because your very presence on Capitol Hill indicates to me that, at the moment at least, there is not any new crisis abroad. If there were, you would be back down where you work, I think, instead of up here talking about your budget. We have got enough crises, as you know, so I hope for the time being there aren't any new ones.

Mr. WATTS. If I couldn't talk about the budget, sir, I think that would be a crisis, because we have to have the money to operate.

Mr. ROBISON. As I listened to your presentation, it has been a very fine one and done in enough depth, so I have very few questions to add.

LEVEL OF OPERATIONS

What you have really done now is to firm up your staff and the level thereof, and also your supporting assistance needs. So that you think you have an adequate operation now that will carry on not only through this fiscal year, but may well be adequate for the next 2 or 3 fiscal years.

Mr. WATTS. I would hope so, yes, sir. As I said, you can never be absolutely certain that there wouldn't be some more requirements, but as a general matter I think we are in good shape.

Mr. ROBISON. Well, there is one thing you can be fairly sure of, and that is that we will continue to have some degree of inflation, which means you are going to have to ask for a little bit more money for

that reason, if for no other, on an annual basis. What you have done, in a sense, then, is to bring on board and incorporate in your budget some of the people that were on loan to the Council in past years. Is that correct?

Mr. WATTS. That is correct, and we are continuing to do that. This process has not yet been completed. We are still in the process of working out arrangements with some of the agencies for reimbursements.

One thing, though, I should add, is that I think it is very important for the function of the Council that we do not get ourselves into a situation where we never bring people in from other agencies on loan. There are actually many people who are in the career Foreign Service or the Department of Defense, Central Intelligence Agency or elsewhere who want to, and should, return to their own agencies.

If we required in every instance that they had to resign to come to the National Security Council staff, I think we would be depriving ourselves of some very good people.

Mr. ROBISON. I would, too. And I understand that. But what you have done here basically is in line with what the President and the Director of the Bureau of the Budget have been trying to do generally, and that is to try to put the budgetary requests where the action is or the activity is, and to identify more clearly for us, and for the Congress also, what the overall true costs, let's say, of the Security Council operation is.

And in that same line I notice you tell us that, while your office used to provide administrative services to the Office of Science and Technology, you have dropped that.

Mr. WATTS. Yes.

Mr. ROBISON. Of necessity, and for good budgetary reasons, too.

I think I only have one question that would relate to a matter not covered already by the chairman. There is not a very large item in your budget request for travel purposes.

Mr. WATTS. That is right.

TRAVEL

Mr. ROBISON. I would be interested in knowing whether or not the Council members or staff people—I am sure the Council members may—but whether the staff people travel abroad also, for instance, to act as observers at some international conferences, such as the one that might recommence in the SALT operation?

Mr. WATTS. There was no member of the Council who went to Helsinki and, as far as I am aware, there is no plan to have anybody go to Vienna right now.

The primary overseas travel of staff members has been in conjunction with presidential travel. When the President has his trip around the world or his trip to the Far East, members of the staff have gone with him. Dr. Kissinger goes as a matter of course, and usually one of his own immediate office assistants, as well as, in the case of the round-the-world trip, the people who were concerned with the area that he was visiting.

Quite frankly, given the fact that our staff is as small as it is and that we are broken down into several components, it would be very

difficult to have one of our geographic men, for example, go for too long a period of time. He needs to be here.

Again within the framework that we are more of a working, integrating and coordinating body, what we have relied upon is other members from other agencies who have made this kind of travel.

DOMESTIC POLICY ADVICE

Mr. ROBISON. One of the statutory functions of the Council is to advise the President with respect to the "integration" of domestic, foreign, and military policies relating to the national security.

Mr. Steed asked you, I am sure, in relation to the creation of the new Domestic Council, how that bears upon what your continuing responsibilities might be. But could you describe for me what these words mean in a little more detail when you say "integrate domestic, foreign, and military policies"?

Mr. WATTS. I think the main vehicle that is involved here, and will be involved, is the Defense Program Review Committee, which is a sub-body under the National Security Council. It is one of the units where the membership is made up of National Security Council and other agencies. The Defense Program Review Committee is trying to look at the entire defense budget as it relates to all of its activities and to see how this fits into not just purely the military aspects, but bringing to bear other considerations of national security.

Where this relates to the domestic scene primarily, for example, is if you are trying to limit budgetary expenditures, what does this mean in terms of closing bases as opposed to doing something else. In this sense there is a domestic component to the Council role. Beyond that, as I also mentioned, is the question of the Council's statutory function on draft deferments, which has a domestic overtone as well.

I might add that on that particular subject a study has been directed by the President on this whole question of draft deferments. The study has been completed in draft form. It is under review now. Here again is something where the Council will have to consider an issue which has, from the Defense standpoint, clearly domestic as well as international overtones.

Mr. ROBISON. I should like to conclude, Mr. Chairman, by just noting for the record that I like the new setup and system and altered mission of the National Security Council. I think it clearly should help not only the President but the people of the United States identify and explore our foreign policy alternatives, and make sure that whoever is President at the time chooses the best one among those.

Thank you.

Mr. STEED. Mr. Cohelan?

ADDITIONAL COUNCIL FUNCTIONS

Mr. COHELAN. Mr. Watts, what is the actual qualitative change of the manpower addition? Has there been some new function added, or is it a greater definement of your role, or what? I am not clear on what the qualitative changes are.

Mr. WATTS. The overall function of the Council?

Mr. COHELAN. You have functions added?

Mr. WATTS. As the Council had been used by Presidents Kennedy and Johnson, the staff itself was substantially smaller than it is today. The use that the Presidents made of the flow of information through, and how they handled it was, I think, to a degree less formalized a kind of structure than we have today.

The Council itself, as a body, as I understand it—I was not here at that point—the Council as a body met quite infrequently. There was a greater reliance upon what I guess has come to be known as the Tuesday luncheon, with President Johnson, Secretaries McNamara and Rusk, and then first Mr. Bundy and then later Mr. Rostow.

What you have today, with the way the Council is now operating, is that you have the principal officers meeting, but with a great deal more preparation being done on an interagency basis—papers that are assigned out to the agencis to produce, that get rewritten and reconsidered over and over again, and then are brought to a full meeting of the Council, trying to lay out all of the realistic alternatives for the President to consider and hear debated.

In this sense, the change in Council activities in some measure is simply in style—an attempt to make a more thorough consideration of the ramifications of any decision, the ramifications of any issue.

Mr. COHELAN. Would it be fair to interpret in still another way that President Nixon has chosen to rely on it more for more detail and information than some of the past Presidents?

Mr. WATTS. Yes; I think that is absolutely true.

Mr. COHELAN. It is kind of a matter of Presidential style.

Mr. WATTS. Very much so. As I have heard Dr. Kissinger comment on a number of occasions, there is really no necessarily right or wrong way to set by a National Security Council. It is what the President is comfortable with.

Mr. COHELAN. Right.

Mr. WATTS. I would guess that, looking down the road at the experience that this Council has had over a period of a year now, it has been sufficiently satisfactory in the sense of trying to make sure that you really do look at all of the alternatives, so that any future President will want to keep something along these lines. He may change it in terms of different kinds of subcommittees and maybe different frequency of meetings.

But the confidence that it gives him—that the issues have been thoroughly explored and that when he goes back to the oval office to make his mind up he can be quite confident that he has been given the whole range—I would guess that any future President would want that, and would find that this is something he would want to keep.

Mr. COHELAN. Does he get a refresher in the situation room every morning?

Mr. WATTS. No. The normal process there is that the President gets a morning brief in written form, that goes to him first thing in the morning. He will frequently discuss this with Dr. Kissinger—maybe over the telephone, more frequently in person.

Mr. COHELAN. How does the information go up? Does it sift through Kissinger?

Mr. WATTS. The material comes in in the form of either telegrams or written reports that are forwarded from the originating agency and come directly into the White House Situation Room, and these are processed very simply. For a sudden kind of item, an explanatory paper will be put together by a staff member in consultation with his colleagues in other agencies. Obviously reports that the Secretary of State and Secretary of Defense make will go directly to the President, who will frequently ask for some kind of further consideration of the issues. He likes to discuss these, and he likes to wrestle with these issues.

Secretary Rogers on NET some months back made an interesting point. Part of the problem you have in the White House is that there is an enormous flow of paper coming in. Everybody would like to get a piece of paper in front of the President. In terms of his own physical abilities to read these things, plus all of the other duties he has as President, it is simply impossible for him to have everything come and get dumped on his desk. How can he hope to look at it and read it and make up his mind as to what to do.

That is part of the function then of the Council's staff, working with the President's Assistant to give him some sense of priorities, trying to line up a system of priorities and trying to keep a balance between the various problems coming in.

Going back a moment to your original question, there has been a qualitative change, I think, in one sense. We are trying, as mentioned in the country studies, to take an integrated look at the impact of American activities in a country across the board. This is something that was not formerly being done by the Security Council staff. This is an effort to take an integrated view of the impact of American activity in a given country, not just by the National Security Council staff alone. Quite the contrary, it would be with the other agencies, Budget handling the fiscal and budgetary aspects for example. This is something that is in addition to earlier Council activities.

MEMBERSHIP OF THE NSC

Mr. COHELAN. Who is on the National Security Committee now?

Mr. WATTS. The chairman—by statute the chairman is the President— and then the Vice President, the Secretary of State, Secretary of Defense, and the Director of the Office of Emergency Preparedness. In addition to that, the Director of Central Intelligence regularly attends to give a briefing of just the factual situation of the issues for discussion.

Mr. COHELAN. Is Mel Laird there, too?

Mr. WATTS. Yes. The Secretary of Defense, the President, Vice President, Secretary Rogers and General Lincoln as the statutory members. And Director Helms as Director of Central Intelligence Agency. Secretary Laird is regularly accompanied by General Wheeler, the Chairman of the Joint Chiefs. In addition, Secretary Rogers is frequently accompanied by Under Secretary Richardson. The President frequently invites the Attorney General as a participant. Of course, Mr. Kissinger is there as the Assistant for National Security Affairs, and I attend as the recordkeeper, so to speak.

Mr. COHELAN. This is the group then that assigns you your functions. If they have a special requirement, then they lay it on, because this is all going on in other places too—the Agency, the Defense Intelligence Agency, the Military Service Agency; isn't that true?

Mr. WATTS. It is really the President who will direct the kinds of studies or issues that he wants undertaken, the kinds of concerns that he feels need to be studied and brought through the National Security Council system up to a meeting of the Council, if that is required.

Mr. COHELAN. Then how do you resolve conflicts?

Mr. WATTS. I think that is one of the real strengths of a system of this kind, that where there are differences of point of view, these will come to the President's attention. The desire here is not to get the lowest consensus that you check off. Rather where there are differences of opinion or points of view, these will show up in the papers presented to the President. He will see where the points differ. There may be several possible choices on a given question.

In the course of the discussion and debate at a Council meeting, the principals can make their points of view known. The differences will come all the way through as a study is being undertaken at each level of drafting for consideration by the review group, and finally at the Council. Where there are different points of view, they come out.

Then it is up to the President to make up his mind.

Mr. COHELAN. And the President has to make a decision.

Mr. WATTS. Absolutely.

Mr. COHELAN. Off the record.

(Discussion off the record.)

CONCLUSION

Mr. STEED. Gentlemen, on behalf of the committee, I want to express our appreciation for your appearance and your very informative presentation. We are sorry we have had to take so much of your time, but we do appreciate your cooperation and your help.

Since this winds up the formal hearings on this year's budget request covered by this bill, I would like for the record to show that we have finished on schedule and this has been made possible by the fact that we had very fine cooperation with all our agencies. I think that I can say in all modesty that we have developed a very informative and articulate record, and that it has been on the point and will be useful to all those who are concerned with this bill.

I also want to say that I am very grateful not only for the wonderful cooperation we have had from the agencies, without whose help we couldn't have stayed on schedule, but the good fortune I have in having all these fine colleagues on the committee, and the fact they have cooperated. And I want to make a special expression of appreciation to our minority members. They have been wonderful this year. They made very important contributions to our work.

Finally, we made some very hard demands on our staff and they have performed in a superlative manner, and I am grateful for it.

Mr. WATTS. Mr. Chairman, thank you for letting me appear today. I certainly appreciate the opportunity to try to set forth some of our thinking to you.

Mr. STEED. You made a very good presentation, and one of the best that we have ever had on this particular Agency.

Mr. ROBISON. Mr. Chairman, I should like to thank you on behalf of both myself and the other members of the minority and I am sure the majority members of the subcommittee as well, for the privilege of working with you. You are a tough taskmaster. You make us work long hours and late hours, but at least we know that we are getting our job done.

Mr. STEED. Thank you.

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