DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE 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 LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES

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NEAL SMITH, Iowa
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PART 6

RELATED AGENCIES

Railroad Retirement Board
National Mediation Board
Federal Mediation and Conciliation Service
National Labor Relations Board
Federal Radiation Council
National Credit Union Administration
United States Soldiers' Home
President's Committee on Consumer Interests
Cabinet Committee on Opportunities for Spanish-Speaking People
President's Council on Youth Opportunity
Office of Economic Opportunity

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR FISCAL YEAR 1971

THURSDAY, MAY 21, 1970.

RAILROAD RETIREMENT BOARD

WITNESSES

HOWARD W. HABERMEYER, CHAIRMAN
NEIL P. SPEIRS, LABOR MEMBER
MICHAEL RUDISIN, DIRECTOR OF BUDGET AND FISCAL OPERATIONS

PAYMENT FOR MILITARY SERVICE CREDITS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities: Payment to railroad retirement account (costs—obligations)	18,446	19,206	19,969
Financing: Budget authority (appropriation)	18,446	19,206	19,969
Relation of obligations to outlays: Obligations incurred, net	18,446	19,206	19,969
Outlays	18,446	19,206	19,969

LIMITATION ON SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	10,605	11,502	11,588
Positions other than permanent	45	67	67
Other personnel compensation	683	624	635
Total personnel compensation	11,333	12,193	12,290
Personnel benefits: Civilian employees	849	947	926
Travel and transportation of persons	287	286	304
Transportation of things	23	23	23
Rent, communications, and utilities	949	1,190	1,233
Printing and reproduction	38	38	38
Other services	1,106	1,183	1,240
Supplies and materials	182	182	182
Equipment	112	40	504
Total costs, funded	14,879	16,082	16,740
Administrative expenses included in schedule for fund as a whole	—14,899	—16,082	—16,740
Change in selected resources	20		
Total obligations			

PERSONNEL SUMMARY

Total number of permanent positions	1,326	1,320	1,320
Full-time equivalent of other positions	11	15	15
Average number of all employees	1,202	1,199	1,199
Average GS grade	7.4	7.4	7.4
Average GS salary	$8,746	$9,626	$9,692

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Maintenance of earnings accounts	322	384	456
2. Processing claims	9,049	9,905	10,183
3. Maintenance of beneficiary rolls	3,932	4,083	4,327
4. Actuarial services	275	280	290
5. Administration	1,301	1,430	1,484
Total program costs, funded [1]	14,879	16,082	16,740
Change in selected resources [2]	20		
Total obligations	14,899	16,082	16,740
Financing: Unobligated balance lapsing	107		
Limitation	15,006	15,092	16,740
Proposed increase in limitation for Pay Act increases		990	

[1] Includes capital outlay as follows: 1969, $112,000; 1970, $40,000; 1971, $504,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders 1968, $47,000; 1969, $67,000; 1970, $67,000; 1971, $67,000.

Mr. FLOOD. We will now begin our hearings on the 1971 budget estimates for the "Related Agencies" which are funded in title III of the Departments of Labor, and Health, Education, and Welfare, and related agencies appropriation bill.

The first agency is the Railroad Retirement Board.

The presentation will be made by Mr. Howard W. Habermeyer, chairman.

BIOGRAPHICAL SKETCH OF MR. HOWARD W. HABERMEYER

I think we should have a biographical sketch of you, Mr. Habermeyer, inserted in the record at this point.

Will you supply that for us?

(The information follows:)

BIOGRAPHICAL SKETCH OF HOWARD W. HABERMEYER

Howard W. Habermeyer, son of William G. and Marie (Schneider) Habermeyer, was born March 26, 1915, in Aurora, Ill.; was student in public schools of Aurora; married Helen Lorraine Braithwaite, July 2, 1938; was electrician's helper Chicago, Burlington & Quincy Railroad Co.; served successively as messenger, clerk and supervisor, Railroad Retirement Board, 1936–47, was assistant director, Bureau of Wage and Service Records 1947–52, and was director, Bureau of Wage and Service Records 1952–56. He served with AUS, 1944–46.

Mr. Habermeyer has served as Chairman of the Railroad Retirement Board since November 1956. He was originally appointed by President Eisenhower and reappointed in 1962 by President Kennedy.

In 1955, Mr. Habermeyer was cited for his exceptional administrative ability, judgment, leadership, and personal progress by the U.S. Junior Chamber of Commerce. He was one of the 10 outstanding young men in the Federal Government to receive the Arthur S. Flemming Award in that year. Also, in 1955, he was selected as one of eight outstanding executives in the Federal Government to receive a scholarship to the management school sponsored by the American Management Association.

Over the years, Mr. Habermeyer has been very active with the Chicago's Crusade of Mercy Campaign at the citywide level. In 1962, he served as vice chairman of the governmental, educational, and professional division, winning special recognition for his outstanding work in the drive.

Mr. Habermeyer and his wife live in Aurora, Ill., and have two sons, Howard William, Jr., a lieutenant in the Navy and a graduate of the U.S. Naval Academy, and Kent Leigh, a student of Vanderbilt University.

INTRODUCTION OF SUPPORTING WITNESSES

Mr. FLOOD. Who do you have with you that you would like us to meet?

Mr. HABERMEYER. I have Mr. Speirs, our new labor member of the Board, and our budget officer, Mr. Rudisin.

BIOGRAPHICAL SKETCHES OF SUPPORTING WITNESSES

Mr. FLOOD. Will you have a brief biographical sketch of them placed in the record, too?

Mr. HABERMEYER. Yes, sir.

(The biographical sketches follow:)

BIOGRAPHY OF NEIL P. SPEIRS

Born: Red Deer, Alberta, Canada, December 25, 1912. Entered United States with parents, June 1919. Became naturalized citizens, San Francisco, Calif., June 29, 1942.

Education: Graduated from Ashland High School, Ashland, Oreg., 1930. Attended University of Idaho, 1930–34, majored in business, school of education.

Railroad service: Entered employment in yard train service, Southern Pacific Co. (Pacific lines) at San Francisco, Calif., May 1937, and continued in active railroad service with Southern Pacific Co., until elected to a full-time union office, January 1952.

Union service: Elected and served the Switchmen's Union of North America as chairman of local grievance committee of adjustment, local No. 98, San Francisco, 1950–51. Elected and served as full time officer. Switchmen's Union of North America, as chairman of general grievance committee of adjustment, Southern Pacific Co. (Pacific lines), January 1952 to June 1955.

Elected and served as international vice president, Switchmen's Union of North America, June 1955 until June 1959.

Elected international president, Switchmen's Union of North America, June 1959, and re-elected each succeeding term of office until January 1, 1969, at which time the Switchmen's Union of North America, Order of Railway Conductors and Brakemen, Brotherhood of Locomotive Firemen and Enginemen, and Brotherhood of Railroad Trainmen merged and formed the United Transportation Union, which union now represents the members of the former unions.

Effective January 1, 1969, to September 28, 1969, served as assistant president, United Transportation Union, with headquarters at 15401 Detroit Ave., Cleveland, Ohio 44107.

Appointed labor member, Railroad Retirement Board, September 29, 1969.

Marital status: Married, 1941, to Catherine Galan; two daughters, Bernadette, 25 years of age and Catherine, 24 years of age, both married; one grandson.

BIOGRAPHICAL SKETCH OF MICHAEL RUDISIN

Michael Rudisin was born October 7, 1919, in Pittsburgh, Pa. He graduated from David B. Oliver High School, Pittsburgh, Pa., and attended Columbus University, George Washington University, and Northwestern University.

Mr. Rudisin worked briefly as a maintenance-of-way employee for the Pennsylvania Railroad. He then started to work in May 1939 for the Railroad Retirement Board where he served successively as messenger, typist, bookkeeping machine operator, account clerk, accountant, budget examiner, budget and fiscal assistant, director of fiscal accounts, and director of budget and fiscal operations in which position he has served from July 1956 to date.

Mr. Rudisin has received a number of commendations from the Railroad Retirement Board for outstanding job performance. He was selected as the outstanding supervisory employee from 65,000 Federal employees in the Chicago area in Chicago's 1962 Federal employee-of-the-year awards program.

Mr. Rudisin married Eloise Margaret Prendergast on June 8, 1945. He and his wife live at 6325 North Sheridan Rd., Chicago, Ill.

Mr. FLOOD. I see you have a prepared statement, Mr. Habermeyer. How do you wish to proceed?

Mr. HABERMEYER. I think I will skip over to the second page where we actually get into the request for funds, the first paragraph.

Mr. FLOOD. You want the entire statement in the record, don't you?

Mr. HABERMEYER. Yes, sir. But I will begin reading starting with "payments to railroad retirement account for military service credits."

(The statement follows:)

STATEMENT OF THE RAILROAD RETIREMENT BOARD ON THE APPROPRIATION ESTIMATES FOR FISCAL YEAR 1971

Mr. Chairman and members of the committee, the Railroad Retirement Board administers a regular retirement system for the payment of retirement and disability annuities to railroad employees, annuities to their spouses, and benefits to their survivors. The Board also administers a system for the payment of supplemental annuities to career railroad employees who were awarded retirement annuities after June 1966. These supplemental annuities are paid to employees aged 65 and over who retire directly from railroad service after completing 25 or more years of service and are in addition to their regular annuities. The Board also administers a system for the payment of unemployment and sickness benefits to railroad workers, and an employment service for placing unemployment benefit claimants in jobs. In addition, the Board participates in the administration of the hospital and medical insurance programs for persons covered by the Railroad Retirement Act.

ORGANIZATIONAL STRUCTURE OF THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate—one upon the recommendation of representatives of employees, one upon recommendation of representatives of carriers, and one, the chairman, without designated recommendation. The Board's administrative organization is designed to integrate the administration of the programs conducted by the Board without duplication of facilities or operations.

MEANS OF FINANCING

The unemployment and sickness insurance system is financed by contributions paid wholly by employers. A portion of these contributions is permanently appropriated to the Board to cover the administrative costs of the system, with the remainder being credited to the railroad unemployment insurance account in the unemployment trust fund for the payment of benefits.

The regular railroad retirement program is financed by taxes paid equally by railroad workers and employers. The railroad retirement account is credited with the taxes and annuity payments are made from the account. The amounts needed for administrative expenses, as authorized by Congress, are derived from this trust fund.

The supplemental annuity program is financed by a tax paid by employers on each man-hour for which they pay compensation. This tax is deposited in a separate trust account titled railroad retirement supplemental account from which the supplemental annuities are paid. The amounts needed for administrative expenses of this program, as authorized by Congress, are derived from this trust fund.

The legislation which originally established the supplemental annuity program provided for a tax of 2 cents per man hour to finance the program, but the tax rate was producing insufficient revenue to permit payment of benefits as they became due. Public Law 91–215, approved March 17, 1970, provided necessary financing by giving the Board the authority to adjust the tax rate each quarter to whatever rate was needed to produce the revenue required for the program. The rate established for the quarter that began April 1, 1970, was 6 cents per man hour.

PAYMENTS TO RAILROAD RETIREMENT ACCOUNT FOR MILITARY SERVICE CREDITS

Mr. HABERMEYER. Railroad workers entering military service may have such service credited toward benefits under the railroad retirement system under certain conditions. An appropriation of $19,969,000 is requested to pay the seventh of 10 yearly installments on the amount due the railroad retirement account for creditable military service for the period through June 30, 1963.

ADMINISTRATIVE EXPENSE REQUIREMENTS

For the last several years the Board has been operating under emergency conditions because a series of amendments to the Railroad Retirement and the Social Security Acts created workloads beyond the Board's capacity to handle the work on a timely basis. At the start of fiscal year 1969 the Board had a large amount of benefit-rate adjustment work still to handle as a result of the 1967 amendments to the Social Security Act and the 1968 amendments to the Railroad Retirement Act. Also, there were large backlogs of regular claims work and large backlogs of cases identified as potential overpayments which had to be processed.

During fiscal year 1969, the Board expended 1,272 man-years in administering the railroad retirement system. We concentrated on clearing up the benefit-rate adjustments still to be finalized for some of the 970,000 beneficiaries on the rolls of the Board and handled 267,000 claims dispositions to reduce the pending claim load from 22,000 cases at the start of the year to 17,000 at the end of the year. However, this was accomplished at the expense of the policing programs which identify cases of potential overpayments, with backlogs at the end of the year at critical proportions.

For fiscal year 1970, the regular limitation on the administrative expenses of the railroad retirement system of $15,172,000 and an anticipated supplemental of $990,000 for pay increases that were effective in July 1969, will make a total of $16,162,000 available for the year, excluding amounts needed for the 6-percent pay increase enacted in April 1970. This amount normally would have enabled us to make some reduction in the critical backlog of policing work and to handle a total of 266,000 claims dispositions to reduce the pending claims load from 17,000 cases at the start of 1970 to 16,000 at the end of the year.

When the Social Security Act was amended in December 1969 to provide a 15-percent increase in benefits, it was forecast that a $500,000 supplemental appropriation would be needed for 1970 to handle the added work this legislation created for the Board. This legislation automatically provided increases for approximately 290,000 of the 970,000 beneficiaries on the rolls of the Railroad Retirement Board. These increases occur because of the guarantee in the Railroad Retirement Act that railroad retirement benefits cannot be less than 110 percent of the amount that would have been paid under the social security system if railroad service had been covered by that system. (Persons receiving benefits under the special guarantee are principally widows and children of deceased railroad employees.) However, the program supplemental of $500,000 forecast for 1970 will not be needed because that part of the work created by the 1969 social security amend-

ments that can be handled in 1970 will be met by savings in regular operatitons because rates of retirement are lower than originally estimated.

The reason for the lower rates of retirement in 1970 is that persons have been deferring retirement because of unsettled conditions that have existed regarding the amounts of benefits they would receive upon retirement. First, there was the problem relating to the supplemental annuity program when benefit payments could not be made because of inadequate financing and when it was not known whether the program would be a permanent one. These problems eventually were resolved by the enactment of Public Law 91–215 on March 17, 1970, which established the program on a permanent basis and provided adequate financing for it. Meanwhile, legislation was enacted in December 1969, to provide social security beneficiaries a 15-percent increase in benefits effective January 1, 1970, but no legislation yet has been enacted to provide similar increases for the railroad retirement beneficiaries other than those receiving increases as a result of the amendments to the Social Security Act. This unresolved situation also has a depressing effect on retirement rates in view of the rise in the cost of living since the last benefit increase more than 2 years ago.

For fiscal year 1971, the regular limitation request of $16,740,000 will permit the expenditure of 1,252 man-years. This normally would have enabled us to bring the backlog of policing work to a reasonably current basis and to handle 266,000 claims dispositions to reduce the pending claims load to 12,500 cases by the end of the year. In addition, the budget forecasts the need for an upward amendment of $500,000 to the regular request for 1971 upon enactment of expected amendments to the Railroad Retirement Act. Regular workloads in 1971 will not be at depressed levels as they were in 1970 to permit absorption of amendment work. The normal flow of applications will be increased by two factors: (1) Added applications from those who delayed their retirement during fiscal year 1970, and (2) added applications from those induced to retire earlier than they would have otherwise, because of the forfeiture provision of Public Law 91–215, approved March 17, 1970. This law provides for the forfeiture of the supplemental annuity by employees who continue railroad service after a certain age. Initially, employees age 68 or over in calendar year 1970 must retire no later than January 31, 1971, or permanently lose their rights to a supplemental annuity. The age at which retirement must occur if there is to be no forfeiture of the supplemental annuity is reduced gradually until it is moved down to age 65 in 1973.

The benefit-rate adjustments under amendments to the Railroad Retirement Act will require more work than was expected at the time the $500,000 estimate was made to cover such work. It was assumed at that time that these amendments would be enacted shortly after the enactment of the amendments to the Social Security Act. Even if this had occurred, the work would have been difficult because of complex benefit formulas and various provisions of law coordinating benefits

paid under the railroad retirement system with benefits payable under the social security system. With the delay in enactment of the legislation, but with benefit increases under pending legislation retroactive to January 1970, there will be special problems involved in computing the accrual amounts due which will make it necessary to handle many more thousands of cases manually rather than by the computer. The large amount of manual work that will be created by amendments to the Railroad Retirement Act undoubtedly will cause backlogs in regular work because of the practical limits on the amount of manpower with needed skills that can be made available even with use of overtime. If the Social Security Act also is again amended effective January 1, 1971, as has been proposed by the House Ways and Means Committee, the Railroad Retirement Board will have a very difficult time indeed in 1971 to keep from being overwhelmed with backlogs.

The regular limitation for 1971 of $16,740,000 is $578,000 greater than the $16,162,000 expected to be available in 1970, excluding amounts needed for the 6-percent pay increase enacted in April 1970. The largest part of this increase is $464,000 to cover the purchase of certain computer equipment now being rented. The remainder of the increase principally covers such relatively uncontrollable costs of within-grade salary advancements, the annualization of pay-act costs, increased payments to the civil service retirement fund, and increased per diem rates for travel.

Certain summary data on which the budget estimates for the railroad retirement program are based areas follows:

	Actual 1969	*Estimate 1970*	*Estimate 1971*
Benefit payments, existing legislation	$1,532,791,000	$1,636,082,000	$1,711,940,000
Number of monthly payments in force at end of year	1,021,000	1,046,000	1,067,000
Claims dispositions, including partial awards	267,440	266,000	266,000
Pending load end of year	17,277	16,000	12,500

Mr. HABERMEYER. That is my statement, Mr. Chairman.

Thank you very much.

AVERAGE EMPLOYMENT

Mr. FLOOD. According to your justifications your average employment, which includes overtime, decreased from 1,272 man-years in 1969 to 1,258 man-years in 1970. It will further decrease to 1,252 man-years in 1971. Is your workload declining?

Mr. HABERMEYER. It did in this past year. We had backlogs that we are catching up on. Our new work has declined to a certain extent because of the fact that railroad workers have tended to defer their retirement, pending enactment of a permanent supplemental annuity program, and are waiting to see what is going to happen with respect to the 15-percent increase.

IMPACT OF 1969 AMENDMENTS TO SOCIAL SECURITY ACT

Mr. FLOOD. What was the effect of the 1969 amendments to the Social Security Act on your workload?

Mr. HABERMEYER. About a third of our beneficiaries are covered by the overall minimum provisions. In other words, we can't pay our beneficiaries less than 110 percent of what they would receive if they had been covered by social security. We had to adjust benefits for some 290,000 of our 970,000 beneficiaries to increase them by 15 percent because of the amendments to the Social Security Act.

SUPPLEMENTAL ANNUITY PROGRAM

Mr. FLOOD. Amendments to the Railroad Retirement Act were enacted on March 17 of this year.

Mr. HABERMEYER. Yes, sir. However, these amendments dealt only with the supplemental annuity programs.

Mr. FLOOD. What is the effect of these amendments on your 1971 budget estimate.

Mr. HABERMEYER. The supplemental annuity program is a program that is financed entirely by the carriers. It was initially negotiated between the carriers and the labor organizations whereby a man retiring from railroad service at age 65 who had at least 25 years of service would get a supplemental benefit in addition to his regular railroad retirement benefit.

A man with 25 years of service would get $45, and $5 for each additional year up to 30, so that the maximum payment would be $70.

To finance this program, it was felt at the outset that a tax of 2 cents a man-hour worked would be sufficient to pay for the costs of the program. We found out after about 2 years that 2 cents was not enough. We alerted both labor and management and they immediately started meetings. It got into a controversy. We ran out of money. We were paying benefits as we collected the money from the carriers, and we had to wait until the end of Februray 1970 to pay benefits due for December 1969. We were about 2 months behind when this legislation was finally agreed to and enacted.

Now the carriers have agreed to pay whatever the costs of the program are. The quid pro quo was that labor agreed to have its men either retire at age 68, scaled down to 65 in 1973, or forego their supplemental annuity.

SUPPLEMENTAL REQUEST FOR FISCAL YEAR 1971

Mr. FLOOD. Will you have a supplemental budget request for 1971?

Mr. HABERMEYER. If the 15-percent bill is enacted we will have a supplemental request.

BACKLOG OF PENDING CLAIMS

Mr. FLOOD. What was your backlog of pending claims at the end of fiscal year 1969?

Mr. HABERMEYER. It was 17,277.

Mr. FLOOD. What do you expect the backlog to be at the end of fiscal years 1970 and 1971?

Mr. HABERMEYER. We estimate that by July this year we will have a backlog of about 16,000. On June 30, 1971, it should be down to about 12,500, without amendments. If we get additional amendments, it will throw a problem into the operation.

FISCAL YEAR 1970 SUPPLEMENTAL

Mr. FLOOD. Your justifications mention a fiscal year 1970 supplemental of $500,000. That is to cover the costs of handling the work created by the 1969 amendments to the Social Security Act?

Mr. HABERMEYER. We thought we would need a supplemental appropriation but now find we do not, since our regular work is down because persons first held off on their retirements because of problems involving payment of supplemental annuities and now are waiting for a 15-percent increase to be enacted.

Mr. FLOOD. We were wondering what happened to the supplemental. We haven't see it. Is that the answer?

Mr. HABERMEYER. Yes. We are handling everything in 1970 now with the moneys that we have. However, we will need a supplemental for 1970 if they enact the 15-percent increase for railroad retirement beneficiaries.

COMPUTER EQUIPMENT

Mr. FLOOD. Your largest item of increase in 1971 is $464,000 to purchase certain computer equipment which you have been renting. How long have you been using this hardware?

Mr. RUDISIN. We have been renting it for almost a year now.

Mr. HABERMEYER. We actually wanted to buy it last year but because of budgetary problems we decided to rent for the year and buy it this year.

Mr. FLOOD. Why did you decide to buy instead of continuing to rent?

Mr. HABERMEYER. As far as the operation is concerned, it's much more economical to buy.

Mr. FLOOD. You are not worried about the equipment becoming obsolete?

Mr. HABERMEYER. It only takes about a year and a half of rental to pay for the equipment.

Mr. RUDISIN. A little bit longer, but we have our computer equipment running 7 days a week, 24 hours a day. So there is a real advantage in purchasing.

BENEFIT RATE ADJUSTMENT WORK

Mr. FLOOD. Your justifications mention, "The 1969 amendments to the Social Security Act and expected amendments to the Railroad Retirement Act will create a large amount of benefit rate adjustment work with large numbers of cases to be handled manually." What do you mean by large numbers? How many is that?

Mr. HABERMEYER. The total benefit adjustments will be in the neighborhood of 700,000. The manual operation would be about 40,000.

Mr. RUDISIN. It could be between 60,000 and 80,000 cases that we would have to handle manually.

Mr. FLOOD. Is there any way that this operation can be automated rather than done manually?

Mr. RUDISIN. There are special problems involved, Mr. Chairman, in connection with the long period of retroactivity that we will have to deal with because the anticipated amendments of the Railroad Retirement Act will be retroactive back to January.

There is all sorts of activity that occurs between the effective date and the date that we can start giving effect to the increases.

Mr. FLOOD. You mean there is something that the computers can't handle?

Mr. HABERMEYER. That is right.

Mr. RUDISIN. Yes.

Mr. FLOOD. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

Once again I want to welcome my good friend from my hometown to the committee and want to commend you for the fine job you are doing as chairman.

Mr. HABERMEYER. Thank you.

MEDICARE BENEFICIARIES

Mr. REID. What part do you play in regard to administration of the program for eligible medicare beneficiaries?

Mr. HABERMEYER. We have a delegation from the Social Security Administration to handle all part B benefits under the medicare program for railroad workers. The Board in turn has selected Travelers Insurance to act as intermediary for railroad workers on a nationwide basis.

We did this after long consideration. I think we were swayed primarily by the fact that Travelers Insurance has been operating a health and welfare program for railroad workers for some 9 years prior to that, since 1955. As far as the part B is concerned, Travelers Insurance has been selected by the Railroad Retirement Board to handle the cases for railroad workers.

Part A benefits are covered and handled by social security. We do take any complaints about delays and nonpayment and see that they get handled satisfactorily.

EMPLOYMENT SERVICE

Mrs. REID. In regard to your system for the payment of unemployment benefits and operating an employment service for placing claimants in jobs, do you work with the railroad department and the U.S. Employment Service, or is yours independent?

Mr. HABERMEYER. The Railroad Retirement Board tries to place them. If we can't place them, we do refer them to the U.S. Employment Service offices. I am sorry to say we don't get too much in the way of placements in those referrals. But we do work with them.

ACTUARIAL STATUS

Mrs. REID. What is the actuarial status of your trust fund? Are you operating at a deficit?

Mr. HABERMEYER. Yes; we are in trouble. I have testified before both the House Interstate and Foreign Commerce Committee and the Senate Labor Committee to that effect; that if they enact this 15-percent increase in the bill being considered now, it would put our funds in an actuarially unsound condition to such an extent that I think it's alarming and something should be done about it.

I am happy to say that the House committee said that the Board should make a study. I wasn't particularly happy about the Board making this study. The Senate committee has decided that a Presidential commission should be established to make the study and report back, within 9 months I believe it is, in March 1971.

I am hoping that the study will produce evidence that will result in a restructuring of the system so it will continue to go forward on a sound basis.

Mrs. REID. Thank you very much.

That is all, Mr. Chairman.

Mr. FLOOD. Mr. Casey?

Mr. CASEY. No questions, Mr. Chairman.

Mr. FLOOD. Thank you very much.

Mr. HABERMEYER. Thank you, Mr. Chairman.

RAILROAD RETIREMENT BOARD
JUSTIFICATION OF ESTIMATES FOR FISCAL YEAR 1971

SUMMARY OF APPROPRIATIONS AND APPROPRIATION ESTIMATES

Account Title	Estimate 1970	Estimate 1971	Increase or Decrease
General funds:			
Payment for military service credits	$19,206,000	$19,969,000	$+763,000
Trust fund:			
Limitation on salaries and expenses (trust fund)	(15,092,000)	1/ (16,740,000)	(+658,000)
Anticipated supplementals:			
Increases in pay rates	(990,000)		
Costs of 1970 amendments to Social Security Act	(500,000)		
Anticipated budget amendment:			
Costs of expected amendments to Railroad Retirement Act		(500,000)	

1/ This is the amount shown for the 1970 regular limitation on salaries and expenses in the 1970 column of the 1971 budget. The amount included for this account in the Departments of Labor, and Health, Education, and Welfare Appropriation Act, 1970, is $80,000 greater.

SUMMARY AND HIGHLIGHTS

Programs Administered by the Railroad Retirement Board

The Railroad Retirement Board administers a regular railroad retirement system which provides monthly benefits to employees who retire because of age or disability, and to the eligible wives of such employees. The disability annuities are payable both to employees not able to do any regular work and to career railroad employees not able to work at their regular railroad job. In addition, the system provides for monthly and lump-sum benefits to widows, children, and parents. Finally, there is provision for a residual payment designed to insure that an employee and his family receive at least as much in benefits as the employee contributes in railroad retirement taxes. For all benefits except the residual payment, a basic requirement is that the employee have at least 10 years of creditable railroad service, including service before 1937.

The Board also administers a program for the payment of supplemental annuities to career railroad employees who were awarded retirement annuities after June 1966. The supplemental annuity is paid to employees aged 65 and over who retire directly from railroad service after completing 25 or more years of service and is in addition to the regular annuity.

Also, under the 1965 amendments to the Social Security and Railroad Retirement Acts and under a delegation of authority from the Social Security Administration, the Board participates in the administration of the hospital and medical insurance programs for persons covered by the Railroad Retirement Act. This combination of statutory and delegated authority places the Board in much the same position in dealing with persons covered by the Railroad Retirement Act with respect to the medicare program as that of the Social Security Administration in dealing with its beneficiaries. Of course, the delegated functions are performed on a reimbursable basis.

The Board also administers a system for the payment of unemployment and sickness benefits to qualified railroad workers, and an employment service for placing unemployment benefit claimants in jobs.

Organizational Structure of the Railroad Retirement Board

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate--one member upon the recommendation of representatives of employees, one upon recommendation of representatives of carriers, and one, the Chairman, without designated recommendation. The Board's administrative organization is designed to integrate the administration of the programs conducted by the Board without duplication of facilities or operations.

Means of Financing

The regular railroad retirement system is financed by taxes paid equally by railroad workers and employers. The Railroad retirement account is credited with the taxes and annuity payments are made from the Account. The amounts needed for administrative expenses, as authorized by Congress in annual appropriation Acts, are derived from the Account.

The supplemental annuity program is financed by a tax paid by employers based on the number of man hours for which they pay compensation. This tax is deposited in a separate trust account titled Railroad retirement supplemental account from which the supplemental annuities are paid. The amounts needed for administrative expenses of this program, as authorized by Congress in annual appropriation Acts, are derived from this Account.

The unemployment and sickness insurance system is financed by contributions paid wholly by employers. Of the total contributions paid for this purpose, the portion represented by 0.25 per cent of the taxable payroll is permanently appropriated to the Board to cover the administrative costs of the system, with the remainder being credited to the Railroad unemployment insurance account in the unemployment trust fund for the payment of benefits.

Payments to Railroad Retirement Account for Military Service Credits

Railroad workers entering military service may have such service credited toward benefits under the railroad retirement system under certain conditions. An appropriation of $19,969,000 is requested to pay the seventh of ten yearly installments on the amount due the Railroad retirement account for creditable military service for the period through June 30, 1963.

Administrative Expense Requirements

For the last several years the Board has been operating under emergency conditions because a series of six separate sets of amendments to the Railroad Retirement and the Social Security Acts created workloads beyond the Board's capacity to handle the work on a timely basis. At the start of fiscal year 1969 the Board had a large amount of benefit-rate adjustment work still to handle as a result of the 1967 amendments to the Social Security Act and the 1968 amendments to the Railroad Retirement Act. Also, there were large backlogs of regular claims work and large backlogs of cases identified as potential overpayments which had to be processed.

During fiscal year 1969, the Board expended 1,272 man years in administering the railroad retirement system. We concentrated on clearing up the benefit-rate adjustments still to be finalized for some of the 970,000 beneficiaries on the rolls of the Board and handled 267,000 claims dispositions to reduce the pending claims load from 22,000 cases at the start of the year to 17,000 at the end of the year. However, this was accomplished at the expense of the policing programs which identify cases of potential overpayments, with backlogs at the end of the year at critical proportions.

For fiscal year 1970, the regular limitation in the amended budget for the administration of the railroad retirement system will permit the expenditure of 1,258 man years. This normally would have enabled us to make a start in

reducing the critical backlog of policing work and to handle a total of 266,000 claims dispositions to make a moderate reduction in the pending claims load from 17,000 cases at the start of 1970 to 16,000 at the end of the year.

For fiscal year 1971, the regular limitation request will permit the expenditure of 1,252 man years. This normally would have enabled us to bring the backlog of policing work to a reasonably current basis and to handle 266,000 claims dispositions to reduce the pending claims load to 12,500 cases by the end of the year.

However, the original work plans and regular limitations on administrative expenses for 1970 and 1971 are affected by the 1969 amendments to the Social Security Act and will be affected further by expected amendments to the Railroad Retirement Act. The 1969 amendments to the Social Security Act affect benefits paid and administrative expenses incurred under the railroad retirement system, because the Railroad Retirement Act guarantees that railroad retirement benefits cannot be less than 110% of the amount that would have been paid under the social security system if railroad service had been covered by that system. This special guarantee will require increases in railroad retirement benefits for approximately 290,000 of the 970,000 beneficiaries on the rolls of the Railroad Retirement Board. The enactment of the 1969 amendments to the Social Security Act is expected to be followed sometime in calendar year 1970 by enactment of amendments to the Railroad Retirement Act to provide increases in cash benefits to those beneficiaries on the rolls of the Railroad Retirement Board not receiving increases as a result of the amendments to the Social Security Act.

The processing of benefit-rate adjustments for railroad retirement beneficiaries is made extremely difficult because of complex benefit formulas and various provisions of law coordinating benefits paid under this system with benefits payable under the social security system. The 1971 budget forecasts the need for a supplemental appropriation of $500,000 for fiscal year 1970 to cover the costs of handling work created by the 1969 amendments to the Social Security Act in addition to a pay act supplemental of $990,000, and forecasts the need for an upward amendment of $500,000 to the regular request for 1971 upon enactment of expected amendments to the Railroad Retirement Act. If we have the same experience during 1970 and 1971 in handling work created by amendments to both the Social Security and Railroad Retirement Acts that we have had during previous similar situations, regular work will backlog because of priority demands of benefit-rate adjustment work and because of practical limits on the amount of manpower with needed skills that can be made available even with use of overtime to the most extensive degree feasible.

There is an increase of $658,000 in the requested limitation on salaries and expenses from 1970 to 1971. The largest part of the increase is $464,000 to cover the purchase of certain computer equipment now being rented. The remainder of the increase principally covers such relatively uncontrollable costs as within-grade salary advancements; the annualization of pay act costs, increased payments to the civil service retirement fund, and increased per diem rates for travel; and some other changes itemized in a following schedule.

JUSTIFICATION OF ESTIMATES
PAYMENT FOR MILITARY SERVICE CREDITS, RAILROAD RETIREMENT BOARD

	Estimate 1970	Estimate 1971	Increase or Decrease
Program by activities			
Payment to Railroad Retirement Account.....	$19,206,000	$19,969,000	$+763,000
Financing			
New obligational authority (appropriation).....	$19,206,000	$19,969,000	$+763,000

Railroad workers entering military service may have such service credited towards benefits under the railroad retirement system under certain conditions. Under existing law the Government is obligated to pay to the Railroad retirement account the additional cost of crediting military service rendered prior to 1937 and used in computing annuities under the Railroad Retirement Act. For military service performed during war-service periods after 1936 and before 1957, the Government is required to pay the combined employer-employee payroll tax on $160 for each month of military service. For service after 1956 and before July 1963, the Government is required to pay the difference between the combined taxes on $160 and the combined social security taxes actually paid with respect to the military service involved. For creditable military service rendered after June 1963, payments are on a cost basis including an overhead factor.

An appropriation of $19,969,000 is requested for fiscal year 1971 for payment to the Railroad retirement account for military service credits under the Railroad Retirement Act. The appropriation request of $19,969,000 consists of $19,944,000 as the seventh of ten yearly installments on the amount due the Railroad retirement account for creditable military service for the period through June 30, 1963, plus $25,000 for the additional cost for military service performed before 1937 and used in computing annuities certified in fiscal year 1969.

Details regarding the calculation of the amount of the seventh installment and a schedule of the amounts of the remaining three installments are given in the following tables.

Payment for Military Service Credits
Calculation of Seventh Installment

1.	Appropriation due the Board on July 1, 1964	$155,695,000
2.	Less first installment appropirated in F.Y. 1965	13,834,000
3.	Balance	141,861,000
4.	Plus accrued interest on balance for F.Y. 1965	5,674,000
5.	Balance due July 1, 1965	147,535,000
6.	Less second installment appropriated in F.Y. 1966 (One-ninth of item 5)	16,393,000
7.	Balance	131,142,000
8.	Plus accrued interest on balance for F.Y. 1966	5,246,000
9.	Balance due July 1, 1966	136,388,000
10.	Less third installment appropriated in F.Y. 1967 (One-eighth of item 9)	17,049,000
11.	Balance	119,339,000
12.	Plus accrued interest on balance for F.Y. 1967	4,774,000
13.	Balance due July 1, 1967	124,113,000
14.	Less fourth installment appropriated in F.Y. 1968 (One-seventh of item 13)	17,730,000
15.	Balance	106,383,000
16.	Plus accrued interest on balance for F.Y. 1968	4,255,000
17.	Balance due July 1, 1968	110,638,000
18.	Less fifth installment appropriated in F.Y. 1969 (One-sixth of item 17)	18,440,000
19.	Balance	92,198,000
20.	Plus accrued interest on balance for F.Y. 1969	3,688,000
21.	Balance due July 1, 1969	95,886,000
22.	Less sixth installment appropriated in fiscal year 1970 (One-fifth of item 21)	19,177,000
23.	Balance	76,709,000
24.	Plus accrued interest on balance for fiscal year 1970	3,068,000
25.	Balance due July 1, 1970	79,777,000
26.	Seventh installment for appropriation in F.Y. 1971 (One-fourth of item 25)	19,944,000
27.	Plus additional cost for military service performed before 1937 and used in computing annuities certified in F.Y. 1969	25,000
28.	Appropriation request for F.Y. 1971	19,969,000

Schedule of Amounts of Three Remaining Installments

Fiscal Year	Amount Due			Divisor	Installments
	Principal	Interest	Total		
1972	59,833,000	2,393,000	62,226,000	3	20,742,000
1973	41,484,000	1,659,000	43,143,000	2	21,572,000
1974	21,571,000	863,000	22,434,000	1	22,434,000

JUSTIFICATION OF ESTIMATES
LIMITATION ON SALARIES AND EXPENSES, RAILROAD RETIREMENT BOARD (TRUST FUND)

	1970 Estimate		1971 Estimate		Increase or Decrease	
REGULAR REQUEST:	Positions	Amount	Positions	Amount	Positions	Amount
Program by activities						
1. Maintenance of earnings accounts	31	$ 384,000	31	$ 456,000	.....	$ +72,000
2. Processing claims	867	9,905,000	867	10,183,000	.....	+278,000
3. Maintenance of beneficiary rolls	299	4,083,000	299	4,327,000	.....	+244,000
4. Actuarial services	21	280,000	21	290,000	.....	+10,000
5. Administration	102	1,430,000	102	1,484,000	.....	+54,000
Total obligations	1,320	16,082,000	1,320	16,740,000	.....	+658,000
Financing						
Limitation		15,092,000		16,740,000		+658,000
Proposed increase in limitation due to pay increases		990,000		.....		.....
Obligations by object						
11 Personnel compensation:						
Permanent positions		11,502,000		11,588,000		+86,000
Positions other than permanent		67,000		67,000		.....
Other personnel compensation		624,000		577,000		-47,000
Total personnel compensation		12,193,000		12,232,000		+39,000
12 Personnel benefits		947,000		984,000		+37,000
21 Travel and transportation of persons		286,000		304,000		+18,000
22 Transportation of things		23,000		23,000		.....
23 Rent, communications, and utilities		1,190,000		1,233,000		+43,000
24 Printing and reproduction		38,000		38,000		.....
25 Other services		1,183,000		1,240,000		+57,000
26 Supplies and materials		182,000		182,000		.....
31 Equipment		40,000		504,000		+464,000
Total obligations		16,082,000		16,740,000		+658,000
Personnel summary						
Total number of permanent positions		1,320		1,320		.....
Full-time equivalent of other positions		15		15		.....
Average number of all employees		1,199		1,199		.....
Average GS grade		7.4		7.4		.....
Average GS salary		$ 9,626		$ 9,692		$ +66
PROPOSED FOR SEPARATE TRANSMITTAL:						
Increase in limitation due to new legislation		$ 500,000		$ 500,000		.....

SUMMARY OF CHANGES:		
1970 regular request as shown in 1971 budget	$15,092,000	
Proposed increase in limitation due to pay act costs	990,000	
Proposed increase due to 1969 amendments to Social Security Act	500,000	
Total requirements for 1970		$16,582,000
1971 regular request	16,740,000	
Proposed increase upon enactment of expected amendments to Railroad Retirement Act	500,000	
Total requirements for 1971		17,240,000
Total change		+658,000
Increases:		
Purchase of computer equipment now being rented	+464,000	
Within-grade salary advancements	+96,000	
Annualization of pay act costs	+35,000	
Increase in pro rata share of costs of Federal Telecommunications System	+31,000	
Annualization of increase in payments to civil service retirement fund	+29,000	
Increase in building maintenance costs	+19,000	
Annualization of increase in per diem rates for travel	+18,000	
Increase in payments for medical fees	+16,000	
Other increases	+12,000	
Total increases		+710,000
Decreases:		
Savings from management improvements		-52,000
Total change		+658,000

Limitation on Salaries and Expenses (Trust Fund)
Justification by Activity

Activity 1. Maintenance of Earnings Accounts

	1970 estimate		1971 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	31	$287,000	31	$289,000	---	$ +2,000
Other expenses	---	97,000	---	167,000	---	+70,000
Total	31	384,000	31	456,000	---	+72,000

	Man Years		
	1970	1971	Change
Average manpower estimates:			
Permanent and temporary employees	28	28	---
Overtime equivalent	2	2	---
Total	30	30	---

The maintenance of earnings accounts includes the work of processing of employers' reports of employees' compensation and service, for use in making claims payment determinations. Information must be accumulated for every railroad employee to identify the actual calendar months worked and the creditable earnings from January 1937 to date. In addition, railroad service rendered prior to 1937 also must be developed when claimed, since such service usually is creditable under the Act.

One indicator of the level of work in this activity is the number of accounts in which earnings are recorded, which are estimated at 845,000 in 1970 and 830,000 in 1971. The number of accounts in which earnings are recorded in any fiscal year approximates the total railroad employment in the preceding calendar year. However, to record data for employees with earnings in a calendar year, the master record of all accounts on tape must be processed by the computer and this record will increase from 10,840,000 accounts in 1970 to 10,940,000 in 1971. Thus, one workload indicator shows a slight decrease from 1970 to 1971 and the other shows a slight increase.

No change is expected in man-year requirements from 1970 to 1971.

Activity 2. Processing Claims

	1970 estimate		1971 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	867	$8,573,000	867	$8,588,000	---	$ +15,000
Other expenses	---	1,332,000	---	1,595,000	---	+263,000
Total	867	9,905,000	867	10,183,000	---	+278,000

	Man Years		
	1970	1971	Change
Average manpower estimates:			
Permanent and temporary employees	785	785	---
Overtime equivalent	46	40	-6
Total	831	825	-6

This activity covers the work of assisting applicants in the filing of claims for regular retirement or survivor benefits, claims for supplemental annuities, applications to establish eligibility for medicare; explaining to applicants their rights and responsibilities; developing the claims or applications to establish eligibility for benefits; handling inquiries from applicants or potential applicants; and related work.

As explained in the summary and highlight section, the Board has been operating under emergency conditions because a series of amendments created workloads beyond the Board's capacity to handle the work on a timely basis. Some inroads were made in the backlogs of pending claims in 1969, when the Board handled 267,000 claims dispositions to reduce the pending load from 22,000 cases at the start of the year to 17,000 cases at the end of the year. The limitation on administrative expenses for 1970 would permit the Board to handle 266,000 claims dispositions to reduce the pending load to 16,000 cases by the end of the year. The amount requested for 1971 would permit the Board to handle the same number of claims dispositions as in 1970. With a somewhat lower number of claims receipts estimated for 1971, the disposition of 266,000 in that year would reduce the pending load of claims to 12,500 by the end of that year, which would represent reasonably current conditions in this area of operations.

Activity 3. Maintenance of Beneficiary Rolls

	1970 estimate		1971 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	299	$2,794,000	299	$2,816,000	---	$ +22,000
Other expenses	---	1,289,000	---	1,511,000	---	+222,000
Total	299	4,083,000	299	4,327,000	---	+244,000

	Man Years		
	1970	1971	Change
Average manpower estimates:			
Permanent and temporary employees	269	269	---
Overtime equivalent	10	10	---
Total	279	279	---

This activity covers the maintenance of the monthly roll of persons receiving retirement and survivor benefits, the roll of persons receiving supplemental annuities, and the roll of persons eligible for medicare benefits. The requirements for this activity have been classified into the man years needed for work relating to (A) handling regular changes in the rolls, handling inquiries from persons on the rolls, making deductions of premiums for medicare, and related operations; and (B) policing to verify that persons continue to be eligible to receive monthly benefits. The man-year requirements for these two sub-activities are as follows:

	Estimate 1970	Estimate 1971
A. Maintenance of Rolls and Servicing of Beneficiaries	178	181
B. Policing	101	98
Total	279	279

A. Maintenance of Rolls and Servicing of Beneficiaries

Key workloads relating to the maintenance of rolls and servicing of beneficiaries are as follows:

	No. of Persons Receiving Monthly Benefits at End of Year		
	Actual 1969	Estimate 1970	Estimate 1971
Regular retirement and survivor benefits	970,000	977,000	982,000
Supplemental annuities	51,000	69,000	85,000
Total	1,021,000	1,046,000	1,067,000

The servicing of beneficiaries, of course, involves not only matters relating to benefits payable under the Railroad Retirement Act but also matters relating to the medicare program, since approximately 835,000 persons on the

benefit rolls are also enrolled for medicare. The man-year requirements for the maintenance of the rolls and the servicing of the persons on the rolls increase moderately from 178 in 1970 to 181 in 1971. These increases are in line with the increases in the rolls.

B. Policing

The Board employs two principal methods of checking on the eligibility of beneficiaries to continue to receive monthly benefits. One method is through the use of questionnaires sent to beneficiaries. The other is through an electronic program for exchanging information with the Social Security Administration for use in coordinating the activities of both agencies and for policing beneficiaries on their respective rolls. Under this program, each agency earmarks its master tape record to indicate the data required by the other. Quarterly, each agency notifies the other of the occurrence of events which would affect the benefits payable by the other agency. These policing programs, of course, produce large savings to the trust fund, with the tape exchange program alone disclosing overpayments of approximately $2 million a year.

Because of the emergency conditions under which the Board has operated, large backlogs of cases have accumulated where possible overpayments exist which were identified under the quarterly tape policing program during the last two and one-half years. Also, backlogs of questionnaire policing cases have developed and large numbers of other cases that must be reviewed are being disclosed in several audit programs. The man years provided by the regular limitations will enable the Board to clear up some of the backlog of cases in 1970 and to get reasonably current by the end of 1971.

Of course, the 1969 amendments to the Social Security Act and expected amendments to the Railroad Retirement Act will create a large amount of benefit-rate adjustment work, with large numbers of cases to be handled manually. While the 1971 budget lists increases proposed for separate transmittal because of work created by new legislation, there are practical limits on the amount of manpower with needed skills that can be made available even with extensive use of overtime. This could keep the Board from attaining its objectives of clearing up backlogs to the degree presently planned.

Activity 4. Actuarial Services

	1970 estimate		1971 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	21	$260,000	21	$261,000	---	$ +1,000
Other expenses	---	20,000	---	29,000	---	+9,000
Total	21	280,000	21	290,000	---	+10,000

	Man Years		
	1970	1971	Change
Average manpower estimates:			
Permanent and temporary employees	21	21	---
Overtime equivalent	---	---	---
Total	21	21	---

This activity includes the work of preparing actuarial valuations of assets and liabilities of the railroad retirement system as required by law; preparing projections, cost estimates, and other reports relating to the existing benefit program as well as proposed amendments to either the Railroad Retirement Act or the Social Security Act; and conducting studies for the financial interchange with the social security system. These latter studies determine the amounts for transfer between the social security trust funds and the Railroad retirement account to place the social security trust funds in the same position in which they would have been if employment under the Railroad Retirement Act had been employment under the Social Security Act. The importance of these studies, which are required annually, can best be realized from the fact that hundreds of millions of dollars are involved in the financial interchanges.

The files of statistical data compiled for analytical and actuarial purposes also have great administrative value. They have been used to give rapid effect to changes in benefits under amendments and to identify those beneficiaries who come under the several policing programs. The savings accruing to the Board over the years from these files have been very great.

No change is expected in man-year requirements from 1970 to 1971.

Activity 5. Administration

	1970 estimate		1971 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	102	$1,198,000	102	$1,204,000	---	$ +6,000
Other expenses	---	232,000	---	280,000	---	+48,000
Total	102	1,430,000	102	1,484,000	---	+54,000

	Man Years		
	1970	1971	Change
Average manpower estimates:			
Permanent and temporary employees	96	96	---
Overtime equivalent	1	1	---
Total	97	97	---

This activity embraces the functions of executive direction and general administration, including activities such as personnel, fiscal property management, budgeting, administrative planning and control, and other similar activities.

No change is expected in man-year requirements from 1970 to 1971.

NATIONAL MEDIATION BOARD AND THE NATIONAL RAILROAD ADJUSTMENT BOARD

WITNESSES

NATIONAL MEDIATION BOARD

FRANCIS A. O'NEILL, JR., CHAIRMAN
GEORGE S. IVES, BOARD MEMBER
THOMAS A. TRACY, EXECUTIVE SECRETARY
ALETHA C. DOMANN, ADMINISTRATIVE OFFICER

NATIONAL RAILROAD ADJUSTMENT BOARD

CHARLES E. KIEF, MEMBER
E. T. HORSLEY, MEMBER
ROY J. CARVATTA, ADMINISTRATIVE OFFICER

NATIONAL MEDIATION BOARD

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	1,080	1,087	1,064
Positions other than permanent	667	697	742
Other personnel compensation	4	4	4
Total personnel compensation	1,751	1,788	1,810
Personnel benefits: Civilian employees	101	108	110
Travel and transportation of persons	221	282	315
Rent, communications, and utilities	64	66	67
Printing and reproduction	38	40	42
Other services	14	24	24
Supplies and materials	13	15	15
Equipment	5	30	11
Total obligations	2,207	2,353	2,394

PERSONNEL SUMMARY

Total number of permanent positions	98	79	79
Full-time equivalent of other positions	26	27	29
Average number of all employees	124	106	108
Average GS grade	8.7	9.4	9.4
Average GS salary	$11,554	$12,382	$12,603

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Mediation	811	926	982
2. Voluntary arbitration and emergency disputes	584	667	717
3. Adjustment of railroad grievances	812	753	695
Total program costs, funded	2,207	2,346	2,394
Change in selected resources[1]		7	
Total obligations	2,207	2,353	2,394
Financing: Unobligated balance lapsing	285		
Budget authority	2,492	2,353	2,394
Budget authority:			
Appropriation	2,492	2,226	2,394
Proposed supplemental for civilian pay act increases		127	
Relation of obligations to outlays:			
Obligations incurred, net	2,207	2,353	2,394
Obligated balance, start of year	246	231	250
Obligated balance, end of year	−231	−250	−250
Adjustment in expired accounts	−35		
Outlays, excluding pay increase supplemental	2,187	2,211	2,390
Outlays from civilian pay act supplemental		123	4

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $98,000 (1969 adjustment, −$65,000); 1969, $33,000; 1970, $40,000; 1971, $40,000.

Mr. FLOOD. Now we will hear from the National Mediation Board and the National Railroad Adjustment Board. The presentation for the National Mediation Board will be made by Francis A. O'Neill, Jr., as chairman and for the National Railroad Adjustment Board by Charles E. Kief, a member.

BIOGRAPHICAL SKETCHES OF PRINCIPAL WITNESSES

The biographical sketches will be inserted in the record at this point.

(The information follows:)

BIOGRAPHICAL SKETCH OF FRANCIS A. O'NEILL, JR.

Born New York April 3, 1908. Graduate, St. Francis Xavier High School, 1926; B.A., Fordham University, 1929; LL.B., Fordham, 1932. Admitted New York State Bar, 1933, practiced law, New York, 1933–39. Review attorney, New York State Labor Relations Board, 1939, and successively promoted to trial attorney and trial examiner. Lieutenant, U.S. Navy, January 1943 to December 1945; served as gunnery officer on merchant ships in all three areas of war, and thereafter as labor relations officer for the Tristate Area (southern Ohio) Naval District. On discharge from the Navy, returned to the New York State Labor Relations Board and, in April 1946, appointed chief trial examiner. April 1, 1947, after appointment by the President and confirmation by the Senate, took office as a member of the National Mediation Board. January 1950, 1953, 1956, 1959, 1962, 1965, and 1968, reappointed and confirmed by the Senate for successive terms. November 29, 1951, appointed as a member of the Railroad Airline Wage Board and served in this capacity until May 1, 1953, when wage stabilization in these industries ended. Republican. Married. Residence: 314 East 41st Street, New York, N.Y. Chairman of the Board 1949–50, 1952–55, 1957–58, 1960–61, 1963–64, 1966–67, 1969–70.

BIOGRAPHICAL SKETCH OF GEORGE S. IVES

Born Brooklyn, N.Y., January 10, 1922. Son of Irving McNeil and Elizabeth Skinner Ives. Married Barbara K. Turner, August 14, 1948. Children: Elizabeth and Nancy. Graduate, Norwich High School, Norwich, N.Y., 1939; the Taft School, Watertown, Conn., 1940; Dartmouth College, 1943 (A.B.); and Cornell University Law School, 1949 (LL.B). Admitted New York State Bar, 1949 and the bar of the District of Columbia, 1959. Legal assistant to Chairman of the National Labor Relations Board, 1949–50; associate attorney with Simpson, Thatcher & Bartlett, New York City, 1950–53; administrative assistant and legal counsel to former U.S. Senator Irving M. Ives (New York) 1953–58; private practice of law and labor arbitration, Washington, D.C., 1959–69; appointment by the President and confirmation by Senate as member of the National Mediation, Board, September 19, 1969, to serve term expiring on July 1, 1972. Military service in U.S. Naval Reserve (Lt. S.G.) with active duty 1943–46. Member American, New York, and District of Columbia Bar Associations, National Academy of Arbitrators, and American Arbitration Association. Republican. Residence: 5969 Searl Terrace, Washington, D.C. 20016 (Bethesda, Md.).

BIOGRAPHICAL SKETCH OF C. E. KIEF

Charles E. Kief was born in Limestone Township, Peoria County, Ill., on August 13, 1903. Graduated from grade school in 1917. Worked in the coal mines from 1918 to 1923. Worked on various railroads from 1923 until 1937 at which time he began his employment with the grand lodge of the Brotherhood of Railway Clerks in various capacities: Organizer, general representative staff assistant, regional educational director until July 31, 1948. Elected general chairman and held that position from August 1, 1948, until June 30, 1959, at which time he was elected to the present office of vice grand president of the brotherhood.

BIOGRAPHICAL SKETCH OF E. T. HORSLEY

Name: Horsley, Ellsworth T.
Address: 6852 South Shore Drive, Chicago, Ill. 60649.

Date of birth: December 27, 1909.
Place of birth: Dubuque, Iowa.
Experience:
January 16, 1956, to date: Carrier member, first division, NRAB.
September 1, 1952, to January 15, 1956: Carrier member, third division, NRAB.
1928 to August 31, 1952: Illinois Central Railroad.
Education:
University of Illinois, prelaw.
John Marshall Law School, Chicago, Ill., LL.B.
Admitted to bar, State of Illinois, 1945.
Organization: Delta Theta Phi law fraternity.

INTRODUCTION OF SUPPORTING WITNESSES

Mr. FLOOD. Do you have anybody with you, Mr. O'Neill that we should know?

Mr. O'NEILL. Yes. We have Mr. Tracy, the Executive Secretary of the National Mediation Board, and Mr. George Ives, a member of the Board.

Mr. FLOOD. Mr. Kief, who do you have with you?

Mr. KIEF. Mr. Horsley.

Mr. FLOOD. He is a member?

Mr. KIEF. Yes. And Mr. Carvatta, who is the Administrative Officer.

Mr. FLOOD. Mr. O'Neill, how do you wish to proceed?

GENERAL STATEMENT ON NATIONAL MEDIATION BOARD

Mr. O'NEILL. With your permission, Mr. Chairman and the members of the committee, I would offer this statement in the record. I see no particular point in reading it in its entirety. I might hit a few of the high spots in it and then be ready for questioning.

Mr. FLOOD. We will do that.

(The statement follows:)

Mr. Chairman, members of the subcommittee. I appreciate your invitation to appear before the Subcommittee and to discuss with you the National Mediation Board's budget for the fiscal year 1971.

As you know, this independent agency, first established by Congress in 1926, and composed in its present form in 1934, administers the Railway Labor Act. This statute is designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries. Additionally, the National Mediation Board handles questions of representation as they arise in these industries and interprets agreements made in mediation.

The National Railroad Adjustment Board, whose representatives are also appearing today, and who will identify themselves, was also established in 1934 under the Railway Labor Act for the purpose of disposing of grievances arising under the terms of collective bargaining agreements in the railroad industry.

That section of the Railway Labor Act which deals with the disposition of what are termed "minor disputes" was amended by the 89th Congress in Public Law 456, approved June 20, 1966, to permit the decentralization, in some measure, of grievance disposition machinery. Under Public Law 456, new grievances and those which have been on the docket before the National Railroad Adjustment Board for a period of at least 12 months may be referred to a local Board of Adjustment on each individual railroad for expeditious disposition.

Thus, under the Railway Labor Act, Congress has provided for the railroad and airline industries specific machinery and procedures for the adjustment of labor-management disputes, that is, for mediation and the investigation of questions of representation; for emergency dispute procedures and arbitration; as well as for boards of adjustment and a National Railroad Adjustment Board

to handle individual and group grievances arising under agreements between management and the labor organizations concerned.

The budget, as submitted, is designed to identify the functions just discussed and the amounts requested for each.

First—Mediation, which is concerned with the making and amending of agreements. This activity is the responsibility of the National Mediation Board.

A total of $982,000, an increase of $56,000 over the amount available for 1970, is being requested to finance the Board's activities in fiscal year 1971. This increase is required to meet obligations which will be incurred as a result of increased travel costs and the need to fill all positions authorized for the Mediation Board.

The second activity of the Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. In arbitration proceedings, disputes are voluntarily submitted by labor and management to a neutral party for final and binding decision. Emergency boards are created pursuant to section 10 of the act when the Board notifies the President that a dispute threatens substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation. The President may, in these circumstances, in his discretion, create an emergency board to investigate and make recommendations as to the settlement of the dispute involved. Funds available for this activity are used to finance arbitration boards special boards of adjustment, such as those created under Public Law 89–456 about which I have spoken, and emergency boards. The Board is not able to anticipate precisely the total expenditures for these activities and it is therefore advisable to have a small reserve available for emergency situations.

For the fiscal year 1971, the Board is requesting a total of $717,000 which is an increase of $50,000 over the amount allotted for this activity in fiscal year 1970. This increase is for the purpose of financing Boards of Adjustment handling cases which otherwise would have gone to the National Railroad Adjustment Board. The increase represents a transfer of funds from the Adjustment Board and is reflected by a decrease in the funds requested for that activity.

The third activity carried on under this appropriation is the adjustment of grievances in the railroad industry. This activity pertains to the operations of the National Railroad Adjustment Board mentioned earlier, which is concerned with the interpretation or application of wage and rule agreements in the railroad industry. Representatives of the National Railroad Adjustment Board are here to answer questions in regard to this phase of our appropriation request. This is $65,000 less than was allotted for this activity in fiscal year 1970.

In summary, the National Mediation Board is requesting a total of $2,394,000 to finance activities under the Railway Labor Act for the fiscal year 1971. This is an increase of $41,000 over the amount authorized for the fiscal year 1970.

Mr. FLOOD. How do you wish to proceed, Mr. Kief?

GENERAL STATEMENTS ON NATIONAL RAILROAD ADJUSTMENT BOARD

Mr. KIEF. We can hit the high spots. We have only a 4-page statement. I would like to comment on a couple of points in there.

Mr. FLOOD. We will have the statements inserted in the record and then you can, in order, comment upon the main points.

(The information follows.)

NATIONAL RAILROAD ADJUSTMENT BOARD, CHICAGO, ILL., ESTIMATE OF APPROPRIATION, 1971

While many of the members of the committee are familiar with this agency, we believe a brief statement of the establishment and operation of the Board will bear repeating. The National Railroad Adjustment Board was created by Act of Congress, approved June 21, 1934, for the adjudication of disputes between an employee or group of employees and a carrier or carriers, growing out of grievances or out of the interpretation or application of agreements concerning rates of pay, rules or working conditions. The disputes are first handled locally on the property, and if not adjusted there, are processed through successive steps up to and including the chief operating officer of the carrier designated to handle

such disputes. If not adjusted in this manner, they are then referred to the appropriate divisions of the Adjustment Board for settlement.

Public Law 91–234, 91st Congress, H.R. 15349, April 23, 1970, amended the Railway Labor Act in order to change the number of carrier representatives and labor organization representatives on the National Railroad Adjustment Board. The Board is now composed of 34 members, 17 selected and paid by the carriers and 17 selected and paid by organizations of railway employees which are national in scope. The act provides for four divisions of the Adjustment Board, each of which has jurisdiction over disputes involving certain groups of employees. For example, the first division has jurisdiction over disputes involving train and yard service employees; the second division, shop crafts; the third division, clerical forces, maintenance-of-way men, dispatchers, etc.; and the fourth division, water transportation and miscellaneous.

There are eight members, four labor and four carrier on the first division, 10 members, five labor and five carrier on each the second and third divisions, and six members, three of each labor and carrier, on the fourth division. Since the labor and carrier members are equally divided, they frequently deadlock on cases, in which event they attempt and many times do agree upon a neutral, or referee, to sit with the division as a member and make an award. If the division fails to agree upon and select a referee, that fact is certified to the Mediation Board, which Board then selects the referee.

The establishment of a number of special boards on individual properties has somewhat reduced the backlog of cases. In the meantime, new cases continue to be received in substantial numbers. Cases submitted by the nonoperating employees continue at a heavy pace. Causes for the increases are the amendment to the Railway Labor Act permitting the union shop and resulting subsequent agreements; changes in agreements including the adoption of the 40 hour workweek; the national agreement covering vacations, pay for holidays, and time limit for submitting cases.

In order to reduce the large backlog of third division cases, following an agreement of the parties, a supplemental board of 10 members, was established. Salaries of these members were also paid by the parties they represent. The Supplemental Board was terminated by agreement between the participating parties effective June 30, 1969, having been in existence since June 1, 1961.

This Board was instrumental in greatly reducing the number of cases pending before the third division. At the time of its inception there were a total of 3,312 cases on hand and docketed on the third division. As of its closing date of June 30, 1969, the total number of cases on hand was 1,037, a reduction of 2,095 cases.

It is felt that insofar as most of the organizations involved with the division are concerned that the third division is now operating on a current basis.

It might be pertinent to point out that there are approximately 20 standard railroad labor organizations and hundreds of railroads; and it is estimted there are about 5,000 agreements in effect between these carriers and labor orgnizations covering rates of pay, hours of service, working conditions, and so forth. It is these agreements with which we deal.

During the last fiscal year, the four divisions of the Board received and docketed 978 cases and closed 1,724, thereby reducing the number of cases open and pending to 4,278 as of June 30, 1969. This reduction from 5,024 (open and pending as of June 30, 1968) would have been even greater had not the first division been inoperative for the final 6 months of the year. Many of these cases may involve hundreds of thousands of dollars.

The estimate for the fiscal year 1971 is $695,000, which is a decrease of $65,000 from what is estimated for the current year. The reduction was determined on the basis of discontinuing the funding for the first division for the last half of fiscal year 1970 and all of fiscal year 1971. Funds to support the first division, which was dormant (not rendering awards) from January 1, 1969, to April 24, 1970, was reallocated to Boards of Adjustment. We should like to stress the fact that the salaries of the members of the Board, are paid by the labor organizations and the carriers. It is estimated that this amounts to more than $900,000 per year. In addition, both labor organizations and the carriers furnish research and technical assistance to some of their members. Thus, these two parties bear more than half the cost of operation of the Board.

Mr. Chairman, that concludes my statement and Vice Chairman Horsley is prepared to present a further statement. We will be glad to answer any questions.

Mr. O'NEILL. Mr. Horsley desires to present a statement, too.

Mr. FLOOD. We will have Mr. Horsley's statement inserted in the record as well.

(The information follows:)

NATIONAL RAILROAD ADJUSTMENT BOARD, CHICAGO, ILL., ESTIMATE OF APPROPRIATION, 1971

My name is Ellsworth T. Horsley and I am presently one of the carrier members of the First Division of the National Railroad Adjustment Board, having been appointed on January 16, 1956, after serving in the same statutory capacity on the Third Division of the Board from September 1, 1952, to January 15, 1956. For approximately 15 years immediately prior to my membership on these divisions, I was employed by the Illinois Central Railroad Co. doing labor relations work in the personnel department. During that period I practiced before all four divisions on the Board, and it was also my duty to negotiate and assist in the negotiation of many contracts and to confer with labor representatives in the settlement or disposition of grievances, all within the broad field of collective bargaining.

On Monday, April 14, 1969, when appearing with the National Mediation Board before this subcommittee of the Appropriations Committee of the U.S. House of Representatives, Chairman Flood manifested an interest in the backlog of cases pending before the National Railroad Adjustment Board. At that hearing the chairman made reference to page 24 containing justifications for our 1970 estimates as submitted to the House and Senate by the National Mediation Board. He pointed particularly to our 1970 estimate of the workload as comprising 4,824 cases at the end of that fiscal year, commenting about the discouraging rate of reduction amounting to only 120 cases when considering our estimate totaling 4,944 cases at the end of 1969.

We are now in possession of actual case statistics for the fiscal year ending June 30, 1969. These reveal that a much more gratifying reduction of the caseload was accomplished. That year was begun with 5,024 cases pending and during the year the parties filed 978 cases with the agency, thus reaching a total of 6,002. But, also during the year the Board entered 1,126 decisions called awards, 34 of which were without the aid and expense of a referee. This award production reduced the cases on hand to 4,876. The committee is aware of the amendment of June 20, 1966 (Public Law 89–456) providing for the creating of Special Boards of Adjustment and a method by which the parties could withdraw cases on hand at the National Railroad Adjustment Board and dispose of them through such Special Boards. Pursuant to this amendment, the parties withdrew 598 cases in fiscal year 1969 which together with the 1,126 awards entered by the NRAB totaled 1,724 cases, further reducing the number on hand to 4,278 at the close of that year.

In summation, then, the NRAB experience through the fiscal year ending June 30, 1969, reflects a net reduction in workload of 746 cases. This compares, most encouragingly, with the reduction of only 80 cases as estimated for fiscal year 1969.

If I may comment further, the Board's output of 1,126 cases exceeded by 148 cases the total of 978 new submissions received by the Board, and this is without regard to the number of cases withdrawn for the Special Board of Adjustment procedure. While we were able to keep well ahead of the new cases submitted, it should be borne in mind that we have no control over the number of incoming cases.

Surely the Agency's production is not at all one of dark discouragement. It would even have been much brighter had the first division not suffered a state of suspension since January 1, 1969, owing to the statutory problem created by the merger which became effective on that date between the four operating craft unions resulting in creating the United Transportation Union. This impasse has been resolved by the enactment of Public Law 91–234 (H.R. 15349) restoring the division to activity beginning April 24, 1970. We are resuming by taking up 81 cases that remained in the hands of eight referees at the time of suspension.

Another very important question was raised by Chairman Flood in his adverting to and constructively questioning what he has some ground for evaluating as an archaic system of administration and procedure of the National Railroad Adjustment Board.

That observation on April 14, 1969, by Chairman Flood swelled in its impact upon us beginning immediately following the hearing. Between that hearing and the time of our appearance before Senator Magnuson's subcommittee of the Appropriation Committee of the U.S. Senate August 6, 1969, we had realized the caveat relating to the apparent need for a study to be made by an outside management consulting group. Steps had already been taken by then, however, and we outlined them in brief to Senator Magnuson, explaining that we were attempting to effectuate Chairman Flood's constructive criticism.

Perhaps there is no outside management consulting group quite as effective, in a real sense, as those who are interested in the relationship between the budgetary source of funds and work accomplished by the funds appropriated.

In May, following the April 14, 1969, hearing before Chairman Flood, Mr. David Kleinberg of the Bureau of the Budget made a thorough review of this Agency through in-house conferences with its Administrative Officer Mr. Roy J. Carvatta and members of the Board. This was a most cooperative and enlightening visit and his suggestions with respect to organizational, procedural, and personnel problems as well as those stemming from the questionable adequacy of physical facilities are well taken.

The four divisions of our Board are located in two separate buildings about five city blocks apart. This is in itself a source of inefficiency and is the first condition to be corrected before the close of this fiscal year of 1970. Quarters presently occupied by the first division at 32 West Randolph Street in Chicago are scheduled by GSA to be vacated in June 1970. The offices are to be colocated with the other three divisions in existing leased space at 220 South State Street in Chicago. This accounts for a saving to the Government of $72,134 per annum by releasing approximately 14,000 square feet of floor space at the present location.

Further cooperation of the Bureau of the Budget consonant with the views expressed by Chairman Flood on April 14, 1969 has greatly assisted us in eradicating longstanding inefficiencies of administering the entire Agency. The following basic revisionary plan was placed in effect on January 8, 1970, pursuant to a meeting on that date between the authorized representatives of the NRAB and members of the National Mediation Board together with Mr. Kleinberg from the Bureau of the Budget:

1. The administrative officer, NRAB, is given the power of appropriation and administration of funds expended for competitive employees and for the general administration of the NRAB as an agency. NRAB-authorized members have the power to apportion funds to meet expense of referees.

2. Cognate with the recognized jurisdiction of the administrative officer and the administration of funds expended for competitive employees and for the general administration of this agency, he has been given the power of selection and separation together with related supervision of executive secretaries of the divisions and their staff members. Individual NRAB members have the traditional authority to select and separate their respective confidential assistants.

Other suggestions from the representative of the Bureau of the Budget have been taken up and are now in varying stages of completion. Chief among these suggestions is (*a*) the establishment of one properly constituted executive committee to effectuate (1) above; (*b*) the centralizing of all storing and issuing of supplies for the agency; (*c*) consolidation of separate board rooms for all divisions; (*d*) centralized reproduction of all material published by the agency; (*e*) close examination looking toward overhauling of the entire administrative staff.

The consolidation and centralization suggestions have permitted the reduction of four Executive Secretary positions to three and lends to plans for future operation with only one such position. Our consideration of a modernized agency continues into many of the other helpful suggestions such as the relinquishment of space occupied by the duplication of files which has grown in 35 years. The amended statutory complement of 34 members contributes to even further space economy. To date we have released 85 file cabinets at an annual saving of $3,000.

Through the office the Government administrative officer, we are and have been complying with the Bureau of the Budget guidelines to reduce overall employment. In 1969 the administrative staff was reduced from 60 to 50. In 1970 this has been further reduced to 45. All of this effects a saving of $120,000 per annum, excluding Government contributions.

Our goals are set with all of these accomplishments in mind to the end that we can create an economical, smoothly running administration of the business of this agency. It is intended that through the elimination of costs envisioned by these steps, substantial funds will be thus available for use in the work of accomplishing and increasing the disposition of cases coming before this tribunal.

To briefly recapitulate, the management improvements stemming from our meeting with this committee on April 14, 1969, and the subsequent guidance extended to us by the Bureau of the Budget and the National Mediation Board have enabled us to annually reprogram the sum of $195,134 in order to accomplish the objective started in the next preceding paragraph.

In concluding, may we state that with the colocation of this agency necessitating it occupying parts of eight floors with the First Division alone being scattered on parts of three floors, General Services Administration has advised that, inasmuch as the present lease will expire in April 1971, consideration will be given this October to securing contiguous space occupancy in the same area. This will, of course, contribute to more settled operation and consequent greater dollar-related efficiency.

Mr. FLOOD. Mr. O'Neill, we will hear from you.

INCREASED TRAVEL COSTS

Mr. O'NEILL. The only increase in the budget for National Mediation Board is in the sum of $56,000. This is to meet obligations incurred as a result of increased travel costs authorized by the Congress.

We feel, Mr. Chairman, we have not authorized the increase from $16 to $25 a day. We have put our men on a $20 per diem rather than $16, with an understanding that if they are in a town where the hotel bills are high they can submit a receipted hotel bill and we will pick up to $25. This is in a trial period. We thought it would not be prudent to just give the $25 right off.

REDUCTION IN STAFF

That is the only increase. We are not asking for any additional employees. In fact, after you hear the testimony from the National Railroad Adjustment Board, I think you will find that there will be an overall reduction of 19 employees in these two operations.

Mr. FLOOD. That is very startling information. We rarely hear that kind of thing.

COMPENSATION OF NEUTRAL MEMBERS

A substantial portion of your budget is required for compensation of neutral members on emergency boards, arbitration boards and special boards and boards of adjustment.

Mr. O'NEILL. That is correct.

Mr. FLOOD. How is the rate of pay for these people determined?

Mr. O'NEILL. It is fixed at a maximum of $100 per day with the per diem not to exceed $25. In this field, Mr. Chairman, it's pretty difficult to get experienced referees and arbitrators to serve for $100 a day, but that is the limit the Congress has permitted.

HIGH COST OF RENTS AND UTILITIES

Mr. FLOOD. There seems to be considerable variation in the relationship of salaries to other costs on these boards. For example, on page 31 of your justifications, you show a total cost of $15,107 for running

an emergency board involving the Illinois Central, the L. & N. and the Belt Railroad of Chicago of which $4,628 is for rents and utilities. That seems pretty high. How do you explain the high proportion of costs for rents and utilities? It's rather startling.

Mr. O'NEILL. That Emergency Board, Mr. Chairman, was set up after a most prolonged dispute involving the size of the yard crews, mostly represented by the Brotherhood of Railroad Trainmen. The strike has persisted for some 75 days on the Belt Railroad of Chicago, and then struck the L. & N. and the Illinois Central. When that happened we recommended an emergency board to the President, who went along and signed the order.

On its face, it may look as though it's a dispute involving just those three railroads, but it involved the entire crew complement problem throughout the country.

Mr. FLOOD. I don't doubt that, but how do you explain this very high proportion of costs for rents and utilities? I gave you the figures.

Mr. O'NEILL. These hearings were held in the city of Washington, Mr. Chairman, and Government space is at a premium here. You just cannot obtain adequate hearing rooms for Presidential Emergency Board hearings, with the result that we had to hire hotel rooms. They did use the Departmental Auditorium at times, too.

OTHER EXPENSES

Mr. FLOOD. Take a look at page 15. It's very much along the same line. Under the "Special Boards of Adjustment," we find in the first item there, Southern Pacific-UTU, $3,594.09 for what you call other expenses out of a total of $10,044.09. What would make the ratio of other expenses to the total so very, very high in this case?

Mr. TRACY. This item includes the per diem computation, Mr. Chairman, and other expenses. The amount of travel is what raises these costs. The amount of travel cost sometimes is almost equivalent to the salary.

SELECTION OF REFEREES

Mr. FLOOD. What is your procedure for selection of referees for the National Railroad Adjustment Board?

Mr. O'NEILL. The Mediation Board solicits biographical sketches of persons who served in the arbitration field. Although we don't retain a roster of such, we do have a current list of available people. We maintain a personnel docket on each one. After inquiry, either in the bar associations or National Academy of Arbitration, we then look over a man's record and decide whether he is capable of handling matters in this field.

BACKLOG OF PENDING RAILROAD GRIEVANCE CASES

Mr. FLOOD. I know that you had a backlog of pending railroad grievance cases of 4,277 at the end of fiscal year 1969. You expect to reduce this to 3,757 at the end of fiscal year 1970 and then reduce it to 3,121 at the end of fiscal year 1971. Do you think that is commendable progress?

Mr. O'NEILL. I would prefer to have the members of the National Railroad Adjustment Board answer that question, Mr. Chairman.

Mr. FLOOD. All right. Is that progress?

Mr. KIEF. Yes; it is progress, because we have made considerable progress on the Adjustment Board in reducing the backlog of cases. That was brought about mainly by reviewing the cases before they are submitted to the Board. We encouraged the general chairmen who handle the cases back on the property to discuss them with the carrier officers and to prevail upon the carriers to do the same thing. We have screened them to reduce the number of cases that come up there because many of the cases submitted should not be persented to the Board, based on the amount that is involved, and there are many that are lacking in principle.

We have also kept the referees going and kept a number of referees on at all times, which helps out in reducing the number of cases.

NATURE OF GRIEVANCES

Mr. FLOOD. What is the nature of your grievances today? We have seen them change down through the years. As of today, what is the nature of most of your grievances? In other words, what do you spend most of your time on?

Mr. KIEF. Most of our time is spent in handling cases with referees. I am on the third division and they have the bulk of the disputes. In my report we have noted the first division is now back in operation as a result of amending the Railroad Labor Act.

Mr. FLOOD. What is the nature of most of this?

Mr. O'NEILL. It's the actual interpretation of the agreements made between the unions and the railroads. A conservative estimate would be a thousand new agreements made throughout the country each year, in addition to your national agreements which must come to the Adjustment Board for interpretation.

MOST IMPORTANT ISSUE

Mr. FLOOD. Much is being said and written since you were here last on the labor disputes with railroads and airlines. What is the most important issue today with those two carriers?

Mr. O'NEILL. Money, pure and simple. With the inflation that we have today, the unions tell us that they must have substantial wage increases. We just finished the strike of the National Airlines Monday morning. There were a lot of rules involved, changes in the working conditions, but money was the principal item.

Mr. FLOOD. In both of these?

Mr. O'NEILL. Both the airlines and the railroads. The railroad wage situation is, let's say, in the state of flux for the year 1970. We don't know just how it's going to go.

Mr. FLOOD. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

LABOR ORGANIZATIONS IN AIRLINE INDUSTRY

How many individual labor organizations are there in the airline industry?

Mr. O'NEILL. I would say 10 or 12. It's different from the railroad industry, in that you do have competing unions for the same classes in

the airline industry. That is not true in the railroad industry. The dispatchers are represented by the railroad dispatchers. The clerks are represented by the Brotherhood of Railroad Clerks.

You get over into the airline field and you do have a tremendous amount of competition. For instance, the Teamsters have representation on many airlines, and they are not in the AFL and CIO and therefore are not barred by the no-raid pact. So they seek to get representation with the employees. By the same token the AFL–CIO union will attempt to get representation of contract help.

Mrs. REID. Do the stewardesses have separate organizations?

Mr. O'NEILL. You have stewardesses represented by an affiliate of the Airline Pilots Association and also by the TWU.

TYPES OF AGREEMENTS UP FOR RENEGOTIATION

Mrs. REID. You stated that you anticipate the caseload of the Board to increase significantly in fiscal year 1971 due to the fact that many of the agreements in the airline industry will be open for renegotiation and will require mediation. Could you list for the record the types of agreements that will come up for renegotiation?

Mr. O'NEILL. The Airline Pilots Association agreements will all be coming up. Your mechanics are represented by the International Association of Machinists and TWU. TWU is Transportation Workers Union of New York, formerly headed by Michael Quill. They have representation on American Airlines, Pan American, Seaboard and a few others. They will be coming up in fiscal year 1971. They require a tremendous amount of mediation time because it's not unusual in the airline industry for the union to ask for 120 changes and for the airline, not to be outdone, to say, "We will settle for 100 changes." They do some bargaining, but eventually the whole kit and kaboodle is placed in our lap. That is why we say we are going to have increased activity in 1971.

BACKLOG OF CASES

Mrs. REID. How much of a backlog of cases does the National Railroad Adjustment Board have at this time?

Mr. O'NEILL. Mr. Keif and Mr. Horsley will be able to answer that. Page 26 shows the cases that were on hand.

Mrs. REID. Would you insert that in the record?

(The information follows:)

Caseload by divisions, end of April, 1970

First Division	2,777
Second Division	161
Third Division	890
Fourth Division	45
Total all Divisions	3,873

Mrs. REID. Thank you very much.

Mr. FLOOD. Mr. Horsley, do you have anything to add?

Mr. HORSLEY. Thank you, Mr. Chairman. On page 27 on the caseload, based on the 1971 estimate, I took the liberty, in anticipating a question of the current condition on the part of this committee, to check actual figures as they exist now. I find that while the estimate for 1971 on the pending cases at the beginning of the year is stated

as 3,757 on page 27, it actually stands at 3,873. The next statement, received during the year, is shown as 1,241 on an estimate basis, and in actuality it is only 1,000. The next statement as closed during the year is shown as 1,877 in our estimate but in actuality it should project toward 2,190, based upon the condition as it exists today and 4 months actual experience, so that instead of the 3,121 estimated to be pending at the end of the year, this projection indicates that there will be 2,683 pending at the end of the year.

As I said, I anticipated perhaps there might be a question about the actual condition a little more realistically than this estimate made some time ago.

To answer the chairman's question then, I do think that we can show this greater reduction with the reactiviation of the first division by Public Law 91-234, and we could look forward to reducing it even beyond that. We have not made an estimate at this time because that law to which I just referred was signed on April 23, 1970.

TYPES OF PENDING CASES

The chairman asked a most interesting question concerning the kind of cases which we are treating now.

Very briefly, I should like to say that from an operating standpoint on the first division, Mr. Chairman, they have to do with the newer, more modern questions such as unit training operation. I am sure the chairman recognizes that means a minimum of 100 cars which are not—the train is not broken up, it remains intact from point of origin to destination. Many questions arise with respect to the operation of unit trains.

Then there are other questions concerning away-from-home expenses which emanate from some of the newer agreements. Along with that, consonant with that kind of question, are the disputes concerning suitability of housing accommodations away from home.

I submit, Mr. Chairman, that when you get into questions of suitability and reasonableness, you do have disputatious questions. That is all I have with respect to the present status of the experience of the Board.

If I may get into my statement when the time comes and make a few brief remarks on that.

Mr. FLOOD. Yes.

Mr. HORSLEY. Thank you.

Mr. FLOOD. Do you have a statement to make now?

Mr. HORSLEY. Yes. You very kindly noted its acceptance into the record. If I may, I will sum it up briefly.

MANAGEMENT ANALYSIS

You may recall we last met with you on April 14, 1969. At that time you made some observations which were constructively critical with respect to supposed archaic conditions in which we might be working. You suggested at that time, if I may say so, the question: "Had we given any consideration to a management consulting firm to examine us?" That was a most appropriate thought. We felt adjured upon leaving here to do something about it.

As I say, that meeting was April 14, 1969. Well, less than a month later, in the following month of May 1969, we were visited by an examiner of the Bureau of the Budget in cooperation with the National Mediation Board, who did such a survey of our agency out in Chicago, consonant with, I believe, the thought that you had when you suggested a management consulting firm.

It seemed to us then, as long as that visit was being made by these Government officers and those of the Mediation Board, that no one is perhaps more interested in the health and the expenditures of an agency than those officers concerned with the budgetary source of funds. So we were well entertained by these people and we entertained them.

IMPROVEMENTS IN OPERATION

Some suggestions have come forth and are being effectuated on a progressive basis at the moment, all geared in with what I thought was the constructive criticism you made at our last meeting here.

At the outset, perhaps one of the most contributory changes that could be made toward greater efficiency is housing the agency under one roof, which was not the condition when we were before you last. It is not yet, but before the end of this fiscal year or in this month, the first division, of which I am vice chairman and member, will be moved to the same roof now housing the other three divisions.

Mr. Chairman, I have shown in my statement that that realizes a saving of $72,134 a year by virtue of releasing some 14,000 square feet of space.

The other points, very briefly, have to do with your original suggestion, we thought, when we left this hearing room last year. That is the establishment of one properly constituted executive committee in order to relieve the members of the multimember agency from getting into anything other than the discharge of their obligation and disposing of cases. So such a committee should be effectuated, that is one of the suggestions of the Mediation Board and Bureau of the Budget.

The centralization and storing of all materials and supplies, it does sound unimportant, but actually, our administrative officer tells us that it is a dollar-related efficiency step. Then each of the four divisions had a separate board room of quite some floor space, as large as your hearing room here. Those are being consolidated into a board room for all divisions.

The centralizing of reproduction of all materials through the oversight of our administrative officer is another step, I believe, that is again consonant with your consideration of an outside management consulting firm's aid, which we believe we have accomplished through our own intramural activities in the Government. That reproduction of material should go to printing. We have a printing bill each year which may realize a saving.

In conclusion, there is a saving of $120,000 per year in reducing our force to 45 people. Then there is a small saving of $3,000 by virtue of getting rid of excess cabinets due to placing us under one roof. All in all, we will have accomplished, since being here last year, a reprograming of $195,134 to contribute toward the expenses that will have to be

made in order to arrive at this consolidation of the agency, and if I may say so, we appreciated last year's caveat and we are going forward on the best basis possible. We think we have already shown some steps and we will have more to exhibit as time goes by.

That is all I have at the moment. Thank you, Mr. Chairman.

Mr. FLOOD. Yes, I am sure you will.

Mr. KIEF. I would like to comment a little with respect to improvements in the operation of the Board. The labor organizations have been meeting and drawing up uniform rules that would be used on all four divisions, which would likewise be a considerable saving in the matter of typing, paper, putting all the printing matters of the four divisions into one operation so as to expedite the handling of disputes, and likewise a savings in expenses.

We hope through this uniform rules handling involving all four divisions, which is now in the hands of the carrier representatives for approval, as soon as that is approved that will speed up the operation of the Board along with what Mr. Horsley presented.

Thank you.

Mr. FLOOD. Thank you, gentlemen.

Justification of the Budget Estimates

NATIONAL MEDIATION BOARD

DIGEST OF ESTIMATE OF APPROPRIATION, 1971

FUNCTION OF THE BOARD

The National Mediation Board administers the Railway Labor Act governing labor relations in the railroad and airline industries. The general purposes of the Act are as follows:

1. To avoid any interruption to commerce or to the operation of any carrier engaged therein;

2. To forbid any limitation upon freedom of association among employees or any denial, as a condition of employment or otherwise, of the right of employes to join a labor organization;

3. To provide for the complete independence of carriers and of employees in the matter of self-organization;

4. To provide for the prompt and orderly settlement of all disputes concerning rates of pay, rules, or working conditions;

5. To provide for the prompt and orderly settlement of all disputes growing out of grievances or out of the interpretation of application of agreements governing rates of pay, rules, or working conditions.

These general purposes are implemented through the activities of the National Mediation Board, Arbitration and Emergency Boards and the National Railroad Adjustment Board.

PROGRAM AND PERFORMANCE

1. Mediation. The Board mediates labor disputes and determines collective bargaining representatives for the 700 carriers and the one million employes in the railroad and airline industries.

Mediation Cases	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Pending, start of year	629	589	491	451
Received during year	261	324	360	360
Closed during year	301	422	400	400
Pending, end of year	589	491	451	411

2. Voluntary arbitration and emergency disputes. When mediation fails, the parties are urged to submit their differences to arbitration. If neither mediation nor voluntary arbitration is successful, the President, when notified of disputes which threaten seriously to interrupt service, may appoint an emergency board to investigate and report on the disputes as a basis for agreement. Neutral members of Arbitration Boards and members of Emergency Boards are paid from this account. Boards of Adjustment established pursuant to provisions of PL 89-456 are also financed under this program

	Number of Boards Convened			
	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Arbitration Boards	10	5	10	10
Emergency Boards	2	4	7	7
Special Boards of Adjustment	83	74	50	50
Public Law Boards	125	222	250	300

3. Adjustment of railroad grievances. Railroad employee grievances resulting from application of collective bargaining contracts may be brought for settlement to the National Railroad Adjustment Board. The Board is composed of an equal number of carrier and union representatives compensated by the party or parties he represents. Administrative direction and guidance is provided by the Administrative Officer and clerical assistants who are compensated by the National Mediation Board. The appropriation also provides for neutral referees to sit with the Board when they are deadlocked.

Funds to support the First Division of the National Railroad Adjustment Board, which is currently dormant, have been reallocated to Boards of Adjustment for fiscal years 1970 and 1971.

	Workload			
	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Pending, beginning of year	5,346	5,024	4,277	3,757
Received during year	1,395	978	1,230	1,241
Closed during year	1,717	1,725	1,750	1,877
Pending, end of year	5,024	4,277	3,757	3,121
Referee days of service	1,726	2,032	2,000	2,135

SCHEDULE OF FUNDS AVAILABLE FOR OBLIGATION AND AN

ANALYSIS OF OBLIGATIONS BY UNIFORM OBJECT CLASS

Standard Classification		1969 Actual	1970 Estimate	1971 Estimate
Personnel compensation:				
11.1	Permanent positions	$1,076,008	$1,087,250	$1,064,500
11.3	Positions other than permanent	670,635	704,000	742,000
11.5	Other personnel compensation .	3,870	3,700	3,700
	Total personnel compensation .	$1,750,513	1,794,950	1,810,200
12.0	Personnel benefits	101,201	106,150	110,300
21.0	Travel and transportation of persons	221,254	278,000	315,000
23.0	Rent, communications and utilities	64,145	66,000	67,000
24.0	Printing and reproduction	37,914	39,500	42,000
25.1	Other services	14,400	23,500	23,500
26.0	Supplies and materials	12,904	15,000	15,000
31.0	Equipment	4,704	29,900	11,000
	Total obligations	$2,207,035	2,353,000	2,394,000

NATIONAL MEDIATION BOARD

PROGRAM AND FINANCING

	1969 Actual	1970 Estimate	1971 Estimate
Program by activities:			
1. Mediation	$ 811,193	$926,000	$982,000
2. Voluntary arbitration and Emergency disputes	583,842	667,000	717,000
3. Adjustment of railroad grievances	812,000	760,000	695,000
Total program costs - obligations /1	$2,207,035	2,353,000	2,394,000
Financing			
Unobligated balance lapsing	284,965	---	---
New obligational authority (appropriation)	2,492,000	2,353,000	2,394,000
New obligational authority:			
Appropriation	2,492,000	2,353,000	2,394,000

PERSONNEL SUMMARY

	1969 Actual	1970 Estimate	1971 Estimate
Total number of permanent positions	98	79	79
Full-time equivalent of other positions	26	27	29
Average number of all employees	124	106	108
Average GS grade	8.7	9.4	9.4
Average GS salary	$11,554	$12,382	$12,603

/1 Selected resources as of June 30 are as follows: unpaid undelivered orders, 1968, $98 thousand; (1969 adjustments -$65 thousand); 1969, $33 thousand; 1970, $40 thousand; 1971, $40 thousand.

NATIONAL MEDIATION BOARD

ORGANIZATION AND ACTIVITIES

Activity: MEDIATION

The amended Railway Labor Act administered by the National Mediation Board is the culmination of more than 70 years of experience in the field of Federal legislation dealing with the relationship of employer and employee in the transportation industry. This history commenced with the passage of the Newlands Act by the Congress in 1898, and through several successive steps of legislative action, has finally resulted in the present Railway Labor Act, passed in 1926 and amended in 1934. The airline industry was placed under this law by the Congress in 1936.

The basic aims of the present act are to promote the settlement of all disputes concerning rates of pay, rules and working conditions by negotiation and agreement between the duly authorized and designated representatives of management and the employees. This is accomplished through the process of collective bargaining between the representatives of the rail and air carriers and their employees. Representatives for this purpose may be chosen by each party without interference, influence or coercion of either party on the other.

The primary obligation imposed by the Act on both parties is that of making agreements to govern rates of pay, rules and working conditions and to reduce strife in the industry.

The Act also imposed the definite obligation on both sides to confer and make every reasonable effort to adjust their differences through negotiation and agreement. When this is not found possible the mediation services of this Board may be invoked by either party and the Board then exerts its best efforts in mediation to bring about a settlement. Should these efforts be unsuccessful, the law then makes it the duty of the Board to urge the parties to submit their differences to final and binding arbitration. As a last resort the Board may certify to the President emergencies which threaten to interrupt interstate commerce to a substantial portion of the country, and the controversy may then be considered by an emergency board.

The Mediation Board also determines representation disputes arising among various crafts or classes of railroad and airline employees, by conducting secret ballot elections or checking signed authorization cards, and certifies the names of the chosen representatives to the carriers. In addition, the Board appoints referees to sit with the various divisions of the National Railroad Adjustment Board on deadlocked cases, and, when requested to do so appoints neutral arbitrators to sit with arbitration boards set up under the Act. The Board also appoints neutrals to work with boards of adjustment on the rail carriers and with system boards of adjustment on the airlines.

Approximately 1,000,000 rail and airline employees are under the jurisdiction of this Board and the Act.

The Mediation Board has three members who are presidential appointees, and 39 employees, making a total staff of 42. All of the staff, with the exception of the Board Members, are under the classified civil service.

STATUS OF WORK OF BOARD

The case load of the Board in the past fiscal year decreased approximately 17 per cent. This decrease is primarily the result of the handling of certain disputes in the railroad industry on an industry-wide basis through national committees. These disputes, although covering most of the nation's railroads, involved similar issues. While such disputes were being progressed, new applications for the Board's services covering similar issues were somewhat reduced on an individual railroad basis. As pattern settlements continue to be reached on some of the major carriers, many related disputes on other railroads may be disposed of with a minimum of mediation effort.

However, during the remainder of fiscal year 1970 and for fiscal year 1971, it is anticipated that the case load of the Board will increase significantly due to the fact that many of the agreements in the airline industry will be open for re-negotiation and will require mediation.

The following table shows the actual case load figures for 1968 and 1969, and estimated figures for 1970 and 1971 based on experience for the past four years. This table is divided to show cases pending at start of year, cases docketed, cases closed and cases on hand at the end of each fiscal year. The estimated workload for 1971 is based on analysis of cases received for the past three years.

Mediation Cases	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Pending, start of year	629	589	491	451
Received during year	261	324	360	360
Closed during year	301	422	400	400
Pending, end of year	589	491	451	411

AIR LINE CASES

Title II of the Railway Labor Act, placing the airlines of the United States thereunder, was approved April 10, 1936. During the first few years thereafter, very few cases arose among airline employees requiring the mediatory service of this Board, or its services in connection with representation disputes. Organizational activity among certain employee groups in the airline industry is still in progress and numerous individual labor organizations are involved.

Technological changes have continued in the airline industry bringing in their wake labor problems arising out of requests for revised working rules and increased compensation. The increased earning capacity of larger and faster planes have brought demands for higher wages. The introduction of new equipment raises manning issues.

The establishment of new routes or changes in established routes have resulted in approaches for changes in agreements, which include rules and rates of pay for such service by flight crews in particular.

Consolidation of established airlines by purchase and merger has resulted in disputes involving the status of the personnel of the affected units including integration of seniority lists, severance pay formulae, etc. The airline industry is still expanding and mergers and consolidations under authority of the Civil Aeronautics Board continue. Many problems arise in connection with this phase of airline operations which eventually often become subjects of mediation.

Except for the pilots, who are represented by a single labor organization, other groups on the airlines are represented by many different organizations, which has resulted in a divergency in the terms of agreements on rates and rules. Many of the classes of ground service employees are still unrepresented, and with organizing campaigns in progress among them by various organizations, we do not anticipate a decline in the number of representation disputes among airline employees.

REVIEW OF OPERATIONS

In the railroad industry problems, which PL 88-108 approved August 28, 1963, was intended to dispose of, continue to be a factor in labor disputes. Upon the expiration of PL 88-108 early in 1966, the labor organizations initiated demands in areas which had been the subject of the Public Law. Final resolution of many of these problems is still pending the outcome of direct negotiations between the parties or mediation.

In the airline industry all organizations continue to press for more favorable contracts covering issues involving jobs security, union shop and wage increases. The Board does not anticipate any decline in its work load, but rather expects an increase as the organizations' efforts continue to be directed toward more favorable agreements. The steady increase in the cost of living index is a significant factor in the demands for higher wages.

Representation disputes in both the airline and railroad industries are increasing. Railroad employees, in some instances, are seeking a change in representative. Unorganized airline employees are expressing their desire for representation in increasing numbers, some of which is the result of mergers among certain airline companies.

ANALYSIS OF TRAVEL, 1969

Year	Total Travel Days	Cost per Travel Day	Total	Number Cases Closed	Travel Days Per Case	Number of Travelers	Travel Days per Traveler
1967	3,645	$28.00	$103,448	336	11	23	158
1968	3,612	28.60	103,208	301	12	21	172
1969	3,851	28.50	109,868	422	9	20	193
1970	3,867	37.50	144,500	400	10	22	175
1971	4,050	40.00	162,500	400	10	23	174

SUMMARY

The amount requested for this activity is $982 thousand which is an increase of $56 thousand over the past year's estimate. The major portion of this increase $36,000 is required for annualization of mediator positions filled in 1970 and anticipated within-grade promotions.

The remaining $20,000 will be used for annualization of the increased per diem allowance and increased costs in communications services and printing.

ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: MEDIATION	1969 Actual	1970 Estimate	1971 Estimate
11 Personnel compensation			
Permanent positions	$613,191	$683,250	$717,000
Positions other than permanent..	3,700	4,000	4,000
Pay above the stated annual rate	1,920	2,200	2,200
Total personnel compensation .	618,811	689,450	723,200
12 Personnel benefits	45,517	51,050	53,300
21 Travel and transportation of persons	109,868	144,500	162,500
23 Rent, communications and utilities	23,527	24,500	25,500
24 Printing and reproduction	7,138	7,000	8,000
25 Other services	1,125	2,500	2,500
26 Supplies and materials	3,898	5,000	5,000
31 Equipment	1,309	2,000	2,000
Total obligations	811,193	926,000 /1	982,000

/1 Includes $87 thousand, proposed supplemental for civilian pay act increase.

Activity: VOLUNTARY ARBITRATION AND EMERGENCY DISPUTES

Despite the labor unrest in the industries subject to the Railway Labor Act, the number of legal work stoppages in the airline and railroad industries has been relatively low as compared to other industries. While there have been many incidents which potentially threatened to interrupt rail and air traffic, the Board feels that the whole record of this performance indicates that its efforts have, in the main, succeeded in keeping the wheels of the transportation industry moving. In many instances the efforts of the members and staff of the National Mediation Board are successful in achieving peaceful settlements of labor disputes through the procedures financed under this activity establishing emergency and arbitration boards as well as special boards of adjustment.

A total of $717,000 is requested for this activity to finance operations in the fiscal year 1971. This is an increase of $50,000 over the amount allocated for fiscal 1970, and $133,000 over the amount obligated in 1969.

Emergency Boards. Under the terms of Section 10 of the Railway Labor Act, if a dispute between a carrier and its employees is not adjusted through mediation or the other procedures prescribed by the Act, and should, in the judgment of the National Mediation Board, threaten to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service, the Board shall notify the President, who may thereupon, in his discretion, create an emergency board to investigate and report to him respecting such dispute. An emergency board may be composed of such number of persons as the President designates, and persons so designated shall not be pecuniarily or otherwise interested in any organization of employees or any carrier. The compensation of emergency board members is fixed by the President. An emergency board is created separately in each instance, and is required to investigate the facts as to the dispute and report thereon to the President within 30 days from the date of its creation.

During the past fiscal year four emergency boards were created. Reimbursements for these four boards amounted to $55,071.

Arbitration Boards. Section 5.3(a), of the Railway Labor Act, provides in the event mediation of a dispute is unsuccessful, the Board shall endeavor to induce the parties to submit their controversy to arbitration under the provisions of Section 7 of the Act. Generally, arbitration boards consist of three members, a representative of the carrier and of the organization and a third neutral member. The compensation of the neutral member is fixed by the National Mediation Board.

Two arbitration boards were created during the past fiscal year, but have not met. Five boards created in the previous fiscal year convened for which a total of $9,987 was obligated.

Special Boards of Adjustment. Public Law 89-456 was approved June 20, 1966. This law provides that either the carrier or the organization can request the establishment of a special adjustment board to dispose of disputes otherwise referable to the National Railroad Adjustment Board.

Neutral members of such boards will be appointed and compensated by the National Mediation Board. In addition to neutrals appointed to dispose of disputes involving grievances, neutrals may be appointed to dispose of procedural issues which arise as to the establishment of the Board itself. These neutrals will also be compensated by the National Mediation Board. The interest of both the carriers and organizations in this procedure indicates that many demands will be made upon the Board for the payment of neutrals.

During the past year 192 PL Boards were docketed, and 222 convened, costing $325,017.

Of the 222 boards convened during the year, 29 were boards appointed to dispose of procedural issues which cost $15,830. The remaining 193 merit boards disposed of 1,652 cases at a cost of $309,187.

Special Boards of Adjustment continued to function during the past year. Twelve new special boards were created, and during this period a total of 74 boards convened. The number of these boards continues to decrease; during the previous fiscal year 83 special boards of adjustment met. A total of $173,767 was obligated for these boards during fiscal 1969, and they disposed of 1,290 cases as of June 30.

In summary, the expenditures for this activity during 1969 were as follows:

Emergency boards	$ 55,071
Arbitration Boards	9,987
Public Law Boards	325,017
Special Boards of Adjustment	173,767
Communications services	20,000
	583,842

The requested increase of $50,000 in this activity is needed to meet the increasing demands of both the carriers and organizations for neutrals appointed pursuant to PL 89-456.

The following table shows the actual number of Special Boards and Public Law Boards docketed, convened, and the total cost for fiscal years 1967 thru 1969.

	Special Boards of Adjustment			Public Law Boards		
Fiscal Year	Number Docketed	Number Convened	Total Cost	Number Docketed	Number Convened	Total Cost
1967	35	136	$ 285,397	66	31	$ 38,613
1968	10	83	211,540	147	125	241,031
1969	12	74	173,767	192	222	325,017

We do not anticipate there will be a decrease in the volume and cost of these boards. It is not possible to forecast precisely the total expenditures needed for this activity, nor to determine exactly the amount required for the various types of boards established. The estimate is based on past experience, knowledge of the industry problems, and a reasonable reserve for contingencies.

ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: VOLUNTARY ARBITRATION AND EMERGENCY DISPUTES

		1969 Actual	1970 Estimate	1971 Estimate
11	Personnel compensation			
	Positions other than permanent	$462,852	$520,000	$547,000
12	Personnel benefits	13,160	15,000	18,000
21	Travel and transportation of persons ..	73,499	95,000	115,000
23	Rent, communications and utilities	23,285	24,500	24,500
24	Printing and reproduction	1,582	2,500	2,500
25	Other services	9,464	10,000	10,000
	Total obligations	583,842	667,000	717,000

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EMERGENCY BOARDS, 1969

No.	Carrier and Organization	Salaries	Other Expenses /1	Printing	Stenographic Reporting Service	Rents & Utilities	Total
172	Illinois Central RR, L&N RR, Belt Ry of Chicago - UTU (T)	$ 7,350.00	2,139.00	370.00	620.00	4,628.00	15,107.00
173	Long Island - UTU (T)	12,275.00	1,726.00	440.00	1,087.00	1,005.00	16,533.00
174	National Railway Labor Conference - BLE and UTU (C)	6,200.00	1,940.00	515.00	2,675.00	1,080.00	12,410.00
175	National Railway Labor Conference - BRS	6,400.00	985.00	279.00	2,506.00	851.00	11,021.00
		32,225.00	6,790.00	1,604.00	6,888.00	7,564.00	55,071.00

/1 Per Diem, Transportation and FICA Contribution

ARBITRATION BOARDS, 1969

No.	Carrier and Organizations	Salaries	Other Expenses /1	Stenographic Reporting Service	Total
231	Erie Railroad Co. - UTU (T)	1,600.00	113.00	---	1,713.00
289	Erie Lackawanna RR Co. - BRC	200.00	9.00	---	209.00
298	Nat'l. Ry Labor Conference & Nat'l. Conf Comm and Five Coop Ry Labor Organizations	4,300.00	1,150.00	207.00	5,657.00
301	St. Louis-San Francisco - ATDA	1,700.00	118.00	---	1,818.00
302	Pan American World Airways - ALDA	---	---	590.00	590.00
		7,800.00	1,390.00	797.00	9,987.00

/1 Per Diem, Transportation, and FICA Contribution

SPECIAL BOARDS OF ADJUSTMENT, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
18	Southern Pacific - UTU (F-C-T)	Hanlon	Parties	112	$ 6,450.00	$ 3,594.09	$10,044.09
41	Texas and New Orleans - UTU (T)	Moore	Parties	5	2,375.00	641.45	3,016.45
140	Chicago, Milwaukee, St. Paul - UTU(C-T)	Boyd	Parties	33	945.63	453.06	1,398.69
161	Long Island - UTU (T)	Gilden	Parties	138	3,650.00	265.46	3,915.46
175	Chicago, Milwaukee, St. Paul & Pacific - UTU(C-T)	Murphy	Parties	0	100.00	96.50	196.50
180	Southern Pacific - BLE	Douglass	Parties	34	3,450.00	1,090.10	4,540.10
182	Northwestern Pacific - BLE	Douglass	Parties	2	200.00	150.60	350.60
189	Spokane, Portland & Seattle - UTU(T)	Gilden	Parties	22	2,700.00	131.39	2,831.39
195	Grand Trunk Western - UTU(T)	Sempliner	Parties	17	3,075.00	54.64	3,129.64
196	Long Island RR - BLE	Seidenberg	Parties	9	1,300.00	162.79	1,462.79
231	New York Central - UTU(T)	Douglass	Parties	24	1,800.00	395.00	2,195.00
235	Chicago & North Western - UTU(T)	Murphy	Parties	114	19,825.00	1,717.08	21,542.08
241	Terminal RR Assn. of St. Louis - UTU(T)	Coffey	Parties	0	1,800.00	552.40	2,352.40
245	Indiana Harbor Belt - UTU(T)	Coburn	Parties	71	7,000.00	632.25	7,632.25
248	Delaware Lackawanna & Western - UTU(T)	Gilden	Parties	13	1,600.00	251.97	1,851.97
250	Central RR of New Jersey - UTU(C)	Guthrie	Parties	0	350.00	150.00	500.00
254	Central of New Jersey - UTU(F)	Guthrie	Parties	0	250.00	129.20	379.20
255	Central RR of New Jersey - UTU(T)	Guthrie	Parties	12	550.00	159.60	709.60
279	Missouri Pacific (Gulf) - BMWE	Whiting	Parties	1	200.00	100.30	300.30
318	New Orleans Public Belt RR - UTU(S)	Sempliner	Parties	8	350.00	179.50	529.50
356	Chicago & North Western - UTU(T)	O'Gallagher	Parties	29	3,700.00	86.40	3,786.40
361	Union Pacific RR - UTU(T)	Wyckoff	NMB	Inter.	250.00	11.00	261.00
387	New York Central = UTU(T)	Boyd	Parties	38	1,035.21	310.54	1,345.75
406	New York Central - UTU(T)	Wyckoff	Parties	6	825.00	413.86	1,238.86
421	New York Central - ORT	Bailer	Parties	0	425.00	368.90	793.90
423	Port Terminal RR Assn - UTU(T)	Wyckoff	Parties	13	775.00	396.20	1,171.20
434	Spokane, Portland & Seattly Ry - UTU(C)	Douglass	Parties	29	2,525.00	584.80	3,109.80
443	Texas Pac., Mo. Pac. Terminal - UTU(C)	Sempliner	Parties	7	1,050.00	178.70	1,228.70
465	Boston and Maine RR - UTU(T)	Coburn	Parties	0	2,050.00	383.70	2,433.70
482	Texas & Pacific & Subs - UTU(T-C)	Sempliner	Parties	15	1,200.00	302.90	1,502.90
496	New York Central RR - BRC	Bailer	Parties	15	1,350.00	62.40	1,412.40
517	Elgin, Joliet and Eastern - UTU(T)	Boyd	Parties	19	518.40	55.57	573.97
541	Erie-Lackawanna RR Co - BMWE	Weston	Parties	7	1,950.00	192.65	2,142.65

SPECIAL BOARDS OF ADJUSTMENT, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
543	Atchison, Topeka, Santa Fe - UTU(C-T)	Boyd	NMB	2	386.40	189.25	575.65
551	Detroit & Toledo Shore Line - UTU(T)	Cluster	Parties	11	950.00	159.06	1,109.06
562	Chicago & North Western Ry - UTU(C)	Boyd	Parties	19	1,691.74	286.65	1,978.39
569	Reading Co - UTU(C)	Boyd	Parties	0	517.34	108.10	625.44
570	Natl Ry Labor Conf. EW&SE Carriers Conf Comm - AFL-CIO	Panel	NMB	60	13,575.99	1,886.99	15,462.98
573	Ft. Worth and Denver Ry - UTU(S)	Rohman	Parties	11	1,200.00	55.60	1,255.60
574	St. Louis-SF Ry - UTU(C)	Sempliner	Parties	18	1,500.00	394.20	1,894.20
583	Akron, Canton & Youngstown RR - UTU(T)	Boyd	Parties	0	86.40	42.10	128.50
589	Pennsylvania RR - UTU(T)	Seidenberg	NMB	45	4,650.00	302.91	4,952.91
597	Southern Ry System & Ry Employes Dept. - AFL-CIO	Coburn	Parties	2	500.00	--	500.00
601	Reading Co - UTU(T)	Boyd	Parties	26	603.21	219.23	822.44
603	Great Northern Ry - TCEU	Bailer	Parties	5	725.00	203.60	928.60
605	Natl Ry Labor Conf EW&SE Carriers Conf Comm- Five Coop Ry Labor Orgs	Panel	NMB	103	14,500.00	2,801.75	17,301.75
608	Southern Ry System - BRC, BMWE, TCEU, BRS	Panel	Parties	1	400.00	501.65	901.65
618	Atlanta Terminal Co -BRC, BMWE, TCEU, BRS	Panel	Parties	1	150.00	318.30	468.30
625	Indiana Harbor Belt - UTU(F)	Seidenberg	NMB	0	300.00	112.25	412.25
631	Long Island RR - IAM&AW, IBEW	Panel	NMB	0	225.00	44.80	269.80
642	Missouri, Kansas, Texas RR - UTU(T)	Coburn	Parties	79	8,650.00	662.84	9,312.84
645	Union RR Co - UTU(T)	Begley	Parties	15	1,200.00	--	1,200.00
648	Lehigh Valley RR Co - UTU(T)	Boyd	NMB	19	691.20	121.28	812.48
672	M-K-T RR Co - UTU(C)	Sempliner	Parties	3	500.00	185.45	685.45
678	Soo Line RR Co - UTU(T)	Begley	Parties	0	1,525.00	140.72	1,665.72
686	Union Pacific RR Co - UTU(T)	Wyckoff	Parties	4	550.00	144.20	694.20
687	Lehigh Valley RR Co - UTU(F)	Boyd	Parties	7	432.00	48.75	480.75
695	Elgin, Joliet & East Ry Co - UTU(F)	Coffey	Parties	0	450.00	151.30	601.30
697	Atlanta & West Pt. RR - UTU(T)	Gilden	Parties	5	1,050.00	113.75	1,163.75
698	Georgia RR - UTU(T-C)	Gilden	Parties	5	950.00	113.75	1,063.75
706	Portland Terminal RR Co - UTU(S)	Sempliner	Parties	20	1,000.00	248.50	1,248.50
732	CMStP&P RR - BLE	Boyd	Parties	1	143.20	55.57	198.77
736	Monongahela Ry Co - BLE, UTU(F)	Florey	NMB	14	1,000.00	44.00	1,044.00
739	Long Island RR Co - BRC	Panel	NMB	0	675.00	197.45	872.45

SPECIAL BOARDS OF ADJUSTMENT, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
741	Eastern, Western & SE Carriers Conf Comm - BLE, UTU(F-S)	Gilden	Parties	7	3,800.00	478.74	4,278.74
744	Long Island RR Co - IBT	Friedman	NMB	5	800.00	35.20	835.20
745	Southern Pacific Co - UTU(S)	Coffey	Parties	1	1,850.00	239.54	2,089.54
746	Atlanta & West Pt RR Co - BLE, UTU(F-T)	Seidenberg	Parties	1	600.00	100.03	700.03
747	Seaboard Coast Line RR Co - UTU(F-C-T)	Morris	NMB	0	400.00	303.62	703.62
748	Seaboard Coast Line RR Co - UTU(F-C-T)	Morris	NMB	0	400.00	130.27	530.27
749	REA Express - BRA&SC	Dorsey	NMB	5	1,500.00	155.75	1,655.75
750	Louisville & Nashville RR Co - ATDA	Bortz	NMB	1	258.10	221.83	479.93
751	Seaboard Air Line RR Co - UTU(F)	Johnson	Parties	1	1,100.00	692.00	1,792.00
752	REA Express - BRAC	Seidenberg	Parties		100.00	91.54	191.54
					147,209.82	26,557.52	173,767.34

/1 Includes cost of per diem, transportation and FICA contribution

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
1	Southern Pacific Co - UTU(S)	Sempliner	Parties	121	$ 8,775.00	$ 2,356.40	$11,131.40
10	Great Northern Ry Co - UTU(S)	Sempliner	Parties	23	2,000.00	208.68	2,208.68
12	Grand Trunk Western RR Co - UTU(C)	Sempliner	Parties	28	1,900.00	24.00	1,924.00
21	St. Louis and Southwestern Ry - TCEU	Harr	NMB	31	6,000.00	628.60	6,628.60
22	Richmond, Fredericksburg & Potomac-UTU(T)	Coburn	Parties	0	3,000.00	135.35	3,135.35
24	Norfolk & Western Ry - UTU(F)	Sempliner	NMB	0	350.00	104.60	454.60
31	Elgin, Joliet & Eastern Ry - BRC	Bailer	Parties	4	650.00	282.80	932.80
32	Erie Lackawanna RR - BRC	Rose	Parties	11	2,125.00	244.60	2,369.60
35	Great Northern Ry - UTU(C)	Sempliner	Parties	11	2,175.00	616.58	2,791.58
37	St. Louis-San Francisco Ry - UTU(T)	Moore	Parties	47	4,900.00	506.50	5,406.50
38	Grand Trunk Western RR - BLE	Hanlon	Parties	15	975.00	68.80	1,043.80
40	Detroit & Toledo Shore Line - UTU(F)	Haughton	NMB	0	200.00	9.60	209.60
41	Atchison, Topeka & Santa Fe Ry - UTU(F)	O'Gallagher	Parties	10	2,350.00	127.70	2,477.70
42	Minnesota, Dakota & Western Ry - UTU(T)	Hall	Parties	0	400.00	19.20	419.20
43	Louisville & Nashville RR Co - UTU(T)	Boyd	Parties	15	793.20	111.05	904.25
46	Elgin, Joliet & Eastern Ry - UTU(C)	Johnson	Parties	5	4,150.00	1,078.80	5,228.80
55	New York, New Haven & Hartford RR -UTU(F)	O'Gallagher	Parties	11	200.00	93.75	293.75
56	Akron & Barberton Belt RR - UTU(F)	Kabaker	NMB	1	525.00	25.20	550.20
59	Elgin, Joliet & Eastern Ry - BLE	Boyd	Parties	0	171.74	37.94	209.68
63	Great Northern Ry - UTU(F)	Haughton	NMB	Procedural	400.00	103.60	503.60
		Hanlon	Parties	1	475.00	268.80	743.80
64	Savannah & Atlanta Ry - UTU(F)	Seidenberg	NMB	Procedural	600.00	8.86	608.86
66	Atchison, Topeka & Santa Fe - UTU(F)	O'Gallagher	Parties	4	950.00	108.50	1,058.50
67	Portland Terminal RR - UTU(F)	O'Gallagher	Parties	3	1,000.00	291.00	1,291.00
71	Colorado & Southern Ry - UTU(T)	Stone	Parties	11	1,900.00	85.20	1,985.20
76	Missouri-Kansas-Texas RR - BMWE	Ray	Parties	6	1,500.00	70.40	1,570.40
78	Norfolk & Western Ry - UTU(F)	Bailer	Parties	6	700.00	280.15	980.15
82	Western Pacific RR - TCEU	Wyckoff	NMB	Procedural	250.00	40.30	290.30
86	Atchison, Topeka & Santa Fe - BLE	Seidenberg	Parties	0	2,000.00	433.01	2,433.01
87	Boston and Maine RR - UTU(T)	Brown	NMB	58	5,575.00	997.90	6,572.90
88	Delaware & Hudson RR - UTU(T)	Hanlon	Parties	65	1,200.00	144.70	1,344.70
90	River Terminal Ry - UTU(T)	Lynch	Parties	0	3,400.00	313.20	3,713.20
94	Norfolk & Western Ry - UTU(T)	Moore	NMB	31	5,050.00	538.11	5,588.11
95	Indianapolis Union Ry Co - UTU(S)	Sempliner	Parties	10	1,600.00	272.00	1,872.00

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
96	Pittsburgh & Lake Erie - BLE	Cluster	Parties	11	$ 1,300.00	$ 114.60	$ 1,414.60
103	Denver & Rio Grande Western RR - UTU(S)	Moore	NMB	Inter.	350.00	58.40	408.40
104	Atchison, Topeka & Santa Fe - UTU(T)	Abernethy	NMB	2	1,025.00	155.70	1,180.70
106	Bangor & Aroostook RR Co - UTU(T)	Hanlon	NMB	2	200.00	52.30	252.30
108	Youngstown & Northern RR - UTU(F)	Boyd	Parties	0	86.40	41.20	127.60
111	Norfolk & Western Ry - UTU(T)	Boyd	Parties	13	690.67	85.55	776.22
114	Baltimore & Ohio RR - BRA&SC	Lynch	Parties	17	500.00	45.90	545.90
118	Chicago, & North Western Ry - UTU(F)	Daugherty	Parties	33	3,100.00	129.60	3,229.60
119	Detroit & Toledo Shore Line RR - BRC	Dorsey	Parties	Inter.	1,425.00	210.74	1,635.74
123	Chicago, Rock Island & Pacific RR -BLE	Boyd	Parties	Inter.	50.00	16.00	66.00
124	Southern Pacific Co - UTU(F)	Kenan	NMB	29	2,425.00	662.80	3,087.80
127	Long Island RR - BLE	Dolnick	Parties	1	750.00	261.10	1,011.10
128	Indiana Harbor Belt RR - UTU(F)	Boyd	Parties	Inter.	85.87	4.12	89.99
132	Atchison, Topeka & Santa Fe Ry - TCEU	Harr	Parties	108	12,250.00	1,029.50	13,279.50
135	Monon RR Co - UTU(F)	Hanlon	Parties	3	375.00	192.70	567.70
138	Spokane, Portland & Seattle Ry - BRS	Sheridan	NMB	1	300.00	14.40	314.40
140	Missouri Pacific RR Co - UTU(T)	Boyd	Parties	3	200.00	52.30	252.30
141	Aliquippa & Southern RR Co - UTU(T)	Boyd	Parties	2	85.87	--	85.87
142	Lake Terminal RR - UTU(F)	Coffey	Parties	43	4,650.00	44.00	4,694.00
146	Louisville & Nashville RR Co - UTU(T)	Boyd	Parties	3	475.20	225.23	700.43
147	South Buffalo Ry - UTU(T)	Boyd	Parties	2	258.67	43.69	302.36
150	Western Maryland Ry Co - UTU(T)	Boyd	Parties	30	836.40	19.40	855.80
151	Penn Central RR - BLE	Coburn	Parties	13	3,400.00	427.34	3,827.34
153	Baltimore & Ohio RR - TCEU	House	NMB	15	3,800.00	610.10	4,410.10
155	Chesapeake & Ohio RR Co - UTU(T)	Sempliner	Parties	24	2,200.00	52.80	2,252.80
156	Illinois Terminal RR - UTU(T)	Douglass	Parties	11	1,050.00	160.40	1,210.40
157	Chicago, Rock Island & Pacific - UTU(S)	Moore	NMB	22	4,100.00	127.85	4,227.85
158	Birmingham Southern RR - USA	Guthrie	NMB	0	125.00	101.60	226.60
159	Chicago & Illinois Midland Ry - UTU(F)	Dolnick	NMB	71	11,300.00	811.83	12,111.83
161	Baltimore & Ohio RR - UTU(F)	Rose	Parties	14	3,700.00	621.75	4,321.75
162	Florida East Coast Ry - BLE	Daugherty	Parties	3	700.00	30.80	730.80
163	Erie Lackawanna RR - UTU(F)	Boyd	Parties	10	1,304.29	312.05	1,616.34
164	Union Pacific RR - UTU(T)	Daugherty	Parties	97	4,350.00	1,000.87	5,350.87
165	Atchison, Topeka & Santa Fe - UTU(T)	Moore	NMB	4	100.00	45.61	145.61
166	Western Pacific RR - UTU(T)	Daugherty	Parties	5	450.00	158.82	608.82

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
167	Erie Lackawanna RR - TCEU	Rohman	Parties	17	$ 4,025.00	$ 1,601.00	$ 5,626.00
168	Spokane, Portland & Seattle Ry - BMWE	Gilden	Parties	1	1,225.00	145.80	1,370.80
169	Atchison, Topeka & Santa Fe Ry - UTU(T)	Jones	NMB	Procedural	300.00	14.40	314.40
170	Western Pacific RR - UTU(S)	Moore	Parties	16	1,950.00	707.70	2,657.70
172	Oakland Terminal Ry - UTU(S)	Moore	Parties	2	175.00	236.61	411.61
173	Spokane, Portland & Seattle Ry - BRC	Hanlon	NMB	Procedural	150.00	--	150.00
174	Long Island RR - BRC	Dorsey	NMB	3	775.00	53.25	828.25
175	CMStP&P RR Co - UTU(T)	Dolnick	NMB	Procedural	500.00	--	500.00
		Whiting	Parties	3	800.00	206.10	1,006.10
176	Penn Central RR - UTU(T)	Hanlon	NMB	12	1,500.00	153.24	1,653.24
178	McCloud River RR Co - UTU(C)	Hanlon	Parties	2	400.00	187.00	587.00
180	Norfolk & Western Ry - UTU(F)	Boyd	Parties	2	214.68	90.13	304.81
181	Green Bay & Western RR Co - UTU(F)	Boyd	Parties	27	1,806.71	338.05	2,144.76
182	Pittsburgh& Lake Erie RR - TWU	Cluster	Parties	0	650.00	106.70	756.70
184	Atlanta & West Point RR - UTU(F)	Seidenberg	Parties	6	900.00	94.72	994.72
185	Boston & Maine Corp - BLE	Zack	NMB	Procedural	100.00	4.40	104.40
186	Houston Belt & Terminal Ry - UTU(T)	Hamilton	NMB	Procedural	850.00	127.90	977.90
187	Chicago & North Western Ry - UTU(C)	O'Gallagher	Parties	6	1,600.00	76.80	1,676.80
188	Chicago, Burlington & Quincy RR -UTU(F)	Hanlon	Parties	4	1,075.00	386.40	1,461.40
189	Union Pacific RR - UTU(T)	Cluster	Parties	0	400.00	412.20	812.20
190	Atchison, Topeka & Santa Fe - UTU(F)	Seidenberg	Parties	1	700.00	223.26	923.26
192	Atchison, Topeka & Santa Fe - UTU(F)	Daugherty	NMB	Procedural	700.00	156.52	856.52
		Hanlon	Parties	3	450.00	257.42	707.42
193	Missouri Pacific RR - TCEU	Zumas	Parties	15	6,700.00	820.30	7,520.30
194	Seaboard Coast Line RR - TCEU	Hamilton	NMB	27	8,200.00	786.05	8,986.05
195	Atchison, Topeka & Santa Fe - UTU(T)	Bailer	NMB	8	400.00	19.20	419.20
196	Butte, Anaconda & Pacific Ry - UTU(T)	Boyd	NMB	3	779.80	487.78	1,267.58
197	Lehigh & New England Ry - UTU(T)	Lynch	Parties	0	100.00	54.40	154.40
198	Chicago & Western Indiana RR - UTU(T)	Boyd	Parties	9	386.40	130.45	516.85
199	Florida East Coast Ry - UTU(T)	Seidenberg	Parties	2	1,250.00	324.99	1,574.99
200	Alabama, Tenn & Northern RR - UTU(T)	Moore	Parties	7	1,175.00	273.82	1,448.82
202	Western Pacific RR - BLE	Daugherty	Parties	7	700.00	219.03	919.03
203	Missouri Pacific RR (Gulf) - UTU(T)	Boyd	Parties	0	367.20	261.98	629.18
204	Portland Terminal RR - UTU(F)	Abernethy	Parties	7	1,400.00	593.60	1,993.60
205	CMStP&P RR Co - UTU(T)	Seidenberg	Parties	1	700.00	220.07	920.07

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
206	Penn Central - UTU(F)	Seidenberg	Parties	0	$ 500.00	$ 224.93	$ 724.93
207	CMStP&P RR - UTU(T)	Seidenberg	Parties	17	1,650.00	528.02	2,178.02
208	Western Maryland Ry - UTU(F)	Boyd	Parties	9	799.20	48.42	847.62
209	Butte, Anaconda Pacific Ry - UTU(F-T)	Boyd	NMB	Procedural	711.74	286.95	998.69
		Boyd	Parties	0	85.87	62.19	148.06
210	Lehigh Valley RR - TCEU	Bailer	Parties	7	2,100.00	941.65	3,041.65
211	Southern Pacific Co - UTU(F)	Johnson	Parties	16	2,225.00	639.80	2,864.80
213	Illinois Central RR - UTU(T)	Coffey	Parties	0	550.00	154.10	704.10
214	Chicago Great Western RR - UTU(T)	Dolnick	Parties	1	500.00	4.40	504.40
215	Union Pacific RR - BLE	Boyd	Parties	0	515.22	207.45	722.67
216	Detroit & Toledo Shore Line - UTU(F)	Boyd	Parties	5	689.08	251.11	940.19
217	Central of Georgia Ry - UTU(S)	Seidenberg	Parties	0	300.00	19.90	319.90
218	Union RR Co - BLE	Hanlon	Parties	0	250.00	85.00	335.00
220	Duluth, Winnipeg & Pacific Ry - UTU(T)	Dolnick	Parties	0	2,000.00	142.41	2,142.41
221	Belt Ry Co of Chicago - UTU(T)	O'Gallagher	Parties	0	100.00	--	100.00
223	Penn Central Co - UTU(T)	Seidenberg	Parties	1	550.00	309.15	859.15
226	Chesapeake & Ohio Ry Co - UTU(F)	Moore	NMB	Procedural	725.00	298.00	1,023.00
		McGovern	NMB	0	2,500.00	134.00	2,634.00
227	Bessemer and Lake Erie RR - UTU(F)	Daugherty	Parties	0	500.00	147.89	647.89
228	CMStP&P - UTU(T)	Guthrie	Parties	1	350.00	137.40	487.40
229	Terminal Ry (Ala State Docks) - UTU(T)	Moore	Parties	1	375.00	171.78	546.78
230	New York, New Haven & Hartford - BLE	O'Gallagher	Parties	3	1,300.00	277.45	1,577.45
231	Colorado & Southern Ry - BLE	Rohman	NMB	4	800.00	340.80	1,140.80
232	Great Northern Ry - UTU(C)	Hall	NMB	Procedural	200.00	8.80	208.80
		Hanlon	Parties	1	350.00	107.80	457.80
233	River Terminal Ry - UTU(T)	Kabaker	NMB	Procedural	500.00	23.60	523.60
234	Chesapeake & Ohio Ry - BLE	Dolnick	Parties	5	1,400.00	281.96	1,681.96
235	Colorado & Southern Ry - UTU(F)	Ritter	NMB	3	1,050.00	235.70	1,285.70
236	Denver & Rio Grande Western RR - UTU(T)	Moore	NMB	26	3,450.00	516.40	3,966.40
237	Penn Central - BLE	Koretz	NMB	Procedural	200.00	9.60	209.60
238	Erie Lackawanna RR - UTU(T)	Boyd	Parties	26	817.36	186.78	1,004.14
239	South Buffalo Ry - UTU(T)	Seidenberg	Parties	6	900.00	133.21	1,033.21
240	CMStP&P RR - UTU(C)	Dolnick	Parties	1	300.00	--	300.00
241	St Louis-San Francisco Ry - UTU(T)	Murphy, W.	NMB	Procedural	350.00	58.80	408.80

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No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
242	Boston & Maine Corp - UTU(F)	Rose	Parties	17	$ 2,550.00	$ 266.10	$ 2,816.10
244	Denver & Rio Grande Western RR - UTU(S)	Moore	NMB	0	1,000.00	132.85	1,132.85
245	CMStP&P RR - UTU(T)	Dolnick	Parties	1	300.00	--	300.00
246	Delaware & Hudson Ry - BMWE	Bailer	Parties	0	375.00	240.10	615.10
247	Los Angeles Junction Ry - UTU(S)	Bailer	Parties	9	1,350.00	377.80	1,727.80
248	CMStP&P RR - UTU(T)	Whiting	Parties	0	600.00	128.45	728.45
250	Erie Lackawanna RR - BLE	Hanlon	Parties	0	250.00	67.00	317.00
251	Newburgh & South Shore Ry - UTU(F)	Hanlon	Parties	Procedural	575.00	191.00	766.00
254	Long Island RR - UTU(F)	Seidenberg	Parties	1	500.00	73.35	573.35
255	Los Angeles Junction Ry - UTU(T)	Roberts	NMB	0	200.00	9.60	209.60
256	Atchison, Topeka & Santa Fe - UTU(C)	Coffey	NMB	Procedural	550.00	149.15	699.15
257	Illinois Central RR - BRA&SC	Bailer	Parties	1	450.00	504.80	954.80
259	Atchison, Topeka & Santa Fe - UTU(F)	Brown	NMB	23	4,925.00	457.80	5,382.80
261	Atchison, Topeka & Santa Fe - UTU(F)	Abernethy	Parties	6	1,475.00	331.06	1,806.06
262	Union RR Co - UTU(T)	Hanlon	Parties	10	500.00	115.60	615.60
263	Western Pacific RR - ATDA	Hanlon	Parties	0	300.00	375.40	675.40
264	Atchison, Topeka & Santa Fe - UTU(T)	Wyckoff	NMB	2	500.00	121.80	621.80
265	Louisville & Nashville RR - UTU(F)	Dietz	NMB	Procedural	936.85	402.39	1,339.24
266	Norfolk & Western Ry - UTU(T)	Moore	Parties	0	650.00	114.25	764.25
267	Mississippi Export RR - UTU(T)	Douglass	Parties	1	500.00	124.60	624.60
268	South Buffalo Ry - UTU(F)	Shister	NMB	Procedural	600.00	34.80	634.80
		Shister	Parties	0	1,900.00	126.00	2,026.00
269	Atchison, Topeka & Santa Fe - UTU(T)	Rohman	NMB	Procedural	450.00	297.50	747.50
270	Atchison, Topeka & Santa Fe - UTU(F)	Hanlon	Parties	1	400.00	247.82	647.82
271	Lehigh & Hudson River - UTU(T)	Coburn	Parties	16	2,100.00	302.58	2,402.58
273	Norfolk & Western Ry - TCEU	Hamilton	Parties	0	3,975.00	629.40	4,604.40
275	Ahnapee & Western Ry - UTU(F)	Hall	NMB	Procedural	200.00	78.60	278.60
276	Seaboard Coast Line RR - UTU(T)	Ives	NMB	2	750.00	349.60	1,099.60
278	Atlanta & St. Andrews Bay Ry - UTU(F)	Catlett	NMB	1	800.00	384.80	1,184.80
279	Pullman Co - BSCP	Cluster	Parties	3	325.00	115.55	440.55
280	Union RR - USA	Moore	NMB	Procedural	250.00	168.80	418.80
281	Southern Pacific Co (T&L) - UTU(F)	Hanlon	Parties	0	1,000.00	402.08	1,402.08
283	Southern Ry System - BLE	Seidenberg	Parties	0	300.00	9.60	309.60
284	Spokane, Portland & Seattle Ry - UTU(T)	Hanlon	Parties	1	500.00	437.50	937.50
287	Canadian Pacific Ry - UTU(T)	Zack	NMB	0	1,800.00	500.11	2,300.11

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
291	Union Pacific RR - UTU(C)	Boyd	Parties	0	$ 257.61	$ 172.62	$ 430.23
292	Norfolk Southern Ry - UTU(T)	Guthrie	NMB	0	300.00	32.40	332.40
294	Elgin Joliet & Eastern Ry	Seidenberg	Parties	Procedural	600.00	408.75	1,008.75
295	Atchison, Topeka & Santa Fe - BLE	Ray	NMB	Procedural	200.00	19.85	219.85
296	Atchison, Topeka & Santa Fe - UTU(T)	Ray	NMB	Procedural	500.00	265.80	765.80
297	Seaboard Coast Line RR - UTU(F)	Morris	NMB	0	1,275.00	330.06	1,605.06
298	Duluth, Missabe & Iron Range - UTU(C)	O'Gallagher	Parties	2	800.00	228.30	1,028.30
299	Western Maryland Ry - UTU(F)	Boyd	Parties	0	85.87	16.82	102.69
300	St. Louis-San Francisco Ry - ATDA	Moore	NMB	0	1,250.00	108.60	1,358.60
303	Soo Line RR - UTU(F)	O'Gallagher	Parties	7	2,600.00	302.60	2,902.60
305	Indiana Harbor Belt RR - UTU(T)	Cluster	Parties	0	900.00	143.15	1,043.15
306	Long Island RR - BRC	Lynch	NMB	Procedural	100.00	4.80	104.80
307	Penn Central Co - UTU(F)	Seidenberg	Parties	0	300.00	98.25	398.25
308	RF&P RR - UTU(T)	Zumas	NMB	10	2,800.00	274.40	3,074.40
311	Lake Terminal RR - UTU(F)	Coffey	Parties	0	450.00	238.30	688.30
312	Brooklyn Eastern District Terminal-UTU(T)	Boyd	Parties	2	128.80	71.03	199.83
313	Penn Central Co - UTU(T)	Cluster	Parties	1	550.00	95.40	645.40
314	Western Pacific RR - BRS	Hamilton	Parties	0	1,025.00	192.70	1,217.70
315	Penn Central - UTU(T)	O'Gallagher	Parties	0	400.00	201.85	601.85
317	Western Pacific RR - BRS	Hamilton	Parties	Procedural	400.00	135.50	535.50
318	Atchison, Topeka & Santa Fe - UTU(C-T)	Brown	NMB	27	4,200.00	265.80	4,465.80
319	Pullman Co - BRA&SC	Dorsey	Parties	14	2,350.00	445.20	2,795.20
321	Great Northern Ry - UTU(C)	Hall	NMB	Procedural	300.00	175.90	475.90
323	Norfolk & Western Ry - UTU(F)	Dorsey	NMB	Procedural	150.00	7.20	157.20
326	Penn Central Co - BLE	Seidenberg	Parties	1	1,500.00	166.19	1,666.19
329	Denver & Rio Grande Western Ry - TCEU	Hamilton	Parties	9	2,500.00	412.10	2,912.10
332	Penn Central Co - BLE	Rose	Parties	1	900.00	43.20	943.20
333	Peoria & Pekin Union Ry - UTU(T)	Boyd	Parties	0	128.80	43.53	172.33
335	Pittsburgh & Lake Erie RR - UTU(F)	Abernethy	Parties	2	850.00	387.00	1,237.00
342	Florida East Coast Ry - UTU(T)	Ives	Parties	1	500.00	281.75	781.75
344	Chicago, Rock Island & Pacific - UTU(T)	Boyd	Parties	32	343.49	224.11	567.60
345	Western Maryland Ry - UTU(T-F)	Dolnick	Parties	0	100.00	34.30	134.30
348	River Terminal Ry - UTU(T)	Douglass	Parties	1	300.00	153.20	453.20
356	Monongahela Ry - BLE	Seidenberg	Parties	0	300.00	93.32	393.32
361	Akron & Barberton Belt RR - UTU(T)	Seidenberg	Parties	0	200.00	88.00	288.00

PUBLIC LAW BOARDS, 1969

No.	Parties	Referee	Selected by	No. cases disp. of	Salaries	Other /1 Expenses	Total
362	Monon RR - UTU(T)	Ives	Parties	0	$ 650.00	$ 219.75	$ 869.75
363	Long Island RR - UTU(T)	Friedman	NMB	Procedural	200.00	9.60	209.60
364	Erie Lackawanna Ry - UTU(T)	Coburn	Parties	0	50.00	105.30	155.30
365	Cambria & Indiana RR - UTU(E)	Seidenberg	Parties	0	200.00	110.45	310.45
369	Penn Central - TC Div. of BRA&SC	Dolnick	Parties	0	100.00	--	100.00
371	Southern Pacific Co - BLE	Hanlon	Parties	0	150.00	101.26	251.26
383	Long Island RR - UTU(E)	Hanlon	Parties	0	225.00	71.41	296.41
390	Atlanta & St. Andrews Bay Ry - BLE	Morley	Parties	3	400.00	73.00	473.00
					274,592.99	50,424.24	325,017.23

/1 Includes per diem, transportation and FICA contribution

NATIONAL RAILROAD ADJUSTMENT BOARD

GENERAL STATEMENT

The National Railroad Adjustment Board was created by Act of Congress, approved June 21, 1934, (45 U.S.C. 153), for the adjudication of disputes between an employee or group of employees and a carrier or carriers, growing out of grievances or out of the interpretation or application of agreements concerning rates of pay, rules, or working conditions, which are handled in the usual manner up to and including the chief operating officer of the carrier designated to handle such disputes; but, if not adjusted in this manner, the disputes are then referred to the appropriate division of the Adjustment Board for settlement.

The Board is composed of members, selected and paid by the carriers and selected and paid by organizations of railroad employees which are national in scope. The Act provides for four divisions of the Adjustment Board, each of which has jurisdiction over disputes involving certain groups of employees. For example, the First Division has jurisdiction over disputes involving train and yard service employees; the Second Division, shop crafts; the Third Division, clerical forces, maintenance-of-way men, dispatchers, etc.; and the Fourth Division, water transportation and miscellaneous.

The establishment of a number of special boards on individual properties has been helpful in reducing the backlog of cases, and it is anticipated that there will be some further reduction in this manner during the year because of the amendment to the Railway Labor Act (Public Law 89-456) which provides for the establishment of special adjustment boards (PL Boards). In the meantime, however, new cases continue to be received almost as fast as disposition is made of old ones. Causes for cases submitted are the amendment to the Railway Labor Act permitting the union shop and resulting agreements; changes in agreements including the adoption of the 40 hour work-week; the national agreement covering vacations, pay for holidays, and the time limit for submitting cases.

In order to reduce the large backlog of Third Division cases, following an agreement of the parties, a supplemental board of ten members was established June 1, 1961. The supplemental board was terminated by agreement between the participating parties effective June 30, 1969. This Board was instrumental in greatly reducing the number of cases pending before the Third Division. At the time of its inception there were a total of 3,132 cases on hand and docketed on the Third Division. As of its closing date of June 30, 1969, the total number of cases on hand was 1,087, a reduction of 2,045 cases.

The Board has no control over the number of cases submitted.

The estimate for the fiscal year 1971 is $695,000 which is a decrease of $65,000 from what is estimated for fiscal year 1970.

We wish to stress the fact that the salaries of the members of the Board, estimated in excess of $800,000 per year, are paid by the carriers and the labor organizations, and the Government pays the salaries of the employees of the Board, as well as supplies and other incidental expenses. It may, therefore, properly be pointed out that approximately half the cost of operation of the Adjustment Board is borne by the carriers and the labor organizations.

The Board has now been in existence about thirty-five years, and the estimate for 1971 is based upon past experience, by which we endeavored to anticipate future requirements. We feel that conditions fully justify the amount requested.

There follows a statement showing the number of cases received, docketed, and disposed of by the various divisions during the fiscal years 1967, 1968 and 1969.

	Number Pending July 1	Number Received	Total	Number Closed	Number Pending June 30
			Fiscal Year 1967		
First Div.	4,049	446	4,495	986	3,509
Second Div.	337	338	675	295	380
Third Div.	1,665	776	2,441	1,081/1	1,360
Fourth Div.	39	129	168	71	97
Totals	6,090	1,689	7,779	2,433	5,346

/1 Third Division 610 Supplemental 471

			Fiscal Year 1968		
First Div.	3,509	358	3,867	568	3,299
Second Div.	380	211	591	287	304
Third Div.	1,360	715	2,075	751/1	1,324
Fourth Div.	97	111	208	111	97
Totals	5,346	1,395	6,741	1,717	5,024

/1 Third Division 443 Supplemental 308

			Fiscal Year 1969		
First Div.	3,299	164	3,463	523	2,940
Second Div.	304	138	442	256	186
Third Div.	1,324	578	1,902	815/1	1,087
Fourth Div.	97	98	195	131	64
Totals	5,024	978	6,002	1,725	4,277

/1 Third Division 446 Supplemental 369

Following is a statement which shows the workload of the Board as a whole (actual data for Fiscal Years 1968 and 1969 and projected data for Fiscal Years 1970 and 1971).

	Workload			
	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Pending, beginning of year	5,346	5,024	4,277	3,757
Received during year	1,395	978	1,230	1,241
Closed during year	1,717	1,725*	1,750	1,877
Pending, end of year	5,024	4,277	3,757	3,121

*First Division inoperative since 1/1/69 pending amendment to the Railway Labor Act.

Salaries of Office Personnel

The number of employees for the fiscal year 1971 is estimated at 37 at an estimated cost of $347,500. Except for possible delays in filling vacancies there is not much opportunity for savings in that area. None of the Board's personnel is engaged in public relations or publicity activities, nor is there any employee engaged as much as half time in personnel work.

Salaries of Referees

The Act creating the National Railroad Adjustment Board provides that in case of a deadlock or inability to secure a majority vote of the division members, a referee is selected to sit with the division as a member thereof to make an award. Referees are now paid a salary of $100 per day, actual and necessary travel expenses, and per diem in lieu of subsistence.

Referees are usually selected from among such groups as judges, attorneys, professors of universities, or labor relations consultants. Their qualifications must be of the highest.

Referees were required 2,032 days in the settlement of 1,092 cases in the fiscal year 1969. For the current fiscal year, we hope our funds will be sufficient for 2,000 referee days during which we expect they will participate in the settlement of 1,143 cases. The estimate for 1971 is for 2,135 referee days, during which we expect they will participate in the settlement of some 1,230 cases.

There follows a list of referees rendering services during the fiscal year 1969.

REFEREES - FISCAL YEAR 1969

Name	State	Number of days	Number of Cases Closed	Salary Paid
Bailer, Lloyd H.	California	4 1/2	--	$ 450.00
Brown, David H.	Texas	94 1/2	44	9,450.00
Cartwright, Jan Eric	Oklahoma	45 1/4	29	4,525.00
Coburn, William H.	Washington,DC	29	10	2,900.00
Coffey, A. Langley	Oklahoma	67 1/2	36	6,750.00
Criswell, John B.	Washington,DC	87 1/4	41	8,725.00
Devine, Arthur W.	Rhode Island	144 1/2	70	14,425.00
Dolnick, David	Illinois	3 1/2	--	350.00
Dorsey, John H.	Washington,DC	241 1/12	106	24,108.33
Dugan, Paul C.	Missouri	116 1/2	85	11,650.00
Engelstein, Nathan	Illinois	54	27	5,400.00
Franden, Robert A.	Oklahoma	61 1/2	31	6,150.00
Friedman, Milton	New York	21 1/2	13	2,150.00
Goodman, Jerry L.	Oklahoma	71	24	7,100.00
Hall, Levi M.	Minnesota	10	5	1,000.00
Hamilton, Donald E.	Oklahoma	21 3/4	10	2,175.00
Heskett, Billy L.	Oklahoma	26 1/4	18	2,625.00
House, Daniel	New York	60 3/4	34	6,075.00
Ives, George S.	Washington,DC	129 3/4	73	12,975.00
Jones, James R.	Oklahoma	32 1/2	20	3,250.00
Larkin, John Day	Illinois	44	38	4,400.00
McCandless, John R.	Oklahoma	33 3/4	34	3,375.00
McCandless, Robert C.	Washington,DC	44 1/4	9	4,425.00
McGovern, John J.	Maryland	151 3/4	72	15,175.00
Mesigh, Herbert J.	Oklahoma	33	18	3,300.00
Meyers, Morris L.	California	44 1/4	28	4,425.00
Murphy, Francis B.	Georgia	62	35	6,200.00
Perelson, Bernard E.	New York	48 1/2	27	4,850.00
Ritter, Gene T.	Oklahoma	117 1/4	72	11,725.00
Rohman, Murray M.	Texas	6 1/2	6	650.00
Seidenberg, Jacob	Virginia	39	33	3,900.00
Woody, Claude S.	Oklahoma	8 1/4	6	825.00
Yagoda, Louis	New York	9 3/4	4	975.00
Zack, Arnold M.	Massachusetts	27 1/4	16	2,725.00
Zumas, Nicholas H.	Washington, DC	40	18	4,000.00
	Totals	2,031 5/6	1,092	$203,183.33

NATIONAL RAILROAD ADJUSTMENT BOARD

FUNCTION OF BOARD

The Board was created for the adjudication of disputes between railroad labor and the carriers.

The carrier members and the labor members are selected and paid by the parties they represent. It is estimated that the cost to the carriers and to the labor organizations exceeds $800,000 per year.

The Government's portion of the cost of operation of the Board is for office personnel, referees, travel, printing and reproduction, and other miscellaneous expenses.

Appropriation: Salaries and Expenses

The estimate of $695,000 for 1971 is a decrease of $65,000 from what is estimated for 1970. The reduction is on the basis of discontinuing the funding for the First Division for the last half of fiscal year 1970 and all of fiscal year 1971. Funds to support the First Division which is currently dormant (not rendering awards), have been reallocated to Boards of Adjustment.

In the item personnel compensation, permanent positions, the decrease of $56,500 is due to eliminating 13 positions on the First Division concurrent with the action taken under the preceding paragraph. The estimate provides for 37 employees which is our ceiling for fiscal year 1970.

Carrier and labor members are equally divided on each division; and in case of a deadlock, a referee is appointed to sit as a member to make an award. The estimate of $191,000 for positions other than permanent is for salaries of these referees.

The estimate of $39,000 for personnel benefits is largely a matter of mathematical calculation which covers retirement, insurance, health benefits and social security for referees.

The estimate of $37,300 for travel and transportation of persons will be incurred by referees in connection with travel between their official station and Chicago. Referees are selected from all parts of the United States.

The amount estimated for printing and reproduction is $31,500. In fiscal year 1969 our printing backlog was substantially eliminated, and it is believed that the estimated amount will enable us to remain current.

The largest part of the appropriation for printing and reproduction is expended for printing awards of the various divisions for only the interested parties, and for the use of Members of the Board. An initial supply of each

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of the awards is printed in pamphlet form; and when a sufficient number has been issued, a volume is bound. The Board receives 150 pamphlet copies and 100 of each of the volumes. It is also necessary to furnish the Library of Congress a number of copies of each volume for use in the library and for international exchange.

The field contract for printing and binding awards permits the contractor to sell to interested parties, largely railroad labor organizations and the carriers; and, therefore, the cost is spread so that the Government pays approximately one-third of the amount it would have to pay were it not for these outside sales. At the beginning of fiscal year 1968 we instituted a change in the method of binding volumes of awards which decreased our cost somewhat.

The $9,000 estimated for equipment is in most cases for up-dating items in use since the inception of the Board in 1934. This represents a decrease of $19,000 from what is available for equipment in 1970. The estimate for fiscal year 1970 includes $20,000 for the acquisition of a high-speed printer and peripheral equipment.

Members who represent the Board will testify as to the creation, operation, and policies of the Board. They will answer any questions that may arise in connection with the foregoing.

ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: ADJUSTMENT OF RAILROAD GRIEVANCES

		1969 Actual	1970 Estimate	1971 Estimate
11	Personnel Compensation:			
	Permanent positions	$462,817	$404,000	$347,500
	Positions other than permanent	204,083	180,000	191,000
	Other personal services	1,950	1,500	1,500
	Total personnel compensation	668,850	585,500	540,000
12	Personnel benefits	42,524	40,000	39,000
21	Travel and transportation of persons	37,775	38,400	37,300
22	Transportation of things	112	200	200
23	Rent, communications, and utilities	17,333	17,000	17,000
24	Printing and reproduction	29,194	30,000	31,500
25	Other services	3,811	11,000	11,000
26	Supplies and materials	9,006	10,000	10,000
31	Equipment	3,395	27,900	9,000
	Total obligations	812,000 /1	760,000 /2	695,000

/1 Does not include $19,311 for personnel compensation paid from the Mediation activity account.

/2

Original fiscal year 1970 estimate	$815,000
Proposed supplement for civilian pay act increase	40,000
	855,000
Less funds to support the First Division of the NRAB	95,000
	760,000

THURSDAY, MAY 21, 1970.

FEDERAL MEDIATION AND CONCILIATION SERVICE

WITNESSES

J. CURTIS COUNTS, DIRECTOR
LOWELL M. McGINNIS, DEPUTY DIRECTOR
JAMES J. DINNENY, ASSOCIATE DIRECTOR, ADMINISTRATIVE MANAGEMENT
GUY MARINO, CHIEF, BUDGET AND FINANCE DIVISION

FEDERAL MEDIATION AND CONCILIATION SERVICE

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	6,529	7,247	7,547
Positions other than permanent	29	86	86
Other personnel compensation	4	6	6
Total personnel compensation	6,562	7,339	7,639
Personnel benefits: Civilian employees	498	557	609
Travel and transportation of persons	527	599	618
Transportation of things	14	22	22
Rent, communications, and utilities	348	362	401
Printing and reproduction	12	15	16
Other services	48	70	70
Supplies and materials	36	39	40
Equipment	23	15	93
Total obligations	8,068	9,018	9,508

PERSONNEL SUMMARY

Total number of permanent positions	436	456	460
Full-time equivalent of other positions	4	7	7
Average number of all employees	437	450	464
Average GS grade	11.2	11.2	11.3
Average GS salary	$14,939	$16,384	$16,506

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Mediation and conciliation of labor disputes	6,684	7,381	7,798
2. Ad hoc boards, panels, mediators, and consultants	27	127	125
3. Administration	1,329	1,512	1,585
Total program costs, funded	8,040	9,018	9,508
Change in selected resources [1]	28	----	----
Total obligations	8,068	9,018	9,508
Financing: Unobligated balance lapsing	143	----	----
Budget authority	8,211	9,018	9,508
Budget authority:			
Appropriation	8,215	8,412	9,508
Transfer to other accounts	−4	−9	----
Appropriation (adjusted)	8,211	8,403	9,508
Proposed supplemental for civilian pay act increases	----	615	----
Relation of obligations to outlays:			
Obligations incurred, net	8,068	9,018	9,508
Obligated balance, start of year	402	417	435
Obligated balance, end of year	−417	−435	−443
Adjustments in expired accounts	−31	----	----
Outlays, excluding pay increase supplemental	8,022	8,413	9,472
Outlays from civilian pay act supplemental	----	587	28

[1] Selected resources as of June 30, are as follows: Unpaid undelivered orders, 1968, $18,000 (1969 adjustments, −$31,000); 1969, $15,000; 1970, $15,000; 1971, $15,000.

Mr. FLOOD. We will proceed with the Federal Mediation and Conciliation Service.

The presentation will be made by J. Curtis Counts, the Director.

BIOGRAPHICAL SKETCH OF MR. J. CURTIS COUNTS

We would like a biographical sketch of you placed in the record.

(The biographical sketch follows:)

J. CURTIS COUNTS, DIRECTOR, FEDERAL MEDIATION AND CONCILIATION SERVICE

Personal data: Born August 2, 1915; married, three children.

Education: 1937, University of California at Los Angeles, B.A.; 1937–39, graduate work at University of Southern California.

Professional experience: 1941–44, in charge of personnel activities for the Douglas overseas projects (Iraq, Iran, Africa); 1945–46, assistant to the director of personnel, Douglas Aircraft Co.; 1946–48, staff assistant to the director of industrial relations; 1948–60, manager of employee relations; 1960–62, assistant director of industrial relations; 1962–64, corporate director of employee relations; 1964–69, vice president, employee relations; 1969, appointed by President Nixon on January 31 as Director, Federal Mediation and Conciliation Service. Confirmed by the Senate on March 7 and was sworn in as Director on March 17, 1969.

Other activities: From 1962 to 1968, under appointments by Presidents Kennedy and Johnson, was member of National Labor-Management Panel, set up under Taft-Hartley Act to advise Service's Director on industrial relations matters affecting the general welfare. Served Federal Government as member of the Western States Regional Manpower Advisory Committee and the Citizens' Advisory Council on the Status of Women. In 1965, chairman of the Aerospace Industries Association west coast industrial relations committee and its national industrial relations committee. Has been a member of Electronic Industries Association's industrial relations department and board member of the Management Council of Greater Los Angeles and the Neighborhood Youth Association in the Los Angeles area. He has been active in several community and civil organizations. Former president of the Westwood Chamber of Commerce, in 1951 was selected as one of California's five outstanding young men by the California Junior Chamber of Commerce.

INTRODUCTION OF SUPPORTING WITNESSES

Mr. COUNTS. If I may introduce my associates, Mr. Guy Marino, our Chief of Budget and Finance; Dr. Lowell McGinnis, Deputy Director, and Mr. James Dinneny, Associate Director of Administrative Management.

Mr. FLOOD. You have a statement here, I see. How do you wish to proceed?

GENERAL STATEMENT

Mr. COUNTS. I would suggest that we enter it into the record. I do not believe it is necessary to read it unless you care to have me do so.

Mr. FLOOD. All right, suppose we do that.

(Statement follows:)

STATEMENT BY FEDERAL MEDIATION AND CONCILIATION SERVICE DIRECTOR J. CURTIS COUNTS

I welcome very much the opportunity to present to this committee justification for the Service's appropriation request for fiscal year 1971.

Basic to the formulation of this appropriation request before you is the fact that both the current fiscal year and the 1971 fiscal year will witness a series of difficult and protracted collective bargaining negotiations. As you know, experience to date in 1970 readily confirms this. Yet to come, are other major nego-

tiations including numerous construction contracts, farm equipment, and those in the auto industry.

In calendar year 1971, additional major negotiations will take place in telephone, aerospace, can, steel, aluminum, tobacco, glass, Pacific maritime nonferrous metals and west coast construction. Numerous other negotiations will subsequently be heavily influenced by the settlements reached in these pattern-making negotiations. Impasses may be expected in practically all significant bargaining situations as employers contend with high labor-cost demands while at the same time, facing restriction of profitable operations due to the economic slowdown.

Moreover, since our appearance before the committee last year, additional responsibilities have been vested in the Service under Executive Order 11491 which deals with labor-management relations in the Federal service. Specifically, section 16 of the order states, in part: "The Federal Mediation and Conciliation Service shall provide services and assistance to the Federal agencies and labor organizations in the resolution of negotiation disputes." The ready availability of these services to the parties in Federal sector bargaining is expected to result in a substantial workload increase. The Service estimates it will be actively engaged in 350 to 400 Federal sector negotiations in the next fiscal year. This estimate is predicated on the fact that as of November 1969 (latest data available) there were 2,647 exclusive union recognitions in the Federal sector out of which only 1,340 negotiated agreements had been reached. Also, as of November 1969 there were some 1,200 formal types of union recognition in existence. This type of recognition does not permit the negotiation of a written agreement although the agencies are required to consult with the unions on matters of mutual concern. Under the new Executive order of this type of recognition is to be eliminated. It is safe to conclude, therefore, that the Federal unions will be heavily engaged in organization drives to upgrade as many formal recognitions as possible into exclusive recognitions.

Furthermore, due to basic negotiation inexperience and the newness and change in Federal sector bargaining relationships, and the untested nature of these relationships as prescribed in the order itself, the Service anticipates its preventive mediation activities will receive wide application and usage separate and apart from dispute mediation. Under these activities, the Service will make available education and other preventive-type mediation assistance in an effort to assist in building constructive and cooperative relationships between unions and agencies, and also to handle the more special type labor-management problems apart from the formal agreement negotiation process. With our experience in the private sector as a guide, these will be continuing efforts with the parties seeking to insure their better understanding of the bargaining process and to encourage improvement in their day-to-day relationships.

In recognition of this additional workload factor under Executive Order 11491, Congress approved 20 new positions for the agency for part of the current fiscal year, 1970, 15 of which are in the mediator category.

The current turbulence in labor-management contract negotiations, the ever-broadening scope of private sector bargaining, the steady increase in the number of bargaining units, and the tremendous growth and development of bargaining in the public sector, both Federal and State and local, all indicate a substantial mediation workload increase. The potential increase in negotiations in the Federal sector has already been pointed out. But in addition, it should be noted that the National Labor Relations Board issues 4,000 to 5,000 new bargaining certifications each year as a result of representation elections, most of which lead subsequently to contract negotiations and agreement. In total, it is conservatively estimated that more than 250,000 separate employers in this country are covered by collective bargaining agreements, which number well over 140,000. Fortunately, the large majority of these labor-management agreements, as they expire, are renegotiated without work stoppages. Our own data, moreover, show that it is necessary for a mediator to participate actively only in three out of each 10 mediation assignments in the private sector. In the remaining seven, frequently at the urging of the mediator, the parties will bargain and reach their own agreement without outside assistance.

Preventive mediation activity continues as a key element in the Service's overall program structure. Its potential application in the Federal area has already been outlined. In the private sector, the mediator staff continues its

effort to encourage a better overall relationship between the parties by helping them to cultivate the habit of problem solving outside the area of the bargaining deadline atmosphere and during the term of the labor contract. This activity may involve prenegotiation, postnegotiation, joint committee consideration of contract administration, training of foremen and stewards, and other constructive activities. The basic objectve is to develop a better understanding in the periods between contract negotiations in order to avoid explosive impasses at the next contract negotiations. Obviously, preventive activity cannot guarantee that such impasses will not develop. It does, however, endeavor to point the way to a more solid relationship and better understanding of mutual problems. A few summaries of preventive mediation cases are included in the detailed justification.

In terms of funds, the appropriation request for fiscal year 1971 is $9,508,000, an increase of $490,000 over funds shown in the budget for the current fiscal year. Four new mediator positions are included which would raise the total number of budgeted positions from 456 in fiscal year 1970 to 460 in fiscal year 1971. Of this total, 279 would be in the mediator category. In addition, funds in the amount of $159,300 are included for annualization of salary and other object costs in fiscal year 1971 for the 20 new positions which are funded for 6 months in the current fiscal year for implementation of Service responsibilities under Executive Order 11491. A comparative schedule of estimated costs covering both fiscal years 1970 and 1971 is shown on page 1 of the detailed justification.

In summary, the estimate for fiscal year 1971 will enable the Service to respond to the needs of the negotiating parties in both dispute and preventive mediation situations, in both the private and public bargaining sectors. Any reduction in the estimate would have an adverse impact on the Service's ability to render this assistance.

I urge the committee to give full approval to the Service's appropriation request for fiscal year 1971.

Mr. FLOOD. Do you have any comments?

COLLECTIVE BARGAINING

Mr. COUNTS. Only that I think it is well understood by everyone that the field of collective bargaining is continuing to be a dynamic one. I think we need only to look at what has and is occurring in 1970 to recognize that we probably have one of the most critical and important years in the history of the labor-management relationship. Nineteen hundred and seventy-one promises to be another year of great problems, of pattern-setting negotiations.

INCREASED ACTIVITY IN PUBLIC SECTOR

We do not see in this any diminution of the problems that we have had in 1969 and are having in 1970. Certainly we do see some increased activity in the public sector as a result of the Executive order that has been issued and as a result of the increase in activities that we are experiencing outside of the Federal activity. Our statement, I think, explains the limitations of our activity in that area, but I think it significant to note that there are only 16 States that do have conciliation services or legislation that provide for such activity.

We are being increasingly requested to enter into State-public sector disputes as a matter of public interest. So really, the only comment I would like to make is that we do not see any diminution of the requirements for our services, rather, an expansion. We think our request is a very modest one and certainly is realistic in terms of what is occurring.

LABOR DISPUTES ARE BECOMING MORE COMPLICATED

Mr. FLOOD. Do you find that labor disputes are becoming more complicated and difficult to settle?

Mr. COUNTS. Yes; they certainly are more complicated.

Mr. FLOOD. Why? What are the reasons for this?

Mr. COUNTS. Well, let me answer as to the settlement. The trend of rejections in cases in which we participate continues to increase and is currently running at about 12.3 percent.

There are many reasons attributed for this. We are having a study made to see if we cannot evaluate the data and factually support it. One of the factors I think which is very important to this situation is that one-third of the workforce is under 25 years of age. Today's entrant into the workforce is the best educated that we have ever known, a product of an affluent society. He does not have the experience in the labor movement that his older associates have had. In my judgment, he lacks dedication. He is not part and parcel of the traditional issues.

For example, job security through seniority is not as important to him as things that are of immediate benefit to him.

KEY ISSUES

Mr. FLOOD. What are the key issues in labor disputes today?

Mr. COUNTS. Well, there are many key issues in labor disputes. Money, of course, is one of them; expansion of benefits; cost of living is certainly a key item; the matter—from an overall general aspect—of the increase in the inflationary spiral; the contribution that labor costs have to that is certainly a key issue.

In terms of specifics, the complexities of increased pensions, of supplemental unemployment benefits.

Mr. FLOOD. What kind of issues take up most of your time?

Mr. COUNTS. Most of our time is spent in the mediation of contracts that have to do with economic benefits and major fringe issues, such as pensions.

NUMBER OF CASES PER INDUSTRY

Mr. FLOOD. In what industries do you have the most labor disputes?

Mr. COUNTS. I think to answer that directly, I would have to take a look at the record in order to answer you.

We have so many labor disputes, but my guess would be the manufacturing industry, but I would want to verify that.

Mr. FLOOD. Suppose you do. I imagine somebody will ask us that question.

(The information follows:)

Industries involved in joint meeting mediation cases fiscal year 1969 [1]

Industry:	*Number of cases*
Manufacturing	5,578
Retail, wholesale, and service industries	1,203
Construction	579
Public utilities, communications, transportation	552
Mining, agriculture, and finance	88
Government (Federal, State, and local)	28
Total	8,028

[1] A joint meeting case is one in which a mediator participates with the parties in their contract negotiations.

DISPUTES INVOLVING PUBLIC EMPLOYEES

Mr. FLOOD. Now you touched upon this when you were commenting on your prepared statement. Just what are your responsibilities with respect to disputes involving Federal employees?

Mr. COUNTS. Well, under Executive Order 11491 that was issued, we are put into the stream of dispute settlement and are given the responsibility of mediating contract disputes. It is broader than the private sector in the sense that we can proffer our services in any situation.

We have a good deal of experience in the public sector, but very little under the Executive order because it is not functional or operational as of this point in time.

Mr. FLOOD. How much time are you spending on these situations involving Federal employees?

Mr. COUNTS. In terms of dispute situations, we have probably had 35 to 40 Federal disputes.

Now numbers, in the public sector, are not nearly as important as actual figures when you talk about time spent. There is no compulsion in the public sector to reach deadlines. Some of these discussions or negotiations are continuing for as long as 12, 15 months. Obviously we do not engage in mediation over extended periods because we do not have the facilities nor personnel to do this, but where an impasse is reached and we can in our judgment be of assistance, we get in to them.

My guess would be that the average case would involve somewhere between 45 and 60 hours of actual mediation time. That might be extended over a period of time.

Mr. FLOOD. How much time do you spend when you get involved with State and municipal employees?

I noticed this morning an article concerning the garbage strike here in the District of Columbia. Two mediators were sent in. Do they belong to you?

Mr. COUNTS. Yes, sir; those two mediators were sent in. They worked from 1 o'clock yesterday afternoon, continuously until about 7 o'clock this morning.

Mr. FLOOD. How did they get into the act?

Mr. COUNTS. They got into the act because both parties requested that they get into the act and because we determined that an impasse had been reached and we felt that we could be of service to them. We did not come in under the Executive order, per se, even though they are Federal employees.

Now, in terms of time, a basis for a tentative agreement was reached in that case from 1 o'clock until 7 o'clock the following morning, which would be about 38 hours, or 2 times 19.

Mr. FLOOD. As between the Federal and State and municipal employees, where do you spend the most time in disputes of this sort, given the same sort of case?

Mr. COUNTS. With the State at this particular time. I think that has to be understood because certainly, when the Executive order becomes operational, our involvement should be almost 9 to 1, and that is an estimate, on the side of the Federal sector.

The State involvement, because we do not have a charter, only occurs when there is a request by both parties, when there is an impasse in our judgment, and when we feel that we can be of service to the situation. Normally these are public interest disputes. Charleston Hospital workers, Memphis sanitation dispute are examples.

Mr. FLOOD. Do you volunteer your services or do you just sit there and wait for somebody to call you up?

Mr. COUNTS. We do not volunteer our services. We get into them in many ways.

If it is public interest, we make known the fact that we are available. Sometimes this is taken advantage of. We have been directed into the situation by the administration in particularly important public interest situations. But our problem is not really in inviting ourselves into the situations; it is in filtering out the many requests that we have.

For example, in the Los Angeles teachers' dispute, we had a joint request from both parties to enter into that. This was a tremendously important dispute. The State of California has a conciliation service. We urged the parties to look to that service. We are very careful about that. If there is a State service, we never enter unless the State services invites us in.

Mr. FLOOD. Do most States have such a service?

Mr. COUNTS. Sixteen States only out of the 50. Take Illinois, for example, they have legislation. We are invited in there quite often because of manpower problems which they have, and the abilities that we have. Maryland has enabling legislation, but we are invited into Maryland quite often.

BACKLOG OF PENDING CASES

Mr. FLOOD. According to your workload, the number of cases pending at the end of fiscal 1969 was 5,113, compared with 5,260 at the end of fiscal year 1968.

Do you expect to be able to further reduce the number of pending cases in fiscal 1970 and 1971?

Mr. COUNTS. We would hope we could improve upon the number of pending cases.

However, that is a function of the number of contracts and the importance of contracts that are open. For example, in 1969, using 1969 and 1970, we had 750 contracts that were opened that involved approximately 4 million employees. This year we had 682 that involved better than 5 million employees. The number of contracts that come open at any one time are a factor in how many cases you have pending and what the reduction is.

For example, the General Electric situation was one case, but that involved about 35 mediators because of the various locations and areas involved. We hope to filter out, and I think our record indicates that we have done a good job of getting the parties to settle by themselves and minimizing the mediation efforts in marginal cases.

PREVENTIVE MEDIATION

Mr. FLOOD. You used the phrase, preventive mediation. Will you tell us something about your efforts in this field? What proportion of your employees and their time is devoted to what you call preventive mediation?

Mr. COUNTS. Preventive mediation I feel very strongly about, I am a strong supporter of preventive mediation, because this is the one tool available in the collective bargaining process that can minimize disputes and can avoid disputes. This is an area in which we provide services to the parties.

Mr. FLOOD. How do you get in?

Mr. COUNTS. We get in by suggesting to the parties that there is a requirement for this. We normally see these situations arise in the bargaining situations; for example, in the General Electric situation. We feel very strongly there needs to be improvement in the labor-management relationship.

We suggested to the parties that they meet during the term of the agreement regularly to discuss out their problems, to communicate the understanding of what is occurring, so as to minimize the development of problems and to make determinations apart from a crisis situation.

That I think is one of the most important collective bargaining tools we have.

Now beyond that, in terms of what lies ahead of us, in the public sector, in the Federal public sector, it is our observation, based upon experience, that there is a lack of expertise, a lack of sophistication upon the part of the individuals responsible for bargaining. The individuals selected to represent the agencies are not necessarily individuals equipped by training and experience to handle collective discussions.

As a result of this, there is a real need that training in the art of collective bargaining, the process, itself, be expanded. This is one of the things that we are preparing to do.

Mr. FLOOD. Well——

Mr. COUNTS. Let me answer that question. I did not mean to avoid it.

Mr. FLOOD. Go ahead.

Mr. COUNTS. In terms of time, we do not have a staff of preventive mediators and a staff of dispute mediators. This is part and parcel of each mediator's job.

In terms of caseload, we had 1,321 cases last year which, if you divided the staff of mediators that we have——

Mr. FLOOD. You do not have any special section on this, do you?

Mr. COUNTS. No, sir; we do not.

One of the things that has been accomplished since I have been here has been to put the sections together and to expand and develop our

interest and approach to this preventive mediation. I think it is absolutely essential that we do more in this area.

CRITICISM FOR INTERVENTION

Mr. FLOOD. Are you criticized for butting in, is big brother sticking his nose in where he is not wanted?

Mr. COUNTS. Yes. Of course in the mediation process, unless you have acceptability you are very much at a disadvantage.

Nothing breeds success like success. We have had many successful experiences. When we go into a situation within a community, this becomes known and we find ourselves being involved as a result of requests for it, as a result of other experiences.

Mr. FLOOD. Does anybody throw you out of the community while you are preventing?

Mr. COUNTS. No; I cannot say that we have been tossed out.

We have had our share of criticism, of course.

Mr. FLOOD. Do you find it serious?

Mr. COUNTS. No, sir; I do not. I feel that this agency has a deserved excellent image among the industrial community, among the service organizations, and among government and the public; certainly among labor organizations.

FILLED POSITIONS

Mr. FLOOD. Now you have a total of 456 positions for 1970.

Mr. COUNTS. Yes, sir.

Mr. FLOOD. How many will you fill as of the 30th of April?

Mr. COUNTS. Of next year?

Mr. FLOOD. You have 456 authorized for 1970.

Mr. DINNENY. We had 437 filled as of April 30.

Mr. COUNTS. We are short 19.

Mr. DINNENY. Our complement is 456 for the current fiscal year. As of April 30, we had 437 personnel on the rolls.

Mr. COUNTS. Now we have another class, we have selected nine additional who will be coming into our service as of the first of June.

One of the things that I want to explain is that this lag should not denote that we are without the requirement for them. It is a reflection primarily of the fact that the public sector and activity in the Federal agency has not really gotten off the ground. The Impasses Panel, has not been picked, the Federal Labor Relations Council has not promulgated its regulations. It has not been staffed. The impact of this will be tremendous once this is done.

EXECUTIVE ORDER 11491

Mr. FLOOD. You referred earlier to an Executive order. Is that a lengthy document?

Mr. COUNTS. Yes, sir.

Here is the Presidential order.

Mr. FLOOD. I think we will have this inserted in the record at this point.

(Executive Order 11491 follows:)

EXECUTIVE ORDER 11491

LABOR-MANAGEMENT RELATIONS IN THE FEDERAL SERVICE

WHEREAS the public interest requires high standards of employee performance and the continual development and implementation of modern and progressive work practices to facilitate improved employee performance and efficiency; and

WHEREAS the well-being of employees and efficient administration of the Government are benefited by providing employees an opportunity to participate in the formulation and implementation of personnel policies and practices affecting the conditions of their employment; and

WHEREAS the participation of employees should be improved through the maintenance of constructive and cooperative relationships between labor organizations and management officials; and

WHEREAS subject to law and the paramount requirements of public service, effective labor-management relations within the Federal service require a clear statement of the respective rights and obligations of labor organizations and agency management:

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and statutes of the United States, including sections 3301 and 7301 of title 5 of the United States Code, and as President of the United States, I hereby direct that the following policies shall govern officers and agencies of the executive branch of the Government in all dealings with Federal employees and organizations representing such employees.

GENERAL PROVISIONS

Section 1. Policy. (a) Each employee of the executive branch of the Federal Government has the right, freely and without fear of penalty or reprisal, to form, join, and assist a labor organization or to refrain from any such activity, and each employee shall be protected in the exercise of this right. Except as otherwise expressly provided in this Order, the right to assist a labor organization extends to participation in the management of the organization and acting for the organization in the capacity of an organization representative, including presentation of its views to officials of the executive branch, the Congress, or other appropriate authority. The head of each agency shall take the action required to assure that employees in the agency are apprised of their rights under this section, and that no interference, restraint, coercion, or discrimination is practiced within his agency to encourage or discourage membership in a labor organization.

(b) Paragraph (a) of this section does not authorize participation in the management of a labor organization or acting as a representative of such an organization by a supervisor, except as provided in section 24 of this Order, or by an employee when the participation or activity would result in a conflict or apparent conflict of interest or otherwise be incompatible with law or with the official duties of the employee.

Sec. 2. Definitions. When used in this Order, the term --

(a) "Agency" means an executive department, a Government corporation, and an independent establishment as defined in section 104 of title 5, United States Code, except the General Accounting Office;

(b) "Employee" means an employee of an agency and an employee of a nonappropriated fund instrumentality of the United States but does not include, for the purpose of formal or exclusive recognition or national consultation rights, a supervisor, except as provided in section 24 of this order;

(c) "Supervisor" means an employee having authority, in the interest of an agency, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibly to direct them, or to evaluate their performance, or to adjust their grievances, or effectively to recommend such action, if in connection with the foregoing the exercise of authority is not of a merely routine or clerical nature, but requires the use of independent judgment;

(d) "Guard" means an employee assigned to enforce against employees and other persons rules to protect agency property or the safety of persons on agency premises, or to maintain law and order in areas or facilities under Government control;

(e) "Labor organization" means a lawful organization of any kind in which employees participate and which exists for the purpose, in whole or in part, of dealing with agencies concerning grievances, personnel policies and practices, or other matters affecting the working conditions of their employees; but does not include an organization which --

(1) consists of management officials or supervisors, except as provided in section 24 of this Order;

(2) asserts the right to strike against the Government of the United States or any agency thereof, or to assist or participate in such a strike, or imposes a duty or obligation to conduct, assist or participate in such a strike;

(3) advocates the overthrow of the constitutional form of government in the United States; or

(4) discriminates with regard to the terms or conditions of membership because of race, color, creed, sex, age, or national origin;

(f) "Agency management" means the agency head and all management officials, supervisors, and other representatives of management having authority to act for the agency on any matters relating to the implementation of the agency labor-management relations program established under this Order;

(g) "Council" means the Federal Labor Relations Council established by this Order;

(h) "Panel" means the Federal Service Impasses Panel established by this Order; and

(i) "Assistant Secretary" means the Assistant Secretary of Labor for Labor-Management Relations.

Sec. 3. Application. (a) This Order applies to all employees and agencies in the executive branch, except as provided in paragraphs (b), (c) and (d) of this section.

(b) This Order (except section 22) does not apply to --

(1) the Federal Bureau of Investigation;

(2) the Central Intelligence Agency;

(3) any other agency, or office, bureau, or entity within an agency, which has as a primary function intelligence, investigative, or security work, when the head of the agency determines, in his sole judgment, that the Order cannot be applied in a manner consistent with national security requirements and considerations; or

(4) any office, bureau or entity within an agency which has as a primary function investigation or audit of the conduct or work of officials or employees of the agency for the purpose of ensuring honesty and integrity in the discharge of their official duties, when the head of the agency determines, in his sole judgment, that the Order cannot be applied in a manner consistent with the internal security of the agency.

(c) The head of an agency may, in his sole judgment, suspend any provision of this Order (except section 22) with respect to any agency installation or activity located outside the United States, when he determines that this is necessary in the national interest, subject to the conditions he prescribes.

(d) Employees engaged in administering a labor-management relations law or this Order shall not be represented by a labor organization which also represents other groups of employees under the law or this Order, or which is affiliated directly or indirectly with an organization which represents such a group of employees.

ADMINISTRATION

Sec. 4. Federal Labor Relations Council. (a) There is hereby established the Federal Labor Relations Council, which consists of the Chairman of the Civil Service Commission, who shall be chairman of the Council, the Secretary of Labor, an official of the Executive Office of the President, and such other officials of the executive branch as the President may designate from time to time. The Civil Service Commission shall provide services and staff assistance to the Council to the extent authorized by law.

(b) The Council shall administer and interpret this Order, decide major policy issues, prescribe regulations, and from time to time, report and make recommendations to the President.

(c) The Council may consider, subject to its regulations --

(1) appeals from decisions of the Assistant Secretary issued pursuant to section 6 of this Order;

(2) appeals on negotiability issues as provided in section 11 (c) of this Order;

(3) exceptions to arbitration awards; and

(4) other matters it deems appropriate to assure the effectuation of the purposes of this Order.

Sec. 5. Federal Service Impasses Panel. (a) There is hereby established the Federal Service Impasses Panel as an agency within the Council. The Panel consists of at least three members appointed by the President, one of whom he designates as chairman. The Council shall provide the services and staff assistance needed by the Panel.

(b) The Panel may consider negotiation impasses as provided in section 17 of this Order and may take any action it considers necessary to settle an impasse.

(c) The Panel shall prescribe regulations needed to administer its function under this Order.

Sec. 6. Assistant Secretary of Labor for Labor-Management Relations. (a) The Assistant Secretary shall --

(1) decide questions as to the appropriate unit for the purpose of exclusive recognition and related issues submitted for his consideration;

(2) supervise elections to determine whether a labor organization is the choice of a majority of the employees in an appropriate unit as their exclusive representative, and certify the results;

(3) decide questions as to the eligibility of labor organizations for national consultation rights under criteria prescribed by the Council; and

(4) except as provided in section 19(d) of this Order, decide complaints of alleged unfair labor practices and alleged violations of the standards of conduct for labor organizations.

(b) In any matters arising under paragraph (a) of this section, the Assistant Secretary may require an agency or a labor organization to cease and desist from violations of this Order and require it to take such affirmative action as he considers appropriate to effectuate the policies of this Order.

(c) In performing the duties imposed on him by this section, the Assistant Secretary may request and use the services and assistance of employees of other agencies in accordance with section 1 of the Act of March 4, 1915, (38 Stat. 1084, as amended; 31 U.S.C. §686).

(d) The Assistant Secretary shall prescribe regulations needed to administer his functions under this Order.

(e) If any matters arising under paragraph (a) of this section involve the Department of Labor, the duties of the Assistant Secretary described in paragraphs (a) and (b) of this section shall be performed by a member of the Civil Service Commission designated by the Chairman of the Commission.

RECOGNITION

Sec. 7. Recognition in general. (a) An agency shall accord exclusive recognition or national consultation rights at the request of a labor organization which meets the requirements for the recognition or consultation rights under this Order.

(b) A labor organization seeking recognition shall submit to the agency a roster of its officers and representatives, a copy of its constitution and by-laws, and a statement of its objectives.

(c) When recognition of a labor organization has been accorded, the recognition continues as long as the organization continues to meet the requirements of this Order applicable to that recognition, except that this section does not require an election to determine whether an organization should become, or continue to be recognized as, exclusive representative of the employees in any unit or subdivision thereof within 12 months after a prior valid election with respect to such unit.

(d) Recognition, in whatever form accorded, does not --

(1) preclude an employee, regardless of whether he is a member of a labor organization, from bringing matters of personal concern to the attention of appropriate officials under applicable law, rule, regulations, or established agency policy; or from choosing his own representative in a grievance or appellate action;

(2) preclude or restrict consultations and dealings between an agency and a veterans organization with respect to matters of particular interest to employees with veterans preference; or

(3) preclude an agency from consulting or dealing with a religious, social, fraternal, or other lawful association, not qualified as a labor organization, with respect to matters or policies which involve individual members of the association or are of particular applicability to it or its members.

Consultations and dealings under subparagraph (3) of this paragraph shall be so limited that they do not assume the character of formal consultation on matters of general employee-management policy, except as provided in paragraph (e) of this section, or extend to areas where recognition of the interests of one employee group may result in discrimination against or injury to the interests of other employees.

(e) An agency shall establish a system for intra-management communication and consultation with its supervisors or associations of supervisors. The communications and consultations shall have as their purposes the improvement of agency operations, the improvement of working conditions of supervisors, the exchange of information, the improvement of managerial effectiveness, and the establishment of policies that best serve the public interest in accomplishing the mission of the agency.

(f) Informal recognition shall not be accorded after the date of this Order.

Sec. 8 Formal Recognition. (a) Formal recognition, including formal recognition at the national level, shall not be accorded after the date of this Order.

(b) An agency shall continue any formal recognition, including formal recognition at the national level, accorded a labor organization before the date of this Order until --

(1) the labor organization ceases to be eligible under this Order for formal recognition so accorded;

(2) a labor organization is accorded exclusive recognition as representative of employees in the unit to which the formal recognition applies; or

(3) the formal recognition is terminated under regulations prescribed by the Federal Labor Relations Council.

(c) When a labor organization holds formal recognition, it is the representative of its members in a unit as defined by the agency when recognition was accorded. The agency, through appropriate officials, shall consult with representatives of the organization from time to time in the formulation and implementation of personnel policies and practices, and matters affecting working conditions that affect members of the organization in the unit to which the formal recognition applies. The organization is entitled from time to time to raise such matters for discussion with appropriate officials and at all times to present its views thereon in writing. The agency is not required to consult with the labor organization on any matter on which it would not be required to meet and confer if the labor organization were entitled to exclusive recognition.

Sec. 9. National consultation rights. (a) An agency shall accord national consultation rights to a labor organization which qualifies under criteria established by the Federal Labor Relations Council as the representative of a substantial number of employees of the agency. National consultation rights shall not be accorded for any unit where a labor organization already holds exclusive recognition at the national level for that unit. The granting of national consultation rights does not preclude an agency from appropriate dealings at the national level with other organizations on matters affecting their members. An agency shall terminate national consultation rights when the labor organization ceases to qualify under the established criteria.

(b) When a labor organization has been accorded national consultation rights, the agency, through appropriate officials, shall notify representatives of the organization of proposed substantive changes in personnel policies that affect employees it represents and provide an opportunity for the organization to comment on the proposed changes. The labor organization may suggest changes in the agency's personnel policies and have its views carefully considered. It may confer in person at reasonable times, on request, with appropriate officials on personnel policy matters, and at all times present its views thereon in writing. An agency is not required to consult with a labor organization on any matter on which it would not be required to meet and confer if the organization were entitled to exclusive recognition.

(c) Questions as to the eligibility of labor organizations for national consultation rights may be referred to the Assistant Secretary for decision.

Sec. 10. Exclusive recognition. (a) An agency shall accord exclusive recognition to a labor organization when the organization has been selected, in a secret ballot election, by a majority of the employees in an appropriate unit as their representative.

(b) A unit may be established on a plant or installation, craft, functional, or other basis which will ensure a clear and identifiable community of interest among the employees concerned and will promote effective dealings and efficiency of agency operations. A unit shall not be established solely on the basis of the extent to which employees in the proposed unit have organized, nor shall a unit be established if it includes --

(1) any management official or supervisor, except as provided in section 24;

(2) an employee engaged in Federal personnel work in other than a purely clerical capacity;

(3) any guard together with other employees; or

(4) both professional and nonprofessional employees, unless a majority of the professional employees vote for inclusion in the unit.

Questions as to the appropriate unit and related issues may be referred to the Assistant Secretary for decision.

(c) An agency shall not accord exclusive recognition to a labor organization as the representative of employees in a unit of guards if the organization admits to membership, or is affiliated directly or indirectly with an organization which admits to membership, employees other than guards.

(d) All elections shall be conducted under the supervision of the Assistant Secretary, or persons designated by him, and shall be by secret ballot. Each employee eligible to vote shall be

provided the opportunity to choose the labor organization he wishes to represent him, from among those on the ballot, or "no union." Elections may be held to determine whether --

(1) a labor organization should be recognized as the exclusive representative of employees in a unit;

(2) a labor organization should replace another labor organization as the exclusive representative; or

(3) a labor organization should cease to be the exclusive representative.

(e) When a labor organization has been accorded exclusive recognition, it is the exclusive representative of employees in the unit and is entitled to act for and to negotiate agreements covering all employees in the unit. It is responsible for representing the interests of all employees in the unit without discrimination and without regard to labor organization membership. The labor organization shall be given the opportunity to be represented at formal discussions between management and employees or employee representatives concerning grievances, personnel policies and practices, or other matters affecting general working conditions of employees in the unit.

AGREEMENTS

Sec. 11. Negotiation of agreements. (a) An agency and a labor organization that has been accorded exclusive recognition, through appropriate representatives, shall meet at reasonable times and confer in good faith with respect to personnel policies and practices and matters affecting working conditions, so far as may be appropriate under applicable laws and regulations, including policies set forth in the Federal Personnel Manual, published agency policies and regulations, a national or other controlling agreement at a higher level in the agency, and this Order. They may negotiate an agreement, or any question arising thereunder, determine appropriate techniques, consistent with section 17 of this Order, to assist in such negotiation; and execute a written agreement or memorandum of understanding.

(b) In prescribing regulations relating to personnel policies and practices and working conditions, an agency shall have due regard for the obligation imposed by paragraph (a) of this section. However, the obligation to meet and confer does not include matters with respect to the mission of an agency; its budget; its organization; the number of employees; and the numbers, types, and grades of positions or employees assigned to an organizational unit, work project or tour of duty; the technology of performing its work; or its internal security practices. This does not preclude the parties from negotiating agreements providing appropriate arrangements for employees adversely affected by the impact of realignment of work forces or technological change.

(c) If, in connection with negotiations, an issue develops as to whether a proposal is contrary to law, regulation, controlling agreement, or this Order and therefore not negotiable, it shall be resolved as follows:

(1) An issue which involves interpretation of a controlling agreement at a higher agency level is resolved under the procedures of the controlling agreement, or, if none, under agency regulations;

(2) An issue other than as described in subparagraph (1) of this paragraph which arises at a local level may be referred by either party to the head of the agency for determination;

(3) An agency head's determination as to the interpretation of the agency's regulations with respect to a proposal is final;

(4) A labor organization may appeal to the Council for a decision when --

(i) it disagrees with an agency head's determination that a proposal would violate applicable law, regulation of appropriate authority outside the agency, or this Order, or

(ii) it believes that an agency's regulations, as interpreted by the agency head, violate applicable law, regulation of appropriate authority outside the agency, or this Order.

Sec. 12. Basic provisions of agreements. Each agreement between an agency and a labor organization is subject to the following requirements --

(a) in the administration of all matters covered by the agreement, officials and employees are governed by existing or future laws and the regulations of appropriate authorities, including policies set forth in the Federal Personnel Manual; by published agency policies and regulations in existence at the time the agreement was approved; and by subsequently published agency policies and regulations required by law or by the regulations of appropriate authorities, or authorized by the terms of a controlling agreement at a higher agency level;

(b) management officials of the agency retain the right, in accordance with applicable laws and regulations --

(1) to direct employees of the agency;

(2) to hire, promote, transfer, assign, and retain employees in positions within the agency, and to suspend, demote, discharge, or take other disciplinary action against employees;

(3) to relieve employees from duties because of lack of work or for other legitimate reasons;

(4) to maintain the efficiency of the Government operations entrusted to them;

(5) to determine the methods, means, and personnel by which such operations are to be conducted; and

(6) to take whatever actions may be necessary to carry out the mission of the agency in situations of emergency; and

(c) nothing in the agreement shall require an employee to become or to remain a member of a labor organization, or to pay money to the organization except pursuant to a voluntary, written authorization by a member for the payment of dues through payroll deductions.
The requirements of this section shall be expressly stated in the initial or basic agreement and apply to all supplemental, implementing, subsidiary, or informal agreements between the agency and the organization.

Sec. 13. Grievance procedures. An agreement with a labor organization which is the exclusive representative of employees in an appropriate unit may provide procedures, applicable only to employees in the unit, for the consideration of employee grievances and of disputes over the interpretation and application of agreements. The procedure for consideration of employee grievances shall meet the requirements for negotiated grievance procedures established by the Civil Service Commission. A negotiated employee grievance procedure which conforms to this section, to applicable laws, and to regulations of the Civil Service Commission and the agency is the exclusive procedure available to employees in the unit when the agreement so provides.

Sec. 14. Arbitration of grievances. (a) Negotiated procedures may provide for the arbitration of employee grievances and of disputes over the interpretation or application of existing agreements. Negotiated procedures may not extend arbitration to changes or proposed changes in agreements or agency policy. Such procedures shall provide for the invoking of arbitration only with the approval of the labor organization that has exclusive recognition and, in the case of an employee grievance, only with the approval of the employee. The costs of the arbitrator shall be shared equally by the parties.

(b) Either party may file exceptions to an arbitrator's award with the Council, under regulations prescribed by the Council.

Sec. 15. Approval of agreements. An agreement with a labor organization as the exclusive representative of employees in a unit is subject to the approval of the head of the agency or an official designated by him. An agreement shall be approved if it conforms to applicable laws,

existing published agency policies and regulations (unless the agency has granted an exception to a policy or regulation) and regulations of other appropriate authorities. A local agreement subject to a national or other controlling agreement at a higher level shall be approved under the procedures of the controlling agreement, or, if none, under agency regulations.

NEGOTIATION DISPUTES AND IMPASSES

Sec. 16. Negotiation disputes. The Federal Mediation and Conciliation Service shall provide services and assistance to Federal agencies and labor organizations in the resolution of negotiation disputes. The Service shall determine under what circumstances and in what manner it shall proffer its services.

Sec. 17. Negotiation impasses. When voluntary arrangements, including the services of the Federal Mediation and Conciliation Service or other third-party mediation, fail to resolve a negotiation impasse, either party may request the Federal Service Impasses Panel to consider the matter. The Panel, in its discretion and under the regulations it prescribes, may consider the matter and may recommend procedures to the parties for the resolution of the impasse or may settle the impasse by appropriate action. Arbitration or third-party fact finding with recommendations to assist in the resolution of an impasse may be used by the parties only when authorized or directed by the Panel.

CONDUCT OF LABOR ORGANIZATIONS AND MANAGEMENT

Sec. 18. Standards of conduct for labor organizations.

(a) An agency shall accord recognition only to a labor organization that is free from corrupt influences and influences opposed to basic democratic principles. Except as provided in paragraph (b) of this section, an organization is not required to prove that it has the required freedom when it is subject to governing requirements adopted by the organization or by a national or international labor organization or federation of labor organizations with which it is affiliated or in which it participates, containing explicit and detailed provisions to which it subscribes calling for --

(1) the maintenance of democratic procedures and practices, including provisions for periodic elections to be conducted subject to recognized safeguards and provisions defining and securing the right of individual members to participation in the affairs of the organization, to fair and equal treatment under the governing rules of the organization, and to fair process in disciplinary proceedings;

(2) the exclusion from office in the organization of persons affiliated with Communist or other totalitarian movements and persons identified with corrupt influences;

(3) the prohibition of business or financial interests on the part of organization officers and agents which conflict with their duty to the organization and its members; and

(4) the maintenance of fiscal integrity in the conduct of the affairs of the organization, including provision for accounting and financial controls and regular financial reports or summaries to be made available to members.

(b) Notwithstanding the fact that a labor organization has adopted or subscribed to standards of conduct as provided in paragraph (a) of this section, the organization is required to furnish evidence of its freedom from corrupt influences or influences opposed to basic democratic principles when there is reasonable cause to believe that --

(1) the organization has been suspended or expelled from or is subject to other sanction by a parent labor organization or federation of organizations with which it had been affiliated because it has demonstrated an unwillingness or inability to comply with governing requirements comparable in purpose to those required by paragraph (a) of this section; or

(2) the organization is in fact subject to influences that would preclude recognition under this Order.

(c) A labor organization which has or seeks recognition as a representative of employees under this Order shall file financial and other reports, provide for bonding of officials and employees of the organization, and comply with trusteeship and election standards.

(d) The Assistant Secretary shall prescribe the regulations needed to effectuate this section. These regulations shall conform generally to the principles applied to unions in the private sector. Complaints of violations of this section shall be filed with the Assistant Secretary.

Sec. 19. Unfair labor practices. (a) Agency management shall not --

(1) interfere with, restrain, or coerce an employee in the exercise of the rights assured by this Order;

(2) encourage or discourage membership in a labor organization by discrimination in regard to hiring, tenure, promotion, or other conditions of employment;

(3) sponsor, control, or otherwise assist a labor organization, except that an agency may furnish customary and routine services and facilities under section 23 of this Order when consistent with the best interests of the agency, its employees, and the organization, and when the services and facilities are furnished, if requested, on an impartial basis to organizations having equivalent status;

(4) discipline or otherwise discriminate against an employee because he has filed a complaint or given testimony under this Order;

(5) refuse to accord appropriate recognition to a labor organization qualified for such recognition; or

(6) refuse to consult, confer, or negotiate with a labor organization as required by this Order.

(b) A labor organization shall not --

(1) interfere with, restrain, or coerce an employee in the exercise of his rights assured by this Order;

(2) attempt to induce agency management to coerce an employee in the exercise of his rights under this Order;

(3) coerce, attempt to coerce, or discipline, fine, or take other economic sanction against a member of the organization as punishment or reprisal for, or for the purpose of hindering or impeding his work performance, his productivity, or the discharge of his duties owed as an officer or employee of the United States;

(4) call or engage in a strike, work stoppage, or slowdown; picket an agency in a labor-management dispute; or condone any such activity by failing to take affirmative action to prevent or stop it;

(5) discriminate against an employee with regard to the terms or conditions of membership because of race, color, creed, sex, age, or national origin; or

(6) refuse to consult, confer, or negotiate with an agency as required by this Order.

(c) A labor organization which is accorded exclusive recognition shall not deny membership to any employee in the appropriate unit except for failure to meet reasonable occupational standards uniformly required for admission, or for failure to tender initiation fees and dues uniformly required as a condition of acquiring and retaining membership. This paragraph does not preclude a labor organization from enforcing discipline in accordance with procedures under its constitution or by-laws which conform to the requirements of this Order.

(d) When the issue in a complaint of an alleged violation of paragraph (a)(1), (2), or (4) of this section is subject to an established grievance or appeals procedure, that procedure is the exclusive procedure for resolving the complaint. All other complaints of alleged violations of this section initiated by an employee, an agency, or a labor organization, that cannot be resolved by the parties, shall be filed with the Assistant Secretary.

MISCELLANEOUS PROVISIONS

Sec. 20. Use of official time. Solicitation of membership or dues, and other internal business of a labor organization, shall be conducted during the non-duty hours of the employees concerned. Employees who represent a recognized labor organization shall not be on official time when negotiating an agreement with agency management.

Sec. 21. Allotment of dues. (a) When a labor organization holds formal or exclusive recognition, and the agency and the organization agree in writing to this course of action, an agency may deduct the regular and periodic dues of the organization from the pay of members of the organization in the unit of recognition who make a voluntary allotment for that purpose, and shall recover the costs of making the deductions. Such an allotment is subject to the regulations of the Civil Service Commission, which shall include provision for the employee to revoke his authorization at stated six-month intervals. Such an allotment terminates when --

(1) the dues withholding agreement between the agency and the labor organization is terminated or ceases to be applicable to the employee; or

(2) the employee has been suspended or expelled from the labor organization.

(b) An agency may deduct the regular and periodic dues of an association of management officials or supervisors from the pay of members of the association who make a voluntary allotment for that purpose, and shall recover the costs of making the deductions, when the agency and the association agree in writing to this course of action. Such an allotment is subject to the regulations of the Civil Service Commission.

Sec. 22. Adverse action appeals. The head of each agency, in accordance with the provisions of this Order and regulations prescribed by the Civil Service Commission, shall extend to all employees in the competitive civil service rights identical in adverse action cases to those provided preference eligibles under sections 7511-7512 of title 5 of the United States Code. Each employee in the competitive service shall have the right to appeal to the Civil Service Commission from an adverse decision of the administrative officer so acting, such appeal to be processed in an identical manner to that provided for appeals under section 7701 of title 5 of the United States Code. Any recommendation by the Civil Service Commission submitted to the head of an agency on the basis of an appeal by an employee in the competitive service shall be complied with by the head of the agency.

Sec. 23. Agency implementation. No later than April 1, 1970, each agency shall issue appropriate policies and regulations consistent with this Order for its implementation. This includes but is not limited to a clear statement of the rights of its employees under this Order; procedures with respect to recognition of labor organizations, determination of appropriate units, consultation and negotiation with labor organizations, approval of agreements, mediation, and impasse resolution; policies with respect to the use of agency facilities by labor organizations; and policies and practices regarding consultation with other organizations and associations and individual employees. Insofar as practicable, agencies shall consult with representatives of labor organizations in the formulation of these policies and regulations, other than those for the implementation of section 7(e) of this Order.

Sec. 24. Savings clauses. (a) This Order does not preclude --

(1) the renewal or continuation of a lawful agreement between an agency and a representative of its employees entered into before the effective date of Executive Order No. 10988 (January 17, 1962); or

(2) the renewal, continuation, or initial according of recognition for units of management officials or supervisors represented by labor organizations which historically or traditionally represent the management officials or supervisors in private industry and which hold exclusive recognition for units of such officials or supervisors in any agency on the date of this Order.

(b) All grants of informal recognition under Executive Order No. 10988 terminate on July 1, 1970.

(c) All grants of formal recognition under Executive Order No. 10988 terminate under regulations which the Federal Labor Relations Council shall issue before October 1, 1970.

(d) By not later than December 31, 1970, all supervisors shall be excluded from units of formal and exclusive recognition and from coverage by negotiated agreements, except as provided in paragraph (a) of this section.

Sec. 25. Guidance, training, review and information.

(a) The Civil Service Commission shall establish and maintain a program for the guidance of agencies on labor-management relations in the Federal service; provide technical advice and information to agencies; assist in the development of programs for training agency personnel and management officials in labor-management relations; continuously review the operation of the Federal labor-management relations program to assist in assuring adherence to its provisions and merit system requirements; and, from time to time, report to the Council on the state of the program with any recommendations for its improvement.

(b) The Department of Labor and the Civil Service Commission shall develop programs for the collection and dissemination of information appropriate to the needs of agencies, organizations and the public.

Sec. 26. Effective date. This Order is effective on January 1, 1970 except sections 7(f) and 8 which are effective immediately. Effective January 1, 1970, Executive Order No. 10988 and the President's Memorandum of May 21, 1963, entitled Standards of Conduct for Employee Organizations and Code of Fair Labor Practices, are revoked.

RICHARD NIXON

THE WHITE HOUSE

October 29, 1969

Mr. FLOOD. Mrs. Reid?

CHICAGO TRUCKING STRIKE

Mrs. REID. Is your service engaged in any way in trying to settle the strike in the trucking industry which is causing such great distress in the Chicago area?

Mr. COUNTS. Yes. We have been heavily involved in that.

Certainly this is one of the larger problems that we have experienced in this past year. The trucking situation is a very difficult one because the national master contract does not include Chicago within it.

The agreement was reached with the assistance of our service on April 2 on the terms of a national master contract that provided an increase of $1.10 per hour over 39 months. As best I can figure it, this is about 27.5 percent.

The Chicago local broke away from the coordinated program that they had with the national organization in the development of the national contract and has held fast on a bargaining demand of $1.65 per hour, with the fringe benefits, as I figure it, about 43 percent.

Now the problem has been the acceptance of the national pattern in Chicago.

The agreement when announced, pending the development of the geographical supplements—and there are 37 of those—created a good deal of unrest. There were incipient work stoppages accompanied by violence. There was a great economic impact and harm upon the communities. Many of these are short-capital operators. Many of the businesses that were without shipments, particularly those in the seasonal area, suffered tremendously.

The agreement was ratified by a mailed ballot. The results of that were made known as of May 15. The vote was completed as of May 15. The results were made known as of May 17.

The problem now and the center of activity has now shifted to Chicago, where we are redoubling our efforts to get the parties to the Chicago dispute to reach an agreement. The posture is one of complete impasse. The Chicago teamsters, those that are associated with the common carriers, those whose rates are approved by the Interstate Commerce Commission, the union is saying $1.65, not one-half cent less.

The employers are saying $1.10, not one cent more.

We are trying to bring the parties together in an effort to see if we cannot break this impasse and get it into motion.

Now as of this point in time, I would like to tell you that we have been successful, but I cannot. We are not without hope or encouragement because there are many ways to approach this difference.

We are tremendously interested in the total amount, however, because the impact of this type of settlement across all of industry, with automotive coming up, with rubber in a dispute situation, it is very important that we settle it.

But that is a bird's-eye view of the situation.

Mrs. REID. I am receiving calls every day from people in my district who are affected very severely by this situation. I understand that the violence is continuing.

Mr. COUNTS. It certainly very well may be.

We have made very strong appeals, the administration has made very strong appeals to the State and local governments responsible for law and order, to eliminate it and control it.

This has met with some effect. I think I can honestly say to you now, it is minimal. But this has been a shooting situation. It has been tremendously discouraging.

This is one of the things that you look at in terms of an economic contest. There has not been the ability to move any power of Government, as I understand it, into this situation. It has not been a case for Taft-Hartley. It could very well be a case for congressional action if the economic impact continues.

Mrs. REID. Do you have any statistics at all to show just how much this dispute is costing our economy?

Mr. COUNTS. No, I do not have any statistics.

Mrs. REID. It must be staggering.

Mr. COUNTS. It must be staggering. I have had, as you have had I am sure, many communications from business associations, employers, pointing to the loss in the Chicago area. I was told that the loss was amounting to $1 million a day. Now I cannot tell you whether this is valid or not.

If you listen to what the parties say concerning this, some of this loss is deferred, but some of it is not. I do not think there is any means of really ascertaining that factually.

LIAISON WITH ARBITRATORS IN PRIVATE SECTOR

Mrs. REID. What type of liaison do you have with the private institutions in the arbitration field such as the American Arbitration Association, on the National Academy of Arbitrators?

Mr. COUNTS. Well, we have a continuing liaison with them. The American Arbitration Association and ourselves, as you know, furnish panels of arbitrators to disputants in labor contract matters. We work together primarily in three areas: No. 1, the development of arbitrators, per se—talking now about the introduction of new talent into the arbitration field. This is a very difficult thing. It is one that is very, very important.

Secondly, we work with them in the development of new classes of arbitrators.

For example, we have developed in our service and are sharing with the American Arbitration, lists of arbitrators qualified to serve in the public sector. We also are developing a list of arbitrators capable in such fields as production standards, that sort of thing.

Then a third thing we do is, we share information with them as to arbitration techniques and procedures. We do have a very good liaison and communication with them.

PROPOSALS FOR NEW LEGISLATION

Mrs. Reid. Are there any changes in the existing law, proposals for new legislation in the entire field of labor-management relations?

Mr. Counts. We are not specifically involved in any legislation.

There are a couple of areas that I feel are important. The administration has pending a bill which provides for additional tools to handle major disputes in the transportation industry. This, of course, includes maritime, trucking and rails and airlines, even though the latter two are the province of the National Mediation Board under the Railway Labor Act.

This legislation, I think, is important because if you look at the history of activity under these acts, you will find that where the injunctive procedures have been used under Taft-Hartley, they have been used primarily in the maritime industry and where they have not been successful under Taft-Hartley, they have not been successful in the maritime industry.

Under the Railway Labor Act you have hundreds of situations over the past several years where they have gone to finality through the procedure and have had to come to Congress or some other binding mechanism for relief. I think this proposed legislation is good. I support this legislation because I think it provides an alternative to this action that will expediently handle the dispute. That is one thing.

DISPUTES SETTLEMENT MACHINERY FOR PUBLIC SECTOR

A second thing that I am tremendously concerned with is this matter of the public sector, the dispute settlement machinery that is necessary in that particular sector.

If you are not to have the right to strike, you must have a disputes settlement machinery that is meaningful. We have not had experience under the current Executive order to determine whether or not those procedures will be satisfactory or adequate, but certainly when you see such situations as we had in the Post Office Department, in PATCO, it tells you you need to have emergency procedures, that you need to have means that are adequate, that are effective, that are immediate, to handle these situations.

This is a field that I am tremendously interested in. Certainly I would welcome the opportunity to involve ourselves.

Our agency, as you know, is a neutral agency, we are not a policy-setter. So other than our public information efforts and our liaison with people such as yourselves, we do not get into the legislative-proposing end of the business, so to speak.

Mrs. Reid. Thank you very much.

Thank you, Mr. Chairman.

Mr. Flood. Thank you.

FEDERAL MEDIATION AND CONCILIATION SERVICE
SALARIES AND EXPENSES
COMPARATIVE BUDGET ESTIMATE
FISCAL YEAR 1971 OVER FISCAL YEAR 1970

Description	Fiscal Year 1970 Positions	Fiscal Year 1970 Amount	Fiscal Year 1971 Positions	Fiscal Year 1971 Amount	Increase (+) or Decrease (-) over 1970 Estimate Positions	Increase (+) or Decrease (-) over 1970 Estimate Amount
Personnel Compensation						
Office of the Director	8	$ 163,363	8	$ 164,530	- +	$ 1,167
Office of Mediation	12	230,370	12	233,743	- +	3,373
Office of General Counsel	7	74,211	7	74,763	- +	552
Office of Planning and Development	5	83,379	5	84,099	- +	720
Office of Information	3	42,508	3	42,508	- +	-
Administrative Management	36	363,327	36	365,373	- +	2,046
Total Departmental	71	957,158	71	965,016	- +	7,858
Total Field	385	6,524,233	389	6,644,051	+ 4 +	119,818
Total Permanent	456	7,481,391	460	7,609,067	+ 4 +	127,676
Pay above the stated annual rate		28,000		29,000	+	1,000
Lapses	-13	-241,391	-3	-91,067	+10 +	150,324
Net savings due to lower pay scales for part of year		- 21,000		---	+	21,000
Net Permanent	443	7,247,000	457	7,547,000	+14 +	+300,000
Part Time and Temporary		86,000		86,000		-
Payment Above Basic Rates		6,000		6,000		-
TOTAL PERSONNEL COMPENSATION		$7,339,000		$7,639,000		$ 300,000
Other Objects						
Personnel benefits		557,000		609,000	+	52,000
Travel and Transportation of persons		599,000		618,000	+	19,000
Transportation of things		22,000		22,000		-
Rents, communications and utilities		362,000		401,000	+	39,000
Printing and reproduction		15,000		16,000	+	1,000
Other service		70,000		70,000	+	-
Supplies and materials		39,000		40,000	+	1,000
Equipment		15,000		93,000	+	78,000
Total Other Objects		1,679,000		1,869,000		+ 190,000
TOTAL OBLIGATIONS		9,018,000		9,508,000		+ 490,000
Financing						
Appropriation		8,412,000		9,508,000		+ 1,096,000
Expenses to "Operating Expenses, Public Building Services", General Services Administration		-9,000		-		+ 9,000
Appropriation (adjusted)		8,403,000		9,508,000		+ 1,105,000
Proposed supplemental for pay increases		615,000		-		- 615,000
TOTAL OBLIGATIONS		9,018,000		9,508,000		+ 490,000
COMPARATIVE ESTIMATE BY ACTIVITIES						
1. Mediation and Conciliation of Labor Disputes		$7,381,000		$7,798,000		+$ 417,000
2. Ad hoc boards, panels, mediators, and consultants		125,000		125,000		-
3. Administration		1,512,000		1,585,000		+ 73,000
Total program costs, funded		9,018,000		9,508,000		+ 490,000
Change in selected resources		-		-		-
TOTAL OBLIGATIONS		9,018,000		9,508,000		+ 490,000

Federal Mediation and Conciliation Service

Narrative Justification

Fiscal Year 1971 Budget

Salaries and Expenses, Federal Mediation and Conciliation Service

Introduction

The major objective of the Service is to minimize industrial conflict, particularly to avoid work stoppages, and to reduce their duration if and when they occur. The principal elements of the program structure designed to accomplish the Service's objective are (a) dispute mediation, (b) preventive mediation, (c) public information and education, and (d) arbitration services. A brief description of each of these elements follows:

(a) Dispute mediation is concerned with rendering assistance to the parties, when needed, in connection with the negotiation or renegotiation of a collective bargaining agreement. It is frequently referred to as "crisis" mediation; usually the mediator does not enter the negotiations unless an impasse appears likely, or has been reached, and the possibility of a work stoppage looms.

(b) Preventive mediation: The major purpose of the Service's preventive activity is dispute avoidance through the long term improvement of the labor-management relationship. The technique is to encourage the parties in discussion of their problems away from and without the tensions of a strike deadline or a contract expiration. Training forums are important adjuncts to the process. This continuous dialogue and forum approach is a highly significant development in labor-management relations that has become more prevalent in recent years as the parties come to find it helpful in improving their working relationships. The Service believes strongly that the potential for minimizing industrial tensions through preventive mediation is a close second in priority to dispute mediation.

(c) Public information and educational activities: This is a minor but necessary supporting adjunct to the total mediation effort. Typical activities include mediator participation in labor relations conferences or forums, co-sponsorship with universities of seminars, speeches before professional groups, and other activities related to the subject matter of collective bargaining and the mediation function.

(d) Arbitration is a commonly accepted procedure utilized by labor and management as a method for solving problems that arise out of the interpretation and implementation of an existing agreement. It is usually the terminal point of the grievance

procedure contained in the agreement; its acceptance by the parties results in settlement of grievances and other disputes without resort to work stoppages. The Service contributes to better labor-management relations by making available to the parties panels of skilled arbitrators from which selections of individuals can be made by the parties to hear and decide the issues in dispute. The parties pay the arbitrator's fee and other related expenses.

Summary of Fiscal Year 1971 Estimate

The Service's work program for the budget year 1971 is, essentially, a continuation and an intensification of the mediation and preventive mediation activity of recent years. Workload projections, treated in detail in the narrative justification, indicate a record high level of activity in 1971. Prime goals will encompass the prompt and efficient servicing of dispute situations in which the parties are unable to reach agreement through their own efforts; the continuing development of the Service's preventive activity as an important adjunct of its dispute mediation efforts; and, through its arbitration panel service, continuing to assist in the resolution of grievances and other problems that arise out of the terms of existing collective bargaining agreements.

The Service will also, under the provisions of Executive Order 11491, make its mediation facilities available to Federal agencies and labor organizations in the resolution of negotiation disputes in the Federal service.

A total appropriation of $9,508,000 is proposed for the budget year. This estimate will provide funds for the following:

(a) A national office staff of 71 positions.

(b) Seven regional and seven assistant regional director positions.

(c) A nonsupervisory mediator complement of 279 positions, an increase of four over the number anticipated for the current year.

(d) A regional and field office administrative, stenographic, and clerical staff of 96 positions.

(e) An increase in total budgeted permanent positions from 456 anticipated in the current fiscal year to 460 in the budget year, a total increase of four positions.

Workload Data

The statistical data tabulations which follow are largely self-explanatory:

Table A shows a summary of dispute mediation workload over the past five fiscal years, plus the first half of fiscal year 1970.

Table B treats in detail, by region, the preventive mediation workload for fiscal year 1969. It summarizes different activities which evolved from 1321 preventive mediation cases for the year.

Table C shows a six-year summary of the Service's arbitration activity.

TABLE A

Comparison of Disputes Mediation Workload

(Number of Cases Exclusive of Preventive Activity)

Fiscal Years 1965 - 1969 and First Six Months Fiscal Year 1970

		1965	1966	1967	1968	1969	(July-Dec.) 1970
A.	Case Totals						
	1. In Process Start of Year	5,281	5,472	4,781	5,036	5,260	5,113
	2. Assignments	21,262	20,230	19,602	21,385	21,830	8,987
	3. Total Workload	26,543	25,702	24,383	26,421	27,099	14,100
	4. In Process End of Year	5,472	4,781	5,036	5,260	5,113	3,980
	5. Cases Closed	21,071	20,921	19,347	21,161	21,986	10,210
B.	Analysis by Types of Mediation Activity						
	1. Joint Conference Cases	7,445	7,836	7,193	7,485	8,028	3,995
	2. Separate Conference Cases	316	300	284	281	269	112
	3. No Conference Cases	11,283	11,048	9,970	10,997	10,667	4,753
	4. No Mediation Activity	2,027	1,737	1,900	2,398	3,022	1,260
	5. Cases Closed	21,071	20,921	19,347	21,161	21,986	10,120
C.	Joint Meetings Conducted	25,183	26,530	25,749	26,016	27,750	14,684
D.	Separate Meetings Conducted	3,268	3,713	3,631	3,744	3,855	1,783

TABLE B

PREVENTIVE MEDIATION - CASE SUMMARY*

FISCAL YEAR 1969

Reg.	TOTAL CASES	COMMITTEES			CONSULTATION			CONT. LIAISON			TRAINING			
		Joint	Sep	TOTAL	Joint	Sep.	TOTAL	Joint	Sep.	TOTAL	Union	Mgmt.	Comb.	TOTAL
1	245	230	111	341	118	540	658	33	114	147	76	86	44	206
2	141	76	24	100	22	282	304	5	181	186	107	142	103	352
3	131	109	38	147	32	224	256	2	104	106	73	83	64	220
4	127	81	17	98	31	135	166	4	51	55	85	76	30	191
5	334	206	62	268	90	502	592	6	247	253	122	158	186	466
6	163	159	57	216	17	350	367	11	279	290	191	88	26	305
7	172	206	32	238	38	395	433	12	338	350	93	28	16	137
N.O.	8													
TOTALS:	1,321	1,067	341	1,408	348	2,428	2,776	73	1,314	1,387	747	661	469	1,877

*The data reflect mediator participations in joint and separate meetings by type of activity indicated in the headings.

TABLE C

ARBITRATION WORKLOAD

PROCESSING REQUESTS FOR PANELS	FISCAL YEAR					
	1964	1965	1966	1967	1968	1969
Number of Requests Received	4791	5038	5454	6955	7809	8479
Number of Panels Issued	5172	5453	6255	7623	8630	9679
Number of Selections Made by the Parties	3142	3286	3386	3953	4103	4427
Number of Direct Appointments Made by the Service at Request of the Parties	40	47	44	42	72	56

Future Outlook and Work Program Forecast for Fiscal Year 1971

The tabulation which follows presents the workload forecast in terms of cases and/or assignments. Lacking in the tabulation, however, is any measure or indication of the degree of complexity and the extensive complications that are inherent in today's collective bargaining. The subsequent commentary is directed to a number of factors which are relevant to the workload projections and to the setting in which it appears the collective bargaining process will be functioning during fiscal year 1971.

Workload Projections, Fiscal Years 1970 and 1971

	Actual F.Y. 1969	Est. F.Y. 1970	Est. F.Y. 1971
I. Dispute Mediation			
(a) Dispute case assignments in process during the fiscal year	27,202	28,100	29,200
(b) Joint meeting cases closed	8,028	8,148 1/	8,468 2/
(c) Percentage ratio of joint meeting cases closed to total assignments in process during the year	29.5%	29.1%	29.0%
II. Preventive Mediation			
(d) Total preventive mediation assignments (new case assignments and carryover)	1,321	1,325	1,375
III. Public Information and Education			
(e) Total assignments closed	845	850	850
IV. Arbitration Services			
(f) Number of panels submitted to the parties	9,679	10,500	11,200

1/ Based on the assumption that the average percentage ratio (item c) as prevailed for the three fiscal years 1967-69 will prevail in 1970

2/ Based on the assumption that the average percentage ratio (item c) of the preceding three fiscal years 1968-70, will prevail in 1971.

Basis for Workload Projections

The Service under provisions of the Labor Management Relations Act receives notice from the parties on all collective bargaining contracts involving private enterprises in interstate commerce which are expiring and on which renegotiations are commencing. Notices affecting 80 to 90 thousand contract negotiations, either individually or in association bargaining, are received each year. These negotiations constitute the Service's major workload factor. In addition there is a steady increment each year to the potential workload arising out of National Labor Relations Board bargaining certifications after representation elections. The National Labor Relations Board in fiscal year 1968 (latest available data) conducted a total of 7,875 representation elections of which the unions won 4,495. About 52 percent of the elections won by the unions (2,350) were in manufacturing industries. It has been an accepted practice that the National Labor Relations Board provides the Service with copies of these bargaining certifications. In fiscal year 1969, for example, a total of 3,742 such certifications were received, which resulted in 1,929 mediation assignments. Subsequently, 952 of these assignments involving Service mediators were closed successfully through joint meetings. A joint meeting is one held under the auspices of and chaired by a Service mediator. The data for fiscal year 1968 were somewhat similar. Such certifications in most cases are initial contract situations and mediation is especially important as there is usually a lack of bargaining experience on the part of both parties.

The dispute mediation workload projection for fiscal year 1970 is based on the average actual workload (in terms of dispute case assignments) for the three preceding fiscal years (1967-69) combined with the 2,000 additional case assignments arising out of new National Labor Relations Board bargaining certifications. The accuracy of this increment projection is substantiated by actual data for the past few years.

The workload projection for the budget year, fiscal year 1971, is premised on the estimated average workload for the preceding fiscal years (1968-70), plus the continuing increment factor of 2,000 new National Labor Relations Board certifications in 1971.

The estimate of joint meeting cases to be closed for both fiscal years 1970 and 1971 is based on the assumption that the actual average percentage ratio which prevailed for the preceding three fiscal years will continue at the same level during fiscal years 1970 and 1971. The average yearly percentage ratio is about 29 percent. Translating these figures to mediator activity means that the Service becomes actively involved in approximately three of every ten dispute assignments. The mediators, however, must maintain continuing liaison with both parties in all dispute assignments even though active involvement at the bargaining table may not be required. These data reinforce a basic principle of the Service

that the parties should first endeavor to reach their own agreement before calling for mediation assistance. If this were not a guideline, a larger mediator staff would be required, and would to a certain degree negate the collective bargaining concept.

Under the new Executive Order 11491, entitled "Labor-Management Relations in the Federal Service," the Service has assumed additional mediation responsibility. Specifically, section 16 of the Order states: "The Federal Mediation and Conciliation Service shall provide services and assistance to Federal agencies and labor organizations in the resolution of negotiation disputes. The Service shall determine under what circumstances and in what manner it shall proffer its services." When the Executive Order is fully operational, the Service estimates that it will become activetly engaged in mediation in 350 to 400 situations a year in the Federal sector.

The preventive mediation estimates bear a relationship to the dispute case workload. Most of the preventive mediation activity develops out of dispute case negotiations during which the mediator perceives the need for improvement in one or more aspects of the labor-management relationship. Accordingly, he will, where appropriate, broach the subject to the parties and offer his assistance in getting a program underway which will address itself to particular problems or circumstances hindering a good labor-management relationship. It is only with the consent, cooperation, and support of labor, management, or both parties in a cooperative effort, that a mediator engages in preventive mediation activity.

As the active dispute case load rises, it follows that there will be an increase in the number of preventive assignments evolving from this increased workload. The estimate for 1970-71 reflects this assumption. Much of this activity must of necessity be performed at the convenience of the parties which is usually after the regular working hours of the employees.

It has been noted that a successful preventive endeavor frequently leads to inquiries from other local unions and management representatives in the same industrial community about the Service's preventive program.

The public relations and educational assignments are a necessary adjunct to the total mediation job. The mediator staff devotes as much time as is possible, without neglecting mediation or preventive mediation assignments, to meet the interest of various segments of the public by such activities as assisting in planning programs, making presentations, participating in conferences relating to the topics of collective bargaining and its role in the Nation's economic and industrial life. In each of the last few years it is noted that there are approximately 850 activities of this nature.

Arbitration services are not a part of the individual mediator's job. The Service, however, does perform an important administrative

function in the field of labor-management relations through the maintenance of a select roster of over 1300 highly respected and well-qualified persons from which the parties can select an arbitrator to adjudicate their differences. The estimates for 1970 and 1971 are merely an extension of the case load increment which has taken place each year for the past thirteen years.

. . . . . .

There are other long range indicators and projections which point to continuing expansion in collective bargaining negotiations and concomitantly more requests for mediation assistance. For instance, projections by the Center for Economic Projections of the National Planning Association in a report issued in September 1968 forecast sharp economic, population, and employment growth over the next several years. A few of these key projections are listed below:

Item and Unit	Actual 1967	Projected 1973
Population (millions)	199.1	213.7
Labor force (millions)	80.8	89.3
Employment (millions)	77.8	86.0
Unemployment rate (percent)	3.8	3.8
Consumption (billion dollars)	492.2	631.6*
Investment (billion dollars	114.3	158.1*
Of which: Construction	24.6	42.0
Gross National Product (billion dollars)	789.7	1011.3*
In current prices (billion dollars)	789.7	1195.6
Federal Reserve Board index of industrial production (1957-59 = 100)	158.1	201.6

*in terms of 1967 dollars.

The obvious conclusion which flows from these estimates is that the Nation's economy will continue to expand and become more interdependent than ever. New business enterprises will be generated by the hundreds, and many of them will be engaged in collective bargaining for the first time; the steady pattern of the new NLRB bargaining certifications is evidence of this observation. In turn, it is apparent that the need for competent mediation assistance will grow apace with the rapid industrial and economic growth that is forecast. To be prepared to effectively meet that mediation need is a major long-range goal of the Service.

The dynamic, evolutionary nature of the collective bargaining process, and the setting in which it is conducted, can be more readily understood by examination of a few of the major issues being bargained today. These issues are present in virtually all major negotiations, regardless of the character of the industry, and it is from these major negotiations that patterns or guides evolve which in turn have heavy impact on thousands of other subsequent smaller contract negotiations in the same or related industries, as well as other facets of economic life. Foremost among today's key bargaining issues are wages and cost of living escalation clauses; worker productivity; employee displacement caused by automation or other technological changes; company mergers of plant relocation; revamping of seniority systems for lay-offs and promotions; revision of wage incentives to keep abreast of changes in job content; the integration and extension of benefit programs including pensions, sickness and hospitalization, group life insurance, severance pay, profit sharing, supplemental unemployment compensation, supplemental workmen's compensation, etc. The mere listing of these areas of bargaining demonstrates rather vividly some of the major challenges which the institution of free collective bargaining faces.

There are also other related problems. The union technique of "coordinated bargaining," for example, is an important development in current day industrial relations. A large corporation making a diversity of products and having a large number of separate contracts with a number of different unions obviously is a bargaining problem to the individual unions. Hence, the movement by the unions to present a united front through coordination of efforts in contract negotiations. Management reluctantly is accepting this new form of bargaining. Mediation of disputes of this nature are bound to be prolonged and difficult.

Another disturbing factor in the current industrial relations picture is rejections by union members of tentative contract settlements, reached in good faith by their bargaining committees. In the past fiscal year, in 12.3 percent of the joint meeting cases closed by the Service, the tentative settlements reached in good faith by their bargaining committees were rejected. This compares with 11.9 percent in 1968; 14.1 percent in 1967; 11.7 percent in 1966; 10 percent in 1965; and 8.7 percent in 1964. Rejections mean an additional drain on manpower because the mediator must usually again re-enter the case.

Public Sector Bargaining: One of the highly significant political and social developments in the past few years is the rapid growth of bargaining in the public sector, at all levels of government. Undoubtedly, this growth of bargaining in the public sector will intensify in the future. The responsibility of the Service for offering mediation assistance in collective bargaining disputes within the Federal service has previously been outlined. Similarly, in State and local government negotiations, the Service has provided assistance in a limited number of situations. The Service,

however, does not provide any mediation assistance in any State where an active State or local mediation agency is functioning. The current policy - governing such assistance is as follows: (1) all requests for mediation assistance must be screened and decided on at the national office level; (2) no request can be considered unless made jointly by both parties; (3) no request can be considered unless both parties certify that an impasse has been reached following genuine bargaining efforts; (4) in the event a joint request is approved, the Service will select and assign the individual mediator; and (5) the mediator assigned will be available only for a limited period of time and/or a limited number of joint meetings as the situation dictates. Further, collective bargaining between local units of government and public employee unions, in the 32 states in which no mediation facilities are available, may end in such serious impasses that the Service may, of necessity, have to offer its mediation facilities in an effort to keep the orderly processes of government going, i.e. disputes involving policemen, firemen, teachers, nurses, garbage collectors, etc.

Preventive mediation is the descriptive term used by the Service for activities under the Congressional mandate that the agency cultivate better permanent relationships between labor and management. In essence it involves continuing dialogue and other activities during non-crisis bargaining periods for the purpose of cultivating better understanding between the parties of their mutual problems. It has many of the same aspects as dispute mediation absent the emotion and pressure of the "crisis" deadline.

Typical of the activities which fall within the preventive mediation concept, and in which the mediator staff actively engage are:

(1) Labor-management commitees for purposes of prenegotiations, post-negotiations, problem-solving study assignments, or continuing dialogue to iron out day-to-day problems during the term of the contract.

(2) Consultations; ad hoc trouble shooting or advisory services.

(3) Continuing liaison; establishment of an informal relationship in key or basic industries for the purpose of developing information on industry trends, conditions, and impending negotiating problems.

(4) Training; directed primarily toward foremen-steward levels to improve "grass roots" communications, human relations, responsible grievance handling, and so on.

(5) Community-wide activities; encompassing various mediums for improving labor-management climates. These may include tripartite community forums, Industrial Relations Research Association chapters, or labor-management seminars in conjunction with colleges or universities.

Endorsement of the concept of "continuing dialogue" during the life of the collective bargaining contract has come from a variety of professional labor relations sources and many good examples of this type of activity are in operation, apart from Service sponsored preventive mediation activities. Preventive mediation, and similar programs, constitute a new and positive approach to difficult bargaining problems arising out of our complex industrial and economic society. The Service will continue to pursue vigorously its efforts in this promising work area.

Illustrative of different types of preventive mediation in which the Service engages are the following summaries of a few preventive mediation assignments closed during the past fiscal year.

PM 469-4
The American Electric Power Company
Big Sandy Unit #2
Louisa and Ashland, Kentucky

This assignment originated as a result of a request from the Directof of Labor Relations for the Company, made to the Regional Director, for advice on reducing lost time due to jurisdictional disputes involving various Building Trades Unions. According to the Company's information, some (41) work stoppages of varying length had occurred during the previous twelve months. The assigned mediator took the initiative to meet with various officials of the Ashland, Kentucky, Building Trades Council, as well as with local Company representatives, to discuss the situation and obtain necessary background information. Thereafter, a joint meeting was held under FMCS auspices with representatives of both groups. A joint working committee was established including representatives of the building trades unions and the various contractors as a focal point, for establishing communications and endeavoring to provide solutions prior to direct action being taken by any of the affiliated Unions. While a number of jurisdictional problems continue to plague the parties, it is agreed that the monthly meetings originated by the assigned mediator, had served to reduce the incidence of such work stoppages and improve the over-all communications between the various parties.

PM 469-55
FMCS and St. John College
Institute of Social Education
Cleveland, Ohio

Under the above assignment the mediators in the Cleveland Office designed and presented a training program consisting of some seven (7) sessions for labor-management personnel in the Cleveland area. The format of the program included a formal presentation on various subjects in basic labor-management relations followed by a workshop group the next

week directed by FMCS mediators. Over 180 interested persons registered for the program. This activity has developed into an annual affair which has been successful in imparting basic labor-management principles for the benefit of the Cleveland Community. In addition to the main goal of training, subsidary benefits in public relations have accrued to the Service. A considerable number of individuals who participated in these courses have later been involved as a member of the union or management bargaining committees, having already developed a knowledge of appreciation for the assistance that can be rendered by a third party.

PM 270-1
Department of the Army, Frankford Arsenal and
National Association of Government Employees
and three other unions
Philadelphia, Pennsylvania

This assignment was based on a request from the parties for additional training in order to help them maintain their effective relationship. The Service had provided a program for these parties several years ago and because it was so successful the parties requested a similar program for new personnel added in the intervening years. The program was conducted in three parts. The first part included a panel discussion in which personnel officers of the Army Munitions Command and the mediators discussed principles of effective labor-management relations. The second phase was the presentation of audio-visual materials and discussions. Several mediators participated in this phase. The third part involved the presentation of a mock mediation film followed by active discussion. Each phase involved four sessions over a two-day period. From 500 to 600 union stewards and management representatives participated.

This program was particularly important because the Department of Defense is considering closing this facility and the employees and managers are interested in finding every way to strengthen their opportunities to survive. Therefore, they have resorted to our assistance in helping them maintain an effective employee-employer relationship.

PM 769-33
Campbell Soup Company and International
Brotherhood of Teamsters, Local 228

As part of the settlement of a two-month strike mediated by the FMCS in the Summer of 1968, provisions was made for a Joint Human Relations Committee to be chaired by the Mediator involved. Purpose of this labor-management committee was to restore and build an improved working relationship within the 1,700 man plant, especially at the foreman-steward "front line" level, where a great deal of bitterness and hostility had been generated before and during the strike. Both sides were seriously concerned with the problem and welcomed FMCS continuing participation.

A comprehensive program was developed of regular monthly meetings of a Joint Committee, together with ancillary departmental in-plant joint discussions on contract application and company policies and rules, and a series of "industrial relations training sessions" jointly conducted for foremen and Union stewards. Two fellow-Commissioners from the Regional Office assisted the assigned mediator in conducting the series of seven trining sessions with appropriate audio-visual material.

Altogether over the next ten months, FMCS conducted some eight formal joint labor-management sessions and eight separate consultations with the parties in Sacramento (in addition to the training program) as well as fairly frequent liaison by telephone on interim activities. By August 1969, it was determined there was no further need for active FMCS participation and the Mediator withdrew from chairmanship of the J.H.R.C. However, the Committee and its corollary organized departmental activities within the plant are continuing on an on-going basis, under an alternating chairmanship arrangement between the parties.

In evaluation, both labor and management credit the joint program with having helped considerably to bridge the chasm from "industrial warfare" back to effective communication and problem-solving within the plant. The grievance machinery has been effectively strengthened and is working at the lower levels, with very few formal grievances going to the "3rd step" procedure now and none to arbitration. Productivity was built back to desirable levels; and both parties feel that a much more wholesome attitude prevails throughout the plant between management and union representatives at all levels. The ultimate test of the value of the effort will come in the contract-renewal efforts which the parties will face in May 1971.

Missile and Space Site Activity

Under the provisions of Executive Order No. 11374, the Service was assigned the full responsibility for continuing the mediation activity at local missile and space sites throughout the country. This order transferred to the Service the functions and responsibilities of the Missile Sites Labor Commission.

During the past fiscal year, the missile and space program of the Government continued to move forward, with no significant labor problems.

Labor relations at the major missile and space sites have been constantly monitored by the Service on a priority basis. The local Missile Site labor Relations Committees, composed of representatives of labor and management at the site with the local mediator serving as Chairman, have continued at those sites where there has been a recognized need. Such assignments constitute preventive mediation work.

Collective bargaining negotations between both industrial and construction contractors and unions, which relate to work on the sites, are also assigned to the local site mediator on a priority basis.

During the past fiscal year, work was in progress at 11 missile and space sites throughout the country. Of the total of 7,678,239 man-days worked, only 1,514 man-days were lost due to work stoppages. The number of work stoppages during the fiscal year showed a drop from the 24 recorded during the previous fiscal year to a new low of 18.

Arbitration Services

The number of requests for arbitration panels in fiscal year 1969 totaled 8,479, up 8.6 percent from the previous fiscal year. Since fiscal year 1963, the arbitration workload, as measured by the number of requests for panels, has increased by 98 percent. All other aspects of the arbitration case load show similar steady increases. The tabulation on page 7 summarizes these data for the past six fiscal years.

Despite the fact that the Service has more than 1300 arbitrators on its roster, there is a continuing problem of adding to and maintaining a roster of a sufficient number of competent, experienced, and acceptable arbitrators. The joint effort with the American Arbitration Association and the National Academy of Arbitrators in developing training programs for new arbitrators is still in effect. These programs are being developed on an area basis. The objective is to increase the number of qualified arbitrators in any area where the arbitration case load of that area indicates a shortage of competent arbitrators. It can safely be assumed that the rate of arbitration volume will continue to expand in the future as it has over the past ten years.

Construction Industry Collective Bargaining Commission

The creation of the Construction Industry Collective Bargaining Commission, by Executive Order 11482, places additional responsibility on the mediation facilities of the Service. One of the major roles of the Commission, as outlined in the Executive Order, will be to intervene in labor disputes in the industry which are likely to have a significant impact on construction activity. Prior to such intervention in major disputes, it can be assumed that FMCS mediators will have been fully engaged in intensive mediation efforts with the parties in an effort to keep to a minimum the number of disputes in which the Commissioner will have to assert jurisdiction.

The presence of the Director of the Service on the Commission, as one of the public members, will help insure close collaboration and coordination of the activities of both agencies in achieving the major goals of the Commission.

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The foregoing data and explanatory materials indicate substantial workload increases in all major work areas for fiscal year 1971. This condition will prevail despite the fact that there will be continued rigid initial screening, consolidation of association bargaining cases, and consistent urging the parties to reach agreement without mediation assistance.

Boards of Inquiry and Other Ad Hoc Panels and Experts

Only one Taft-Hartley Board of Inquiry was needed in emergency dispute situations in the 1969 fiscal year, none has been needed in fiscal year 1970 to date (March) 1970. The 1969 Board of Inquiry had to do with the longshore (ILA) negotiations covering the Atlantic and Gulf Coast ports. There was a tremendous mediation effort put into these critical negotiations both before and after the Board of Inquiry had completed its task. Other potential Taft-Hartley situations, approximately 10, were successfully avoided by agreement between the parties with the assistance of mediation. These were all defense oriented situations. A major portion of the funds ($98,000) earmarked for this activity were thus made available for the partial absorption of the federal employee pay increase which went into effect during fiscal year 1969.

The Service will continue to provide mediatory and administrative assistance to any such boards or panels as may be appointed during both fiscal years 1970 and 1971.

The sum of $125,000 is included each year in the Service's budget for Boards of Inquiry, special boards, panels and outside experts. It is essential that the full amount be made available because of the uncertainty of future needs for boards and panels. As in previous years, funds not obligated will be returned to the Treasury, or applied to federal employee pay increases.

National Labor-Management Panel

This advisory group, authorized by the Labor Management Relations Act of 1947, met once during the past fiscal year. Pressures of serious disputes and a change in the Directorship prevented other meetings from being scheduled. The work of the Panel was further handicapped as some of its members' terms expired during the year. Recommendations have been made to the President for appointment of their successors.

Meetings of the Panel are held in executive session, thus permitting free and meaningful discussion and interchange of ideas on a variety of industrial relations and collective bargaining problems. These discussions are especially helpful to the Service in assessing labor and management attitudes on specific topics.

Panel activity will resume immediately after the new members have been appointed. Close liaison is maintained with the members

between the regularly scheduled meetings and in the past the advice and counsel of the panel and its individual members have been of genuine benefit to the Service.

Manpower and Financial Requirements

1. Mediator Manpower Increases

An increase of four new mediator positions at Grade GS-12 is proposed for fiscal year 1971. This will place the total non-supervisory mediator staff at 279. The proposal is in keeping with the long-range objective of making mediation a more effective force in minimizing industrial strife. The Service's two pronged approach of intensified mediation in all threatening work stoppages, and continuing development of the preventive mediation concept in labor-management relations are key elements in the Service's program objective.

As outlined earlier in the justification, projections of the National Planning Association point to sharp increases in economic growth over the next several years, including substantial increases in the population, the labor force, and actual employment. With a Gross National Product forecast of over a trillion dollars by 1973 (in terms of 1967 dollars) many new business enterprises will be generated and most of them will be engaged in collective bargaining for the first time. Further, the Bureau of Labor Statistics estimates that in 1966 there were more than 250,000 different employers covered by collective bargaining agreements with national unions. This number has probably increased considerably since 1966. All of the foregoing data point convincingly to a continuing need for mediation during the rapid industrial and economic growth that lies ahead. To be in a position to meet this need effectively is a constant goal of the Service. The small increase of four new mediator positions for fiscal year 1971 is a step in that direction.

2. Other Non-Manpower Increases

The estimate for fiscal year 1971 carries non-manpower increases as follows: personnel benefits $52,000; travel $19,000; communications $39,000; printing and reproduction $1,000; supplies and materials $1,000; and equipment $78,000.

The personnel benefits item is related to the personnel compensation costs for fiscal year 1971, including the increase from 6½ percent to 7 percent in the agency's contribution to the Civil Service Retirement Fund.

The travel increase of $19,000 is related to the new mediator positions and to increased dispute and preventive activity.

The communications increase of $39,000 is related to increased Federal Telecommunications System toll and instrument rental charges.

Nominal increases of $1,000 each are included for printing and reproduction; and for supplies and materials.

The increases totaling $78,000 in the equipment item are related to the purchase (in lieu of continuing rental) of a Burroughs Electronic Accounting Machine ($57,000); to the purchase of new and replacement furniture and typewriters ($10,000); to the purchase of new audio-visual film for use in preventive mediation activities ($10,000); and $1,000 related to other miscellaneous items.

THURSDAY, MAY 21, 1970.

NATIONAL LABOR RELATIONS BOARD

WITNESSES

FRANK W. McCULLOCH, CHAIRMAN
ARNOLD ORDMAN, GENERAL COUNSEL
JOHN H. FANNING, BOARD MEMBER
OGDEN W. FIELDS, EXECUTIVE SECRETARY
DOMINICK L. MANOLI, ASSOCIATE GENERAL COUNSEL
H. STEPHAN GORDON, ASSOCIATE GENERAL COUNSEL
WILLIAM T. EVANS, SPECIAL ASSISTANT TO GENERAL COUNSEL
CLARENCE S. WRIGHT, DIRECTOR, DIVISION OF ADMINISTRATION
EDWARD GOODSTEIN, DEPUTY DIRECTOR, DIVISION OF ADMINISTRATION
MORRIS S. MILLER, CHIEF, BUDGET BRANCH
MILDRED E. STEVENS, ASSISTANT CHIEF, BUDGET BRANCH

NATIONAL LABOR RELATIONS BOARD

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	27,577	30,136	29,680
Positions other than permanent	189	225	212
Other personnel compensation	30	41	35
Special personal service payments	125	189	182
Total personnel compensation	27,921	30,591	30,109
Personnel benefits: Civilian employees	2,161	2,390	2,432
Travel and transportation of persons	1,390	1,653	1,668
Transportation of things	46	60	67
Rent, communications, and utilities	1,294	1,264	1,319
Printing and reproduction	457	629	623
Other services	1,046	1,235	1,219
Supplies and materials	304	308	305
Equipment	249	202	188
Insurance claims and indemnities	8	50	50
Total costs, funded	34,876	38,382	37,980
Change in selected resources	−63	13	−50
Total obligations	34,813	38,395	37,930

PERSONNEL SUMMARY

Total number of permanent positions	2,364	2,320	2,197
Full-time equivalent of other positions	32	39	35
Average number of all employees	2,314	2,225	2,113
Average GS grade	9.7	9.9	10.2
Average GS salary	$12,151	$13,838	$14,243

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Field investigation	21,362	23,656	23,407
2. Trial examiner hearing	3,810	3,908	3,917
3. Board adjudication	4,322	4,742	4,634
4. Securing compliance with Board orders	5,382	6,076	6,022
Total program costs, funded	34,876	38,382	37,980
Change in selected resources [1]	−63	13	−50
Total obligations	34,813	38,395	37,930
Financing: Unobligated balance lapsing	654		
Budget authority	35,467	38,395	37,930
Budget authority:			
Appropriation	35,474	36,880	37,930
Transferred to other accounts	−7	−127	
Appropriation (adjusted)	35,467	36,753	37,930
Proposed supplemental for civilian pay act increases		1,642	
Relation of obligations to outlays:			
Obligations incurred, net	34,813	38,395	37,930
Obligated balance, start of year	2,082	2,565	3,420
Obligated balance, end of year	−2,565	−3,420	−4,265
Adjustments in expired accounts	−18		
Outlays, excluding pay increase supplemental	34,312	35,970	37,013
Outlays from civilian pay act supplemental		1,570	72

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968. $380,000; 1969, $317,000; 1970 $330,000; 1971, $280,000.

Mr. FLOOD. We now have the National Labor Relations Board. The presentation will be made by Mr. Frank W. McCulloch, Chairman, I am sure there will be a statement by Mr. Ordman, also.

BIOGRAPHICAL SKETCHES OF PRINCIPAL WITNESSES

We would like a biographical sketch of both of you gentlemen inserted at this point.

(The biographical sketches follow:)

BIOGRAPHICAL RÉSUMÉS

FRANK W. M'CULLOCH

Legal residence: 720 Ingleside Place, Evanston, Ill.

District of Columbia residence: 3642 Upton Street, NW., Washington, D.C.

Born: September 30, 1905, Evanston, Ill., Parents: Frank H. McCulloch and Catharine Waugh McCulloch, Attorneys at Law, Chicago, Ill.

Education: Elementary-public schools, Evanston, Ill.; A.B.—Williams College, 1926; L.L.B.—Harvard Law School, 1929.

Family: Married Edith F. Leverton (graduate of University of Arizona, B. Mus., 1935) in 1937; Sons: William Holt McCulloch, and Frank H. McCulloch.

Previous and present positions: 1930–35, general practice of law in office of Sonnenschein, Berkson, Lautmann, Levinson & Morse, Chicago, Ill.; evening social settlement work, Chicago Commons; 1935–46, Industrial Relations Secretary, Council for Social Action, Congregational-Christian Churches, Chicago office; special lecturer giving courses on "Church and Industrial Relations" Pacific School of Religion, Berkeley, Calif., 1939–40; Chicago Theological Seminary, 1944–45; McCormick Theological Seminary, Chicago, 1945; University of Wisconsin Pastors' Institutes, 1944–45; Presbyterian Pastors' Institute, Chicago, 1945; Director, James Mullenbach Industrial Institute, Chicago, 1940–46 (a joint project of the Chicago Congregational Union and Council for Social Action); and public, local panel member, Regional War Labor Board, 1943–44.

1946–49, director, Labor Education Division, Roosevelt University, Chicago,

Ill.; 1949–61, administrative assistant to U S. Senator Paul H. Douglas of Illinois; March 7, 1961, Chairman, National Labor Relations Board.

Honors: L.L.D., Olivet College, Michigan, 1945; L.L.D., Chicago Theological Seminary, 1961; and Phi Beta Kappa, 1925.

ARNOLD ORDMAN

General Counsel, National Labor Relations Board, Washington, D.C.

Took oath of office as General Counsel of the National Labor Relations Board on May 14, 1963, following his appointment by President Kennedy on April 24, 1963, and confirmation by the U.S. Senate on May 9, 1963.

Reappointed for a second term by President Johnson in May 1967 and again confirmed by the U.S. Senate.

He became the sixth NLRB General Counsel since passage of the Taft-Hartley Act of 1947, and the first two-term General Counsel since the inception of that office. That act gave the General Counsel final authority in the investigation of unfair labor practice charges, and on the issuance of complaints.

He is a native of Somersworth, N.H., born February 16, 1912, and was a Phi Beta Kappa at Boston University, where he received his B.A. degree in 1933. He received his law degree at Harvard Law School in 1936.

Practiced law at Salem, Mass., before entering the U.S. Navy in 1942, where he served as signal officer aboard the U.S.S. *New York*.

Joined the NLRB in 1946, serving in General Counsel's office in various capacities, including supervisory trial attorney, until 1959. Wrote briefs and argued cases before every U.S. circuit court of appeals, and before the U.S. Supreme Court.

Was trial examiner at NLRB from 1959 to 1961.

Became chief counsel to NLRB Chairman Frank W. McCulloch on March 29, 1961.

Is on the executive committee of the International Society for Labor Law and Social Legislation.

Is married to former Evelyn R Sisson of Boston. Mr. and Mrs. Ordman have two sons: Edward Thorne and Alfred Bram. The family resides at Chevy Chase, Md.

INTRODUCTION OF SUPPORTING WITNESSES

Mr. FLOOD. Do you have anybody in your shop you would like us to meet, Mr. McCulloch, that is, anyone we do not know?

Mr. MCCULLOCH. We have with us Board member Fanning and the Executive Secretary, Mr. Fields. We have the head of the Division of Litigation,——

Mr. FLOOD. Somebody impinging upon your jurisdiction?

Mr. MCCULLOCH. Mr. Manoli, Mr. Gordon, Associate General Counsel in charge of operations, Mr. Evans——

Mr. FLOOD. Mr. Manoli is Associate Counsel.

Mr. MANOLI. That is right.

Mr. MCCULLOCH. I was running down the list of all those in our delegation.

We have Mr. Clarence Wright, Director, Division of Administration; Edward Goodstein, Deputy Director of that Division; Morris Miller, Chief, Budget Branch, and Mrs. Mildred Stevens, Assistant Chief of the Budget Branch. Mr. Evans is also here, Special Assistant to the General Counsel.

STATEMENT OF CHAIRMAN

Mr. FLOOD. I see, Mr. McCulloch, you have a statement. How do you wish to proceed?

Mr. MCCULLOCH. I would be very glad, with the committee's permission, to insert that in the record and to make, I hope, a somewhat briefer statement orally.

Mr. FLOOD. We shall do that—and we hope you get your hope.

(Statement referred to follows:)

STATEMENT OF FRANK W. MCCULLOCH, CHAIRMAN OF THE NATIONAL LABOR RELATIONS BOARD, BEFORE THE SUBCOMMITTEE ON LABOR AND HEALTH, EDUCATION AND WELFARE AND RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

May 21, 1970

I wish to thank the Committee for this opportunity to appear on behalf of the National Labor Relations Board, and to support its budget request for fiscal year 1971 to carry out the responsibilities laid upon it by the Congress.

THE AGENCY REQUEST

The Agency request for fiscal year 1971 is for $37,930,000, a decrease of $592,000 from the $38,522,000 expected for fiscal year 1970. (The comparison is exclusive of funds for the recent 6% increase in pay.) The amount requested is estimated to be able to support employment of 2,113 in 1971, a reduction of 111.4 man-years from the staff estimated for 1970.

As our justification indicates, we will need $902,634 in 1971 for additional mandatory administrative expenditures. The total reduction in funds for program is therefore $1,494,634. The staff provided reflects the program fund reduction.

We are faced with an increasing workload based on case filings, over which we have no control. We have estimated the filing of 20,500 unfair labor practice cases and 12,950 representation cases or a total of 33,450 in 1971, as compared to a total estimate of 32,245 for 1970, or an increase of 1,205 cases.

This is the estimate we made 6 months ago. Actual experience in 1970 thus far, indicates that our unfair labor practice filings this year will probably exceed the estimated 4.3% increase by at least an additional 4 to 5%, so that we will end this year with 8-900 more unfair labor practice cases.

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than estimated, and 1971 filings should also reflect this increase over the estimate.

This means that we will probably have to deal with over 34,000 cases in 1971, while our staff will be more than 100 under the staff that has been available to us in 1970. This is why we have said to the Committee; we will do our best, but we expect backlogs to develop and time delay to increase. We are already seeing some signs of this development in 1970.

Work has been increasing sharply while staff has been falling. Our current estimate that over 20,000 unfair labor practice charges will be filed in fiscal year 1970 is over 12% higher than the 17,816 filed in 1968, when the staff we estimate for 1970 is 6-1/2% lower than in 1968.

Less than 5% of this increase in filings occurred in 1969, when the employment decreases began. We were able to keep the case handling process current that year because formal work (requiring full hearings) was not increasing and representation work declined a little.

This year we have had increases in unfair labor practice and representation work, and in addition formal work is also increasing.

As a result, with a shrinking staff, case handling in the field offices is beginning to slow down. The General Counsel will provide greater detail in his discussion of our field office operations, but current statistics indicate that both representation case handling and unfair labor practice case handling may be slowing down.

FACTORS AFFECTING INTAKE

Our estimates of intake are based upon a continuing analysis of the relevant labor relations factors which have in our experience had some effect upon filings. The most important ones are those reflecting industrial change,

whether in the form of growth or decline.

When, for example, the economy is slowing down and layoffs begin to take place, workers become concerned about the security of their employment. If they are not organized, they often seek unionization. Layoffs which take place in an atmosphere of this type lead to charges of discriminatory layoff for engaging in union activity. A petition is filed, and we have as a result several cases presenting the whole gamut of industrial relations decisions under the law for our review.

The inflationary economic pattern we have been experiencing has led to individual as well as industrial unrest, with individuals filing charges against unions and employers who they claim are discriminating against them.

The drive to automate creates conditions of change and unrest and may lead to union organizing and unfair labor practice charges.

All of these situations are occurring today, and they are additional to the ordinary situation of a plant being built, staffed and then becoming the subject of an organizing campaign.

These days we also have the factor of race relations affecting industrial relations and resulting in charges being filed.

Attempts to organize white collar workers increase and intensify as service employment outstrips factory employment. Furthermore, the successful organizing of public employees (teachers, nurses, lawyers, clericals, police, fire and sanitation employees, etc.) appears to be showing the way for the organizing of such private sector employees as bank and stockbroker employees.

APPRAISAL OF OUR PRESENT SITUATION

Intake

We have estimated that 19,450 charges and 12,795 representation cases would be filed in 1970. At present, we are docketing unfair labor practice charges at a rate about 10% above 1969 experience and expect to have close to that much increase by the end of this year. Since we received 18,651 charges in 1969, a case filing increase of 9% in 1970 would result in 20,330 charges being filed in 1970. Representation cases are being filed at a rate about 2% above 1969, which would result in a total of 12,905 filings. Our actual intake for 1970 is thus exceeding our estimates.

We have in our justifications estimated a further increase of 5% in unfair labor practice charges in 1971 and 1% in representation cases, or 20,500 charges and 12,950 representation cases. Adding 5% to our new 1970 estimate of 20,330 would result in 21,345 charges, and adding 1% to 12,905 would result in 13,035 representation cases in 1971. This would be an increase of 930 cases over our first, filed estimate for 1971. In view of the actual 10% increase pattern for unfair labor practice filings thus far in 1970, a 5% increase projection into 1971 is in our opinion a very conservative view of the outlook.

Types of Filings

The increases in filings this year have been distributed among all types of cases and among all our charging parties.

Union charge filings have increased by 7.5%, and union representation petitions filed have increased by about 4%. This probably represents the pickup in union organizing which we have been expecting.

Charges filed by individuals have increased by 14%, with individual charges against employers rising by 11% and individual charges against unions rising 19%. The rise in charges filed by individuals probably reflects unemployment rises as well as industrial and rank-and-file unrest.

Workload effects

The rise in all types of charges has had the general primary effect of increasing workload of all types in our field offices. Informal as well as formal work has increased this year. The field offices have been trying hard to keep current. Workload per staff member is rising, and time delay is beginning to rise.

Our trial examiners have only had a moderate rise in workload per trial examiner, thus far, due to the nature of the case intake and the manful efforts of the field offices to complete the disposition of cases without formal hearing. A small rise in time required to go to hearing is the only sign of time delay increase at this time. (At this point the pending increase is in our field offices.)

The Board is losing a large number of legal assistants this year and next. This year it did not expect any backlog problems, as a result of a temporary decrease in exceptions filed to trial examiner decision. This decrease reduced the unfair labor practice program in 1970 for the Board by about 100 decisions. Our current program calls for 725 contested unfair labor practice decisions to issue this year, as compared to 813 issued in 1969. The loss of a Board member since December, however, has had an effect on our output, and we may not be able to meet our full program this year.

1971 Outlook

The increased filings above estimate this year, mean a probable

increase above estimate of over 900 cases in 1971, assuming that the percentage rises estimated for 1971 do not increase. This is a very heavy increase in the informal and formal workload, assuming a continuation of the current output pattern. It will undoubtedly aggravate the situation described in our justification.

With formal and informal work rising at the levels now experienced and expected, we may well have greater backlogs and time delay at all levels than we have estimated.

MANAGEMENT IMPROVEMENT AND COST REDUCTION

The Agency has, as the Committee knows, a continuing program for management improvement and cost reduction in its case-handling. The budgetary value of the cost reduction incorporated in our 1971 budget has been estimated at $354,800. The achievement of these improvements in 1971, however, depends upon the workload (i.e. case-processing) effects of the time delays we expect to have to deal with.

The Agency's program to automate the printing of Board volumes of decisions is moving slowly with the Government Printing Office program in this area. Four volumes of decisions have been printed under the electronic photocomposition program; three more are in the works. Volume 170 is expected to be printed using the Government Printing Office's faster and less costly, we hope, linotron composer. Under this program, we hope to achieve the delivery of bound volumes of Board decisions within a short period after the volume is closed. However, in order to catch up with the backlog which has developed during this developmental program we have arranged, through GPO, for a massive printing effort by outside contractors to print volumes 173-181 almost simultaneously. This approach should eliminate the abnormal

back-up of unprinted Board decisions and relieve the public and ourselves of an extremely difficult and onerous Board decision reference problem.

The program to automate the Agency's management and case handling information system, so as to provide assistance in case handling and to provide management with timely useful reports, is moving ahead. The approach calls for sharing computer time with other computer users. This is less expensive than purchasing a computer; it will also provide more flexibility in developing a system to meet our constantly changing needs.

PROPOSED POSTAL SERVICE

The postal bill introduced into the Congress at the request of the Administration (H.R. 17070) provides in Section 222 that the Act which we administer shall govern the labor relations of the Postal Service, to the extent not inconsistent with other provisions of H.R. 17070.

Under this proposal, therefore, the N.L.R.B. would be responsible for settling representation questions, holding elections, and ruling on unfair labor practice charges.

We cannot, at this time, estimate the extent of the additional work involved because it depends on the provisions of the Postal bill which Congress finally enacts. We are certain, however, that since all proposals thus far reported bring this Agency into the picture, the work involved will be substantial. We are mentioning this, at this time, so that the Committee will be aware that there are no funds in the request submitted to you for 1971 for use in fulfilling any responsibilities we may have if such a Postal bill is enacted.

SUMMARY

Our main problem at this point is coordinating the most efficient use of a reduced staff to process the fast-rising workload in a manner designed to mitigate the effects of rising backlog.

With your guidance and understanding, as in previous years, we hope to meet and deal with these problems as effectively and skillfully as we can, having in mind at all times the responsibilities laid on us by the Congress to resolve as speedily as possible those industrial conflicts which arise from representation and unfair labor practice disputes.

CONFIRMATION OF MR. EDWARD B. MILLER

Mr. McCULLOCH. Mr. Chairman, I think I should first advise the committee that earlier today the Senate advised and consented to the nomination of Edward B. Miller to serve as a member of the Board. The President has already indicated it is his intention after confirmation to designate Mr. Miller to be Chairman of the Board.

I know that he would want to meet the members of the committee as soon as convenient for the committee after he assumes his duties, and I would be very glad to be the instrument to effect that introduction at the will and pleasure of the committee.

Mr. FLOOD. You can tell Mr. Miller he has a sharp-edged instrument.

Mr. McCULLOCH. We have tried to keep him generally apprised of appropriations matters in anticipation of what has happened, but he does not know these budget matters in detail. I am prepared to testify in support of the agency's budget request, and unless the committee has other desires I shall proceed.

Mr. FLOOD. Proceed.

SUMMARY OF BUDGET REQUEST

Mr. McCULLOCH. We appreciate the opportunity to appear in support of the budget request. Our request, Mr. Chairman, for 1971 is $37,930,000. This is a decrease of $592,000 from the expected 1970 funds. This appropriation will support employment of 2,113 persons, a reduction of 111.4 from the 1970 staff.

WORKLOAD ESTIMATES

The Agency's workload is the whole basis of our request for funds and staff. It originates, as members of this committee know, with outside parties, individuals, employers, and unions who are not subject to our control in their case filings. This workload, on the basis of what we believe to be conservative estimates, more than justifies the amount requested for 1971, which I mentioned above.

Elaborating on that point just briefly, our original workload estimate, made 6 months ago at the time of the preparation of the President's budget, and based on probabilities for this current year, was for 33,450 cases in 1971, an increase of some 1,205 cases over 1970.

Now, in May, with more than three-quarters of the current year gone, we have the benefit of the actual experience for 1970, and we find that the unfair labor practice case intake has gone up markedly faster than we had anticipated. The actual rate we have found for the increase in unfair labor practice case filings is now between 9 and 10 percent for this current year above 1969, instead of the estimated 4.3 percent.

Compared with 2 years ago, 1968, the current year's, 1970, unfair labor practice caseload is up over 12 percent in that time. But in the same 2-year period, staff is down 6.5 percent.

Mr. FLOOD. Is this figure you give us for this increase since last year dramatic and startling?

Mr. McCulloch. Yes; it really is. It means that whereas we had been experiencing an increase in unfair labor practice cases of about 4 to 5 percent for the last few years, this is a rate of increase which is nearly double. This is startling to us.

Since this 1970 workload base will be higher, the base which we have to figure 1971, it is plain that the 1971 figure for case intake is likely to exceed 34,300 cases—about 900 more than in our original figure.

Mr. Flood. Is that a lot?

Mr. McCulloch. Yes.

This estimate for 1971 assumes a lower rate of increase than our actual experience in this current year. In other words, we are estimating the 1971 figures on the basis of the 5-percent increase in unfair labor practices and 1 percent in representation petitions typical of earlier years, whereas this current year is running about 9 and 2 percent on these two matters.

Mr. Flood. Was not that percentage 5.4?

Mr. McCulloch. It may well be that. I did not put the decimal in there, but merely rounded it out for this statement.

Therefore the assumption for 1971 seems to us to be a conservative one based upon the more extensive rises in the current year. The funds and staff requested for 1971 show a substantial reduction from 1970 and are thus fully needed to meet this sharply growing caseload.

Next we wish we could see some abatement in the factors that are producing these filings of Board cases, but we do not.

FACTORS PRODUCING GROWING CASELOAD

Mr. Flood. What are some of the factors?

Mr. McCulloch. I will just summarize them—industrial growth, inflation, which produce certain uncertainties and insecurities, and unemployment. There is also some rank-and-file unrest. We have a constant growth in union organization with certain spotlighting on——

Mr. Flood. Are you getting involved in the public sector?

Mr. McCulloch. No, because the statute gives us no authority there, although we believe that the increase of organizing in the public sector tends to affect organizing of white collar workers in the private sector. My prepared statement and our formal justications spell this out in greater detail. Here I am only adding that we see no letup in these trends.

RISING BACKLOG

Against this background, we have set forth, both in our prepared statements which you have and in the justifications which have been made available, quite candidly for the committee's information the fact that the steadily rising caseload on the one hand, and a reduced staff on the other, are causing us to begin to experience a slowdown in case handling. A continuation of these trends—more cases and less staff—in 1971 seems certain to bring serious problems of rising backlogs and time delay.

INCREASE IN CHARGES FILED BY INDIVIDUALS

The fact that this problem has not already reached disturbing levels seems to be due in the field—and Mr. Ordman will refer more fully to this—to the higher percentage of individual filings, filings by individual persons, not unions or employers. All types of case filings are up, but th increase in individual filings over the last few years has been more marked. These cases normally present a rather lower percentage of probable violations, for these charging parties are often not represented by lawyers, and so are not as well informed as to what constitutes a violation. Because of this, they have filed more cases which did not seem to have a firm basis.

Second, there has been a drop in the number or in the percentage of charges that section 8(a) (5) was violated.

Mr. FLOOD. In these individual charges do you find in many of the cases the individual is unhappy with the way the union in that particular plant, for instance, is functioning?

Mr. MCCULLOCH. This would seem to be a factor. I wish the chairman would address that question to Mr. Ordman because he is more fully conversant with this, knowing the field operations.

Mr. FLOOD. I have now addressed the question to the General Counsel.

Mr. ORDMAN. Yes; there has been a marked increase in the number of charges filed by individuals. It is around 14 to 15 percent. Many of these are directed by individuals against unions and the charges fall in two main areas. One area is that the union is not fairly referring them for employment or is otherwise discriminating against them in employment opportunity. Another area is the area of fines where they allege that the union has unlawfully fined them for conduct which the union considers inappropriate.

Mr. FLOOD. Proceed.

INCREASE IN CASE DISPOSITION WITHOUT FORMAL HEARINGS

Mr. MCCULLOCH. A third factor in preventing the workload situation from becoming more serious has been the continuing high level of case disposition in the field without formal hearings, especially the voluntary settling of cases in which merit is found.

At the Board level, and at the trial examiner level——

Mr. FLOOD. Would you indicate the authority and the jurisdiction that your people in the field can use to dispose of cases? What is the procedure? How far does their power go?

Mr. ORDMAN. The statute vests in the Office of the General Counsel complete power to investigate and prosecute cases. As a practical matter, the General Counsel delegates that power to the regional directors in routine cases which constitute most of our caseloads. We have 31 regions.

This means, in essence, that if, after investigation, we have reasonable cause to believe that an unfair labor practice is being committed we authorize issuance of a complaint. But before issuance, we first exhaust the possibilities of settlement, and in four out of five of those cases we settle them without litigation.

Where we feel there is not a basis——

Mr. FLOOD. The fact remains you can delegate the power, you have delegated it, and it is effective to the extent that the chairman indicated.

Mr. ORDMAN. That is correct.

Mr. MCCULLOCH. Since this is under the jurisdiction of the General Counsel, you will not think I am blowing my own horn when I say that the Board has been greatly relieved of a burden which might otherwise be overpowering by the success of the regional offices under the General Counsel.

Mr. FLOOD. This is a good place to say what I was going to say later on. I think you should blow your own horn. I refer to you, the witness, the Chairman. We have found you most cooperative with this committee at any and all times you have appeared in connection with your presentation. We very much appreciate that kind of cooperation.

You can be sure that when you leave your position as chairman that Mr. Miller, in our judgment, will have a very big pair of shoes to fill.

Mr. MCCULLOCH. Thank you, Mr. Chairman, I am sure I do not deserve those comments but they are very nice to hear.

DECREASE IN EXCEPTIONS

We have not reached a more serious problem at the Board level thus far, because of a decrease in the percentage of trial examiners' decisions in which exceptions were filed. In other words, a larger percentage of the parties were accepting the trial examiner's decision as final. The percentage of cases in which exceptions were filed, for the first 9 months of this year, was running at a level of only about 60 percent of cases, although ordinarily exceptions are filed in about 75 percent of the cases.

Mr. FLOOD. You are not a lawyer, are you, Mr. Chairman?

Mr. MCCULLOCH. Yes, I am, but I never practiced for long. I cannot claim great practical experience.

TACTICS OF PUBLICITY CAMPAIGN

Mr. FLOOD. In connection with this question of appeals, do you have any reason to believe, do you have reasonable cause to believe, that any of these things are being stirred up? Do you find that people are just going around stirring up these appeals?

Mr. MCCULLOCH. We at the Board level get a file with the hearing record, the trial examiners' decision, the exceptions, and the briefs. There are occasions when some of these cases seem quite routine and when the objections and the exceptions and the arguments do not seem to have great merit.

I do not think I would want to go further than that because I assume it is the right of the counsel representing the parties to test a legal or factual issue, a right the statute gives him. We accord him that right, even though we may have this kind of reaction about the merit of the argument he is making.

Mr. FLOOD. You have nothing to indicate any organized planned movement throughout the country to urge that this appeal be used?

Mr. McCULLOCH. I do not think so, at least in terms of champerty and maintenance. It may well be that there is a publicity campaign that seeks to discredit the statute and to say that the statute and the Board's administration of it is inimical to the interest of those running the publicity campaign. To what extent this induces added litigation I would not want to say.

Mr. FLOOD. That is what I was hinting at.

Mr. McCULLOCH. Your hint is firmly grounded.

Mr. ORDMAN. If I may interject, Mr. Chairman, I, too, have no basis for assuming anything in the way of champerty and maintenance, but there are objective facts. It takes approximately a year for a Board case to go through the full litigation process and to arrive at a Board decision.

Under the statute that Board decision and order is not self-enforcing. It must go to court.

Conservatively it can take 2 more years to process that case in the courts, making a total of 3 years if you exhaust all of your legal remedies. We cannot fault people for exercising a right given them under the statute to exhaust litigation, but the exercise of that right can prolong or delay bargaining for some 3 years.

Mr. FLOOD. Are fees set? How are lawyers paid?

Mr. ORDMAN. There is no set fee that I know about.

CONSENT DECREES—SUMMARY JUDGMENTS

Mr. FLOOD. Do you make use of the consent decree method?

Mr. ORDMAN. We do provide for consent decrees in settlements which need to be supported by board orders. We also use summary judgment and are increasingly using it wherever possible, wherever we can demonstrate that there are no material factual issues to be resolved. We use the summary proceeding method often in the bargaining situation where the only issue left in the unfair labor practice case is the validity of the representation proceeding that was antecedent, and there are no issues left to be resolved. This is one of the techniques we have used to expedite our proceedings.

ALLEGATIONS OF DISCRIMINATION

Mr. FLOOD. Are the protagonists of civil rights nationwide suddenly making any great use of the National Labor Relations Board with their allegations of discrimination?

Mr. ORDMAN. The number of those cases has been increasing, but a fair statement is that it has not been a substantial portion of our caseload. However, it is increasing regularly and steadily.

Mr. FLOOD. It seems to be a very normal increase because of the tremendous interest recently in civil rights rather than a planned campaign.

Mr. ORDMAN. That is correct, Mr. Chairman.

FUTURE CASELOADS

Mr. McCULLOCH. I adverted earlier to reasons why the problem of case backlog and the buildup of pending cases has not assumed more

serious proportions, along with time delay, to date. I want to turn now more to the future and to indicate that we are seeing an increase in the percentage of probable violations in the cases that are now being filed, which may require, therefore, more formal hearings. We are seeing an increase, or a return, to the percentage of exceptions filed to trial examiners' decisions in these last 3 months, and with 900 added cases which I referred to earlier for 1971 on top of the rather surprising 1970 workload, I know this committee will understand why we expect serious backlog and time delay problems in 1971.

Just in conclusion, now, our efforts to improve case-handling efficiency and to make savings through the use of new and automated printing processes and case-handling information programs will, of course, continue. We have budgeted for increases in the efficiency of our case handling.

IMPACT OF POSTAL REFORM BILL

We note for the committee's attention that the pending postal bill, H.R. 17070, would place significant new duties on this Agency for elections and the handling of unfair labor practices in the postal service. Since this has not been enacted and we do not know the final form of it obviously, no funds are included in our request for these activities.

Mr. SHRIVER. Is that because they will no longer be a Government organization?

Mr. MCCULLOCH. Yes. I suppose Congress itself can enact an exception to a previous exclusion, and the postal bill would, in effect, be that. Even though this may be a semipublic corporation, the authority to handle those things can be expressly conferred upon our Agency.

Despite the outlook for a rising workload and a reduced staff, which we regard with great seriousness, the Agency will do its utmost to provide the most prompt and effective service it can to carry out the responsibilities which you and Congress have given to us.

ATTACKS ON THE NLRB

Mr. FLOOD. Since I asked you about one side of the coin I might as well turn it over to the other side, even though the General Counsel might answer this.

Do you have any indication of any planned, organized effort in the so-called private sector or the business world to in any way utilize you for its purposes, defend you, attack you, or anything of the sort?

Mr. MCCULLOCH. We are quite aware of proposals to amend the statute, some of them to transfer the unfair labor practice jurisdiction of the Board to the U.S. district courts. Some of the proposals are to abolish the Board and create, instead, a labor court.

I have seen the materials circulated by business groups in support of some of these matters and how widely these are being distributed I am not in a position to say.

Mr. FLOOD. Have you any idea why this sort of thing happens all of a sudden? It seems to have happened overnight.

Mr. McCulloch. I do not think it has been all of a sudden. I was asked by a group of labor reporters, about a year after I had assumed my office to discuss the Board's work in general.

Mr. Flood. How long ago was that?

Mr. McCulloch. In 1962. I accepted their invitation. We had a discussion as to the kinds of procedural problems the Agency faced and some of its recent decisions.

It happens that the day before a leading association of businessmen had come out with an attack flaying the Board for what it regarded as the Board's ignoring of the statute, and adding other criticisms which often accompany that view. Not one of those reporters asked me a question about it.

I concluded the lunch by saying "I am surprised you have not asked me anything about this."

They said "Well, it is the same old thing. This has been going on almost since the Board was created."

Mr. Flood. I was about to say the same thing. I am aware of those situations of several years ago. It occurred to us that very recently there has been a revival of this in the private sector. Do you feel that?

Mr. McCulloch. I think that is true. I think there has been a very real step-up in this campaign of publicity. I regard some of it as an outright misrepresentation of what the Board has done, some of it as a partial reporting of what the Board has done, and I think it is unfortunate that an institution—not under my administration but under the guidance of a Congress which set it up and which helps to bring a high degree of stability to the resolution of issues which Congress asked us to deal with—is subjected to this kind of damaging attack. We need more stability in America today and the use of all the orderly processes that we have. I regard the publicity campaign as an unfortunate one.

Statement of General Counsel

Mr. Flood. I think we shall hear the General Counsel at this time. I see, Counselor, that you have a prepared statement. How do you wish to proceed?

Mr. Ordman. Thank you, Mr. Chairman. First I want to thank the committee for letting me comment on our 1971 budget request. Second, I am aware of the tightness of your time schedule. I would like to submit the statement for inclusion in the record and make just a few comments in that connection.

Mr. Flood. We shall do that.

(Statement referred to follows:)

STATEMENT OF ARNOLD ORDMAN, GENERAL COUNSEL OF THE NATIONAL LABOR RELATIONS BOARD, BEFORE THE SUBCOMMITTEE ON LABOR AND HEALTH, EDUCATION AND WELFARE AND RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

May 21, 1970

I thank the Committee for the opportunity to appear in behalf of the National Labor Relations Board in support of its budget request for fiscal year 1971.

The Agency request for fiscal year 1971 is $37,930,000, a reduction of $592,000 from the funds expected to be available for fiscal year 1970.

It is estimated that these funds will limit our employment in fiscal year 1971 to 2,113 a reduction of 111.4 man-years in Agency employment. Slightly over half of this reduction will be in the Agency's field offices where the bulk of the Agency work and the Agency personnel is concentrated.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

The National Labor Relations Act provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than trial examiners and legal assistants to Board Members) and over the officers and employees in the regional offices. He shall have final authority, on behalf of the Board, in respect of the investigation of charges and issuance of complaints under section 10, and in respect of the prosecutions of such complaints before the Board, and shall have such other duties as the Board may prescribe

As a result of the delegations in the statute and those made by the Board under the statute, the General Counsel is responsible for the operation of the Agency's field offices and, in addition, supervises all court litigation before and after Board decision. The Board has also delegated to the General Counsel supervision over the Division of Administration. The principal emphasis in this presentation is upon our Field Operation and our Litigation Division workload.

FIELD OPERATIONS

General

Field office work consists, primarily, of processing the representation and unfair labor practice cases filed with the Agency. That caseload, all of which is generated by private parties (the Agency initiates no cases), is currently running at the rate of over 32,000 cases a year. Ninety percent of these cases are disposed of in the field offices without reference to Washington.

This work has been rising steadily over the years. In 1968, for example, 17,816 unfair labor practice charges and 12,889 representation petitions were filed. In 1969, the corresponding figures were 18,651 and 12,652. Our budget estimates for 1970 are 19,450 charges and 12,795 petitions; however, current figures with most of fiscal year 1970 behind us, indicate that actual 1970 input will be substantially greater than the budget estimate. Our budget estimate for fiscal year 1971 (which was based upon a 5% increase over our budget estimate for unfair labor practice filings in 1970) is for 20,500 unfair labor practice charges and 12,950 petitions, only slightly more than we now appear to be receiving in 1970. It is apparent therefore that

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unfair labor practice cases, which constitute the major part of our workload both in quantity and time required per case, are increasing at the rate of at least 5% per year, while the level of representation cases is more stable.

During the same period of increasing workload, the Agency staff as a whole, including the field office staff, has been declining. Total Agency employment in 1968 was 2,380; our estimate for 1971, as already indicated is 2,113, a reduction of over 10 percent. In terms of field office staff, the reduction will also be over 10 percent, from 1,492.9 to 1,350.8.

There are however, discouraging indications that we may not be able, with a depleted staff, to maintain our output standards. The number of cases pending has risen significantly since June 1969. Inevitably, this tends to promote delay and delay generates its own difficulties in many areas of case handling. For example, it makes settlements more costly, and hence more difficult to obtain. At the present time, over 25% of our total unfair labor practice caseload is being disposed of by voluntary settlement or adjustment by the parties without resort to litigation. A reduction in the percentage settled from 25 to 24 would necessitate about 200 formal hearings before Trial Examiners. A substantial portion of these proceedings would require further Board and court consideration. In sum, this could increase the litigational workload, which is the most expensive and time-consuming phase of the Agency operation, by about 20 percent.

We are currently engaged in revising old procedures and improvising new procedures in our field office structure in an attempt to cope with the mounting caseload. We shall attempt, to the extent possible, to better the sustained record of top performance heretofore made by our field office staff.

1970 Processing Status

In F.Y. 1969 the field offices kept current by increasing their output over 1968 by 4% (using workload equivalent figures) while field staff was declining. This was accomplished by productivity improvement reflecting the continuing efforts of our field staff and the management of the staff by our Division of Operations.

The increased work output in 1969 was reflected by an increase in cases settled from 4,697 in 1968 to 4,717 in 1969. Complaints issued increased from 2,004 in 1968 to 2,061 in 1969. (However, as a result of settlement efforts and a change in the case mix hearings declined from 1,074 in 1968 to 1,057 in 1969.) Elections conducted were up from 7,931 to 8,083 and formal representation work was also up including hearings and regional directors decisions.

For the first 9 months of 1970 filings have been far above our estimate. The 10% increase in unfair labor practice filings has resulted in an 8% increase in unfair labor practice hearings held. Thus, formal work is also increasing, as compared to a reduction in hearings in both 1969 and 1968.

This increase in work in our field offices has resulted in a significant increase in the number of cases pending, 6,549 at the end of March 1970 compared to 5,520 as of March 31, 1969; and, more significantly, 7.6 per professional as of March 31, 1970, compared to 6.3 per professional on March 31, 1969, an increase of 18.6% in workload for the total staff. (Excluding supervisory staff, it would be an even larger increase in workload.)

Furthermore, the remaining three months of the fiscal year represent, seasonally, the highest filing period of the year.

1971 Outlook

As our Justification (p.11) reveals, we anticipate that the 18.6 percent increase in pending caseload per field professional which has already taken place will increase to over 50% by the end of fiscal year 1971. Normal projection would result in a processing time factor 50 percent greater than that required in 1969. More specifically, these estimated increases in workload time delay are predicated on both the lower employment available in 1970 and 1971 as well as the filing estimates for those years.

Our field offices have been working hard and successfully despite declining staff at keeping current with their caseload. Keeping current means being able to open investigation of an unfair labor practice charge or representation petition within one week of the filing date. At this point in time, the evidence is fresh, witnesses are available, positions are less likely to be

hardened, backpay has not mounted, and controversies are more readily resolved.

As a consequence in our field operation, initial determination in the average unfair labor practice case which does not go to formal hearing is made no later than 3 weeks after filing and about 80 percent of the total unfair labor practice caseload is dismissed, withdrawn, settled or adjusted, or submitted for Washington consideration within 45 days from the date of filing. In representation cases, initial decision is usually reached within 2 to 3 weeks, and an election is held (where a formal hearing is not required) in about 44 days from the date of filing in the typical case.

A greater increase in filings than estimated, such as that which we are presently experiencing, exacerbates the situation. The adverse impact of these considerations on the operations of the Agency and, more importantly, on the functioning of our economy in its labor relations aspects has already been set forth and needs no recapitulation.

COURT LITIGATION

General

As already indicated, the Office of the General Counsel, by statute and by Board delegation, exercises supervision of all Agency litigation both before and after Board decision.

The bulk of this workload falls on the Appellate Court Branch which carries out the function of litigating Board decisions and orders brought for enforcement or review before the eleven

Circuit Courts of Appeals. Board orders, as this Committee is aware, are not self-enforcing. To the extent that subsequent proceedings by way of contempt or supplemental proceedings are required, the Appellate Court Branch also handles these matters. In addition, this Branch is involved in miscellaneous litigation, largely in the federal district courts, arising for the most part from actions brought against the Board or its Regional Directors.

The Supreme Court Branch is responsible for the briefs and oral arguments in those cases which the Supreme Court undertakes to review. Much of the work of that Branch, however, is devoted to opposing petitions for Supreme Court review by unsuccessful litigants at the appellate level; a small portion of the work arises from cases where the Agency seeks review of adverse decisions, or where the Agency appears, usually by request, as amicus curiae in related cases.

The District Court Branch supervises all litigation in the approximately 200 injunction cases in the federal district courts under Sections 10(l) and 10(j) of the Act. Most of these injunction proceedings arise out of the mandatory provisions of Section 10(l); the remainder out of the provisions of Section 10(j) which empowers the Board in its discretion to seek preliminary relief where such preliminary relief is deemed appropriate. Actual trial of these cases has been largely delegated to the staffs of the Regional Offices.

The performance of these Branches generally, both in terms of case output and in terms of litigational success, has been

exemplary. However, as we informed you last year, the heavy influx of enforcement and review cases at the Appellate Court level has given rise to a backlog in that area. Notwithstanding that the Appellate Courts have sustained Board decisions, in whole or in part, in over 80 percent of the cases which have been submitted for court review, court enforcement is still required to insure compliance in nearly 50 percent of the unfair labor practice decisions issued by the Board. Efforts, both by the Agency and the courts, to expedite the handling of these cases which number about 400 annually have thus far been only moderately successful. Thus, we have in this area a total pending workload which approximates a full year's output, as compared to a pending workload at the Board and Trial Examiner level which is less than half that proportion.

1970 Status

Our projections for 1970, as this Committee will recall, contemplated a substantial reduction in the backlog in the Appellate Court Branch. The unanticipated reductions in staff which the Agency has been required to effect during the current fiscal year made it impossible to achieve our intended objective. Staffing was limited to 1969 levels and work output goals had to be lowered.

Moreover, heavy turnover of experienced staff and the need to train newly-recruited attorneys to brief and argue appellate cases also adversely affected attainment of our projected production goals.

Presently, about 70 percent of the appellate attorneys have less than two years experience and many are recent law school graduates who, though they are of the highest caliber, nonetheless require a good deal of training for this specialized and exacting work. A modest compensatory factor has been the detail to the Appellate Branch of a few Board legal assistants during periods where a slight lag in Board work permitted such utilization.

Despite these largely adverse circumstances, we have been able to reduce by 20 percent the time required for initial assignment of cases submitted for enforcement. The chief contributing factor here has been a tightened management system. Considerably more effort is being devoted to the screening of cases for assignment. Three primary objectives of this screening are: (1) to make certain that all efforts have been made to exhaust the possibilities of voluntary compliance before resort to litigation; (2) to expedite litigation of those cases where further delay is unusually prejudicial or the expected defenses are insubstantial; and (3) to better match the assignment to the briefing attorneys capabilities.

Continuing efforts are being made at the Agency, and also at the court level, to explore administrative and procedural techniques to speed up case handling at this level.

1971 Outlook

For 1971 we have estimated an intake of 372 court cases, as compared to 396 expected to be referred for enforcement this

year. We have provided for the processing of the intake, including the filing of 310 briefs in 1971, as compared to the filing of 335 briefs in 1969, and our target in 1970. This would still leave us with almost as much work pending as we expect to receive.

SUMMARY

With your help and understanding we have been able to make demonstrable progress in all the areas which are significant in the operations under the supervision of the Office of the General Counsel. For the next year we will have to dedicate ourselves to maintenance, insofar as possible, of the service goals of the Agency.

Mr. ORDMAN. I do not propose to repeat what is in my statement. However, as you are aware, Mr. Chairman—

Mr. FLOOD. We have read the statement.

OFFICE OF THE GENERAL COUNSEL

Mr. ORDMAN. As the Chairman and the members of the Committee are aware, the bulk of the workload of the Agency, either by statute or by delegation of the Board, falls under the Office of the General Counsel. That includes supervision of all our field offices and our field office activities, all the matters before the Board and the courts, and all of our administrative and housekeeping functions.

Mr. FLOOD. Tell us why the Office of the General Counsel is set up as it is.

Mr. ORDMAN. Back in 1946 and the years immediately preceding, Congress got extremely disturbed about the fact that in most administrative agencies the prosecutory and judicial functions got mixed. In other words, in most administrative agencies the General Counsel is hired and fired by the Commission or the Board in which he operates. It was felt that since he was under their control, he would prosecute only those cases which entertained the approval of his superiors and might withhold proceeding on cases which his superiors disapproved of.

As a consequence, Congress passed in 1946 the Administrative Procedures Act which requires an internal separation of functions between the prosecutory and judicial functions of administrative agencies. We complied with this at the time. All other agencies complied with it. However, because labor relations is a particularly controversial subject, the Congress felt in the case of the National Labor Relations Act that this internal separation was not sufficient.

Consequently, they separated absolutely the General Counsel from the Board and provided that the General Counsel, should be independently appointed by the President with the advice and consent of the Senate for a 4-year term, so that he should not in any way be guided in the exercise of his prosecutory and investigatory functions or be influenced in any way by the fact that his tenure in office would be subject to the Board's control.

Mr. FLOOD. How long have you been General Counsel?

Mr. ORDMAN. I have been General Counsel since 1963. My initial appointment was by President Kennedy. I was thereafter reappointed by President Johnson.

Because of the statute, the General Counsel has complete control of the investigatory and prosecutory functions. Basically the modus operandi, if I may call it that, is where an unfair labor practice charge is filed the Office of the General Counsel, through the Regional Office, investigates that case.

If there is reason to believe there has been a violation——

REGIONAL OFFICES

Mr. FLOOD. Through what regional office?

Mr. ORDMAN. Regional offices of the Board. We have 31 such offices. We have a number of suboffices. There is a total of about 1,400 personnel in those offices.

Mr. FLOOD. Will you list for the record the number and locations of your regional offices?

Mr. ORDMAN. We will be glad to furnish that Mr. Chairman.

(Information requested follows:)

NATIONAL LABOR RELATIONS BOARD REGIONAL OFFICES

Region 1: 20th floor, John F. Kennedy Federal Building, Cambridge and New Sudbury Streets, Boston, Mass. 02203.

Region 2: 36th floor, Federal Building, 26 Federal Plaza, New York, N.Y. 10007.

Region 3: Fourth floor, The 120 Building, 120 Delaware Avenue, Buffalo, N.Y. 14202.

Region 4: 1700 Bankers Securities Building, Walnut and Juniper Streets, Philadelphia, Pa. 19107.

Region 5: Federal Building, room 1019, Charles Center, Baltimore, Md. 21201.

Region 6: 1536 Federal Building, 1000 Liberty, Pittsburgh, Pa. 15222.

Region 7: 500 Book Building, 1249 Washington Boulevard, Detroit, Mich. 48226.

Region 8: 1695 Federal Office Building, 1240 East Ninth Street, Cleveland, Ohio 44199.

Region 9: Room 2407, Federal Office Building, 550 Main Street, Cincinnati, Ohio 45202.

Region 10: Peachtree Building, room 701, 730 Peachtree Street NE., Atlanta, Ga. 30308.

Region 11: 1624 Wachovia Building, 301 North Main Street, Winston-Salem, N.C. 27101.

Region 12: Room 706, Federal Office Building, 500 Zack Street, Tampa, Fla. 33602.

Region 13: 881 U.S. Courthouse and Federal Office Building, 219 S. Dearborn Street, Chicago, Ill. 60604.

Region 14: 1040 Boatmen's Bank Building, 314 North Broadway, St. Louis, Mo. 63102.

Region 15: T6024 Federal Building (Loyola), 701 Loyola Avenue, New Orleans, La. 70113.

Region 16: 8A24 Federal Office Building, 819 Taylor Street, Fort Worth, Tex. 76102.

Region 17: 610 Federal Building, 601 East 12th Street, Kansas City, Mo. 64106.

Region 18: 316 Federal Building, 110 South Fourth, Minneapolis, Minn. 55401.

Region 19: Republic Building, 10th floor, 1511 Third Avenue, Seattle, Wash. 98101.

Region 20: 13050 Federal Building, 450 Golden Gate Avenue, Box 36047, San Francisco, Calif. 94102.

Region 21: Eastern Columbia Building, 849 South Broadway, Los Angeles, Calif. 90014.

Region 22: Federal Building, 16th floor, 970 Broad Street, Newark, N.J. 07102.

Region 23: 6617 Federal Office Building, 515 Rusk Avenue, Houston, Tex. 77002.

Region 24: Seventh floor, Pan Am Building, 255 Ponce de Leon Avenue, Box UU, Hato Rey, Puerto Rico 00919.

Region 25: 614 Ista Center, 150 West Market Street, Indianapolis, Ind. 46204.

Region 26: 746 Federal Office Building, 167 North Main Street, Memphis, Tenn. 38103.

Region 27: New Custom House, room 260, 721 19th Street, Denver, Colo. 80202.
Region 28: 7011 Federal Building and U.S. Courthouse, 500 Gold Avenue SW., Albuquerque, N. Mex. 87101, Post Office Box 2146.
Region 29: 16 Court Street, fourth floor, Brooklyn, N.Y. 11201.
Region 30: Second floor, Commerce Building, 744 North Fourth Street, Milwaukee, Wis. 53202.
Region 31: Federal Building, room 12100, 11000 Wilshire Boulevard, Los Angeles, Calif. 90024.

Mr. ORDMAN. By delegation the Office of the General Counsel is also in charge of all litigation, and we represent the Board before the courts in some 400 cases a year which are brought before the Federal courts of appeal. We have some 250 cases a year brought before the Federal district courts. That is a mammoth workload by itself.

I think I can be of most help to the committee——

CASES REACHING U.S. SUPREME COURT

Mr. FLOOD. How many of those cases in the last 5 years reached the U.S. Supreme Court approximately?

Mr. ORDMAN. I will furnish you with a precise figure, but we average about six to seven cases a year on the merits. On petitions for certiorari we file very few, but parties against whom we proceed file many. We have had over the years hundreds.

(The information follows:)

COMPARATIVE ANALYSIS OF AGENCY SUPREME COURT ACTIVITY, FISCAL YEARS 1966–70

	Fiscal year 1970[2]	Fiscal year 1969	Fiscal year 1968	Fiscal year 1967	Fiscal year 1966	1966–70 total	Percent
A. Petitions for certiorari:							
1. Number of petitions for certiorari requested by:							
Board	4	5	6	6	4	25	8.9
Company or union	56	64	60	38	38	256	91.1
Total requested	60	69	66	44	42	281	100.0
2. Number of petitions for certiorari granted:							
Board	3	4	3	5	3	18	54.5
Company or union	2	6	1	3	3	15	45.5
Total granted	5	10	4	8	6	33	100.0
3. Number of petitions for certiorari denied:							
Board	1	1	3	1	1	7	2.5
Company or union	54	58	59	35	35	241	97.5
Total denied	55	59	62	36	36	248	100.0
B. Supreme Court actions:							
1. Number of cases upholding Board position on merits	3	5	3	6		17	60.7
2. Number of cases reversing Board position on merits	1					1	3.6
3. Number of cases remanded for further proceedings	1	[2]5		[3]1	[4]3	10	35.7
Total	5	10	3	7	3	28	100.0

[1] Up to May 26, 1970. (There are 10 more cases on the Court's docket, some of which could still be decided.)
[2] These cases were remanded to the circuit courts for reconsideration in the light of "Gissel," one of the cases in which the Board's position was upheld.
[3] The "GE" case, which was remanded to the circuit court for dismissal on grounds of "mootness."
[4] 2 cases ("Fafnir" and "GE") involved the right of private parties to intervene in court of appeals procedures to review a Board order in their favor; the third ("Detroit News") involved a remand to the circuit court for reconsideration in the light of an intervening Supreme Court decision on lockouts.

Mr. FLOOD. What is your record?

Mr. ORDMAN. I think our record has been outstanding. We boasted until recently that for the past several years we had a perfect batting average. It has been dimmed a little bit this past year, but I think only a little bit. We have had some remands.

Mr. MANOLI. I was making a tally before we came here. We have had 18 cases in the Supreme Court in which the Board was directly involved. Out of those 18, we lost one.

APPEALS

Mr. FLOOD. Then the appeals were taken by opposite parties and not by you?

Mr. MANOLI. There have been both types, both cases where either the other side filed petition for certiorari and it was granted or those in which we ourselves filed a petition for certiorari.

Mr. FLOOD. Out of 50 cases, any 50 across the country at any time, what percentage of the appeals were taken by you?

Mr. MANOLI. I would say the percentage of cases we take——

Mr. FLOOD. Out of 50.

Mr. MANOLI. Out of 50 cases decided by the courts of appeal, I would say about one percent. The percentage is much higher on the other side. The mortality rate of private petitions for certiorari in the Supreme Court is extraordinarily high.

Mr. ORDMAN. I think I can be most helpful to this committee if I try to give you a picture of our operation and the impact of our budget request and our staffing picture.

IMPORTANCE OF FIELD OPERATIONS

I have praised the caliber of the work done in every phase of the agency's operation. But over the years—in 7 years—I have been growingly aware of the pivotal importance of our field operations where about 65 percent of our personnel is concentrated and where 90 percent of our total caseload is disposed of without reference to Washington.

Mr. FLOOD. That's a rather large proportion of the cases.

Mr. ORDMAN. As I say, these regional offices dispose of about 90 percent of our total caseload, which is presently running somewhere in the area at about 32 thousand cases or more. Ninety percent is disposed of in the field offices without recourse to Washington, without recourse to any litigation before trial examiner, board, or courts.

Mr. FLOOD. Did you ever visit any of the field offices, yourself?

Mr. ORDMAN. I visited every one of the field offices and a number of them several times. Our submissions will demonstrate that the field office performance has been uniformly high. Nonetheless, whenever I visit an office, production tends to go up a little bit.

Mr. FLOOD. I guessed that.

Mr. ORDMAN. I don't want to belabor the point, but unless we can maintain this pattern of case disposition—that is, disposing of 90 percent of the agency's total caseload at the field office level, it throws

our budget estimate and our total operation—to use the vernacular—complelely out of whack.

Mr. FLOOD. What makes you think it couldn't be kept up? Why wouldn't it be?

PROMPT HANDLING

Mr. ORDMAN. I am concerned about our staffing picture and our budget picture. The fact of the matter is, Mr. Chairman and members of the committee, that we have to handle these cases promptly. The secret of our success has been, up to this time, that we get to these cases immediately. Within a week, at the outside, of the filing of a case, we have a man on it. It is being investigated. The evidence is fresh. The witnesses are available. The positions of the parties haven't hardened—and they harden very quickly in labor disputes. The back pay hasn't mounted.

In this posture we dispose of cases quickly, in a remarkably short time span. Eighty percent of our total caseload is disposed of by the field in less than 45 days. We are all aware of the long, long cases. Those are the ones where litigation is involved. We have obviated this in 90 percent of the cases and we can do so as long as we are sufficiently staffed. I don't know of any way of demonstrating this more graphically than by reference to the chart on page 3 of our justifications.

That chart shows the disposition pattern for unfair labor practice cases. It reveals what I may say is the magic of the contributions of the administrative process.

Mr. FLOOD. In view of the stress you are placing on this last statement, we will have that chart inserted in the record.

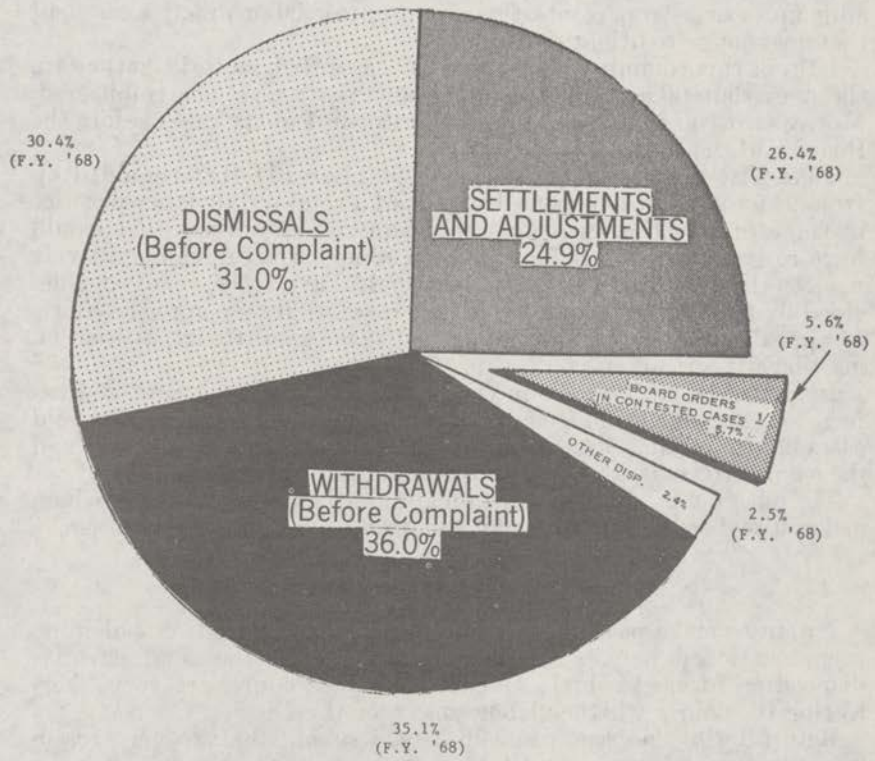
(The information follows:)

DISPOSITION PATTERN FOR U LP CASES

(Based on Cases Closed)

FISCAL YEAR 1969

Compared with Fiscal Year 1968



1/ Contested cases reaching Board Members for Decisions

Mr. ORDMAN. This chart shows that in fiscal year 1969, 36 percent of all the unfair labor practice charges filed—and this is most of our workload—36 percent are withdrawn after we make our investigation and we report to the complaining party what the facts are. In 36 percent of the cases, having been told what the facts are, parties voluntarily withdraw their charge.

In many cases the party refuses to withdraw notwithstanding that our investigation reveals a lack of merit. We give these parties a right of appeal. The end result is a dismissal factor of 31 percent of the cases. That takes care of 67 percent either by withdrawal or dismissal; 24.9 percent of the remainder we dispose of by settlement. That is without trial before trial examiners, the Board, or the courts. That adds up to over 90 percent of our total unfair labor practice caseload that does not go to litigation.

I think this committee is aware that cases that go to litigation are the ones that take the longest time and parties become embittered. Moreover it costs the Government a great deal to try cases before the Board and the courts.

Take that settlement and adjustment figure. If that should drop from 24.9 to 23.9, a 1 percent drop out of a total unfair labor practice package of 20,000 cases, that would add 200 more cases that would have to go to hearing before trial examiners. We can conservatively project that 150 of those 200 cases would have to be heard and decided by the Board. About 75 of those cases would go on to the courts of appeals and a few would go up to the Supreme Court, at least on petition for certiorari.

In short, we must maintain the present pattern of prompt and expeditious treatment. The chairman and the committee know that old cases take more time, are harder to settle, are harder to investigate and the whole process becomes very costly and dilatory.

The question is whether we can maintain the present pattern, which makes a real contribution, I may add, to the administrative process.

PROPOSED LEGISLATION

I want to make passing reference to proposed legislation which has been mentioned here. Provision is rarely made for administrative disposition of cases which, absent such a procedure, are very likely to clog the courts whether labor courts, or the District Courts.

Returning to the basic problem here, I submit that we must maintain the present case disposition pattern, because otherwise all our budget projections in the amount of workload for the Board, for the trial examiners, for the courts, the amount of man-years we have to put in, is out of kilter.

Mr. FLOOD. Did you present this cause to the proper legislative committee?

Mr. ORDMAN. I did.

Mr. FLOOD. What is the status of the bill?

Mr. ORDMAN. Maybe I misunderstood you, Mr. Chairman.

Mr. FLOOD. You indicated a lack of legislation.

Mr. ORDMAN. No. This agency, I think, very properly does not volunteer testimony as to proposed legislative change, because we are

committed to administer the act which Congress gives us. We do not volunteer as to what form that legislation should take.

Mr. FLOOD. You don't think it would be proper for you to appear before a legislative committee to urge the consideration by the Congress of this very important section of an act? Do you think this is improper or wrong? How could you possibly think that?

Mr. ORDMAN. In the history of this agency, we have been very reluctant to do so.

Mr. FLOOD. Is that a matter of tradition and principle to your agency?

Mr. ORDMAN. Yes.

Mr. FLOOD. You have properly pounded the table here about this lack of something. Don't you feel a burden to do something if it is so vital, if it's so important, if it's money saving, if it's expeditious to the applicants and the people who are to be served by the law on both sides and you don't have proper authority, don't you think you have a duty to bring it to the attention of the Congress to ask for that authority?

Mr. ORDMAN. I believe we are after a fashion, Mr. Chairman, asking the authority and the funds and the staff.

Mr. FLOOD. I don't mean the funds and the staff. You are asking for something more. You say there is a lack of legislation.

Mr. MCCULLOCH. May I just interject at this point. I think that the conversation between the Chairman and the General Council reveals that what we were addressing ourselves to in answer to the Chairman's question about proposals to change the law is that we thought those were inimical to the carrying on of the function that Mr. Ordman has been describing.

In no case has that legislation reached the point actually of hearings. We have not been asked to testify with respect to that. I had thought that Mr. Ordman's remarks were emphasizing the value of the procedures that we have preparatory to his saying that he feels that the function of this committee, in looking to our funds' needs, becomes very important to us in carrying on that function.

Mr. FLOOD. I understand that. I know the General Counsel.

Mr. SMITH. Mr. Chairman, the proposition has been made for several years to abolish General Counsel and let the courts handle it. If that were to become a serious contention, would that jolt you into voicing an opinion?

Mr. ORDMAN. I think I would respond quite readily to an invitation to address myself to that issue.

Mr. FLOOD. I think you would.

Mr. MCCULLOCH. We have a dual responsibility. We are your creatures. We also have a responsibility as a part of an administration which takes the lead in policy recommendations. Then, as a quasi-judicial kind of body, we are obligated to be independent of both.

Mr. FLOOD. It occurs to me if the situation arose as Mr. Smith poses, that you are capable of inviting an invitation.

Mr. MCCULLOCH. We would want to speak out where we found it necessary and desirable to respond to the Chairman's questions.

STAFFING REDUCTION

Mr. FLOOD. In contrast to most of the agencies that appeared before this Committee, your appropriations and your staffing are going down rather than up. Your average employment in 1969 was 2,314 man-years. In 1970 it goes down to 2.225 man-years. In 1971 it is further reduced to 2,113 man-years.

This is a decrease in average employment of about 8.6 percent between 1969 and 1971. Is your workload decreasing?

Mr. MCCULLOCH. No; it's increasing.

Mr. FLOOD. Then, frankly, we are confused about it, sitting on this side of the table.

On page 490 of the President's budget document, it says that your 1971 budget estimate, and I quote, "reflects lower staffing requirements due to management improvement and reduction in formal work processing."

On the other hand, on page 930 of the appendix to the Budget for fiscal year 1971, we find the statement, and I quote, "The Board resolves representation disputes in industry and remedies and prevents specified unfair labor practices by employees or labor organizations. Additional funds are requested to enable the agency to effectively cope with a steady rising caseload in both unfair labor practice and representation cases. Estimates for 1971 reflect an in-take increase over 1970 of 5.4 percent for unfair labor practice cases and 1 percent for representation cases."

You have mentioned that in your original comment.

Mr. MCCULLOCH. Yes.

Mr. FLOOD. Can you explain or clarify this very apparent conflict between these two statements? Is your workload going up or is it going down?

Mr. ORDMAN. Our workload is going up and our staff is going down.

Mr. FLOOD. That is an answer to the last part of my question, but how do you reconcile those two exercises in semantics?

Mr. ORDMAN. The only answer I can furnish, Mr. Chairman, is I am in no position to appraise the relevant needs and allocations of funds to all of Government. I think this committee is in a better position than we are.

Mr. FLOOD. I am talking about the President's budget message and the very confusing statements we find in it.

Mr. ORDMAN. We are making every effort in all branches, and most particularly in our field offices to increase productivity. We have engaged in a concentrated effort in the last several months, and we are continuing, to reexamine and revise any procedure we can think of, even to give up some techniques that have proved very useful to us in the past, because we cannot afford that luxury, in an attempt to cope with that caseload and to maintain the case disposition pattern we have had.

I cannot be too completely sanguine about whether we will be successful.

Mr. FLOOD. And you can't reconcile the two statements I read to you, could you?

Mr. ORDMAN. I cannot.
Mr. FLOOD. Of course not.
Mr. MCCULLOCH. May I supplement that?
Mr. FLOOD. Be careful. Never volunteer.
Mr. MCCULLOCH. That is a good idea.

CHANGE IN CASE MIX

Mr. FLOOD. Your justifications mention a change in 1969 in what you call the case mix, which reduces the formal work requirements at the trial examiner and the Board levels. What is the nature of this change in mix—that is, what kinds of cases, what are the reasons for this change, and do you expect this to go on?

Mr. ORDMAN. There are several factors that account for this change. One is the increase in the filing of individual charges. The ratio of charges by individuals has risen over the past several years, and is still rising. In most cases where charges are filed by employers or by unions, they are filed with the advice of counsel. Generally speaking, they show a higher percentage of merit. A larger percentage of those go to hearing.

The mortality rate is higher in the cases filed by individuals who don't have the advantage of counsel. That is one of the elements in the case mix.

Another element in the case mix over the years has been a gradual increase in the number of cases filed against unions.

Mr. FLOOD. By members?

Mr. ORDMAN. Either by members or by employers. Less of those cases go to hearing, because we find our settlement rate is a little better in those cases. I think the explanation may lie in the fact that the unions are a little bit afraid of collateral damage actions under title III of the act.

PROCEDURE FOR FILING COMPLAINTS

Mr. FLOOD. I live at a certain address in a certain town and I work at a certain plant and I have a complaint. I either have a union in my plant or I don't, one way or the other. I am a righteous and indignant citizen and a worker. I want to file a complaint about something. Do I have to get a form number 93650 from some office, or can I just sit down at the kitchen table and write a letter to the NLRB?

Mr. ORDMAN. The way that operates is that we have offices all over the country at convenient locations. If that man comes to us he will get the best advice and help we can offer. If he informs us he is unable to come to us, we go to see him.

Mr. FLOOD. But can I bring this matter to the attention of the NLRB by sitting at the kitchen table and writing a letter?

Mr. ORDMAN. That is correct.

MANAGEMENT IMPROVEMENT

Mr. FLOOD. What management improvements have you put into effect or are you planning to put into effect to bring about greater efficiency and productivity? Last year you indicated that you were going to be very efficient and productive. Are you efficient and as pro-

ductive as you claimed you were going to be? Has your productivity improved? You indicated it did. We want to know how much. We want to know how much of an increase in productivity you expect for 1971.

Mr. McCulloch. It would probably be advisable to provide that for the record. The cases that have been coming to the Board have been a little different from what we anticipated.

(The information follows:)

This is in response to Chairman Flood's question on management improvement and cost reduction.

The Agency's program to improve its processes and become more efficient has resulted in an estimated cost reduction in 1970 of $392,000, as compared to our budget estimate of a saving of $400,000. (Both figures do not include the July 1, 1969, pay increase cost.) Our budget plan for 1971 provides for a saving of $354,800.

The savings achieved in 1970 result from efforts throughout the Agency and with the most effective results in the field offices, in our trial examiner division, and by the Board itself.

The Division of Operations (which is responsible for managing our field offices) established in fiscal year 1969 a new organizational setup which has been quite effective in 1970 in helping the field offices adapt to the difficult problems they face. The change involved setting up geographically continguous districts supervised by Assistant General Counsels who are responsible for coordinating the activities of the regions in their area so as to maximize case handling effectiveness and minimize inefficiencies. We expect even greater results from this change in 1971. The division instituted in 1970 a special class in Washington for orienting and training new professionals which has been very successful in making them more productive at an earlier date. It has also begun a series of supervisory training courses which we believe will provide more efficient operations in 1971 and in the years which follow. Training is especially important because of heavy field turnover which has reduced average staff experience in the last few years.

The Division of Trial Examiners has further tightened up its assignment procedures, so as to minimize trial examiner "down" time between hearings thereby maximizing their effectiveness. The goal is to assign new hearings to only those trial examiners who are between cases, and not to interrupt decision writing, thus increasing decision issuance productivity. In addition the chief trial examiner and his associates spent much time providing assistance to trial examiners desiring to discuss their problems, and urging them to keep up with their portion of the Agency's workload. As the committee knows, the Administrative Procedure Act guarantees the independence of trial examiners, and restricts direct supervisory activity. The leadership provided here, however, is within the spirit of the act, and has proven to be effective in securing the voluntary cooperation of the trial examiners.

The Board has had for a number of years a procedure for identifying overdue cases and speeding their completion. The Board also keeps a regular eye on its production and how it is meeting its goals. This procedure allows the Board to take necessary measures to meet problems which arise. This year, the Board was faced with a reduction in work as a result of a temporary reduction in the percentage of exceptions filed to trial examiner decisions. The Board, in the light of Agency objectives, examined the alternatives available to it and then detailed legal assistants to help reduce the backlog in appellate court work and to help the field with a difficult compliance problem. These actions helped the units involved and enabled the Board to maintain its productivity and to even show a small saving.

TREND IN AVERAGE TIME DELAY

Mr. Flood. Are you decreasing the time delay in processing cases? There was a time some years ago when we received mail complaining about the time delay in the way in which the cases were processed. How does your average time delay for 1970 compare with 1969? What is the trend in the delay over the past 10 years? Do you expect that the average time delay in 1971 will increase or decrease? There is a

can of worms for you. Suppose you comment on it just briefly now, and then make the record very clear about each one.

Mr. McCULLOCH. With the committee's permission we would like to put into the record table B on page 9 from the justifications, which gives the briefest summary of our experiences for the last 10 years on the matter of time elapses in processing cases.

Mr. FLOOD. Fine.

(The information follows:)

This statement is in reply to Chairman Flood's questions on time delay. Attached is table 1 showing time required, as of April 1970, to process a charge plus a comparable column showing time required to process a charge in April 1969, and table 2 showing the rise in pending cases, and pending per staff member from March 1969 to March 1970. The statement also refers to table B of our justification which provides data on time delay since fiscal year 1959.

THE TREND OF TIME DELAY OVER THE PAST 10 YEARS

As table B indicates, the Agency has been emphasizing an all embracing program for the reduction of time delay in case processing at all stages for some time. In 1958 and 1959 as compared to 1957, the Agency's unfair labor practice filings more than doubled. This sudden increase in work resulted, as table B indicates, in a median time of 464 days from filing to Board decision. At that time it also took about 75 days in the median case to process a petition for election from filing to Board order.

With the assistance provided by strong congressional support to assure adequate manpower resources the formal unfair labor practice processing time was reduced spectacularly from the 464 days in 1959 to 302 days in 1963. Again in 1964 there was another surge of formal unfair labor practice work driving the number of contested Board decisions issued up from 547 in 1964 to 803 in 1967. Again sympathetic congressional assistance permitted the Agency to meet this challenge. At first the time delay trend rose in 1964 and 1965, but by 1966 the Agency managed again to reverse the trend and time delay was reduced in 1966, 1967, 1968, and 1969. In 1970, however, time delay is beginning to rise once more.

In representation work, on the other hand, as a result of legislation providing for the delegation of decision authority to regional directors, the Agency has been able to maintain since 1962 a reduced median time requirement of about 45 days from filing to regional director decision. Regional directors now handle about 90 percent of the total number of petitions requiring formal decision.

HOW DOES AVERAGE TIME DELAY FOR 1970 COMPARE WITH 1969?

Table 1, comparing unfair labor practice processing time in April 1970, with April 1969, indicates that overall time delay has not changed very much in this period. There is loss of time in the critical early investigational stages (see closings by withdrawal and by settlement and time required from filing to complaint and to close of hearing). These increases have been offset by reduced time in later stages. (See closing by dismissal after appeal, and time required from Trial Examiner decision to Board decision.)

The significant increase in time delay at the early stages is also reflected in a special study, recently completed, of the time required from filing of petition to holding of election. The median time for all cases going to election increased from 46.9 days in 1969 to 49 days for the first 8 months of this fiscal year.

These statistics reflect the loss of staff in our field offices, which are faced with a constantly growing workload. The Washington work areas, on the other hand, have not been seriously affected as yet because the formal workload has not grown as quickly as the field workload. (See table 2, Pending Case Loads.)

WHAT IS THE EXPECTATION FOR THE TIME DELAY IN 1971?

Our justification estimates a rise in time delay of 15–50 percent by the end of 1971, reflecting an even higher rise in pending caseloads per professional. As indicated above, this rise is already beginning to reveal itself. This is undoubtedly due to the increase in filings this year above estimates. As a result it is quite possible that the estimated time delay increases will come sooner than we had expected.

TABLE I.—UNFAIR LABOR PRACTICE CASE HANDLING TIME DELAY CHANGES, APRIL 1970 AS COMPARED TO APRIL 1969 [1]

A—INFORMAL FIELD CASE CLOSINGS

	Median days from filing	
	April 1969	April 1970
Closed by withdrawal	24.3	28.2
Closed by dismissal:		
No appeal	56.9	53.2
Appeal	156.8	107.8
Closed after settlement or adjustment	29.5	36.4
Total, informal closings	39.2	39.7

B—FORMAL CASE ACTIONS

	Median days	
	April 1969	April 1970
From filing to issuance of complaint	55	57
From complaint to close of hearing	57	60
From close of hearing to trial examiner decision	73	69
From trial examiner decision to Board decision	139	130
Total, filing to decision	316	324
Filing to Board decision (based on actual Board decisions issued)	375	355

[1] These statistics are from the agency's regular monthly summary which does not include time to closing in formal case actions listed and it does not include court actions after Board decision.

TABLE 2.—PENDING CASELOAD CHANGES FROM MARCH 1969 TO MARCH 1970 [1]

	As of Mar. 31		Percent of change 1970–69
	1969	1970	
Field office investigational caseload (excluding cases pending election or compliance):			
Unfair labor practice cases	3,558	4,354	
Representation cases	1,962	2,195	
Total	5,520	6,549	+18.6
Professional staff	876	857	
Pending per professional	6.3	7.6	+20.6
Washington formal processing:			
Trial examiner caseload:			
Awaiting hearing	341	402	
Awaiting decision	253	244	
Total	594	646	+8.8
Trial examiner staff	99	95	
Pending per trial examiner	6.0	6.8	+13.3
Board contested decisions: (excluding objections and challenge work)			
Unfair labor practice cases	494	473	
Representation cases	63	42	
Total	557	515	−7.5
Legal assistants to board members	125	116	
Pending per legal assistant	4.5	4.4	−2.2
Appelate court work:			
Total Pending	410	369	−10.0
Professional staff	72	72	
Pending per professional	5.7	5.1	−10.5

[1] This analysis of pending caseloads in major work areas is made in terms of total professional staff, unadjusted for supervisory noncase handling staff. Similarly, no adjustment was made to reflect workload values of the cases pending. Such adjustments would further increase the work requirements per staff member at this time.

TABLE B.—COMPARISON OF MEDIAN TIME (DAYS) ELAPSED IN PROCESSING CASES

Stages	July-December (fiscal year)											
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Unfair labor practice cases:												
From filing to complaint	143	63	44	46	49	56	57	59	60	59	59	57
From complaint to close of hearing	54	71	43	45	51	53	62	73	67	64	59	58
From close of hearing to trial examiner decision	73	87	95	65	70	77	126	114	103	106	83	84
From trial examiner decision to board decision	194	146	150	176	132	123	136	105	119	120	118	125
Total, filing to decision	464	367	332	332	302	309	381	351	349	349	319	324
Representation cases:												
A. Field processing:												
From filing to notice of hearing	12	11	10	10	10	10	8	9	9	9	9	9
From notice of hearing to close of hearing	16	15	14	14	13	13	13	13	13	14	14	14
Subtotal, filing to close of hearing	28	26	24	24	23	23	21	22	22	23	23	23
B. Decisional processing:												
1. Before decisional delegation to regional director:												
From close of hearing to board decision	49	52	50									
Total, filing to decision	77	78	74									
2. After decisional delegation to regional director (a) By the board [1]: From hearing to board decision				112	121	108	101	109	143	118	142	134
Total, filing to board decision				136	144	131	122	131	165	41	165	157
(b.) By regional director [1] from hearing to regional Director decision				20	17	19	17	20	20	21	23	19
Total, filing to regional director decision				44	40	41	38	42	42	44	46	44

[1] In fiscal year 1969 the Board issued only 194 decisions while the regional directors issued 1,842, or over 90 percent of the total initial representation decisions.

Mr. McCulloch. As a result of the reductions in staff to which you called attention earlier——

Mr. Flood. I will tell you what you do. We will place in the record this table to which you referred, table B on page 9 of the justifications, but we would like a brief narrative answer to each one of those several questions I just asked you for the record. Could you tell us right now, without referring to the statistics? They sometimes confuse a lot of people who want to know these answers who just can't or don't want to read these tables. Your narrative would help.

Mrs. Reid. Mr. Chairman, would that include the general time factor as of now, from the time you receive a complaint until the case is closed, and not just backlog?

Mr. Flood. My question didn't include that, but it should. Add that to the questions. That is good.

STATUS OF CASE BACKLOG

Mr. McCULLOCH. The status of the case backlog?

Mrs. REID. Yes.

Mr. McCULLOCH. Yes. All of this is tucked away in much of the material that you have. I make this statement, and with your leave we will supplement it.

Because of the reductions in staff to which you have already called attention in singling out our average employment for 1969, for 1970, and that projected for 1971, you will find that there has already been a little buildup in the time lapse in the unfair labor practice cases.

Mr. FLOOD. What do you mean by little?

Mr. McCULLOCH. Five days.

Mr. FLOOD. Is that bad or good?

Mr. McCULLOCH. It's not as good as we would like. We would like to keep pulling it down. Wherever we can, we do. But this is part of our problem. The nub of what we are saying to the committee today is that we have to inform you frankly that with the new cuts this delay is likely to increase markedly.

I do want to say that now and not wait for a written statement, that both the backlog about which the Congresswoman inquired and the time delay is likely to increase markedly in the 1971 fiscal year.

FILLED POSITIONS

Mr. FLOOD. You have 2,320 authorized positions for 1970. How many were actually filled as of April 30th? You are lamenting the situation. How many out of that figure did you actually fill on April 30th?

Mr. McCULLOCH. We have operating also under employment ceilings which I would be very glad to have Mr. Wright, the head of the Division of Administration, explain to the committee.

Mr. FLOOD. That isn't a very difficult question for him. You have so many authorized. How many were filled as of midnight, April 30, 1970?

Mr. WRIGHT. The personnel in permanent positions were 2,134, and there were 21 nonpermanent people on board, giving an actual total of 2,155.

Mr. FLOOD. Why?

On July 1, 1969, the Agency had 2,231 permanent employees as compared to the 2,320 positions approved for fiscal year 1970. Employment in 1969 was already lower, as a result of the operation of the employment limitations in Public Law 90-364. The Agency was unable to increase employment in 1970 after the restrictions of Public Law 90-364 were lifted because of the need to comply with the provisions of the various continuing resolutions which were in effect most of fiscal year 1970. Finally, when the President approved the Agency's request for 1971, it became necessary to further decrease staff in order to meet fiscal year 1971 fund and employment restrictions set by the Budget Bureau. The Agency was required to absorb over a million dollars of the pay act increase which became effective July 1, 1969. The President's budget, furthermore, estimated a staff at or below 2,150 permanent as of June 30, 1970. These restrictions made it necessary to reduce staff from the 2,231 at the beginning of the year to the 2,134 on board as of April 30, 1970. The reductions below 2,150 were essential to reach

the lower employment and funding levels provided in the President's budget request for 1971.

Mr. ORDMAN. I may supplement that, Mr. Chairman. This was a policy determination made by the Board and the General Counsel. We were in the position that if we maintained our authorized strength up to June 30 of this year we would be confronted by the necessity of issuing on approximately June 1 a very substantial number of reduction-in-force notices to take effect as of July the first.

PROFESSIONAL STAFF

Mr. FLOOD. Does your professional staff consist primarily of young lawyers?

Mr. ORDMAN. It does. We have been recruiting approximately 125 lawyers a year. Basically they are recruited from new law school graduates.

Mr. FLOOD. How long do they stay on? They don't stay very long, do they?

Mr. ORDMAN. I think my estimate would be on the average about 3 years, closer to 4 years.

Mr. FLOOD. Do you have a very serious problem of recruitment of your staff and turnover generally? You do have a fast turnover in lawyers, but what about the rest of your people?

Mr. ORDMAN. Our problems are not too serious. Our turnover ratio I think, compares quite favorably to the rest of Government. It's less than the rest of the Government, but it's high. We have no problem in recruitment at all.

Mr. FLOOD. Do you have any particular problems with your employees? Do you have any particular gripes? What are their pet peeves? What are your biggest headaches with your employees?

Mr. ORDMAN. I think it's fair to say we have no major employee problems. We have our fair quota of grievances, largely of the individual variety. I think it's fair to say we have no major employee relations problems. We have very vigorous unions in the agency who press their positions, but no major problems.

Mr. SHRIVER. Mr. McCulloch, Chairman Flood complimented and congratulated you earlier. On behalf of the minority side of the table, I want to echo and second his remarks. The committee certainly has found you most cooperative with us and, indeed, it would be difficult for a new man to fill your shoes.

Mr. MCCULLOCH. Thank you very much.

BUDGET REDUCTIONS

Mr. SHRIVER. On page 2 you say, "The Agency faces a case processing problem resulting from an increase in workload and a decrease in staff." On page 6 you say this situation will be partially alleviated by other factors.

Then on page 11 and page 12 you show a 35-percent increase in the number of days needed to process unfair labor practice cases and a

14- to 15-percent increase in the settling time of representation cases. These are substantial delays.

You say on page 12 that they may result in an increase in the number and duration of strikes. If all this is the case, why haven't you requested more funds for this purpose?

Mr. McCULLOCH. Because it's our first obligation to be here to just file the President's budget as it applies to our agency.

Mr. SHRIVER. You did sometime or other ask for more money, is that right?

Mr. McCULLOCH. Yes.

Mr. SHRIVER. And there was a reduction by the Bureau of the Budget?

Mr. McCULLOCH. That is correct.

ORGANIZATION OF LAWYERS

Mr. SHRIVER. You mentioned on page 3 the successful organization of public employees. You mentioned teachers, nurses, and lawyers. Is there a separate organization of lawyers in the public sector?

Mr. McCULLOCH. I suppose our own NLRB professional association is one such. In the field there is another union which is not restricted to lawyers but includes the field attorneys and the field examiners as well.

Mr. SHRIVER. How extensive is this?

Mr. WRIGHT. These are limited to our own agency, but there are other organizations that do bring lawyers in. In the Federal Government you have the professional association. You had the Federal bar, which is becoming more active. Around the country you have spotty situations of this type.

DELAY IN PRINTING REPORTS

Mr. SHRIVER. You mentioned on page 6 the printing of your reports and indicated that you are considerably behind in the reports of your cases.

Mr. McCULLOCH. This has been a very serious problem. I would like Mr. Wright to address himself to it in a little more detail.

Mr. SHRIVER. How many years are you behind?

Mr. McCULLOCH. I had a very serious inquiry on this from the chief judge of one of the courts of appeals because they too were not having access to the volumes of the Board decisions. Here is this great volume of litigation which Mr. Ordman mentioned and this has been a tool which hasn't been presented.

Mr. WRIGHT. In the old system a few years back it always took us working with the GPO about a year and a half. We were told about a new system that was being developed. We joined in it. We didn't know we were one of the first to join and part of the guinea pig operation of what they call automated printing. There were many bogdowns and delays. Instead of being about a year and a half behind to get a volume out, right now we are running about 3 years.

However, with the catchup we are talking about here, which is using a substitute system for the moment and then moving with the new system, we think we will be able to do it in less than 6 months time by sometime next year. But it has taken 3 years to get there.

Mr. SHRIVER. Thank you very much.

Mr. FLOOD. Mr. Smith?

RETAINING LAWYERS

Mr. SMITH. Where do these young lawyers go when they leave?

Mr. ORDMAN. Most of them go into private practice. Because they are young lawyers, they very often find themselves in the situation where they are recently married and maybe have a youngster or two and the grass is greener in terms of financial return on the outside. We have lost some to academia. I think the latter is a major contribution we are making in the public interest.

Mr. SMITH. The increase in income that they received upon leaving you is large enough so that you couldn't meet it anyway, I suppose.

Mr. ORDMAN. Precisely. We can show it this way. Our entering salary for a young lawyer out of law school is $11,000 plus. That is opening grade, if he is in the upper portion of his class at an acceptable law school. As of 3 or 4 years ago, the entering salary in most prestigious and not so prestigious law firms has been $15,000 and up. I think it's fair to say there is at least that margin as you go up the scale.

Our people, especially those who appear at Board hearings and in the courts, are quickly spotted. For example, if we should and could accelerate a promotion to give him another thousand or two, the attitude on the outside is very clear: If he is worth that much to you, he is worth that much more to us.

Mr. SMITH. Have you any requirement on how long they must stay with you? Is there a requirement on their not appearing in cases that you are interested in after they leave?

Mr. ORDMAN. We don't have a requirement of a required length of stay. Our judgment has been if a fellow stays when he doesn't want to he is not going to contribute to the Agency program. We do have rules and regulations providing that a Washington employee cannot participate in any case which was pending before the Agency during his employment, and a field office employee in any case in which he or his office were involved during his tenure. That is the limitation we exercise.

Mr. SMITH. But he does appear before people that he worked with before?

Mr. ORDMAN. He can if it's a new case .

Mr. SMITH. Do you have a rule regarding your recruitment that they must be in the upper half of the class?

Mr. ORDMAN. We do not. As I explained to the Chairman just a moment ago, we have been very fortunate in our recruitment. We have good spokesmen on the law school faculties and we have had no difficulty in filling our jobs with good people.

Mr. SMITH. But some of the ones who turn out to be the best in this work were those that were not in the upper half of the class ?

Mr. ORDMAN. And the converse is true. A fellow who had a meteoric and brilliant career in law school might turn out not to be so good as a practitioner.

Mr. FLOOD. It has been said the Harvard Law School is a graveyard for Phi Beta Kappa's.

BOARD DECISIONS LITIGATED IN THE COURTS OF APPEALS

Mrs. REID. Thank you, Mr. Chairman. Did the chart which you showed us indicate the percentage of cases which originated with the NLRB that are appealed with the courts?

Mr. MCCULLOCH. No; the chart did not show that.

Mr. ORDMAN. I can give you an approximation. The Board's output of cases over the past several years has been somewhere between 800 and 900. About 50 percent of those cases are brought before the courts. Approximately 40 percent of those are initiated by the parties aggrieved and the remainder by the Agency. As we have said, if a party does not voluntarily comply with the Board decision the only option we have to compel compliance is to bring the case to court. Our caseload has been going up, from about 300 to 400 over the years.

(The following additional information was submitted:)

In further response to Mrs. Reid's question, the percentage of contested Board decisions which were litigated in the courts of appeals in fiscal years 1968 and 1969 was 44 percent. (Another 10 to 15 percent of the decisions reached the stage of appellate court actions but did not require actual litigation since respondents complied voluntarily after notification that we were prepared to go to court.) The cases litigated in the courts of appeals represented 2 percent of the total number of charges filed with the Agency in 1968 and 1969.

IMPACT OF EQUAL PAY FOR EQUAL WORK ACT

Mrs. REID. I have just two more questions. Has your caseload been increased any by the application of the Equal Pay for Equal Work Act?

Mr. ORDMAN. I think a fair answer to that is no.

CHARGES AGAINST UNIONS VS. CHARGES AGAINST EMPLOYERS

Mrs. REID. What percentage of your cases involves charges against unions as opposed to charges against employers?

Mr. ORDMAN. The proportion runs roughly 2 to 1, about 65 percent of our charges against employers and about 35 percent against unions.

Mrs. REID. That is all. Thank you very much.

Mr. MCCULLOCH. May I express our appreciation to the whole committee for hearing us?

NATIONAL LABOR RELATIONS BOARD

TABLE I
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Comparison of 1970 and 1971 Positions, Annual Salaries and Personnel Compensation for the Organizational Units of the Agency

Organizational Unit	Fiscal Year 1970 Estimate		Fiscal Year 1971 Request		Change from 1970 Estimate to 1971 Request	
	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
Board Members' Offices & Related Units:						
Board Members' Offices and Legal Assistants	160	$2,833,836	154	$2,862,420	-6	+$28,584
Office of the Executive Secretary	34	380,382	34	387,470	...	+7,088
Office of the Solicitor	4	71,189	4	72,524	...	+1,335
Division of Trial Examiners	147	3,297,514	134	3,100,239	-13	-197,275
Office of the Security Officer	3	38,756	3	39,603	...	+847
Division of Information	10	131,584	10	134,795	...	+3,211
Subtotal, Board Members and Related Units	358	6,753,261	339	6,597,051	-19	-156,210
General Counsel & Staff:						
Office of the General Counsel	14	217,395	12	185,374	-2	-32,021
Division of Operations:						
Departmental	56	869,000	52	838,119	-4	-30,881
Field Staff:						
Regional Directors and Regional Attorneys	63	1,648,677	63	1,663,047	...	+14,370
All Other Field Professionals	843	13,684,257	779	13,193,876	-64	-490,381
Field Clericals	542	3,961,568	527	3,905,023	-15	-56,545
Subtotal, Field Staff	1,448	19,294,502	1,369	18,761,946	-79	-532,556
Subtotal, Division of Operations	1,504	20,163,502	1,421	19,600,065	-83	-563,437
Division of Litigation:						
Office of the Associate General Counsel	3	51,874	3	51,874	...	...
Supreme Court Branch	2	42,774	2	42,774	...	...
District Court Branch	16	256,683	16	260,055	...	+3,372
Appellate Court Branch	104	1,504,970	95	1,429,125	-9	-75,845
Litigation Services Section	14	116,385	14	106,772	...	-9,613

NATIONAL LABOR RELATIONS BOARD

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Comparison of 1970 and 1971 Positions, Annual Salaries and Personnel Compensation for the Organizational Units of the Agency

Organizational Unit	Fiscal Year 1970 Estimate		Fiscal Year 1971 Request		Change from 1970 Estimate to 1971 Request	
General Counsel & Staff: (Cont'd)	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
Division of Litigation: (Cont'd)						
Office of Appeals	36	$512,316	36	$527,761	...	+15,445
Legal Research & Special Projects Branch	24	335,682	24	339,844	...	+4,162
Subtotal, Division of Litigation	199	2,820,684	190	2,758,205	-9	-62,479
Division of Administration	245	2,101,203	235	2,089,263	-10	-11,940
Subtotal General Counsel & Staff	1,962	25,302,784	1,858	24,632,907	-104	-669,877
Total Permanent for the Agency	2,320	32,056,045	2,197	31,229,958	-123	-826,087

Summary of Positions	Fiscal Year 1970 Estimate	Fiscal Year 1971 Request	Change from 1970 Estimate to 1971 Request
Total Permanent, Departmental	872	828	-44
Total Permanent, Field	1,448	1,369	-79
Total Permanent for the Agency	2,320	2,197	-123
Deduct lapses	-134	-118	+16
Net Permanent for the Agency	2,186	2,079	-107

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Comparison of 1970 and 1971 Positions, Annual Salaries, and Personnel Compensation for the Organizational Units of the Agency

	Fiscal Year 1970 Estimate	Fiscal Year 1970 Request	Change from 1970 Estimate to 1971 Request
Total Permanent, Departmental.....	$12,761,543	$12,468,012	-$293,531
Total Permanent, Field.....	19,294,502	18,761,946	-532,556
Total Permanent for the Agency.....	32,056,045	31,229,958	-826,087
Deduct lapses.....	-1,826,645	-1,549,558	+277,087
Deduct net decrease due to lower pay scale for part of year.....	-92,800	...	+92,800
Net permanent, for the Agency.....	30,136,600	29,680,400	-456,200
Positions other than permanent.....	224,800	212,100	-12,700
Other personnel compensation (overtime and holiday pay).....	40,700	34,700	-6,000
Special personal services payments (compensation of witnesses).....	188,900	182,200	-6,700
11 Personnel Compensation.....	30,591,000	30,109,400	-481,600
Summary, 11 Personnel Compensation:			
Estimated obligations and expenses prior to pay act increase	27,933,700	30,109,400	+2,175,700
Estimated increase in personnel compensation for pay act increase ...	2,657,300	...	-2,657,300
Total, 11 Personnel Compensation.....	30,591,000	30,109,400	-481,600
Additional obligations from "Advances and Reimbursements":			
11 Personnel Compensation.....	2,000	2,000	...

NATIONAL LABOR RELATIONS BOARD

TABLE 11

Comparative Table of Obligations by Object
for 1970 and 1971 Fiscal Years

		Fiscal Year 1970 Estimate			Comparison of 1970 Request to 1971 Estimate	
		Before Pay Act	After Pay Act	Fiscal Year 1971 Request	Before Pay Act	After Pay Act
11	Personnel compensation.....	$28,109,300	$30,591,000	$30,109,400	+$2,000,100	-$481,600
12	Personnel benefits.....	2,214,590	2,390,190	2,431,938	+217,348	+41,748
21	Travel and transportation of persons.	1,653,400	1,653,400	1,668,000	+14,600	+14,600
22	Transportation of things.....	60,400	60,400	66,900	+6,500	+6,500
23	Rent, communications & utilities:					
	Communication Services.....	1,061,300	1,061,300	1,031,300	-30,000	-30,000
	Rents and utilities	202,200	202,200	287,400	+85,200	+85,200
24	Printing and reproduction.....	628,600	628,600	622,900	-5,700	-5,700
25	Other services.....	1,235,100	1,235,100	1,219,300	-15,800	-15,800
26	Supplies and materials.....	308,144	308,144	304,662	-3,482	-3,482
31	Equipment.....	202,000	202,000	188,200	-13,800	-13,800
42	Insurance claims and indemnities.....	50,000	50,000	50,000	...	...
	Total Cost.....	35,725,034	38,382,334	37,980,000	+2,254,966	-402,334
	Change in selected resources.....	13,000	13,000	-50,000	-63,000	-63,000
	Total direct obligations.....	35,738,034	38,395,334	37,930,000	+2,191,966	-465,334
	Estimated pay act increase.....	...	2,657,300	...	...	+2,657,300
	Additional obligations from "Advances and Reimbursements":					
11	Personnel compensation.....	2,000	2,000	2,000	...	...
	Total reimbursable obligations.....	2,000	2,000	2,000	...	...

NATIONAL LABOR RELATIONS BOARD

TABLE III
Page 1 of 2 Pages

Comparison of 1970 and 1971 Estimated Average Employment
for the Organizational Units of the Agency

Organizational Unit	Average Employment: Fiscal Year 1970 Estimate	Average Employment: Fiscal Year 1971 Request	Change from 1970 Estimate to 1971 Request
Board Members' Offices & Related Units:			
Board Members' Offices and Legal Assistants	149.8	140.9	-8.9
Office of the Executive Secretary	28.4	27.2	-1.2
Office of the Solicitor	3.7	3.0	-0.7
Division of Trial Examiners	133.9	125.6	-8.3
Office of the Security Officer	3.0	3.0	...
Division of Information	9.3	8.5	-0.8
Total Board Members' Offices & Related Units	328.1	308.2	-19.9
General Counsel & Staff:			
Office of the General Counsel	13.3	11.3	-2.0
Division of Operations:			
Departmental Staff	52.1	46.1	-6.0
Field Staff:			
Regional Directors and Regional Attorneys	63.5	63.5	...
All other Field Professionals	803.7	755.4	-48.3
Field Clericals	519.0	512.1	-6.9
Subtotal, Field Staff	1,386.2	1,331.0	-55.2
Subtotal, Division of Operations	1,438.3	1,377.1	-61.2
Division of Litigation:			
Office of the Associate General Counsel	2.9	3.0	+0.1
Supreme Court Branch	2.0	2.0	...
District Court Branch	13.9	14.0	+0.1
Appellate Court Branch	97.1	80.0	-17.1
Litigation Services Section	12.1	12.0	-0.1

NATIONAL LABOR RELATIONS BOARD

TABLE III
Page 2 of 2 Pages

Comparison of 1970 and 1971 Estimated Average Employment
for the Organizational Units of the Agency

Organizational Unit	Average Employment		
	Fiscal Year 1970 Estimate	Fiscal Year 1971 Request	Change from 1970 Estimate to 1971 Request
General Counsel & Staff: (Cont'd)			
Division of Litigation: (Cont'd)			
Office of Appeals	32.3	31.6	-0.7
Legal Research & Special Projects Branch	24.5	23.0	-1.5
Subtotal, Division of Litigation	184.8	165.6	-19.2
Division of Administration	221.5	217.0	-4.5
Subtotal, General Counsel & Staff	1,857.9	1,771.0	-86.9
Net Permanent for the Agency 1/	2,186.0	2,079.2	-106.8
Summary:			
Total Permanent, Departmental	799.8	748.2	-51.6
Total Permanent, Field	1,386.2	1,331.0	-55.2
Net Permanent for the Agency	2,186.0	2,079.2	-106.8
1/ Excludes man-years for positions other than permanent	39.1	34.5	-4.6

NATIONAL LABOR RELATIONS BOARD

Comparison of Program and Financing by Activities
For 1970 and 1971 Fiscal years (Cost Basis)

TABLE IV

Description	Fiscal Year 1970 Estimate		Fiscal Year 1971 Request	Comparison of 1971 Request to 1970 Estimate	
	Before Pay Act	After Pay Act		Before Pay Act	After Pay Act
Program by Activities:					
1. Field investigation	$22,164,534	$23,792,134	$23,728,000	+$1,563,466	-$ 64,134
2. Trial Examiner hearings	3,594,900	3,880,300	3,780,000	+185,100	-100,300
3. Board adjudication	4,318,900	4,663,000	4,709,800	+390,900	+46,800
4. Securing compliance with Board Orders	5,646,700	6,046,900	5,762,200	+115,500	-284,700
Total program costs, funded	35,725,034	38,382,334	37,980,000	+2,254,966	-402,334
Change in selected resources	13,000	13,000	-50,000	-63,000	-63,000
Total obligations	35,738,034	38,395,334	37,930,000	+2,191,966	-465,334
Financing:					
Budget authority	35,738,034	38,395,334	37,930,000	+2,191,966	-465,334
Budget authority:					
Appropriation	36,880,000	36,880,000	37,930,000	+1,050,000	+1,050,000
Transfer to other accounts	-126,666	-126,666	...	+126,666	+126,666
Appropriation (adjusted)	36,753,334	36,753,334	37,930,000	+1,176,666	+1,176,666
Proposed supplemental for civilian pay act increases	...	1,642,000	...	...	-1,642,000
Additional obligations from "Advances and Reimbursements":					
2. Trial Examiner hearing	2,000	2,000	2,000	...	...
Total obligations	2,000	2,000	2,000	...	...

NARRATIVE JUSTIFICATION
OF
APPROPRIATION ESTIMATES
FISCAL YEAR 1971

"Salaries and Expenses,
National Labor Relations Board

APPROPRIATION REQUEST FOR 1971

An appropriation of $37,930,000 is requested for fiscal year 1971. The funds are requested to enable the Agency to process, insofar as possible, the anticipated 33,500 unfair labor practice and representation cases to be filed by parties seeking the protection of their rights under the labor Management Relations Act of 1947, as amended.

A comparison of fiscal year 1970 appropriation availability and the fiscal year 1971 appropriation request follows:

	Fiscal Year 1970	Fiscal Year 1971	Increase/or Decrease 1971/1970
A. Appropriation availability before pay act costs	$ 35,864,700	$ 35,270,400	$ -594,300
B. Increased cost due to Postal Revenue and Salary Act of 1967 and Administrative pay actions			
Pay Act costs absorbed in 1970	1,015,300		
Appropriation 1970	36,880,000		
Supplemental fund request	1,642,000		
Total Pay Act costs	(2,657,300)	2,659,600	2,300
C. Funds available in 1970 and 1971 request	38,522,000	37,930,000	-592,000

In determining funds available for program in 1971, it is necessary to deduct $900,334 mandatory - administrative costs in addition to the $594,300 reduction before Pay Act. The total reduction in funds available for program is therefore $1,494,634. A reduction of $354,800 is to be accomplished by management improvement and cost reduction. The remaining $1,139,834 reduction is expected to be accomplished by reduction in the program for work output.

Program activity fund reductions after providing for all mandatory - administrative requirements are as follows: Activity I (field investigation) $846,234, Activity II (trial examiner hearing and decision) $109,000, Activity III (Board adjudication) $135,200, and Activity IV (compliance) $404,200.

The resulting employment decrease includes 106.8 in permanent employment and 4.6 in non-permanent employment, distributed organizationally as follows:

	Decrease in Average Employment		
	Permanent	Non-Permanent	Total
Board Members and Related Units			
Board Members and Staff	-11.6	-0.7	-12.3
Trial Examiner	- 8.3	-1.4	- 9.7
Office of the General Counsel			
Field Staff	-55.2	-1.7	-56.9
Washington Staff	-31.7	-0.8	-32.5
Total Agency	-106.8	-4.6	-111.4

The fact that the estimated workload intake in 1971 is 1,250 cases greater than in 1970 demonstrates conclusively that the funds and staff requested are essential to performance of the Agency mission.

Current Situation

The Agency faces a case processing problem resulting from an increasing workload and a decreasing staff. The Agency estimates about 5% increase in unfair labor practice work in 1970 and again in 1971, and a 1% increase in each year in representation work. At the same time average employment is to drop from 2,314 in 1969 to 2,113 in 1971, a decrease of about 200 or 9%.

A change in the mix of cases filed and a reduction in the proportion of cases in which exceptions are filed to the Trial Examiners' Decisions (see Workload Processing) have resulted in a reduction in 1970 in the flow of cases to the Trial Examiners and to the Board. These changes together with improved productivity have enabled the Agency to absorb, for the most part, the staff reduction proposed herein for 1970. However, in 1971, the estimated rise in intake (intake is not within the Agency's control) plus the further staff reductions proposed are expected to result in increases of 20-58% in the level of cases pending per man at all levels, except for Appellate Court activity, and in probable increases of 15-50% in time required to process cases. (See Time Delay)

It should also be emphasized that 4,717 unfair labor practice charges were settled voluntarily in 1969 after a finding of merit and without the need for trial examiner decision. Most of those were informal settlements closed in a median time of about 37 days. An increase in time delay could result in making it much more difficult to settle these cases, because the backpay involved increases with time and the positions of the parties at issue with an unadjusted dispute tend to become hardened. If one compares the number of cases settled, 4,717, with the number of initial trial examiner decisions issued, 932, or the 813 Board decisions issued in the same year, it becomes clear that a substantial drop in settlements could swamp our formal case processing procedures. For example, a 10% drop in settlement could result in as much as a 50% increase in the formal load by the addition of 470 cases for processing from trial examiner hearing to Board decision.

We shall, of course, do our best to minimize time delay by redoubling our management improvement efforts throughout the organization. We feel however, that this Committee should have a clear understanding of the problems we foresee in handling our work in 1970 and 1971.

INTAKE

Fiscal Year 1970

We have estimated that unfair labor practice charges will increase from 18,651 in fiscal year 1969 to 19,450 in 1970, an increase of 4.3% and that representation filings will increase from 12,652 to 12,795, an increase of 1.1%. (See Table A, page 8)

For the first 6 months of 1970 charges rose 9% and representation filings were about the same as the first 6 months of 1969. Since our main workload is in the unfair labor practice area, the workload resulting from new filings is significantly higher than our estimate. We have no doubt that our intake estimate for 1970 will be met or exceeded.

Fiscal Year 1971

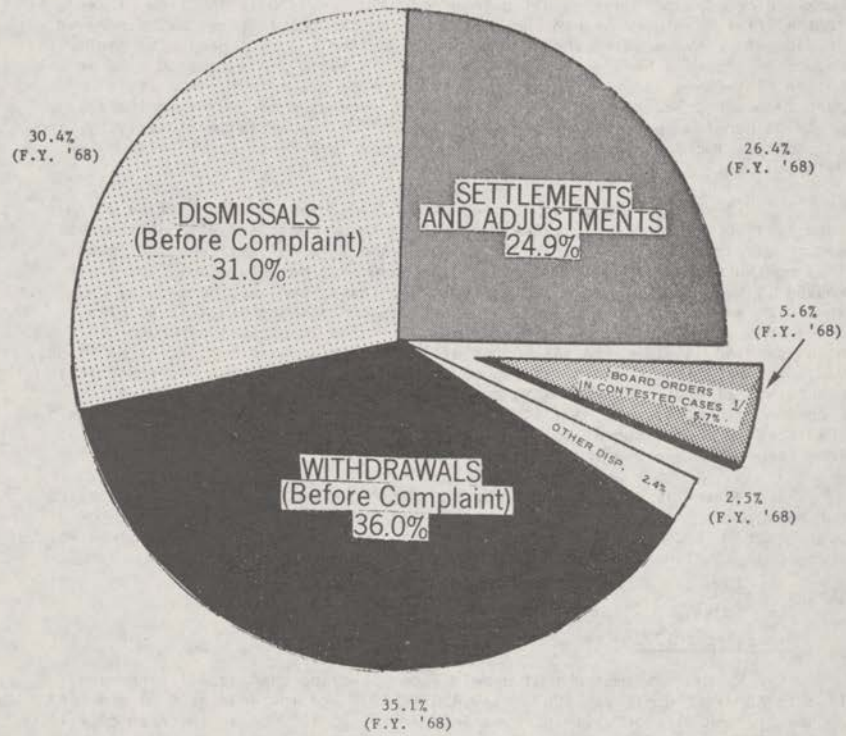
We have estimated that unfair labor practice charges will increase from 19,450 to 20,500 in fiscal year 1971, an increase of 4.5%; and that representation filings will increase from 12,795 to 12,950 an increase of 1.2%.

DISPOSITION PATTERN FOR U LP CASES

(Based on Cases Closed)

FISCAL YEAR 1969

Compared with Fiscal Year 1968

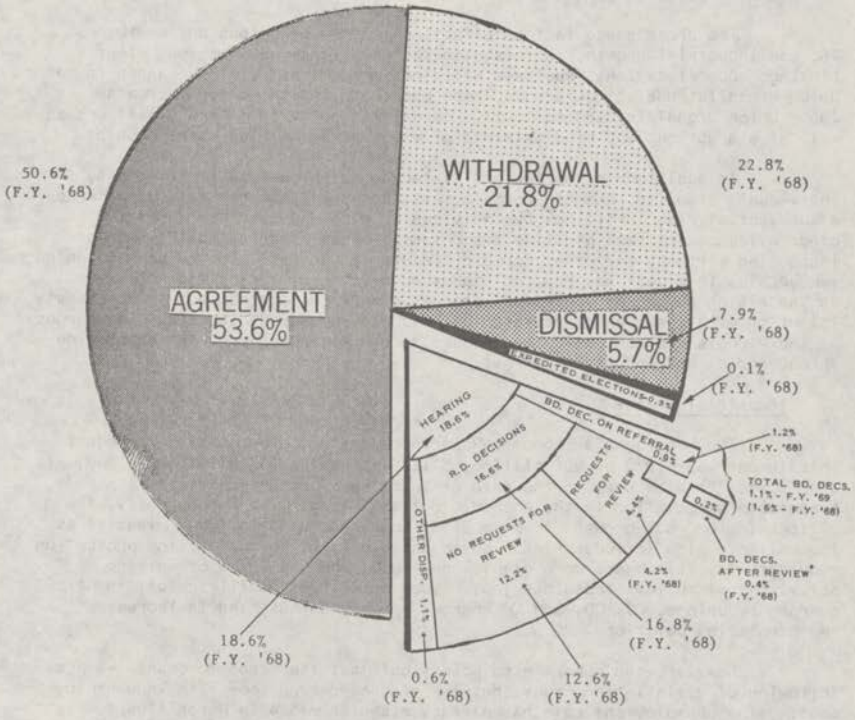


1/ Contested cases reaching Board Members for Decisions

DISPOSITION PATTERN FOR REPRESENTATION CASES

(Based on Cases Closed)

Fiscal Year 1969
Compared with Fiscal Year 1968



*THESE CASES ALSO COUNTED UNDER REG. DIR. DECISIONS.

We believe that the estimate is a very conservative one, not only in the light of current experience, but also because current expectations by all authorities in the field indicate that industrial relations face a stormy path during the next year. The specific factors that we have taken into consideration are detailed below.

FACTORS AFFECTING INTAKE

General

Representation petitions and unfair labor practice charges are filed in constantly varying proportions by unions, employers, and employees as their needs for agency service dictate.

The broad gauge factors affecting filings by unions and employers include industrial growth, increases in the work force, automation, plant closings and relocations, business sales and mergers as well as changes in labor union organizational structures. These phenomena set in motion increased labor union organizing and collective bargaining activity in new situations as well as disruptions and readjustments of existing bargaining relationships.

In addition to the factors listed above which lead to filings by individuals also (for example unemployment increases), we recently experienced a substantial rise in filings by individuals which was apparently related to other evidences of rank and file discontent. These appeared in the form of increasing strikes, and other forms of industrial unrest. The refusal of union memberships to accept new contract terms negotiated by their leaders, as well as the rising number of individual charges against unions reflect their dissatisfaction with their union representatives. These unusual increases in charges by individuals are continuing and appear to be related to the continuing widespread social and industrial unrest.

Industrial Change

The President's Economic Report forecasts a gross national product in calendar year 1970 of 985 billion, 5 1/2% above the 932 billion of 1969. It also states "a slow down in the rate of increase of consumer prices is a reasonable expectation in the economic outlook" (page 8). Consequently, the outlook is for real growth of 1% to 2% as compared to 3% in 1969. Insofar as the estimate also includes higher business investment to meet rising production requirements, this means more plants, new jobs, and the union organizing activity that follows those new jobs. Such activities usually result in CA charges by unions, CC, CD, and CP charges against unions, and in increased representation petitions.

However, the report also points out that the economic course we are following of disinflation, runs the risk of engendering some rise in unemployment. (The unemployment rate has already risen from 3.4 in March 1969 to 4.4 in March 1970.) As indicated above, a rise in unemployment can result in increased filings caused by the industrial and human relations strains which result from such changes. Charges filed by individuals, especially CB charges, usually result from such situations.

Labor Union Activity

Labor union activity is expected to rise for the reasons indicated above and for the following additional reasons:

1. ALA Organizing

The Alliance for Labor Action was formed by the Teamsters and the United Automobile Workers. These two have now been joined by the Chemical Workers. ALA has set for itself a target of organizing the unorganized worker and has picked Atlanta as its first area for concentrated organizing. Case

filings in our regional office in Atlanta have risen even more sharply than case filings in the nation as a whole. Atlanta's unfair labor practice filings rose 32% from July-December 1969 as compared to a 9% rise in Agency filings as a whole. Atlanta's representation filings rose 23% in those 6 months, as compared to a national total that did not change, up or down.

2. The Civil Rights Movement and Its Relation to Case Filings

In some industrial areas the civil rights movement is cooperating with labor unions to organize poor people. This is true, for example in the hospital and nursing home industry where the Southern Christian Leadership Conference has joined with AFL-CIO's Hospital and Nursing Home Employees' Union to organize these employees. Organizing began in Charleston, is now active in Baltimore, and is spreading to a number of other cities.

In the construction industry, on the other hand, civil rights organizations are in conflict with construction trade unions over the allocation of jobs in the industry. This conflict is giving rise to unfair labor practice charges and representation petitions filed with the Agency.

3. White Collar and Service Worker Organizing

Labor organizing in this area has been growing. It has grown quickly in areas outside of Board jurisdiction, as among teachers and other public employees; but it is also growing in areas over which the Board has jurisdiction. Recent examples of such organizing include: engineers, bank employees, and nurses.

WORKLOAD PROCESSING PROGRAM

General

As shown under intake the Agency can reasonably expect a continuing increase in case filings, estimated at about 5% additional unfair labor practice charges each year in 1970-1971, and about 1% additional representation petitions each year.

Our plan to deal with the estimated rise in filings in 1970 (assuming filings are not above current estimate) depends upon a continuation of the change in the case mix which began in 1969 and which reduced formal work requirements at the Trial Examiner and Board levels.

Charges against unions usually result in less hearings than do charges against employers, and therefore require fewer Trial Examiner and Board decisions. (A higher percentage of charges against unions are disposed of informally.) In addition to the lower percentage of cases going to hearing, there has also been a reduction in the percentage of cases going to the Board as a result of a lower level of exceptions filed to the Trial Examiner's decision. This reduction began in April 1969. (See Trial Examiner and Board Decisions discussion below)

Partially offsetting the expected increase in filings and the planned for employment attrition in fiscal 1971, is our projection of the reduced flow of formal work in the remainder of 1970 and all of 1971. We shall be on the lookout for increases in pending load and extended time delay as indicators of difficulty, and will deal with these indicators by maximizing staff effectiveness through close attention to peaks and valleys in workloads and flexible staff assignments to accommodate to these peaks and valleys.

Field Office Operations

The Agency's field offices receive and initially process all case filings. Over 90% are disposed of in the regional offices without resort to Washington. (See Pie Charts on pages 3 and 4.)

The field program for 1970 provides for the processing of the equivalent of all intake, consisting of 18,631 unfair labor practice proceedings and 11,936 representation proceedings. (If intake is actually higher than the estimate, output would not match intake and pending workloads would begin to rise.) The 1970 work program is expected to be accomplished, by offsetting a staff reduction of 52 from 1,438.2 to 1,386.2, with a productivity increase of 3.5%.

In Fiscal Year 1971 filings are expected to rise by 5% with an offsetting rise of 2% in productivity. Employment is to fall from 1,386.2 to 1,331.0. Of the 19,633 unfair labor practice proceedings expected to require handling, 17,622 would normally be processed, and of the 12,054 representation proceedings expected to be filed, 11,874 processed. On this basis, unfair labor practice cases pending would rise over 50%, and representation cases pending would rise about 10%.

Trial Examiners

The 1970 program for trial examiners provides for the opening of 1,085 hearings and the issuance of 888 trial examiner decisions (not counting supplementals). This is to be accomplished with 95.9 trial examiners on the average producing at a rate 3 1/2% higher than last year. However, this program is insufficient to meet our normal program for processing all of the cases that we expect will have to be heard by the trial examiner staff. Therefore, it is expected to result in an increase in cases awaiting trial examiner decision from 210 to about 260. Evidence of this is already appearing in the trial examiners division which is feeling the push of increased workload. The trial calendar has been lengthened by about 2 weeks so that it now is taking 6-8 weeks from date of request to get a hearing date.

The 1971 work program for trial examiners provides for the opening of 1,026 hearings, but the issuance of only 854 trial examiners decisions. With a further 2% productivity increase estimate for 1971, the output of trial examiner decisions is based upon the average number of trial examiners, 91.0. Cases pending trial examiner decision are expected to rise to about 288.

Board Decision Work

The Board's unfair labor practice workload of contested cases for 1970 was reduced significantly as a result of a high rate of non-exceptions to trial examiner decisions issued from April 1969 to December 1969. The normal rate of exceptions has been about 75%. The rate during these 9 months was about 60%, dropping to a low of 50% in the calendar quarter from July-September. The current rate of exceptions is up again, and we have forecast an exception rate of 67% for fiscal year 1971.

This has resulted in a program requirement of 725 contested unfair labor practice decisions in 1970, as compared to 813 issued in 1969. Contested representation decision requirements remain at about 190. The Board is expected to be able to carry out its program in 1970.

In 1971 the reduced flow of formal work will result in 702 new unfair labor practice cases to be decided. The Board's legal assistant staff is being reduced from 120 to 105 by the end of F. Y. 1971 with an average of 108.4 in 1971. The output program of 680 depends on the achievement of productivity improvements of about 3 1/2% in 1970 and an additional 2% in 1971. Twenty-two cases would be added to the Board's pending load.

TABLE A

Comparison of Recent Case Intake Experience with Budget Estimates for Fiscal Years 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, and 1971

	Unfair Labor Practices		Representations
	Cases	Situations	Cases a/
A. Actual Recent Experience for--			
1. Fiscal Year 1958	9,260	7,673	7,488
2. Fiscal Year 1959	12,239	9,061	9,394
3. Fiscal Year 1960	11,357	9,128	10,170
4. Fiscal Year 1961	12,132	10,592	10,559
5. Fiscal Year 1962	13,479	11,877	11,369
6. Fiscal Year 1963	14,166	12,719	11,205
7. Fiscal Year 1964	15,620	13,978	11,738
8. Fiscal Year 1965	15,800	14,423	12,225
9. Fiscal Year 1966	15,933	14,540	13,060
10. Fiscal Year 1967	17,040	15,499	13,385
11. Fiscal Year 1968	17,816	16,343	12,889
12. Fiscal Year 1969	18,651	17,035	12,652
13. Fiscal Year 1970(Jul-Dec. 1969)	9,719	9,025	5,969
B. Budget Estimates for Fiscal Year 1961-			
1. As estimated in 1961 Budget	11,400	9,400	10,425
2. As estimated in 1962 Budget	11,275	9,470	11,100
3. Revised estimates in 1962 Budget	12,100	10,500	10,550
4. Actual intake	12,132	10,592	10,559
C. Budget Estimates for Fiscal Year 1962-			
1. As estimated in 1962 Budget	11,275	9,470	11,100
2. As estimated in 1963 Budget	13,100	11,500	11,250
3. Actual intake	13,479	11,877	11,369
D. Budget Estimates for Fiscal Year 1963-			
1. As estimated in 1963 Budget	14,600	12,750	12,300
2. As estimated in 1964 Budget	14,600	13,000	12,590
3. Actual intake	14,166	12,719	11,205
E. Budget Estimates for Fiscal Year 1964-			
1. As estimated in 1964 Budget	15,500	13,750	13,300
2. As estimated in 1965 Budget	15,300	13,750	11,800
3. Actual intake	15,620	13,978	11,783
F. Budget Estimates for Fiscal Year 1965-			
1. As estimated in 1965 Budget	16,800	15,125	12,600
2. As estimated in 1966 Budget	16,615	14,875	12,400
3. Actual intake	15,800	14,423	12,225
G. Budget Estimates for Fiscal Year 1966-			
1. As estimated in 1966 Budget	18,010	16,150	13,100
2. As estimated in 1967 Budget	17,080	15,590	13,100
3. Actual intake	15,933	14,540	13,060
H. Budget Estimates for Fiscal Year 1967-			
1. As estimated in 1967 Budget	18,200	16,615	13,550
2. As estimated in 1968 Budget	16,100	14,700	13,750
3. Actual intake	17,040	15,499	13,385
I. Budget Estimates for Fiscal Year 1968-			
1. As estimated in 1968 Budget	16,565	15,124	14,440
2. As estimated in 1969 Budget	17,805	16,185	13,745
3. Actual intake	17,816	16,343	12,889
J. Budget Estimates for Fiscal Year 1969-			
1. As estimated in 1969 Budget	18,785	17,075	14,235
2. As estimated in 1970 Budget	18,785	17,235	13,355
3. Actual intake	18,651	17,035	12,652
K. Budget Estimates for Fiscal Year 1970-			
1. As estimated in 1970 Budget	19,910	18,265	13,910
2. As estimated in 1971 Budget	19,450	17,760	12,795
L. Budget Estimates for Fiscal Year 1971	20,500	18,715	12,950

a/ Includes union decertification (UD), amendment of certification (AC), and unit clarification (UC) cases.

TABLE B
Comparison of Median Time (Days) Elapsed in Processing Cases

Stages	July-December (Fiscal Year)											
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
UNFAIR LABOR PRACTICE CASES-												
From filing to Complaint.....	143	63	44	46	49	56	57	59	60	59	59	57
From Complaint to close of Hearing.....	54	71	43	45	51	53	62	73	67	64	59	58
From Close of Hearing to Trial Examiner Decision.....	73	87	95	65	70	77	126	114	103	106	83	84
From Trial Examiner Decision to Board Decision.....	194	146	150	176	132	123	136	105	119	120	118	125
Total, Filing to Decision...	464	367	332	332	302	309	381	351	349	349	319	324
REPRESENTATION CASES-												
A. Field Processing												
From Filing to Notice of Hearing.....	12	11	10	10	10	10	8	9	9	9	9	9
From Notice of Hearing to Close of hearing	16	15	14	14	13	13	13	13	13	14	14	14
Subtotal, Filing to Close of Hearing....	28	26	24	24	23	23	21	22	22	23	23	23
B. Decisional Processing												
1. Before Decisional Delegation to Regional Director												
From Close of Hearing to Board Decision	49	52	50									
Total, Filing to Board Decision..	77	78	74									
2. After Decisional Delegation to Regional Director												
a. By the Board 1/												
From Hearing to Board Decision				112	121	108	101	109	143	118	142	134
Total, Filing to Board Decision.....				136	144	131	122	131	165	141	165	157
b. By Regional Director 1/												
From Hearing to R. D. Decision...				20	17	19	17	20	20	21	23	19
Total, Filing to R. D. Decision				44	40	41	38	42	42	44	46	44

1/ In fiscal year 1969 the Board issued only 194 decisions while the Regional Directors issued 1,842 or over 90% of the total initial representation decisions.

Appellate Court Work

This area of our work has been the subject of a special effort to reduce backlog. We had hoped to do this in 1970 by raising the number of briefs filed to 384 from the 335 filed in 1969. At this point, as a result of the need to reduce staff, it is very difficult to foretell exactly how much can be accomplished in 1970. The Board, faced with an unexpected reduction in its contested unfair labor practice work, has detailed legal assistants to help with Appellate Court briefing. We are hoping to reach our 1969 production experience.

In 1971 we have reduced our program to 310 briefs, related to work intake and staff reductions in this area. The net result of these changes is that we expect the pending caseload to be reduced, but at a slower rate and without the substantial backlog and time-delay reductions we had hoped to achieve.

TIME DELAY IN 1971

General

The Agency has stressed current processing of cases and reduction of time delay to the maximum extent possible. This program has two very salutary results in the field of labor relations: (1) it encourages and maximizes voluntary settlement of labor disputes, and (2) it provides more timely and more effective answers to the labor relations problems which would otherwise require formal, time consuming, and expensive litigation.

As a result of the Agency's emphasis on timeliness most of the over 30,000 labor relations matters filed voluntarily with the Agency by employers, unions and individuals are disposed of very quickly. Over 90% of the unfair labor practice matters are handled by withdrawal, dismissal, or voluntary agreement without need for formal hearing. In June 1969 these cases were closed in a median time of 41.1 days from the filing of the charge. Over 80% of the representation matters are closed without need for formal hearing and most of the remaining representation questions are closed after hearing on the basis of regional director decisions. Those closed without need for formal hearing were closed in about 35 days or less, including the time required for the holding of an election by voluntary agreement. Those requiring formal direction of election by the regional director (most of the remaining 20%) are closed after election in about 80 days.

Less than 2% of the representation questions filed required Board decision on dismissal or direction of election. Less than 10% of the unfair labor practice charges filed required formal hearing before a trial examiner (see pie charts pages 3 and 4). Those cases which did require such formal treatment naturally took longer as shown in Table B. Even in these cases, as indicated by Table B, the Agency has emphasized the continuing need for minimizing these time delays.

In 1969 and for the first 6 months of 1970 we were able to keep time delay from expanding. In the next 18 months, however, we fear that time delay will increase at all levels, except Appellate Court activity.

Field Offices

The estimated rise of unfair labor practice proceedings pending before hearing in 1971 from 3,541 to 5,576 results from the increasing workload and the additional 4% decrease in staff. A comparison of pending cases per staff member shows that in June 1969 we had 877 professionals responsible for the 3,541 unfair labor practice proceedings and 1,883 representation proceedings pending before hearing. By the end of 1971 we expect to have 826 professionals responsible for 5,576 unfair labor practice and 2,063 representation proceedings pending before hearing. This amounts to an increase in workload of over

50% per man. (The typical unfair labor practice proceeding requires over twice as much field time and effort as the representation proceeding.) Assuming an increase in time delay which is not quite as much as the increase in workload per man (this would be the most conservative estimate) it means that unfair labor practice cases not requiring hearing would be closed in about 60 days (rather than about 40 days) and representation matters not requiring hearing in about 40 days (rather than 35). Unfair labor practice cases requiring issuance of complaint and representation matters requiring regional director decision would be expected to take 80 to 90 days as compared to about 60 to 80 now.

This estimate takes into consideration current field practice of beginning the investigation of a case within a week after it is filed. The estimated increase in pending would make this impossible, and would require delaying the investigation until the volume of investigative work involving cases filed earlier allows the time for an additional case to be handled.

Trial Examiners

In June 1969 we had 98 trial examiners with 363 cases set for hearing and 210 cases awaiting decision. By June 1971 we expect to have 88 trial examiners with 363 cases awaiting hearing and 288 cases awaiting decision. Assuming once again that the increase in workload per man, which we estimate at about 40%, will result in a corresponding increase in time delay, we would expect the time from issuance of complaint to issuance of trial examiner decision to rise from about 135 days to about 180 days.

This estimate takes into consideration the fact that a trial examiner spends less than a fourth of his time on cases at the hearing stage; and the estimated rise in cases awaiting decision per trial examiner will result from the inability of the trial examiner to promptly begin work on writing decisions in cases which have been heard.

Board Decisions

In June 1969 we had 122 legal assistants to Board Members with 348 cases pending contested unfair labor practice decision, and 59 cases pending contested representation decision. By June 1971 we expect to have 105 legal assistants with 370 unfair labor practice cases and 59 representation cases pending decision. This is an increase of about 20% in workload. We expect an increase of about 15% in time delay at this stage.

Summary of Time Delay

The estimates of increased time delay detailed above mean in essence that time now required to process a charge or petition could be increased by as much as one half in many cases. The following table summarizes the possibilities:

Processing Stage	Days Required to Process the Median Case: June 1969 Actual	June 1971 Estimated	% Increase
ULP			
A - Informal Field Dispositions	41.1	61	49%
B - Formal Dispositions			
By Stage			
Filing to Complaint	56	84	50%
Complaint to Hearing	54	73	35%
Hearing to Trial Examiner Decision	79	108	37%
TXD to Board Decision	113	129	14%
Actual Cases			
Filing to Board Decision	355	480	35%

Processing Stage (Cont'd)	Days Required to Process the Median Case: June 1969 Actual	June 1971 Estimated	% increase
Representation			
A - Informal Field Dispositions	35 (est.)	40	14%
B - Formal Dispositions			
By Stage			
Filing to Notice of Hearing	10	11	10%
Notice to Hearing	13	15	15%
Hearing to R. D. Decision	17	20	18%
Hearing to Board Decision	98	113	15%
Actual Cases			
Filing to R. D. Decision	46	53	15%
Filing to Board Decision	158	180	14%

The time delay estimates shown above apply to the median or average case, whereas as many as a quarter of the cases take substantially longer to process. This means that the resolution of industrial relations problems brought to the Agency may be delayed significantly at all stages. Such delays affect the ability of the Agency and the parties to resolve their problems peacefully and may result in an increase in the number and duration of strikes.

MANAGEMENT IMPROVEMENT AND COST REDUCTION

The Agency's budget request is based upon our continuing plan for productivity improvement at all production levels. Productivity is examined in each area and the maximum possible improvement scheduled. For 1971 the budgeted productivity improvements for major case processing areas are shown below and are to be achieved by constant attention to reducing time and effort required to process case filings to case closings. Failure to achieve these improvements would result in a further reduction in the work that can be done.

The major threat to the Agency's ability to achieve these goals is the problem of time delay. When time required to process a case increases, the cost of processing the case also increases. This cost increase occurs during investigations as a result of inability to find witnesses easily, the inability to secure voluntary cooperation as a result of changing attitudes, and the inability of witnesses to recall clearly what happened in an incident that occurred too long ago. Another possible cost of increased time delay is reduction in settlements due to increased backpay and hardening attitudes.

The main productivity improvement provided for in fiscal years 1970 and 1971, by function, are as follows:

Function	F. Y. 1970	F. Y. 1971
Field Investigation and Processing	3.5%	2.0%
Trial Examiner Decision Writing	3.4%	1.7%
Board Decision Issuance	3.7%	1.7%
Appellate Court Briefing	7.1%	6.7%

The Agency has, in addition, a research and development program for automating its extensive printing work and its management information systems.

The program to automate the printing of Board volumes of decisions was designed to reduce the cost of each volume and speed the time required to issue each volume from 15 months to 3 months. The development program fell behind as a result of technical problems. We have issued the first four volumes processed under the new system, and look forward to catching up with our backlog and achieving the benefits planned for.

The program to automate our management information system is also progressing. We have included the cost of computer sharing in our 1971 program.

SUMMARY

The Agency is very grateful to the Congress for its understanding of the many problems which beset us in administering the policies laid down in the law and for its recognition of the goals and financial needs which are necessary to help keep pace with our heavy volume of work.

We have indicated that our main problem this coming year will be maintenance of the service standards which have been set in the past. We will do our best to provide the most prompt and effective service which can be achieved with the resources available to us. We are mindful of our responsibilities under the law, and of our obligation to serve the public whom the congress has sought to protect in the most efficient and economical way possible.

Exhibits

A. Explanation of Types of Cases

B. Outline of Representation Procedures Under Section 9(c)

C. Basic Procedures in Cases Involving Charges of Unfair Labor Practice

D. Basic Procedures for Casehandling Under Section 8(b)(7)

E. National Labor Relations Board Enforcement Chart

NOTE: These exhibits provide, in concise form, outlines of the types of cases arising under the Labor Management Relations Act and the basic procedures in the processing of these cases within the Agency and in the Courts.

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TYPES OF CASES

1. Charges of Unfair Labor Practices

CHARGE AGAINST EMPLOYER	CHARGE AGAINST LABOR ORGANIZATION				CHARGE AGAINST LABOR ORGANIZATION AND EMPLOYER
Section of the Act CA	Section of the Act CB	Section of the Act CC 8(b)(4)	Section of the Act CD 8(b)(4)	Section of the Act CP	Section of the Act CE
8(a)(1) Interfere with, restrain, or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).	8(b)(1)(A) Restrain or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).	(i) TO ENGAGE IN, OR INDUCE OR ENCOURAGE ANY INDIVIDUAL EMPLOYED BY ANY PERSON ENGAGED IN COMMERCE OR IN AN INDUSTRY AFFECTING COMMERCE TO ENGAGE IN, A STRIKE OR A REFUSAL IN THE COURSE OF HIS EMPLOYMENT TO USE, MANUFACTURE, PROCESS, TRANSPORT, OR OTHERWISE HANDLE OR WORK ON ANY GOODS OR TO PERFORM ANY SERVICES; OR (ii) TO THREATEN, COERCE OR RESTRAIN ANY PERSON ENGAGED IN COMMERCE OR IN AN INDUSTRY AFFECTING COMMERCE, WHERE IN EITHER CASE AN OBJECT THEREOF IS:	First Stage - 10(k)* Second Stage - Complaint**	8(b)(7) To picket, cause, or threaten the picketing of any employer where an object is to force or require an employer to recognize or bargain with a labor organization as the representative of his employees, or to force or require the employees of an employer to select such labor organization as their collective bargaining representative, unless such labor organization is currently certified as the representative of such employees:	8(e) To enter into any contract or agreement (any labor organization and any employer) whereby such employer ceases or refrains or agrees to cease or refrain from handling or dealing in any product of any other employer, or to cease doing business with any other person.
8(a)(2) Dominate or interfere with the formation or administration of a labor organization or contribute financial or other support to it.	8(b)(1)(B) Restrain or coerce an employer in the selection of his representatives for collective bargaining or adjustment of grievances.	(A) To force or require any employer or self-employed person to join any labor or employer organization or to enter into any agreement prohibited by Sec. 8(e).	(D) To force or require any employer to assign particular work to employees in a particular labor organization or in a particular trade, craft, or class rather than to employees in another trade, craft, or class, unless such employer is failing to conform to an appropriate Board order or certification.		
8(a)(3) Encourage or discourage membership in a labor organization (discrimination in regard to hire or tenure).	8(b)(2) Cause or attempt to cause an employer to discriminate against an employee.	(B) To force or require any person to cease using, selling, handling, transporting, or otherwise dealing in the products of any other producer, processor, or manufacturer, or cease to doing business with any other person, or force or require any other employer to recognize or bargain with a labor organization as the representative of his employees unless such labor organization has been so certified.	*First Stage - Proceeding under Section 10(k) of the Act Whenever it is charged that any person has engaged in an Unfair Labor Practice within the meaning of paragraph (4)(D) of Section 8(b), the Board is empowered and directed to hear and determine the dispute out of which such Unfair Labor Practice shall have arisen...	(A) where the employer has lawfully recognized any other labor organization and a question concerning representation may not appropriately be raised under Section 9(c),	
8(a)(4) Discharge or otherwise discriminate against an employee because he has given testimony under the Act.	8(b)(3) Refuse to bargain collectively with employer.	(C) To force or require any employer to recognize or bargain with a particular labor organization as the representative of his employees if another labor organization has been certified as the representative.	**Second Stage - Complaint Complaint under Section 8(b)(4)(D) is issued where there has been no voluntary adjustment of the dispute, and no compliance with the Board's Decision and Determination of Dispute.	(B) where within the preceding 12 months a valid election under 9(c) has been conducted, or	
8(a)(5) Refuse to bargain collectively with representatives of his employees.	8(b)(5) Require of employees the payment of excessive or discriminatory fees for membership.			(C) where picketing has been conducted without a petition under 9(c) being filed within a reasonable period of time not to exceed 30 days from the commencement of such picketing.	
	8(b)(6) Cause or attempt to cause an employer to pay or agree to pay money or other thing of value for services which are not performed or not to be performed.				

2. Petitions

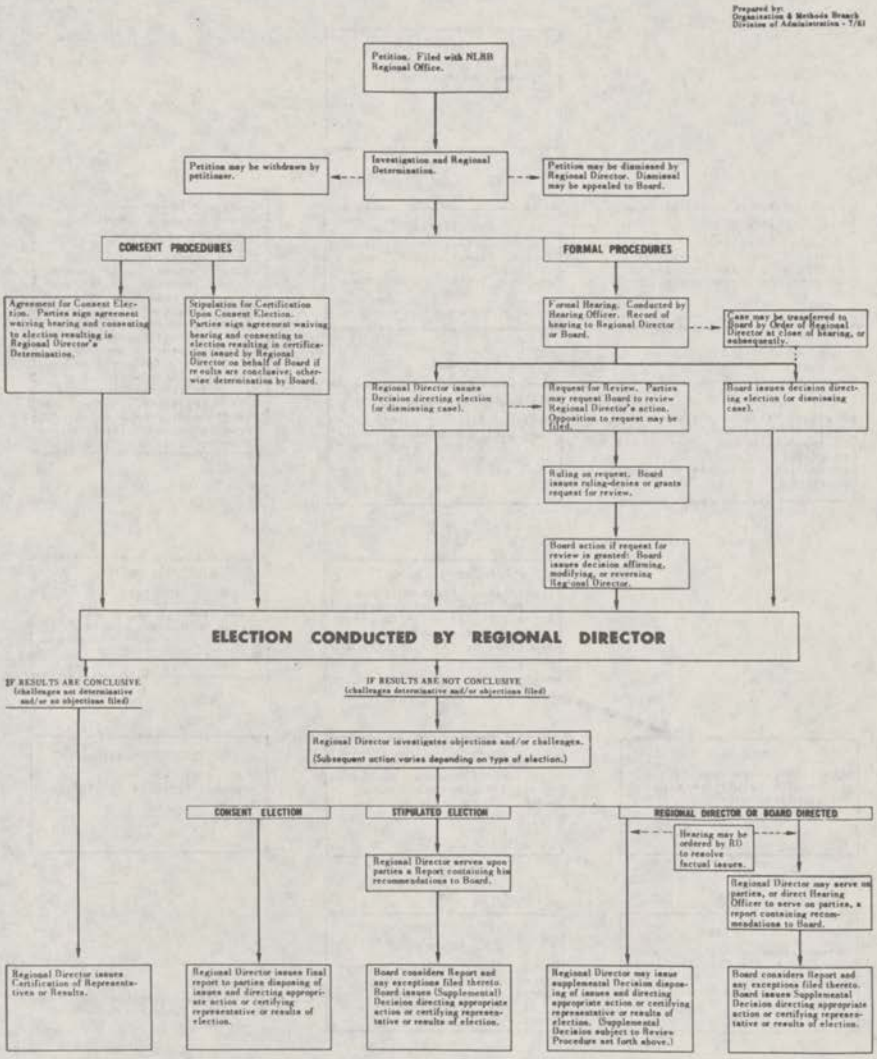
9(c)(1)(A)(i) RC	9(c)(1)(B) RM	9(c)(1)(A)(ii) RD	9(c)(1) UD	UC	AC
Requesting the designation of filing party as bargaining agent. 1/	Alleging that one or more claims for recognition as exclusive bargaining agent have been received by employer. 1/	Asserting that the certified or recognized bargaining agent is no longer the representative. 1/	Employees wish to rescind a union security clause.	Requesting clarification of bargaining unit.	Requesting amendment of certification.

1/ This statement is not applicable if an 8(b)(7) charge is on file involving the same employer; however, the "R" designation applies.

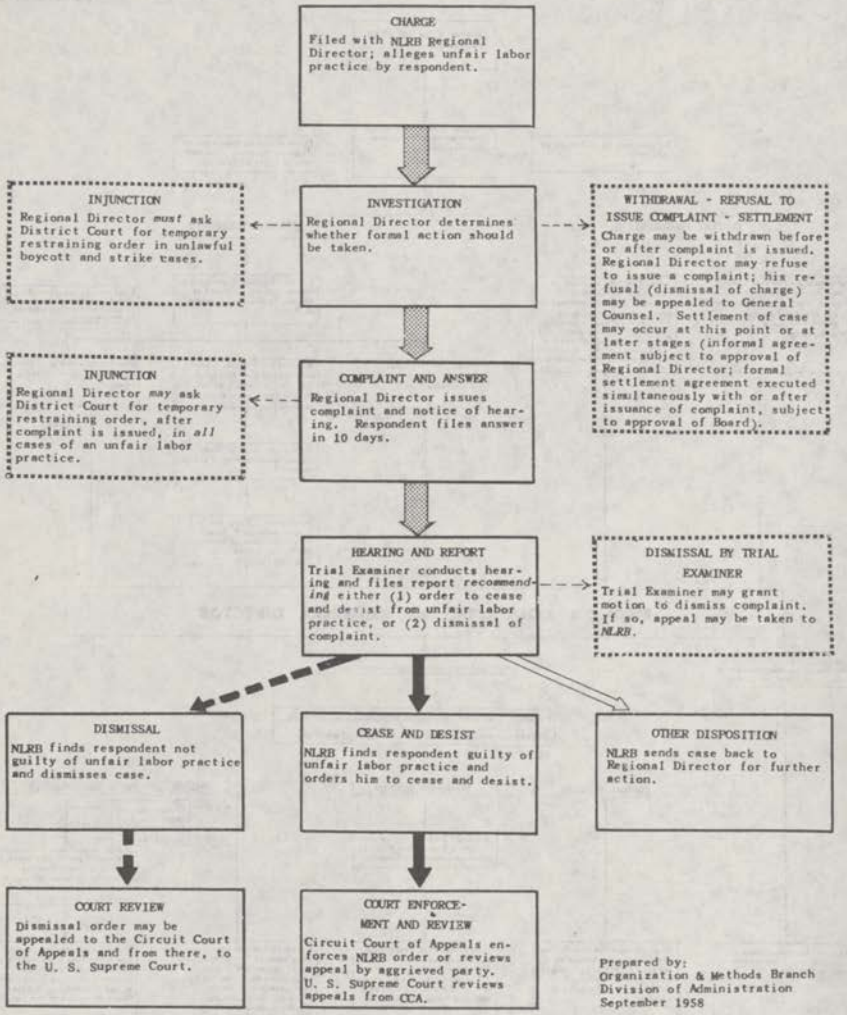
Prepared by: Organization and Methods Branch
Division of Administration - Rev. 1-65

OUTLINE OF REPRESENTATION PROCEDURES UNDER SECTION 9(c)

(With respect to petitions filed on or after 5-15-61)

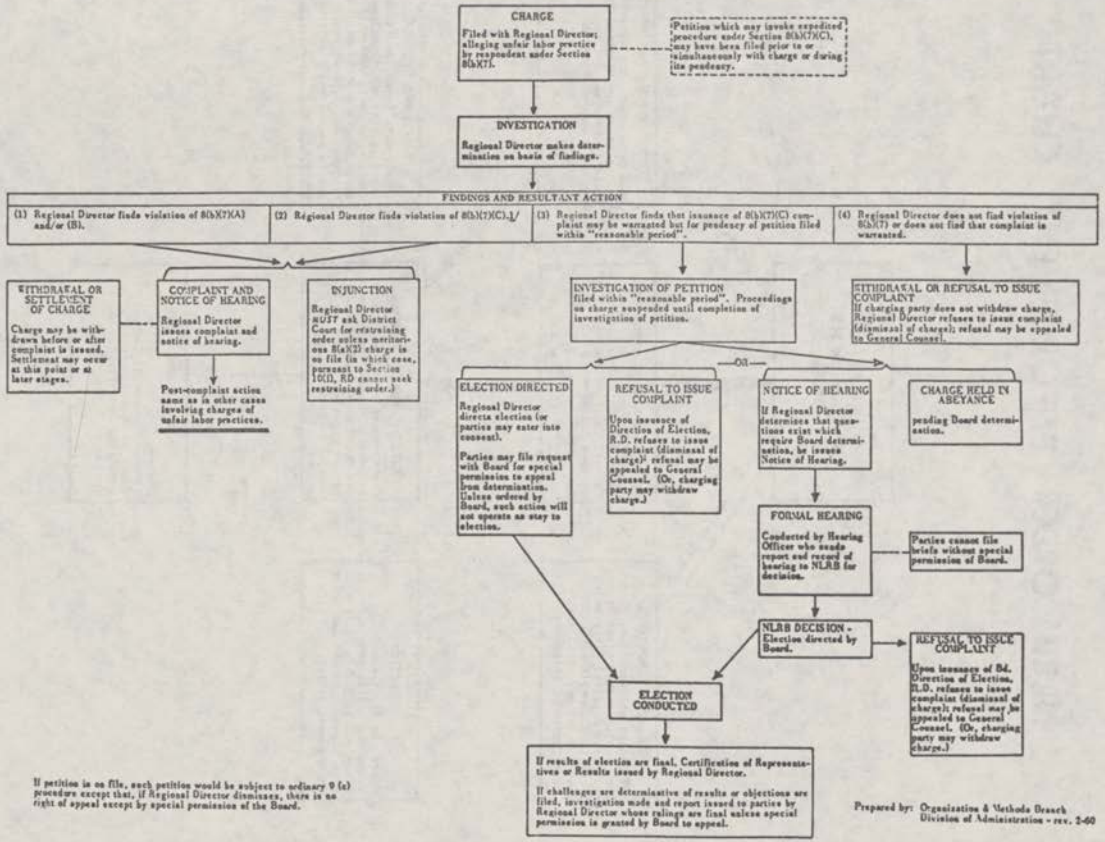


BASIC PROCEDURES IN CASES INVOLVING CHARGES OF UNFAIR LABOR PRACTICES



Prepared by:
Organization & Methods Branch
Division of Administration
September 1958

BASIC PROCEDURES FOR CASEHANDLING UNDER SECTION 8(b)(7)



If petition is on file, such petition would be subject to ordinary 9 (c) procedure except that, if Regional Director dismisses, there is no right of appeal except by special permission of the Board.

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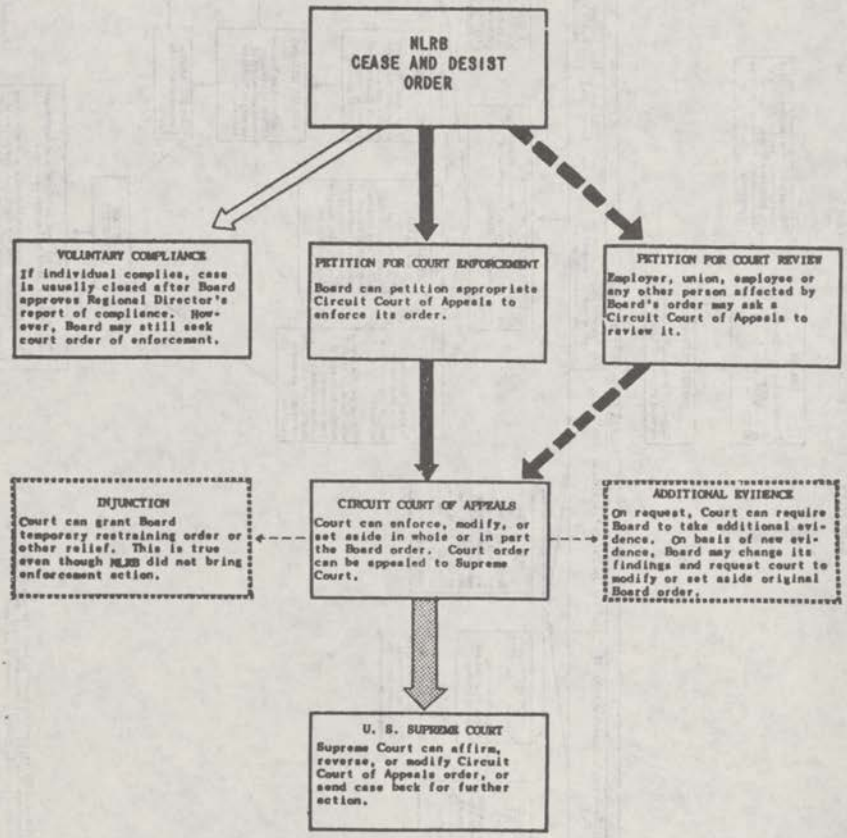
Division of Administration - rev. 2-60

NLRB ORDER ENFORCEMENT CHART



FRIDAY, MAY 22, 1970.

FEDERAL RADIATION COUNCIL

WITNESSES

PAUL C. TOMPKINS, EXECUTIVE DIRECTOR, FEDERAL RADIATION COUNCIL
ARTHUR J. CRATEN, BUDGET REPRESENTATIVE, GSA

FEDERAL RADIATION COUNCIL

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	69	77	79
Positions other than permanent			2
Total personnel compensation	69	77	81
Personnel benefits: Civilian employees	5	6	6
Travel and transportation of persons	2	10	12
Rent, communications, and utilities	1	1	1
Printing and reproduction	3	3	3
Other services	33	33	39
Supplies and materials	2	1	1
Equipment		1	1
Total obligations	115	132	144

PERSONNEL SUMMARY

Total number of permanent positions	4	4	4
Average number of all employees	4	4	4
Average GS grade	11.8	11.8	11.8
Average GS salary	$17,491	$19,344	$19,524

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Executive direction and administrative costs (program costs, funded)[1]	137	150	144
Change in selected resources [2]	−22	−18	
Total obligations	115	132	144
Financing: Unobligated balance lapsing	12		
Budget authority	127	132	144
Budget authority:			
Appropriation	127	124	144
Proposed supplemental for civilian pay act increases		8	
Relation of obligations to outlays:			
Obligations incurred, net	115	132	144
Obligated balance, start of year	62	34	40
Obligated balance, end of year	−34	−40	−30
Adjustments in expired accounts	−5		
Outlays, excluding pay increase supplemental	138	118	154
Outlays from civilian pay act supplemental		8	

[1] Includes capital outlays as follows: 1969, $0; 1970, $1,000; 1971, $1,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $40,000 (1969 adjustments, −$5,000); 1969, $18,000; 1970, $0; 1971, $0.

Mr. FLOOD. We now have the Federal Radiation Council. The presentation will be made by Mr. Paul C. Tompkins, the Executive Director.

I think, Mr. Tompkins, you should have a biographical sketch. Do you have one with you? If you don't, will you see that you have one, a modest sketch?

Mr. TOMPKINS. I will supply it. I am sorry.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF MR. PAUL C. TOMPKINS, EXECUTIVE DIRECTOR, FEDERAL RADIATION COUNCIL

Dr. Tompkins has been directly involved in radiation effects and radiological health activities since he joined the Metallurgical Laboratory of the Manhattan District in 1943. From 1943 to 1949 he was directly concerned with the determination of biological effects from ingested and injected radioactive nuclides and the chemical preparation of high specific activity radio-nuclides for this purpose. He joined the staff of the U.S. Naval Radiological Defense Laboratory in 1949 and became its Scientific Director in 1951. In 1960 he accepted the position of Chief of the Research Branch, Division of Radiological Health, U.S. Public Health Service. He moved to the Atomic Energy Commission in 1961 as Deputy Director, Office of Radiation Standards. In 1963 he was appointed to the position of Executive Director, Federal Radiation Council.

During his career he has served on many national and international panels as consultant or as a delegate. He has served as a consultant to the Joint Committee on Atomic Energy; the U.S. delegate to the United Nations Scientific Committee on the Effects of Atomic Radiation; the Tripartite Conference on Toxicological Warfare; the U.S. Civil Defense Council, the NATO Workshop on Civil Defense; and the Space Radiation Panel of the National Academy of Sciences. He has also served on expert panels and advisory committees such as the World Health Organization Panel on Radioactivity in Food and Agriculture; the National Council on Radiation Protection and Measurements; the Civil Defense Advisory Committee—National Academy of Sciences; and the International Aotmic Energy Agency Panel on Risk Evaluation for Protection of the Public in Radiation Accidents.

INTRODUCTION OF SUPPORTING WITNESS

Mr. FLOOD. Do you have anybody with you that you would like us to know?

Mr. TOMPKINS. Yes, sir. I am accompanied by Mr. Arthur Craten of the General Services Administration who handles our budget.

Mr. FLOOD. We won't hold that against him. Is there anybody else?

Mr. TOMPKINS. No, sir; just the two of us.

Mr. FLOOD. Now, Mr. Tompkins, I see you have a statement. How do you wish to proceed?

Mr. TOMPKINS. With your permission, sir, I would like to just read it.

Mr. FLOOD. Very well.

Mr. Tompkins.

Mr. CHAIRMAN. With your permission, my opening statement will summarize the background of the Federal Radiation Council to indicate for you what the Council is and what it does.

BACKGROUND OF PRINCIPAL WITNESS

Mr. FLOOD. Tell us a little bit about your own background, first.

Mr. TOMPKINS. I have a Ph. D. degree from the University of California.

Mr. FLOOD. In what?

Mr. TOMPKINS. It is in biochemistry. My professional work has been closely associated with the chemistry of radioactive materials dealing with cyclotron materials at the University of California. During the war I joined the Manhattan District in their biology section.

Mr. FLOOD. When did you join it?

Mr. TOMPKINS. 1943.

Mr. FLOOD. Well, you were there almost from the beginning.

Mr. TOMPKINS. Almost from the beginning. Oak Ridge had not been built at the time I joined it. My work there was concerned primarily with the chemical separation of high specific activity radionuclides. Our primary mission was to establish the toxicity of these radioactive materials as the basis for——

Mr. FLOOD. Whose primary mission? Your section?

Mr. TOMPKINS. Yes; the particular section I was associated with—setting the standards to be applied at the Hanford plutonium separation plant. I have been involved in hazards of radioactive materials ever since.

Mr. FLOOD. Hazards?

Mr. TOMPKINS. Yes; biological effects. In 1950 I joined the Navy Radiological Defense Laboratory at San Francisco, whose mission was military protection against fallout, and the laboratory was set up primarily as a consequence of the need to handle and take care of the ships contaminated at the first Bikini test.

Mr. FLOOD. Fallout from what, with reference to the Navy operation?

Mr. TOMPKINS. Underwater explosions.

Mr. FLOOD. Missiles; not production plants?

Mr. TOMPKINS. No.

Mr. FLOOD. With the Navy?

Mr. TOMPKINS. With the Navy. This was underwater explosions of nuclear weapons. I was with that laboratory for 10 years, and served as its scientific director.

Mr. FLOOD. You mean not only potential enemy explosions but perhaps accidents or negligence by our own?

Mr. TOMPKINS. Yes, both. In 1960 I joined the Public Health Service as the chief of their research branch in the division of radiological health.

Mr. FLOOD. Still dealing with radiation and fallout, generally?

Mr. TOMPKINS. Yes, sir. In 1961 I transferred over to the radiation protection standards division of the Atomic Energy Commission.

Mr. FLOOD. Still dealing with the same problem?

Mr. TOMPKINS. Yes, still dealing with the same problem.

When the permanent staff was established by the Federal Radiation Council I was detailed by the Atomic Energy Commission until the formal arrangements were made and I have been serving now as the executive director of the FRC since 1963.

Mr. FLOOD. All right; that is fine. Thank you very much. Suppose you go ahead.

Mr. TOMPKINS. Yes, sir.

General Statement

The creation of the Federal Radiation Council resulted directly from a Government-wide review of radiation hazards and radiation protection responsibilities conducted in 1959 by the Director of the Bureau of the Budget, the Chairman of the Atomic Energy Commission, and the Secretary of the Department of Health, Education, and Welfare. The desirability of such a review was stimulated by the public confusion and concern over fallout hazards associated with atmospheric testing of nuclear weapons, and the fact that there was no single agency within the executive branch responsible for the formulation of radiation protection guidance.

IONIZING RADIATION

The study group concluded that, under the prevailing scientific assumption which states that any exposure to ionizing radiation is associated with some risk of causing harmful biological effects, the derivation of basic guidelines for radiation protection involves health, economic, social and ethical considerations of such a nature that the person or persons making the decisions represented by that guidance should be publicly accountable.

Mr. Flood. What is ionizing radiation?

Mr. Tompkins. Ionizing radiation is radiation of a sufficiently short wavelength or high energy so that when it interacts with matter it strips some of the electrons from the atoms and leaves charged particles.

Mr. Flood. Is that what we call fallout?

Mr. Tompkins. Fallout emits ionized radiation.

Mr. Flood. This is hazardous to man, animals and vegetation, to the environment?

Mr. Tompkins. In sufficient quantities it can be.

Mr. Flood. It is then a form of potential environmental pollution?

Mr. Tompkins. Yes.

Mr. Flood. It is technological pollution?

Mr. Tompkins. Yes, technological pollution is correct. Since no single agency could be found with the appropriate breadth of responsibility and jurisdiction, it was recommended that the President be advised by a Federal Radiation Council on radiation matters directly or indirectly affecting health, including guidance for Federal agencies in the promulgation of operating radiation protection standards, and in the establishment of programs of cooperation with the States.

The President accepted this recommendation and created the Federal Radiation Council by Executive Order 10831, August 14, 1959. The Council was made statutory later that year by an amendment to the Atomic Energy Act of 1954—Public Law 86–373 (sec. 274h).

STATE LEGISLATION

Mr. Flood. Have the States taken any action to pass legislation dealing with this specific problem?

Mr. Tompkins. Some of them are passing or are setting up——

Mr. FLOOD. Will you list the ones that have, as of today, passed such State legislation on this specific problem, not now but for the record?

Mr. TOMPKINS. Yes; I think I can do that.

Mr. FLOOD. And the dates they did that.

Mr. TOMPKINS. I think I can find that for you, sir.

(The information follows:)

TABLE 2.—ENABLING ACTS FOR RADIATION PROTECTION REGULATIONS BY STATE, AS OF MAY 25, 1970

State	Act/year	Effective date of act (month, day, year)	Responsible agency or remarks [1]
Alabama	Act 582/63	9/16/63	
Alaska	Chapter 66/57	3/18/57	
Arizona	Chapter 30/64	7/15/64	Arizona Atomic Energy Commission.
Arkansas	Act 8/61	12/20/61	
California	Chapter 1711/61	7/1/62	
Colorado	Ch. 156/57; SB 231/65; as amended by SB 108; as amended by SB 1.	3/13/57; 4/23/65; 6/1/67; 7/1/68	
Connecticut	Pub. Act 550/67	6/20/67	
Delaware	Chapter 74	4/26/68	
Florida	Chapter 290/61	2/21/62	
Georgia	Act 936/64; as amended by HB 864; as amended by HB 1586.	7/1/64; 4/3/68; 4/8/68.	
Hawaii	Chapter 18/51	5/2/51	
Idaho	Chapter 243/61	5/2/61	
Illinois	SB 515/59; as amended by SB 756/63	8/16/63	
Indiana	Ch. 77/59 as amended by Ch. 116/61	3/4/61	
Kansas	Chapter 290/63	7/1/63	
Kentucky	Sec. 152.120(1A), 152.125, and 152.190, Ky. Rev. Stat., as amended by SB 284/60.	3/25/60	
Louisiana	Act 84/62 as amended by HB 1165	8/1/62; 7/31/68	Louisiana Board Nuclear Energy.
Maine	Chapter 403/61	3/2/62	
Maryland	Art. 43, as amended by Ch. 88/60, as amended by SB 93.	6/1/60; 6/1/68	
Massachusetts	Chapter 633/60, Ch. 224/61; SB1148	11/28/60; 6/12/61; 10/9/68.	Massachusetts Department of Labor and Industries.
Minnesota	Chapter 361/57	4/11/57	
Mississippi	HB 499/64	4/24/64	
Missouri	SB 322/63	10/13/63	
Montana	Chapter 108/67	7/1/67	
Nebraska	LB 19/63	10/19/63	
Nevada	AB 495/63	7/1/63	
New Hampshire	HB 597/63	7/2/63	
New Jersey	Chapter 116/58	7/8/58	
New Mexico	Chapter 185/59	6/12/59	
New York	Sec. 201 and 225, P.H. Law, as amended by Ch. 628/60 and SB 4570/66.	4/18/60; 5/23/66	
North Carolina	Ch. 104-C, Gen. Stat., as amended by HB 34/63.	6/26/63	
North Dakota	SB 202/65; Ch. 446/65	7/1/65; 7/1/65	North Dakota Water Conservation Commission.
Ohio	HB 410/59	11/4/59	
Oklahoma	SB 26/63 as amended by HB 678/63; HB 1020	7/1/63; 6/18/63; 4/22/68.	
Oregon	Chapter 664/61	8/9/61	
Pennsylvania	Act 578/65 as amended by SB 320	1/28/66; 9/30/68	
Puerto Rico	Act 79/65 as amended by HB 462	7/1/65; 3/26/67	
South Carolina	Act 302/67	5/1/67	
South Dakota	SB 162/67	7/1/67	
Tennessee	Chapter 66/59	7/1/59	
Texas	Chapter 72/61	4/17/61	
Utah	HB 137/67	5/9/67	
Vermont	HB 59/67	7/1/67	
Virginia	Ch. 158/64; Ch. 314/68	3/3/67; 6/28/68	
Washington	Ch. 207/61, as amended by SB-15/65	6/30/61; 8/6/65	
Wisconsin	Ch. 325/63, as amended by Ch. 459/63	9/25/63; 1/4/64	
Wyoming	Chapter 153/55	2/19/55	Registration Statute.

[1] Unless otherwise specified, statutes designate the State health department as the agency responsible for radiation protection with the authority to adopt regulations.

TABLE 3.—PERMISSIVE STATE STATUTES FOR FEDERAL-STATE AGREEMENT OF CERTAIN ATOMIC ENERGY COMMISSION-CONTROLLED RADIOACTIVE MATERIALS, AS OF MAY 25, 1970

State	Act/year	Effective date of act	Effective date of agreement
Alabama	Act 582/63	Sept. 16, 1963	Oct. 1, 1965
Alaska	(1)		
Arizona	Chapter 30/64	July 15, 1964	May 15, 1967
Arkansas	Act 8/61	Dec. 20, 1961	July 1, 1963
California	Chapter 18/62	July 13, 1962	Sept. 1, 1962
Colorado	SB-231/65	Apr. 23, 1965	Feb. 1, 1968
Connecticut	Pub. Act 550/67	June 26, 1967	
Delaware	Title 16, Chapter 74	Apr. 26, 1968	
Florida	H-2367/61	June 16, 1961	July 1, 1964
Georgia	Act 936/64	July 1, 1964	Dec. 15, 1969
Hawaii	SB-63/67	Feb. 28, 1967	
Idaho	SB-64/61	May 2, 1961	Oct. 1, 1968
Illinois	SB-756/63	Aug. 16, 1963	
Indiana	Chapter 116/61	Mar. 4, 1961	
Kansas	Chapter 290/63	July 1, 1963	Jan. 1, 1965
Kentucky	SB-284/60	Mar. 25, 1960	Mar. 26, 1962
Louisiana	Act 84/62	Aug. 1, 1962	May 1, 1967
Maine	Chapter 403/61	Mar. 2, 1962	
Maryland	Chapter 52/62	June 1, 1962	
Michigan	Pub. Act 54/65	June 18, 1965	
Mississippi	(1)		July 1, 1962
Montana	Chapter 108/67	July 1, 1967	
Nebraska	LB-19/63	Oct. 19, 1963	Oct. 1, 1966
Nevada	AB-495/63	July 1, 1963	
New Hampshire	HB-597/63	July 2, 1963	May 16, 1966
New Jersey	Chapter 124/61	Dec. 4, 1961	
New Mexico	(1)		
New York	Chapter 314/60	Mar. 29, 1960	Oct. 15, 1962
North Carolina	SB-530/63	June 26, 1963	Aug. 1, 1964
North Dakota	SB-202/65	July 1, 1965	Sept. 1, 1969
Ohio	HB-10/63	Sept. 24, 1963	
Oklahoma	HB-678/63	June 18, 1963	
Oregon	Chapter 664/61	Aug. 9, 1961	July 1, 1965
Pennsylvania	SB-295/65	Jan. 28, 1966	
Puerto Rico	Act 79/65	July 1, 1965	
Rhode Island	SB-562/64	May 9, 1964	
South Carolina	Act 302/67	May 1, 1967	Sept. 15, 1969
South Dakota	SB-162/67	July 1, 1967	
Tennessee	Chapter 10/61	Jan. 30, 1961	Sept. 1, 1965
Texas	Chapter 72/61	Apr. 17, 1961	Mar. 17, 1963
Utah	HB-137/67	May 9, 1967	
Vermont	HB-59/67	July 1, 1967	
Virginia	Chapter 158/64	Mar. 3, 1964	
Washington	Chapter 207/61 as amended by SB-15/65	Mar. 20, 1961 Aug. 6, 1965	Dec. 31, 1966
Wisconsin	Chapter 264/63	Aug. 25, 1963	

[1] Attorney General has ruled additional State laws are not necessary to conclude agreements.

Mr. TOMPKINS. The membership of the Council as established by Executive Order 10831 consisted of the Secretaries of Health, Education, and Welfare; Defense; Commerce; and the Chairman of the Atomic Energy Commission. The Secretary of Labor was added at the time the Council was made statutory by Public Law 86-373 (section 274h). The Secretary of Agriculture was appointed to the Council by the President on August 16, 1962. The Secretary of the Interior was added to the Council by the President on January 16, 1968.

Administratively, the Federal Radiation Council is considered to be an independent agency. It requests its own budget, and has its own staff.

As Executive Director of the FRC staff, I am accountable directly to the Secretary of Health, Education, and Welfare designated by the President as Chairman of the FRC. The resources of the Federal agencies whose heads are members of the Council are applied to the work of the Council through a group known as the working group of the FRC. The working group is comprised of senior technical people appointed by each agency to make information available on the agencies' interests

and viewpoints to the FRC staff. It is the work of this group that makes the Federal Radiation Council productive and responsive to new requirements.

ADVISORY BODY

The Federal Radiation Council is an advisory body and has no direct regulatory function. Its recommendations are necessarily broadly worded and require interpretation for application to specific cases. The Council is concerned primarily with the development of a general framework of national policy in those problems where considerations of radiation protection impinge on other facets of national policy.

The funds requested by the FRC are those required for the direct operation of the Council office. They provide for the salaries of the personnel of the Council staff which consists of four people; two professional personnel and two secretarial. It also provides for the necessary personnel benefits; travel and per diem for the staff, consultants, and participants in FRC study groups; printing and reproduction; supplies and materials; and the services as shown in the object classification schedule. Public Law 86–373 requires the FRC to seek the advice of the National Academy of Sciences and the National Council on Radiation Protection and Measurements (NCRP) in formulation of its basic guidance. Contractual arrangements have been made with these two organizations to provide such advisory services, and the supporting funds are included in the appropriation request.

REPORTS ISSUED BY FEDERAL RADIATION COUNCIL

Since its formation the FRC has issued eight reports. Three of these reported on fallout levels occurring in the United States, predicted the future levels that were anticipated, gave estimates of the magnitude of the radiation risks that might be associated with those levels, and concluded that the risks would be too small to justify the introduction of measures to limit the intake of radionuclides in fallout by modification of the diet or altering the normal distribution and use of food.

Five reports provided guidance for radiation protection activities under different conditions. Report 1 developed the general philosophy that derivation of basic radiation protection guidelines involved reaching a balance between the risk of radiation exposure and the benefits derived from the activities causing the exposure. It introduced the term radiation protection guide (RPG), which was defined as the radiation dose that should not be exceeded without careful consideration of the reasons for doing so, and noted that there could be different RPG's with different numerical values, depending on the circumstances. Report 1 gave numerical values for RPG's applicable to the control of occupational exposure of workers, and different numerical values applicable to the general public.

OCCUPATIONAL EXPOSURE

Mr. Flood. You are speaking now, I suppose, of the manufacturing industry dealing with raw materials which may endanger the health of the worker?

Mr. Tompkins. Yes, primarily.

Mr. FLOOD. What might be some examples of such exposure?

Mr. TOMPKINS. Anyone working with the nuclear industry which involves the controlled use of the nuclear fission reaction must necessarily deal with the emitted radiations and the consequent radioactive materials. Other examples are the fact that TV sets, by using an electron beam that impinges on the glass in the process of producing the picture, also generates a certain quantity of secondary radiation which, in part, is ionizing. Any medical office utilizing an X-ray machine, of course, or any manufacturer of X-ray machines are other, what you might say, typical examples.

Mr. FLOOD. Proceed.

Mr. TOMPKINS. These RPG's were considered to represent a reasonable balance between the benefits of normal peacetime operations in which possible exposure to radiation is necessarily a factor, and possible radiation risks associated with those operations.

FRC report 2 considered general guidance related to the planned release of certain radionuclides to the environment and the radiation exposure to the public that could result. The exposure conditions envisaged involved a continuous intake of radionuclides through the diet over a lifetime that would give a radiation dose from this source alone equal to the appropriate numerical value for the RPG's of the selected guidance was expressed in terms of the equivalent daily intake which, when averaged over a year, could be equated with estimates of the actual annual intake. Numerical values were given for iodine 131 which is selectively concentrated in the thyroid gland, and for strontium 89, strontium 90, and radium 226 which are selectively concentrated in mineral bone.

The programs of atmospheric testing of thermonuclear devices conducted in 1961 and 1962 resulted in the appearance of enough iodine 131 in the United States so that possible annual population exposures in some sectors of the country were approaching the annual value shown in FRC report 2. One interpretation placed on that report was that public health authorities should act to remove food from the market as necessary to prevent annual exposures from exceeding the quantities shown in FRC report 2. The Council did not concur in the philosophy of that interpretation, and in 1963 committed itself to the Joint Committee on Atomic Energy to produce recommendations to deal with that area of public policy.

Recommendations applicable to the problem of initiating public health action after iodine 131 was already in the environment were proposed by the Council and approved by the President in 1964. Similar proposals to deal with the presence of the radionuclides strontium 89, strontium 90, and cesium 137 in foods were submitted by the Council and approved by the President in 1965.

The most recent guidance provided by the FRC dealt with radiation protection in underground uranium mines. FRC report 8 was released in September 1967 following recommendations to the President, which he approved on July 28, 1967. This guidance was extended through another memorandum approved by the President on January 11, 1969.

1971 BUDGET ESTIMATE

Funds in the amount of $144,000 are requested for the operation of the FRC in fiscal year 1971. Of the $20,000 increase over last year's

appropriation, $12,000 is for personnel compensation resulting from the July Federal pay increase and additional consultant requirement; $6,000 increase in cost of GSA administrative services; and a $2,000 increase in travel, which includes both staff and consultants.

For explanation, I think I should say that of the $12,000 for personnel compensation and consultants, $8,000 is for the Federal pay increase for the staff and $4,000 is for consultants.

Mr. Chairman, if you have any questions about the Council or about our request for funds I will do my best to answer them.

CHANGES IN FEDERAL RADIATION STANDARDS

Mr. FLOOD. All right. Have there been any changes in the Federal radiation standards in the last year?

Mr. TOMPKINS. No.

Mr. FLOOD. There have not been?

Mr. TOMPKINS. No, sir. The basic standards for normal peacetime operations that were issued in 1960 are still applicable.

Mr. FLOOD. There hasn't been any change in the last 10 years?

Mr. TOMPKINS. Not of that particular set of guidelines. There have been standards, as I indicated, for different conditions, particularly those dealing with accidental releases and fallout, which are the ones that dealt with strontium, cesium and iodine in the environment, but there has been no change in the basic guidelines since 1960.

Mr. FLOOD. Who would be responsible for such changes? Who would make the changes if there should have been any?

Mr. TOMPKINS. The Federal Radiation Council, of course, would have to change its own standards.

Mr. FLOOD. The Council itself would be responsible for issuing any change in standards?

Mr. TOMPKINS. Yes, sir.

Mr. FLOOD. Well, have any new standards in the past 10 years been promulgated by the Council within any phase of your jurisdiction? Have you issued any new standards about anything under your jurisdiction in 10 years?

Mr. TOMPKINS. Yes. As I indicated, the basic guidance in report 1 and report 2 dealt with the broad spectrum of exposure conditions. The specific new standards were set up in reports 5 and 7 in 1964 and 1965. The uranium mining standard, which is new, was issued in 1967. Each of these is what I would classify as new standards, as I interpret your question.

Mr. FLOOD. What role did the Federal Radiation Council play in the development of changes in radiation standards or new standards in the past year?

EFFLUENTS FROM NUCLEAR POWER PLANTS

Mr. TOMPKINS. Well, as you probably know, Mr. Flood, as a result of increasing public concern over what some people think are exceptional hazards from nuclear powerplants, the Atomic Energy Commission is getting a whole succession of interventions. The basis of these interventions involves conclusions regarding the physical, chemical and biological behavior of some of the radioactive effluents, and as

a consequence Mr. Finch has recommended to the Council that a comprehensive review of the entire foundation be initiated by the FRC.

Mr. FLOOD. What do you mean by foundation?

Mr. TOMPKINS. The necessity of making a balance, namely, one cannot deal with zero exposure and undertake any activity that creates radiation. One does know that in sufficient quantities exposure radiation can and has been overtly harmful.

Mr. FLOOD. What was the intent and purpose of Mr. Finch's directive, did you say, to the Council?

Mr. TOMPKINS. It was a recommendation——

Mr. FLOOD. Recommendation?

Mr. TOMPKINS (continuing). Which the Council acted upon.

Mr. FLOOD. When did Secretary Finch make that recommendation?

Mr. TOMPKINS. It got to me on February——

Mr. FLOOD. You can supply the date for the record.

Mr. TOMPKINS. Yes, sir.

(The date was February 12, 1970.)

Mr. FLOOD. Sometime in February this year?

Mr. TOMPKINS. Yes.

Mr. FLOOD. What has the Council done about Secretary Finch's recommendation since that time?

Mr. TOMPKINS. The staff and the working group took the Secretary's recommendation under consideration and proposed to the Council a specific program on which the Council could make a ruling.

Mr. FLOOD. Has the Council acted?

Mr. TOMPKINS. Yes, sir.

Mr. FLOOD. When?

Mr. TOMPKINS. May 8.

Mr. FLOOD. And that has been sent to Secretary Finch?

Mr. TOMPKINS. Yes.

Mr. FLOOD. What is the length in pages of Secretary Finch's recommendation? Is that a memorandum or a document, or what?

Mr. TOMPKINS. No; it is a two-page letter to Senator Muskie, giving the Department of Health, Education, and Welfare's review of some testimony presented before Senator Muskie's subcommittee.

Mr. FLOOD. Will you place a copy of Secretary Finch's letter in the record at this point?

Mr. TOMPKINS. Yes, sir.

(The letter follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF THE SECRETARY,
Washington, D.C., February 12, 1970.

DR. PAUL TOMPKINS,
Executive Director, Federal Radiation Council,
Washington, D.C.

DEAR DOCTOR TOMPKINS: I am enclosing a copy of the letter which Secretary Finch sent to Senator Muskie regarding the testimony of Drs. Gofman and Tamplin.

You will note that the Secretary, as Chairman of the FRC, has recommended that the Council "institute a careful review and evaluation of the relevant scientific information that has become available in the past decade."

It will be appreciated if you will undertake the necessary steps to initiate this reevaluation along the lines recommended in the enclosed letter.

Sincerely yours,

JESSE L. STEINFELD, M.D.,
Surgeon General.

Enclosure.

JANUARY 28, 1970.

SENATOR EDMUND S. MUSKIE,
Chairman, Subcommittee on Air and Water Pollution, Committee on Public Works, U.S. Senate, Washington, D.C.

DEAR SENATOR MUSKIE: This is in reply to your letter of December 1 pertaining to the testimony of Drs. Gofman and Tamplin for the hearings of the Subcommittee on Air and Water Pollution on November 18.

Gofman and Tamplin, in reaching their conclusion that the Federal Radiation Council guidelines should be "reduced now to 0.017 rads or even less," used an approach similar in principle to that used by expert advisory groups (e.g. ICRP, NCRP, FRC) in developing radiation protection standards and guidelines. This approach is based on the assumption of a direct linear and nonthreshold relationship between dose and biological effect. In contrast to Drs. Gofman and Tamplin, however, these expert groups generally agree that this approach probably overestimates the risks, but is the prudent one to use in the formulation of radiation protection guides.

While we concur with this basic approach, we do not agree with all the premises, conditions, and extrapolations used by Gofman and Tamplin in their testimony. In general, we believe that their calculations result in overestimates rather than, as they indicate, "minimum values" of cancer risk. Nevertheless, we believe that there is a need to establish more definitive estimates of the radiation risks that are associated with assumed, or observed, exposure conditions; otherwise, there is inadequate basis to evaluate benefit versus risk. We also agree with the concept that the radiation standards should be developed on the assumption that any increase in radiation exposure will be accompanied by a commensurate increase in the risk of cancer.

Drs. Gofman and Tamplin have raised the question of whether the present FRC guidelines are still acceptable. In the past 10 years, since the formulation of the FRC basic guides, sufficient additional information has developed from epidemiologic studies and animal experiments so that a reevaluation of such guidelines is believed to be warranted.

In view of our concern with the potential hazard of ionizing radiation in the environment, and as chairman of the FRC, I am recommending that the Council institute a careful review and evaluation of the relevant scientific information that has become available in the past decade. I am recommending that this reevaluation provide, as definitely as possible, estimates of the risks associated with low levels of environmental radiation as a basis for review of the adequacy of current FRC guidelines as applicable to projected radiation levels. Based on projected exposure levels, the need for possible dose apportionment among the more important classes of radiation sources, such as nuclear power reactors, other peaceful uses of nuclear energy, and radiation from consumer products would also be considered.

I hope that these comments are useful to your subcommittee. Please call on us if we can be of any assistance.

Sincerely,

ROBERT H. FINCH, *Secretary.*

Mr. FLOOD. And what was the length of the action taken by the Council? How many pages?

Mr. TOMPKINS. Well, the actual recommendations on which the Council acted are one page.

Mr. FLOOD. You acted in May?

Mr. TOMPKINS. Yes.

Mr. FLOOD. Can we have that also inserted in the record at this point?

Mr. TOMPKINS. Yes; I will be happy to supply that.

(The information follows:)

ACTIONS OF THE FEDERAL RADIATION COUNCIL—MAY 8, 1970

(Supplied by the Executive Director, FRC)

1. The basic guidance for radiation protection will be reexamined. The initial effort will be devoted to studies related to radiation exposures and potential risks

to the general population and special groups therein. A review of the occupational exposure guidance will be initiated during the review of these studies.

2. The National Academy of Sciences will be asked to (1) review the scientific basis for the evaluation of risks at low levels of exposures; (2) select that basis it recommends the FRC use; (3) make such estimates as it deems appropriate; and (4) clearly delineate the interpretations and meaning that can be attributed to the estimates when they are made.

3. Radiation exposures from various sources experienced by various sources experienced by various population groups will be collated, i.e., collected and organized. This will include exposures from medical applications and to occupational groups as well as exposures to the general public.

4. Major potential sources of radiation that can be anticipated in the next two decades need to be identified.

5. On the basis of the information developed, existing guidelines will be reviewed to determine if changes are needed.

6. The staff and working group will develop an implementing program including specific objectives, manpower requirements, and budget.

FEDERAL RADIATION COUNCIL ACTIVITIES

Mr. FLOOD. What were some of the other activities of the Council during the past year?

Mr. TOMPKINS. Well, we and the working group, of course, have——

Mr. FLOOD. What is the difference between the working group and the Council?

Mr. TOMPKINS. As I indicated in the prepared testimony, the working group is essentially a group that is personally active all the time. The Council is, in effect, the ultimate decisionmaker. I mean, that is the distinction.

Mr. FLOOD. Do they meet regularly in the Council?

Mr. TOMPKINS. There is not a regular schedule.

Mr. FLOOD. How many times did they meet in the last year?

Mr. TOMPKINS. I think twice.

Mr. FLOOD. What did they do?

Mr. TOMPKINS. One was on the revision to the uranium mining standards in 1969, and the other was this meeting of May 8 to act on the proposal for a major review.

REVISION OF URANIUM MINING STANDARDS

Mr. FLOOD. Will you place in the record, then, an analysis or a synopsis of the action taken vis-a-vis uranium mines at that meeting at this point in the record?

Mr. TOMPKINS. If I understand your question; I am not sure I really understand.

Mr. FLOOD. The Council acted upon the uranium mine problem?

Mr. TOMPKINS. Yes.

Mr. FLOOD. Will you place in the record a synopsis of what their action was?

Mr. TOMPKINS. Oh. Yes, sir.

(The information follows:)

[From the Federal Register, Wednesday, Jan. 15, 1969]

FEDERAL RADIATION COUNCIL—RADIATION PROTECTION GUIDANCE FOR FEDERAL AGENCIES

MEMORANDUM FOR THE PRESIDENT

DECEMBER 27, 1968.

Pursuant to Executive Order 10831 and Public Law 86–373, the Federal Radiation Council transmits to you additional information and recommendations for the guidance of Federal agencies in their conduct of radiation protection activities as they apply to the underground mining of uranium ore.

As noted in its July 21, 1967, memorandum for the President, the Council stated that in approximately 1 year it would review its guidance for radiation protection in uranium mining, and if indicated the recommendations would be changed accordingly. The three recommendations were:

"1. Occupational exposure to radon daughters in underground uranium mines be controlled so that no individual miner will receive an exposure of more than 6 WLM in any consecutive 3-month period and no more than 12 WLM in any consecutive 12-month period. Actual exposures should be kept as far below these values as practicable.

"2. Areas in underground uranium mines, whether normally or occasionally occupied, be monitored for the concentration of radon daughters in mine air. The location and frequency of taking samples should be determined in relation to compliance with recommendation No. 1.

"3. Appropriate records of the exposure from radon daughters in the mine air received by individuals working in uranium mines be established and maintained."

As used in this memorandum, the "Working Level" (WL) is defined as any combination of the short-lived radon daughters in one liter of air that will result in the ultimate emission of 1.3×10^5 MeV of potential alpha energy. Exposure to these radon daughters over a period of time may be expressed in terms of Working Level Months (WLM). Inhalation of air containing a radon daughter concentration of 1 WL for 170 hours results in an exposure of 1 WLM.

For its review the Council had the following information, which was developed over the past 18 months.

(a) Three reports from a special task group established to review progress made in radiation protection practices in uranium mines. The task group consisted of representatives of Federal and State agencies, industry, labor, medical, and standard-setting organizations.

(b) A report by the Resource Management Corporation on a short-term study of the impact of uranium mining safety standards on the uranium producing and nuclear power industries.

(c) A report by the advisory committee to the FRC from the Division of Medical Sciences of the National Academy of Sciences-National Research Council (NAS-NRC). This report, "Radiation Exposure of Uranium Miners," included a review of the testimony presented in the 1967 hearings of the Joint Committee on Atomic Energy, as well as the updated epidemiology study conducted by the U.S. Public Health Service.

(d) U.S. Department of Labor hearings on Radiation Standards for Mining under the Walsh-Healey Public Contracts Act, November 20 and 21, 1968.

On the basis of its review of the information, the Council has reached the following conclusions:

1. That available data are still insufficient, though somewhat more complete than they were when the Council made its recommendations to the President on July 21, 1967, to determine an exposure level at or below which underground uranium miners may be exposed without significantly increased risk of lung cancer.

2. That available data indicate a higher than expected mortality rate in the lower exposure categories (i.e., less than 840 WLM) as well as in the higher categories (i.e., larger than 840 WLM).

The Council therefore recommends that:

1. Occupational exposure to radon daughters in underground uranium mines be controlled so that no individual miner will receive an exposure of more than

6 WLM in any consecutive 3-month period and no more than 12 WLM in any consecutive 12-month period. Actual exposures should be kept as far below these values as practicable.

2. Areas in underground uranium mines, whether normally or occasionally occupied, be monitored for the concentration of radon daughters in mine air. The location and frequency of taking samples should be determined in relation to compliance with recommendation No. 1.

3. Appropriate records of the exposure from radon daughters in the mine air received by individuals working in uranium mines be established and maintained.

4. As a policy measure of prudence the agencies having responsibility for regulating the uranium mining industry be advised that the Federal Radiation Council recommends an annual exposure level of 4 WLM as of January 1, 1971.

5. Prior to this date, the Council will consider all pertinent information including epidemiological data, miner exposure records, health considerations, mining practices and costs thereof, and applicable research and development results, to determine whether or not to modify this recommendation.

6. The uranium mining industry is urged to continue efforts to progressively lower exposure levels in the mines so that the anticipated 4 WLM standard can be attained by January 1, 1971.

7. To assist the Council in its periodic review of radiation protection in uranium mines an interagency group will be established with repesentation from agencies of the Council. This group will keep all relevant information and developments under continuing surveillance and make reports to the Council in advance of its periodic review.

8. Agencies having responsibility for the protection of underground uranium miners should establish levels of radon daughter concentrations in underground uranium mines above which (a) occupancy would be restricted or prohibited, and (b) action would be required to reduce concentrations. Such limits on concentrations are intended to assist in ensuring that exposures of individual miners are held within the approved guidance. In general, adequate control of the environment is recommended over achieving compliance with the exposure guide by distributing exposures over a large number of miners.

Cigarette smoking in uranium mines. As noted in the task group reports and the report of the NAS–NRC advisory committee to the FRC, existing data strongly suggest that cigarette smokers among the underground uranium miners are particularly susceptible to lung cancer. This may be a synergistic effect between the inhalation of cigarette smoke and radon daughter products or other materials associated with uranium mining. Therefore, the Council urges that concerted effort be made by all concerned to discourage cigarette smoking by underground uranium miners.

If the foregoing recommendations are approved by you for the guidance of Federal agencies in the conduct of their radiation protection activities, it is further recommended that this memorandum be published in the Federal Register.

WILBUR J. COHEN,
Chairman.

The recommendations in the preceding memorandum are approved for the guidance of Federal agencies, and the memorandum shall be published in the Federal Register.

LYNDON B. JOHNSON.

JANUARY 11, 1969.

[F.R. Doc. 69-564; Fled, Jan. 14, 1969; 8:51 a.m.]

FISCAL YEAR 1971 ACTIVITIES

Mr. FLOOD. What are your plans for fiscal year 1971?

Mr. TOMPKINS. Parts of fiscal year 1971, of course, will be devoted to both an intensive review of the uranium mining data, a review which is going on at the present time, and initiating the action to pull together the background information associated with review of basic guidelines that Mr. Finch suggested and which the Council agreed should be done.

REEVALUATION OF STANDARDS

Mr. FLOOD. Well, your working group will execute the recommendations of the Council in reply to Mr. Finch's letter. Is that it? I would think so.

Mr. TOMPKINS. We set up the program which will do it. Of course, this review will require an increase in both our contractual money with the NCRP and the Academy, a rather substantial increase in the funds for the Academy.

Mr. FLOOD. What Academy?

Mr. TOMPKINS. The National Academy of Sciences.

Mr. FLOOD. Secretary Finch wrote the Council a letter in February. The Council acted upon it. Then the working group made recommendations to the Council as a result of Secretary Finch's letter. Then the Council in May acted upon that?

Mr. TOMPKINS. Yes.

Mr. FLOOD. And now the working group and the Council, especially the working group, are acting upon the recommendations of the Council vis-a-vis Secretary Finch's letter?

Mr. TOMPKINS. Yes, sir.

Mr. FLOOD. And you are planning to do that?

Mr. TOMPKINS. It is under way.

Mr. FLOOD. Does the request for funds in the 1971 budget encompass this?

Mr. TOMPINS. No; it does not.

FUNDS FOR EXECUTING COUNCIL'S RECOMMENDATIONS

Mr. FLOOD. Do you intend to come up with a supplemental or amendment to the budget, or what? Where are you going to get the money? The Secretary writes the Council. There are protests coming in from all over the country, organized and not, with reference to possible hazards associated with the construction of nuclear plants in different parts of the country. As a result of this series of protests and whatnot, Secretary Finch wrote his letter.

Now, this indicates widespread national concern, so much so the Secretary felt called upon to write the Council and make certain recommendations.

The working group examined Secretary Finch's letter and it made recommendations to the Council. The Council in May took cognizance of this and then the Council acted.

Do I understand that despite all this there are no funds in this budget to execute these plans, these recommendations, for this great concern nationwide?

Mr. TOMPKIN. Let me describe the actual situation at the moment.

Mr. FLOOD. I am talking about money.

Mr. TOMPKINS. Yes.

Mr. FLOOD. Unless you people can do these things without money.

Mr. TOMPKINS. No. The actual expenditures for this operation in fiscal year 1971 will go from the requested $144,000 to approximately $280,000 in fiscal year 1971.

Mr. FLOOD. That request is before us now?
Mr. TOMPKINS. No, it is not.
Mr. FLOOD. Why not?

FUNDS SUPPLIED BY DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. TOMPKINS. Because it has been determined that the increased contractual arrangements with the NCRP and the National Academy of Sciences can be funded by the Department of Health, Education, and Welfare.

Mr. FLOOD. Do you know how?

Mr. TOMPKINS. No, sir.

Mr. FLOOD. Will you find out and place it in the record and tell us how?

Mr. TOMPKINS. I don't think the decision on that has been made.

Mr. FLOOD. Will you find out why not, and when it is going to be made, and advise or have the Secretary or Mr. Kelly, the Assistant Secretary and Comptroller of HEW, advise this committee in writing when and what they propose to do with reference to funds to execute this action by the council predicated upon Secretary Finch's recommendations?

(The information follows:)

JUNE 3, 1970.

HON. DANIEL J. FLOOD,
Chairman, Subcommittee on Labor, Health, Education, and Welfare, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. FLOOD: The Secretary of Health, Education, and Welfare, in his role as Chairman of the Federal Radiation Council, has recommended that the Council institute a careful review and evaluation of the basic radiation protection guidelines in the light of the relevant scientific information that has become available during the past decade.

This comprehensive reexamination is considered to be essential considering the intense public and congressional interest in environmental protection. Recent questioning of the entire foundation of current radiation protection guidelines by individual scientists and citizens groups has also served to focus attention, once again, on the potential hazards of ionizing radiation.

Working in conjunction with HEW and other member agencies, staff of the Federal Radiation Council have developed a plan for a review to commence in fiscal year 1971. This plan encompasses the following major areas of investigation:

Collection and analysis of population and occupational exposures to ionizing radiation;

Projection of major radiation sources;

Review of biological effects; and

Dosimetry models for population and occupational exposures related to standards.

The fiscal 1971 budget request of $144,000 for activities of the Federal Radiation Council will be sufficient to finance the direct operations component of the overall review. Contractual support, however, will be provided by the Department of Health, Education, and Welfare and the Atomic Energy Commission.

It is our intention to secure the $125,000 required for a contract with the National Academy of Sciences from within funding levels already proposed in the President's budget. The distribution by appropriation account will be as follows:

National Cancer Institute	$42,000
National Institute of Environmental Health Sciences	41,000
Environmental Control	42,000
	125,000

The Atomic Energy Commission will furnish the $30,000 necessary for a contract with the National Council on Radiation Protection and Measurements.

We will be happy to furnish any additional information which you may desire concerning plans for the reexamination of radiation protection guidelines.

Sincerely yours,

JAMES F. KELLY,
Assistant Secretary, Comptroller.

Mr. FLOOD. You will very seldom find this committee urging anything like that, but we break precedent in this case.

Mr. TOMPKINS. I can assure you, Mr. Flood, that this particular procedure is an alternative. Otherwise we would be coming back for a supplemental appropriation; it would be essential.

Mr. FLOOD. I thought I said that. You will very seldom find this subcommittee urging you to ask for money, but under the circumstances, based upon your testimony, it would occur to us that somebody should do something, or at least let us know why not, if it is this serious, if it is this important.

Mr. TOMPKINS. No; the council has agreed that the program that is needed will require an expansion. Instead of hiring or increasing the permanent staff, we will be buffered by assignment of about three additional people directly from the agencies on detail, and, as I indicated, the actual level that will be required during fiscal year 1971 is close to $280,000. It is approximately $280,000. In 1972 we expect it to cost $450,000.

Mr. FLOOD. We would like you to get in touch with Mr. Kelly, and through him with Secretary Finch at HEW, since you say you expect to use HEW funds, and this is the appropriations subcommittee for HEW.

Mr. TOMPKINS. Yes, sir.

Mr. FLOOD. If you are going to use HEW funds, we want to know how, when, where, why, and how much, and we would like to know as soon as possible.

Is there going to be a supplemental, or what source is HEW going under, what rug with hidden funds that we don't know about, and if they are going to transfer from other line items, or justifications that they have already made to this subcommittee for funds, if they are going to rob Peter to pay Paul, we want to know about Peter and Paul, when, how much, and so on.

Mr. TOMPKINS. As I say, I don't know what items we will be operating under.

Mr. FLOOD. Please find out and let us know.

PROPOSED NUCLEAR POWER PLANT ON THE SUSQUEHANNA RIVER

I wish you would do this: I wish you would get in touch with my administrative assistant. His name is Eugene Hegarty, and inquire of him what information he has in connection with the construction, the proposed construction of a nuclear plant near a town called Mehoopany, which is on the Susquehanna River in northeastern Pennsylvania, north of Scranton. This is not in my congressional district, but it is adjacent and contiguous to my district. A committee of citizens

from that area have seen fit to come to Washington with a technical adviser, to bring this to my attention. They are concerned, and so am I, with thermal pollution from this proposed plant, since the city of Wilkes-Barre and other cities and communities in my district are on the Susquehanna some 30 or 40 miles south of this town.

In addition, the citizens in the area, adjacent and contiguous to this town of Mehoopany, are concerned about air pollution and other types of pollution, if and when this plant is built and operational. They are suggesting a potential area of 30 square miles of possible pollution, upon the advice of technicians. The company that proposes to construct this plant. I am advised, constructed a plant some place else, with unfavorable results for the company and the area of the original company.

If those things are so as a fact or facts, then these people in this area of Mehoopany, and even the people in my district below there within the 30-mile area, have reasonable cause to be concerned. This committee came to me with a recognized technical expert, who was aware of the other problem of this company, and, of course, now is retained by the citizens to protest the second operation of the same company, to do exactly the same thing some place else. I am advised they have appeared before the Public Works subcommittee of the House Appropriations Committee.

Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

I think you have covered this very well. I do want to compliment you upon putting four pages of the statement on two pages.

Mr. FLOOD. Both sides of the page. Mr. Shriver is very economical minded, you see.

Mr. TOMPKINS. So are we.

CONSULTANTS

Mr. SHRIVER. How much of your regular budget is for consultants? I notice there is this additional compensation you have asked for an increase of $4,000 for consultants. I was wondering how much of your regular budget is for consultants?

Mr. TOMPKINS. It is also approximately $4,000.

Mr. SHRIVER. Is that all?

Mr. TOMPKINS. Yes, sir.

Mr. SHRIVER. In this budget then there is only $8,000?

Mr. TOMPKINS. Yes.

FISCAL YEAR 1970 PUBLICATIONS

Mr. SHRIVER. No memorandums and reports to the President, to the agencies of the executive branch and to the public came from the Council during 1970; did they?

Mr. TOMPKINS. No, sir.

Mr. SHRIVER. That is all.

Mr. FLOOD. Mr. Hull?

Mr. HULL. No questions.
Mr. FLOOD. Mrs. Reid?

RADIATION EMISSIONS FROM COLOR TELEVISION SETS

Mrs. REID. Over the past few years there has been considerable public concern expressed over the possibility of excessive radiation being emitted from color television sets in the home. Is it the responsibility of the Council to study this type of hazard and issue recommendations?

Mr. TOMPKINS. The basic guidance of the FRC applies individually and collectively to the radiation protection practices of Federal agencies. It therefore applies simultaneously to emissions from nuclear power facilities which is a regulatory responsibility of the AEC and to emissions from color television sets which is a regulatory responsibility of HEW. The contribution that radiation emissions from color television sets makes to the overall radiation environment to which the general population is exposed will be an integral part of the FRC study.

CONSULTANT SERVICES

Mrs. REID. You speak of the necessity to obtain consultant services from the National Academy of Sciences, the National Research Council, and the National Council on Radiation Protection and Measurement. Is this done on a contract basis? What studies are currently in progress?

Dr. TOMKINS. The FRC obtains advice from the National Academy of Sciences and the National Council on Radiation Protection and Measurements on a contract basis. Current studies by the National Academy of Sciences have included an examination of recent testimony before congressional committees regarding radiation hazards and an examination of how high exposures from radiation therapy might affect the radiation risk from subsequent occupational exposure. It is now initiating a comprehensive review of radiation risks that might be associated with exposures near the numerical values of the FRC's radiation protection guides.

The National Council on Radiation Protection and Measurements through its scientific committee 23 is making a critical review of metabolic models that relate to the intake of strontium 89, strontium 90, and cesium 137 to the deposition of these radio-nuclides in the body and hence to the absorbed dose of radiation by the tissue at risk.

Mr. FLOOD. Thank you very much.
Mr. TOMPKINS. Thank you, sir.

Justification of the Budget Estimates

FEDERAL RADIATION COUNCIL

Justification of Estimates for Fiscal Year 1971

1970 Appropriation:	$124,000	
Proposed supplemental for civilian pay act increases	8,000	$132,000
1971 Estimate:		144,000

The purpose of the Federal Radiation Council is to advise the President with respect to radiation matters, directly or indirectly affecting health, including guidance for all Federal agencies in the formulation of radiation standards, and in the establishment and execution of programs of cooperation with the States. The Council was established by Executive Order 10831, August 14, 1959, and Public Law 86-373 (Sec. 274 h).

The Council membership consists of the Secretaries of Health, Education, and Welfare (Chairman); Agriculture; Commerce; Defense; Interior; Labor; and the Chairman of the Atomic Energy Commission.

The Council recommends basic guides for radiation protection. When approved by the President, these guides become the basis for the promulgation of operational procedures and regulations by Federal agencies. The Council's activities in radiation protection and evaluation of health effects of radioactive materials have resulted in a number of memorandums and reports to the President, to agencies of the Executive Branch, and to the public.

Staff work of the Council is carried on by a professional staff responsible for developing recommendations and proposals for the consideration of the Council. At the present time the staff of the Council consists of two professional positions and two secretarial positions.

The funds requested provide for the salaries of the permanent staff; personnel benefits; travel and transportation; communications; printing and reproduction; supplies and materials; and the services as shown in the accompanying object classification schedules. It includes provisions for obtaining consultant services which are required from time to time on different projects and funds for contracts with the National Academy of Sciences - National Research Council, and National Council on Radiation Protection and Measurements to maintain a continuing review of the current status of information regarding knowledge of biological risks associated with exposure to ionizing radiation.

FEDERAL RADIATION COUNCIL
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 30-81-0100-0-1-903	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Executive Direction and administrative costs (program costs, funded) 1/ ...	137	150	144
Change in selected resources 2/	-22	-18	...
10 Total obligations.....	115	132	144
Financing:			
25 Unobligated balance lapsing.....	12	...	...
Budget authority.....	127	132	144
Budget Authority:			
40 Appropriation.....	127	124	144
44.20 Proposed supplemental for civilian pay act increases.....	...	8	...
Relation of obligations to outlays:			
71 Obligations incurred, net	115	132	144
72 Obligated balance, start of year..	62	34	40
74 Obligated balance, end of year...	-34	-40	-30
77 Adjustments in expired accounts..	-5	...	...
90 Outlays, excluding pay increase supplemental.....	138	118	154
91.20 Outlays from civilian pay act supplemental.....	...	8	...

1/ Includes capital outlay as follows: 1969, $-0-; 1970, $1 thousand; 1971, $1 thousand.

2/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $40 thousand (1969 adjustments, - $5 thousand); 1969, $18 thousand, 1970, $-0-; 1971, $-0-.

FEDERAL RADIATION COUNCIL
SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 30-81-0100-0-1-903	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	69	77	79
11.3 Positions other than permanent	...	...	2
~~11.5 - - Other personnel compensation~~			
~~11.8 - - Special personal services payments~~			
Total personnel compensation	69	77	81
Personnel benefits:			
12.1 Civilian employees	5	6	6
~~13.0 - Benefits for former personnel~~			
21.0 Travel and transportation of persons	2	10	12
~~22.0 - Transportation of things~~			
23.0 Rent, communications, and utilities	1	1	1
24.0 Printing and reproduction	3	3	3
25.0 Other services	33	33	39
26.0 Supplies and materials	2	1	1
31.0 Equipment	...	1	1
~~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	115	132	144

FEDERAL RADIATION COUNCIL
SALARIES AND EXPENSES

Personnel Summary

Identification code	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	4	4	4
Average number of all employees	4	4	4
Average GS grade	11.8	11.8	11.8
Average GS salary	$17,491	$19,344	$19,524

FEDERAL RADIATION COUNCIL
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
Grades and Ranges			
GS-18, $33,495	1	1	1
GS-15, $21,589 to $28,069	1	1	1
GS-9, $9,320 to $12,119	1	1	1
GS-5, $6,176 to $8,030	1	1	1
Total permanent employment, end of year	4	4	4
Higher Level Positions			
GS-18, $33,495:			
Executive Director	1	1	1

FRIDAY, MAY 22, 1970.

NATIONAL CREDIT UNION ADMINISTRATION

CONSUMER CREDIT TRAINING

WITNESSES

J. DEANE GANNON, ACTING ADMINISTRATOR
CARROLL SMITH, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION
JOSEPH BRADLEY, ACTING SPECIAL ASSISTANT FOR PROJECT MONEYWISE

NATIONAL CREDIT UNION ADMINISTRATION, CONSUMER CREDIT TRAINING

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation: Permanent positions		96	154
Personnel benefits: Civilian employees		12	15
Travel and transportation of persons		31	38
Printing and reproduction		4	5
Supplies and materials			1
Equipment			11
Grants, subsidies, and contributions		157	276
Total obligations		300	500

PERSONNEL SUMMARY

Total number of permanent positions		12	15
Full-time equivalent of other positions		1	1
Average number of all employees		8	12
Average GS grade		6.5	6.9
Average GS salary		$7,912	$9,031

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities: Training in credit management (costs—obligations)		300	500
Financing: Budget authority (appropriation)		300	500
Relation of obligations to outlays:			
Obligations incurred, net		300	500
Obligated balance, start of year			17
Obligated balance, end of year		−17	−28
Outlays		283	489

Mr. FLOOD. Now we have the National Credit Union Administration. The presentation will be made by Mr. J. Deane Gannon, the Acting Administrator.

BIOGRAPHICAL SKETCH OF MR. J. DEANE GANNON

Mr. Gannon, I see we have a biographical sketch of you. It will be inserted at this point in the record.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF J. DEANE GANNON

J. Deane Gannon served as Director of the Bureau of Federal Credit Unions from June 15, 1953, until the creation of the National Credit Union Administration. March 10, 1970, when he became the Acting Administrator.

He was born and raised in Madison, Wis. He is a graduate of the University of Wisconsin School of Commerce. In 1933 he became an examiner in the Wisconsin State Banking Department. The State-chartered credit unions in Wisconsin are chartered, supervised, and examined by the banking department. As the number of credit unions increased in Wisconsin a credit union section was established in that department, and in 1941 Mr. Gannon was made supervisor of this section, which position he held until his appointment with the Bureau of Federal Credit Unions.

Immediately following his association with the Federal credit union program, the Bureau of Federal Credit Unions become a self-supported and self-financed agency, and since July 1, 1953, operated on the fees paid by Federal credit unions and without any appropriation of public funds.

Served as staff member, President's Committee on Financial Institutions, 1962–63.

Recipient, Presidential citation "for outstanding contribution to greater economy and improvement in Government operations," November 30, 1964.

Recipient, Social Security Commissioner's Citation "for superior leadership through an energetic and innovative administration of the Federal credit union program," October 1969.

Mr. FLOOD. Do you have anyone with you that you think we should meet?

Mr. GANNON. I have with me Carroll Smith, assistant administrator for administration, and Mr. Joseph Bradley, who is our acting special assistant for project moneywise.

Mr. FLOOD. I see you have a statement, Mr. Gannon.

Mr. GANNON. I do, Mr. Chairman. It is relatively a short one, so if I have your permission, I would like to read it.

Mr. FLOOD. You are the witness.

GENERAL STATEMENT

Mr. GANNON. Thank you. Mr. Chairman and members of the committee:

I am pleased to appear before you today to present the 1971 appropriation request of the National Credit Union Administration which by virtue of Public Law 91–206 is the successor to the Bureau of Federal Credit Unions, Social Security Administration, Department of Health, Education, and Welfare. I am appearing for the first time in my new role, Mr. Chairman.

Mr. FLOOD. We are glad to have you on board.

Mr. GANNON. Thank you.

We are requesting the funds to provide training and assistance to persons engaged or about to become engaged in the operations of credit unions and in credit union related consumer counseling programs serving the poor.

Mr. FLOOD. This is, of course, not the primary purpose of the existence of your organization.

Mr. GANNON. No, Mr. Chairman. As you know, we are responsible for the supervision and examination of all federally chartered credit unions, of which there are over 13,000. This request is for a special program which was authorized by legislation in 1968. It is a special program dealing with the problems of the poor people, and the role of the credit union in helping solve their problems. So it is for this purpose and this purpose only that we are requesting appropriation of funds.

Our major program is sustained by the fees that we assess against the Federal Credit Unions. We do not receive any appropriated funds for that activity.

PROGRAM OBJECTIVE

Mr. FLOOD. Will you at this point in the record place a reasonably brief description of the original purpose and intent for your organization and then, secondly, this specific program that you are now proposing? That is for the record.

Mr. GANNON. We will be very happy to, Mr. Chairman.

(The information follows:)

The Federal Credit Union Act of 1934 established a Federal credit union system with the express purpose of making credit and savings services available to people of small means. The act clearly defines a Federal credit union as "a cooperative association . . . for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes." For over 30 years Federal credit unions have received millions of dollars in share deposits and loaned these funds out to help members feed, clothe, educate and provide a better standard of living for their families.

In July 1968, new legislation increased the ability of the NCUA to fulfill its mission in today's society. Although the Federal credit union system has always served those of small means, many of the people of limited income today do not possess the basic skills necessary to run a credit union. Public Law 90-375 authorized the NCUA to expend funds to provide basic training in credit union skills and operations for those credit union personnel most in need of it. These training sessions, known as project moneywise, will be conducted throughout the country. In addition, on-the-job technical assistance will be provided to those credit unions having serious problems.

The Federal credit union system extends its help to people at all income levels. Those people who have some skills in the areas needed to run a credit union, such as the ability to organize and to keep basic records are much more able to benefit from the Federal Credit Union Act. Our current request is aimed at helping those who have not been able to benefit from this credit union system, using skills and not income as our criteria.

Mr. GANNON. The experience we have gained through our efforts to charter limited-income credit unions and to teach credit union operations points to the fact that if poor people are to lift themselves up through credit unions they will need two kinds of training. First, they must be taught the skills of operating and managing their own credit unions and then they must be taught how to provide the meaningful consumer counseling for their members and potential members that all credit unions are encouraged to offer.

A CREDIT UNION

Mr. FLOOD. What is a credit union?

Mr. GANNON. A credit union is a cooperative organization that is owned and controlled by its members. It operates in a well defined community of association, occupation or residence. About 80 percent of our credit unions operate within a group of employees of a given employer.

Mr. FLOOD. Can a credit union be organized in a plant or a business or any place where there is not a union connected with organized labor?

Mr. GANNON. Oh, yes, Mr. Chairman. It is independent of any labor union, and it may be very well, as I indicated, the employees of a plant; since this type accounts for about 80 percent of our credit unions. It may be members of a church congregation; it may be members of a labor union; it may be members of a fraternal organization; or it may be persons who live in a well defined community or rural area.

THE LOW-INCOME CONSUMER

Let me briefly explain the problems of the low-income consumer and how the credit union has benefited him thus far.

The plight of the low-income consumer has been well documented in recent years. He is born into poverty and has acquired few skills with which to earn a decent living. He is qualified only for low-wage jobs with little job security and no future. This hardly makes him an attractive credit risk in the eyes of the reputable merchant. Because of his limited resources, the poor person very often resorts to buying many of his essentials, including food and clothing, on credit. But for him, credit is available only from the peddler, the loan shark, and from neighborhood stores specializing in selling to the poor. For the privilege of using their money or their credit, he pays exorbitant charges and rates of interest and may soon be entangled in a never-ending web of debts.

The credit union can provide an alternative source of credit, at low cost. This is brought home vividly by the personal experiences of our class members. As an example, a woman in a large southern city borrowed $300 from a finance company for 1 year. The finance charge alone came to $65. She was also sold credit life, accident, and property insurance of dubious value for an additional $40. Thus the total dollar cost of the loan for this woman was $105. This is a striking contrast to the credit union loan for $300 for 1 year, which generally includes credit life insurance and would cost $19.50—12 percent true annual interest. By going to the credit union, the woman would have avoided not only the high finance charge but also the pressure to buy unneeded and usually expensive insurance. In this case she would have saved over $85. This is no small amount for any of us but it is especially significant for a woman trying to feed four children on her income as a domestic. It is worthwhile to note that in the low-income market an interest rate of well over 30 percent is not unusual. Our instructors have found that the class participants encountered exorbitant rates, as well as credit practices which range from the unethical to the blatantly illegal.

In another case, a woman purchased a mattress and a rug from a peddler. She agreed to pay him $5 a week for 26 weeks, or $130, although she knew that she could purchase both items in a downtown store for around $70. When asked why, she simply said that she could never get the $70 together and no one else would extend to her the necessary credit.

We can see from these examples that the knowledge of good shopping habits is not enough. Consumer training, without a source of credit at reasonable rates, will only frustrate low-income consumers. But merely loaning money to them is counterproductive. They need

both low-cost credit and consumer education, and we believe that if they have both they can become wise consumers and more effective citizens. We believe that both of these needs can only be adequately met by the use of credit unions operated in their own neighborhoods by well-trained people. This conviction is strengthened by the study, "Consumer Credit and the Low-Income Consumer," prepared for the Urban Coalition in November 1969, which states in part:

> Low income credit unions, because of their low operating costs, have the greatest capacity for providing low cost credit to the consumer. As neighborhood organizations sensitive to the needs of fellow consumers, these credit unions are in a position to educate, counsel and provide relatively small personal loans.

CREDIT UNIONS

Credit unions are cooperative financial institutions formed by groups of people to help themselves in the best tradition of American private enterprise. By pooling their savings, the credit union members are able to make loans to one another at the lowest possible cost. By their heritage, credit unions are uniquely suited to meeting the financial needs of the poor. They sprang from the poverty and despair of German farmers and workers over 100 years ago and have spread all over the world. They gained momentum in this country during the 1930's and there are currently about 24,000 in the United States alone, more than 13,000 of which are federally chartered.

Mr. FLOOD. What do you mean by "The credit union members are able to make loans to one another." What does that mean?

Mr. GANNON. That is right, Mr. Chairman. The members save money in the credit union, and their savings then become the pool which is loaned out.

Mr. FLOOD. The loan is from the pool, not individual to individual.

Mr. GANNON. That is right. It is from the credit union pool.

The credit union movement has long been aware that providing a means of saving and loans is not enough if the credit union member has unwise and wasteful spending habits. For this reason, every credit union is encouraged to provide services to members in the area of consumer education. Especially for the poor, low-cost credit and consumer education must go hand-in-hand. The true success of any credit union is measured by how well it serves its members, how well it helps them form habits in thrift, and how well it teaches them to control their own finances.

LOW-INCOME CREDIT UNIONS

The increase in the number of low-income credit unions in the last 3 years (nine per month) shows that many groups of poor people have selected credit unions as the institutions that they believe will improve their financial conditions. Low-income credit unions have been organized to serve black persons in urban and rural areas, American Indians, Mexican-Americans, and other groups of poor people, such as migrant workers and residents of communities in Appalachia.

DEFINITION OF LOW INCOME

Mr. FLOOD. Why must it be just poor people? What do you mean by "poor," the so-called poverty yardstick based on family income?

Mr. GANNON. That is one of the yardsticks, Mr. Chairman. As you know, there are several of them, but basically the low-income credit union is organized to serve just these poor people.

Mr. FLOOD. What do you mean by "low income"?

Mr. GANNON. Credit unions are organized among a group of people who are exclusively poor people.

Mr. FLOOD. What do you mean by "poor"? How do you define "poor"? Insofar as the jurisdiction of the credit unions are concerned, insofar as the intent of what you want to do, which is highly commendable, what do you mean by "poor"?

Mr. GANNON. We use "limited income where the estimated median family income of the group forming the Federal Credit Union's field of membership, is not more than two-thirds of the median family income in the area in which the group is located.

Mr. FLOOD. But you have no fixed ceiling.

Mr. GANNON. This is the ceiling.

Mr. FLOOD. The norm for the area where it is created?

Mr. GANNON. It would be not more than two-thirds of the median.

Mr. FLOOD. It could be $10,000 under some circumstances.

Mr. GANNON. It could be, but it is not actually.

Mr. FLOOD. Why not?

Mr. GANNON. Because generally people at that income level are not interested in this kind of limited-income activity. They are more affluent.

Mr. FLOOD. Don't you think they should be up to $10,000?

Mr. BRADLEY. We would form a credit union there, but we would not classify it as limited income. Does this answer the question?

Mr. FLOOD. Why wouldn't you?

Mr. BRADLEY. It would be one of the normal type of——

Mr. FLOOD. Five people in a family?

Mr. BRADLEY. Yes, I understand the point that you are making.

Mr. FLOOD. Suppose there are five people in a family, in a metropolitan area in New York or Chicago, with an income of $10,000 a year, less taxes, less union dues, less social security, less this and that.

Mr. BRADLEY. It brings them right down to the poverty level.

Mr. FLOOD. Well no, but certainly they are the kinds of people, it strikes me, who would be much, much, much more susceptible to the evils of the loan shark, than a person with $3,000 or under. These are the people who would be in dire need of the advice, help, and aid that you could give. It strikes me that they would be a prime target for your services, wouldn't they?

Mr. GANNON. Mr. Chairman, a good number of these people are in the fields of membership of other credit unions by virtue of their employment. All credit unions are teaching consumer counseling to their members, in order to meet the problem which you indicate, but the ones we are talking about, the "limited income," are not in the field of membership because of the nature of their employment, and they are not generally in the field of membership of fraternal organizations.

Mr. FLOOD. I didn't understand that from your statement here. I have the impression that the kind of credit union you are testifying about today includes people who are employed.

Mr. GANNON. This is right, sir.

Mr. FLOOD. You are not dealing only with people on the relief roles of the Department of Public Assistance, are you?

Mr. GANNON. No; we are not.

Mr. FLOOD. You are dealing with people who work and who have an income.

Mr. GANNON. That is right; who work at low-paid occupations.

Mr. FLOOD. Who work at low-paid occupations and are poor?

Mr. GANNON. Yes.

Mr. FLOOD. I was just wondering why you wouldn't hold out your hand, and help people earning up to $10,000 a year?

Mr. GANNON. Mr. Chairman, I don't want to give the impression that we are neglecting these people, because we are now serving them or organizing credit unions to serve them in other ways. What we are talking about is going into the ghetto.

Mr. FLOOD. You mean you exist only for the ghetto?

Mr. GANNON. Oh, no, sir. We are organizing over 600 Federal credit unions a year, and you can see a small percentage of them involve the so-called limited income.

Mr. FLOOD. What about the broad hinterland, the small communities in the rural areas?

Mr. GANNON. That is right, we have them in those areas, but they are the wide spectrum of the community.

Mr. FLOOD. A lot of these people don't know they are poor, and wouldn't like to say so.

Mr. GANNON. I know they have some resentment as to that term. On the other hand, they are anxious to find remedies for their problem.

Mr. FLOOD. That is correct. I am just questioning the dollar standard.

Mr. GANNON. As I say, we do not limit it to income of $3,000.

Mr. FLOOD. There are people in many parts of this country to whom it would never occur that they are poor, who work in plants or places with or without organized labor, and with or without credit unions. It would occur to me that you have a much broader spectrum for your operations than you seem to think.

Mr. GANNON. We have concern for the broad spectrum. What we are trying to do is to work on a hard core of really poor people, who haven't been able to be served by the credit unions otherwise. We are devising ways and means of creating credit union services for them.

Mr. FLOOD. I have no quarrel with your help for the hard core, but there are many, many more people than the hard core who need what you say you can do, because they are really targets, much more than the hard core, for the loan shark, for the peddler, for these entrepreneurs. The people I am speaking of earn up to $10,000 a year with four or five people in the family.

POPULATION GROUPS SERVED BY CREDIT UNIONS

Mr. GANNON. We are serving these people through other credit unions. We are organizing a total of 600 credit unions a year. Credit union people generally are not the most affluent. They are the wage earners. The whole credit union movement is based on serving people of small means. Now, "small means" is a relative term also.

Mr. FLOOD. Yes. I think for the record you should develop further the conversations you and I are now having.

Mr. GANNON. I will be very glad to, Mr. Chairman.

(The information follows:)

Although Federal credit unions are primarily intended to serve people of small means, they are found among people at every level of society. Many credit unions have become larger and more affluent as their members have advanced within their occupations. The bulk of credit union members though are still wage earners. Many of them earn good incomes but have families to support in today's era of spiraling prices. Fully 50 percent of all United States credit union members are in the three occupational categories of clerical, craftsmen, and operatives. Another 8 percent are laborers. Forty percent of credit union members completed high school but did not go on to college; another 20 percent stopped before completing high school. Forty-five percent of credit union members live in rural areas or in towns of less than 10,000 population.

Thus we can see that the vast majority of Federal or State credit unions serve people of moderate or limited income who are the wage earners of America. These credit unions are operated by the members themselves and provide much more than thrift and loan services. Each credit union is to provide financial counseling for members including help with budgeting and money management. Credit unions also provide information to their members concerning consumer problems, advising them of various consumer frauds, and of ways to stretch their incomes.

There are approximately 13,000 Federal credit unions, the majority of which serve wage earners and are listed as standard credit unions. There are, however, 710 Federal credit unions classified as limited-income credit unions.

There is no generally accepted standard for determining what is low income; $3,000 has been mentioned as a measuring stick—a family having less than $3,000 income a year would be considered in the low-income category. This may not always be a realistic standard. In some rural areas, the buying power of $3,000 in cash income might enable a family of average size to live fairly comfortably. In some urban areas, however, families might find it very difficult to maintain a reasonable standard of living with an annual income of considerably more than $3,000.

For purposes of classifying limited-income Federal credit unions, the NCUA established certain guidelines. The following groups will be classified as limited income:

1. Residents of a public housing project who qualify for residency because of low income;
2. Groups involved in a community action program, substantially as recipients; and
3. Any other group whose median family income is $3,000 or less.

As a general rule if the median family income of the group forming the Federal credit union's field of membership is more than two-thirds of the median family income in the area in which the group is located, the credit union would not be classified as limited income. These are only rough guidelines with the final classification made by the field examiners and staff members of the NCUA's regional offices. In most cases the regional representative checks with the officials of a credit union before assigning the limited-income classification.

Although many of these credit unions are associated with community action programs, the majority are not. They consist of credit unions serving residential groups; associational, groups, including fraternal and professional organizations and 186 church groups; and 87 occupational groups. Some of these credit unions are new, while others are over 30 years old.

The task of classifying credit unions by income is difficult and the distinctions sometimes hard to make. For this reason, the NCUA certainly does not intend to exclude from its Project Moneywise training classes people from all credit unions not listed as low income. Individual judgment will be made in each case concerning how the applicant would benefit from the training we offer.

Mr. GANNON. At the present time, low-income Federal credit unions number over 700 and serve well over 190,000 members. At the end of 1968 these credit unions held over $30,000,000 in members' savings and had $22,000,000 in loans outstanding. This money is poor people's

capital—funds that have slowly accumulated through regular savings with no Federal money involved. All totaled, these credit unions have made loans of over $230,000,000 and have freed countless poor people from the loan shark, the peddler, and the high-cost credit merchant.

PROJECT MONEYWISE

Project Moneywise was initiated in February 1966 by an interagency agreement between the then Bureau of Federal Credit Unions and the Office of Economic Opportunity. Under this agreement, the Bureau of Federal Credit Union's personnel instructed a series of training classes for actual and potential officials of credit unions serving limited-income people.

Mr. FLOOD. That is a much better phrase—"limited-income people."

Mr. GANNON. This is the term that we use, Mr. Chairman.

Mr. FLOOD. That is more embracing.

Mr. GANNON. Yes.

Eleven of these programs were held before OEO funding ended in 1968. Since then, Project Moneywise has been presented from time to time under various funding arrangements for specific groups, such as Indians, Mexican-Americans, and migrant workers. In its brief existence, Project Moneywise has contributed to the organization of 242 of the credit unions serving the poor. The appropriation requested is designed to permit a revival and expansion of the original program for those presently involved in credit union management.

The 4-week Project Moneywise program covers such topics as the role of the board of directors, the credit committee, the treasurer, and the supervisory committee, bookkeeping, auditing techniques, collection techniques, and membership promotion and education. Time is also devoted to such membership services as family financial counseling, budgeting, and consumer education. Emphasis is given to the special services that credit unions can provide for limited-income members in an effort to help them get the most value out of the money they already have.

OTHER PROGRAMS

The Bureau's request for $300,000 for fiscal year 1970 was rejected on the assumption that there were already many Government agencies presenting the same type of training. I regret that we apparently did not explain our program adequately enough last year to dispel this impression.

The only other Government agency which deals within this area is the Office of Economic Opportunity. They have done a commendable job in funding limited-income credit unions and have worked closely with the NCUA. They do not, however, provide detailed training in credit union operations or consumer counseling for members. The NCUA, because of its responsibility for chartering and supervising limited income credit unions, is the only agency which has this type of expertise. The problems of limited-income credit unions will need continuing attention and aid, which will not be available without these funds.

LEVEL OF FUNDING

Our budget request of $500,000 covers the training which we had planned for fiscal year 1970 and were unable to undertake due to lack of funding.

We intend to conduct a series of Project Moneywise training classes in areas throughout the country having a concentration of low-income citizens. These classes will aim at establishing credit unions where there is a need and where they do not exist. Its major emphasis, however, will be to train officials from existing low-income credit unions who have not already received training. In addition, the NCUA will hire staff to give the kind of extensive on-the-job technical training which we cannot now afford to provide, to those low-income credit unions having the most serious problems. This approach of intensive technical instruction and on-the-job training will enable the credit union to function in the most effective manner to serve its members.

I addition, we will establish a program of experimental projects designed to promote more effective operation of credit unions and related consumer counseling programs among the poor.

CONCLUSION

I would like to conclude by saying that the NCUA is the sole agency adequately equipped to deal with the operational problems of the limited-income credit union. We are, therefore, the logical one to handle programs aimed at encouraging the formation and growth of low-income credit unions. This appropriation will give us the necessary tools for a strong effort to provide low-income citizens with a better way of life based on the use of credit unions.

FISCAL YEAR 1970 PROPOSAL

Mr. FLOOD. Now as you say you came to this committee last year requesting $300,000 to initiate a consumer credit training program, and the committee turned it down, for reasons that you know. Now, you are requesting $500,000 for 1971. How is this different from the program you proposed last year, and if it is different in what way is it different?

Mr. GANNON. It is not different than the program we proposed last year but as I indicated apparently we didn't indicate our uniqueness in our approach of last year. As I indicated in my testimony, there are two things involved in serving limited income credit unions. One is to give them consumer education, so that they will avoid the peddler, the loan shark, and the credit merchant, so that they will not buy a suit of clothes and pay $5 a week for 100 weeks. They will go down to the department store and buy a suit of clothes for $50.

The problem though, Mr. Chairman, is that we do tell them this and they know that they are paying too much, but they have no alternative, because nobody extends credit to them. The credit union will provide the credit, so if they want to buy a suit of clothes, and they have to borrow the money, they will come to the credit union.

PROJECT MONEYWISE

Mr. FLOOD. You have conducted a similar program in the past, called Project Moneywise?

Mr. GANNON. Yes.

Mr. FLOOD. Whichis funded by the Office of Economic Opportunity.

Mr. GANNON. That is right.

Mr. FLOOD. You have mentioned that.

Mr. GANNON. This arrangement ceased in 1968.

Mr. FLOOD. What have been the results of Project Moneywise?

Mr. GANNON. As I indicated. Project Moneywise has resulted in the formation of at least 240 credit unions to serve these people, and these people who were the students of Project Moneywise are now scattered throughout the width and breadth of the country.

Mr. FLOOD. How does your program differ from Project Moneywise?

Mr. GANNON. It is Project Moneywise. That was our program. OEO contracted with us.

Mr. FLOOD. Why shouldn't OEO continue to fund the program since it is directed at the so-called poor; rather than you funding it, why shouldn't they fund it? They will be here next week.

Mr. GANNON. I can't answer for them except to state, of course; they tell us that their mission is to create new programs, but then to turn them over to other agencies to carry on. They did not give us any funding after 1968.

Mr. FLOOD. Do you know if they are running the same kind of program?

Mr. GANNON. No, sir; they are not.

CREDIT UNION OPERATING FUND

Mr. FLOOD. Are you using or do you plan to use any funds from the credit union operating fund for consumer credit training?

Mr. GANNON. No.

Mr. FLOOD. Or for the establishment of new credit unions in the ghetto areas, or for any other similar purpose, in addition to the $500,000 that you are requesting?

Mr. GANNON. The answer generally is no, Mr. Chairman, but I do want to indicate that when we charter a new credit union, this is a part of our normal function, and when we examine a low income credit union, this is a part of our normal function, so those activities would be carried on through the fees that they will be paying us as they become operative. So to the extent that we would be carrying on our normal activity of supervising and examining, we would be using the funds which come from the credit unions. We do not intend to use any of our funds for this program for which we are asking for the appropriation money. We don't have the money to use for that purpose Mr. Chairman.

TRAINING

Mr. FLOOD. Is the primary object of the proposed program the establishment of new credit unions?

Mr. GANNON. It is that in part, but in part taking existing credit unions and making them more effective. We have found, Mr. Chairman, that these people are most anxious to solve their own financial problem. As you say, they resent being called poor, and they like the opportunity of having a credit union where they themselves can help solve their own financial problem. They lack the expertise, and so this is why we would be training them.

INDIGENOUS LEADERS

Mr. FLOOD. You state you intend to conduct 36 training sessions for 900 indigenous leaders in low income areas. Who will run the training sessions?

Mr. GANNON. We will, with the funds that we are requesting.

Mr. FLOOD. Who and what are indigenous leaders? That is a nice bureaucratic phrase.

Mr. GANNON. I will ask Mr. Bradley to respond to that.

Mr. BRADLEY. What we are interested in, Mr. Chairman, is training people.

Mr. FLOOD. And how will they be selected?

Mr. BRADLEY. They will be selected through a variety of means. We have an examiner staff in the United States which covers the entire United States. We also have contact with the community action programs which are set up. We will contact church and other local organizations for their recommendations as to people who have demonstrated some type of leadership in the area and are interested in helping limited-income people, and who will be willing to attend a course of this type.

Mr. FLOOD. Volunteers?

Mr. BRADLEY. Volunteers, so that they are able to go back to their own communities and establish the limited-income credit unions.

Mr. FLOOD. What will these trainees do after they finish the training?

Mr. BRADLEY. They will go back with the credit union information. They will have community meetings, at which time they will tell the people that this type of an organization exists, and that it could be the answer to many of their financial problems. Then they will have the necessary information to show them how to set it up and how to operate it. This will give us the expertise in this type of organization that we need.

You probably have some fears that we would not be able to do this. Our first program was conducted in Boston in 1966. We were looking for 30 class members, 25 to 30 class members. We had over 100 applications, people who were willing to volunteer their time to attend this type of training, so that they could go back to their community with this type of self-help program. As a result of it, I think we have somewhere between 15 and 18 additional credit unions serving limited income which were set in Boston and the surrounding area, Roxbury, Dorchester, and areas of that type. This has not been a problem, getting the people. The problem is that we are dealing with a segment of our society, and when we say credit unions it sounds very simple.

Mr. FLOOD. No, it does not.

Mr. BRADLEY. This is a place where you can save and borrow. This is what most people think of as a credit union, but of course this is not a true story.

ENCOURAGING SAVING

Mr. FLOOD. Let me ask you this question or raise this question. We and everybody are bombarded daily through all sorts of communications media, mail, news media, and especially television, all sorts of advertisements encouraging all of us, not just the poor, to buy things.

Mr. BRADLEY. We are all urged to do this.

Mr. FLOOD. We are all urged to buy things that we cannot afford. The in-phrase is "Buy now and pay later." You hear that every day.

Mr. BRADLEY. Yes.

Mr. FLOOD. Have you given up the hope of encouraging the poor, and I don't like that phrase, the limited-income people—let's get away from that word "poor,"—have you given up the hope of encouraging these people to save, or are you just trying to encourage them to borrow wisely? Are you lending yourself to this buy now and pay later psychology?

Mr. BRADLEY. No. You see, it is truly a two-way street.

Mr. FLOOD. Yes, I just talked about the other side. Are you urging them to borrow?

Mr. BRADLEY. Now I want to talk about the other side, because actually they can't make loans. The money is not automatically available as soon as the credit union is chartered. It has to be accumulated from the members. This is the money out of which the loans are made.

Second, we will have people there, people with whom they associate in their daily life, people who are known to them, who will be giving them sound financial and consumer advice. These are people from whom they will accept this. This is not something for middle or upper class society. We get a few words in newspapers or a few words from some committee that has made a study, and this might cause us to change our buying habits.

Mr. FLOOD. I am not talking about that. All you have talked about here all day is how to borrow or rather how to borrow wisely.

Mr. BRADLEY. Right.

Mr. FLOOD. It is unlikely that people with limited income can save a great deal of money, but don't you think you have a responsibility to encourage them to save as well as borrow?

Mr. BRADLEY. Absolutely, and I think that we give as much respect to this purpose as we do to any other purpose.

Mr. FLOOD. You didn't say that.

Mr. BRADLEY. Perhaps not in the testimony. Things have been done in limited-income credit unions that continue to amaze me. We have a credit union located in Anacostia, Southeast, in Washington here. Are you familiar with the Anacostia area?

Mr. FLOOD. I have been here for many years.

Mr. BRADLEY. In that one area, the Anacostia area, this is quite a depressed area and yet the members of the credit union there have

managed to accumulate over a quarter of a million dollars in share holdings.

Mr. FLOOD. I have heard about it.

Mr. BRADLEY. This is what I am saying. I think we all say that the limited-income people cannot save, and this is not true. If we help them in other areas, if we relieve their burden of going to the high-cost merchant where they pay four and five times the real value of the property they get, look at the money we do free up for saving. This is the point I am making.

Mr. FLOOD. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

AUTHORIZATION

This program is authorized only through fiscal 1971, is that correct?

Mr. GANNON. That is right.

Mr. SHRIVER. Would you expect to request an extension of the program after that date?

Mr. GANNON. Yes; we would. We would hope we would be able to demonstrate to you people that we have been successful in our objective.

CREDIT UNION OPERATING FUND

Mr. SHRIVER. From your earlier testimony, I understand that you operate from fees or from money that the various credit unions over the country pay you for the services you render, and, therefore, no appropriated funds are involved. Is this the only time you come before a subcommittee of the Appropriations Committee of the Congress?

Mr. GANNON. That is right. I might say and the chairman, of course, recalls this very vividly, I am sure, that up to fiscal year 1954 this program did receive an appropriation, but beginning July 1, 1953, we became a self-financing operation, even though we were part of HEW.

Mr. SHRIVER. Is there any congressional review of your expenses?

Mr. GANNON. We publish our budget each year, and I am sure that the appropriations committee is at liberty at any time to survey our budget.

Mr. SHRIVER. I am just trying to get the procedure. I am on another subcommittee of the Appropriations Committee that has under its jurisdiction the Export-Import Bank, and they operate on their own money. In fact they make money for the Government, but Congress places a limitation upon their expenditures each year. I was just wondering if there was some congressional review, since you are, as I see it, under the Social Security Administration.

Mr. GANNON. No longer.

Mr. SHRIVER. That is right. You are now in the National Credit Union Administration.

Mr. GANNON. We are probably the most brandnew agency in Government. We became an administration on March 10. Because we were part of HEW, Commissioner Ball always did include a statement

about our program when he appeared before your subcommittee, so that we were subject to your review. We are also subject, to the Bureau of the Budget supervision, and GAO audit.

OEO'S PROPOSED OPPORTUNITY FUNDING PROGRAM

Mr. SHRIVER. You mentioned your relationship with the Office of Economic Opportunity in regard to this program. Hasn't OEO recently proposed the opportunity funding program, under which neigborhood credit unions would be assisted in real terms by stimulating capital for them?

Mr. BRADLEY. I am not aware of this, sir. Perhaps I haven't done my homework.

Mr. SHRIVER. I thought that they had under what they call the opportunity funding program. This is one of the big needs, as I see it, to generate for particularly the black community capital so that they can enter into the mainstream of business. I think that the OEO is working in this area.

Mr. BRADLEY. I think there is perhaps some limitation in this area, that this program does not apply to cooperatives. I am not saying this as an authority, but I think this is involved, and credit unions therefore would not fall into that situation.

Mr. GANNON. Mr. Shriver, OEO did fund a number of credit unions. In other words, they give them the money with which they can pay the employees, so that they could operate.

Mr. BRADLEY. I think Mr. Shriver is talking about capital.

Mr. SHRIVER. That is right.

Mr. FLOOD. Mr. Hull?

CRITERIA FOR BEING POOR

Mr. HULL. Mr. Chairman, I have just one question.

What is your criterion of "poor?"

Mr. GANNON. As I indicated, we have the standard that the group will have a median income of not more than two-thirds of the median income in the area in which they are operating.

Mr. HULL. How much would that be? It would be higher in one place than in the other?

Mr. GANNON. That is right. For instance, in Mississippi it would be relatively low, and in some other places it would be higher.

Mr. HULL. I am like the chairman, I don't like that poor business. You should have some other designation.

Mr. GANNON. We do use the word limited income. Unfortunately when I wrote this statement I did use poor many times.

Mr. HULL. That is down grading them again too.

Mr. GANNON. Yes, and this is not our intention, Mr. Hull, because we are very aware of their sensitivity.

Mr. FLOOD. I come from the hard coal fields. We have had a tough time for 30 years. We have people on limited incomes doing very well. They wouldn't like being called poor.

Mr. GANNON. As you know, we have very fine credit unions that have helped those people a great deal in solving their financial problems.

Mr. FLOOD. Mrs. Reid?

INITIAL CAPITAL

Mrs. REID. It is stated in the justifications that the training offered by the National Credit Union Administration encourages and stimulates the establishment of credit unions in low-income neighborhoods. Where does the initial capital for establishing the credit unions come from?

Mr. GANNON. The initial capital for establishing credit unions comes from the members themselves in the form of savings or shares. As members' share accounts begin to grow, then this money is available to be loaned out to members. Thus the $30 million now held by limited-income Federal credit unions is poor peoples capital—funds that have slowly accumulated through regular savings with no Federal money involved. Recently, however, the field of membership of certain limited-income Federal credit unions was enlarged to allow organizations which propose to provide economic assistance to people within the field of membership to become members of the credit union by purchasing shares.

RELATIONSHIP WITH OEO

Mrs. REID. How much money is provided by the Office of Economic Opportunity to train credit union personnel? If no money is appropriated to the NCUA for training purposes will you not still have a contract with OEO?

Mr. GANNON. No money is now provided by the Office of Economic Opportunity to train credit union personnel. The NCUA's most recent interagency agreement with OEO for this purpose expired June 1968. With the exception of two Project Moneywise programs sponsored by OEO Migrant Division, no funds have been provided by OEO to train credit union personnel since that date. On August 5, 1969, the then BFCU submitted a proposal to OEO requesting that they fund 25 sessions of Project Moneywise training classes in credit union operations. To date we have received no response.

Mr. FLOOD. Thank you very much.

Mr. GANNON. Thank you, Mr. Chairman.

Justification of the Budget Estimates

NATIONAL CREDIT UNION ADMINISTRATION

Consumer Credit Training

Amounts Available for Obligations

	1970	1971
Appropriation	--	$500,000

Obligations by Activity

Page Ref.		1970 Estimate Pos.	1970 Estimate Amount	1971 Estimate Pos.	1971 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
27	Training in credit management - total obligations	--	--	15	$500,000	+15	+$500,000

Obligations by Object

	1970 Estimate	1971 Estimate	Increase or Decrease
Total number of permanent positions	--	15	+15
Average number of all employees	--	12	+12
Personnel compensation:			
Permanent positions	--	$154,000	+$154,000
Total personnel compensation	--	154,000	+154,000
Personnel benefits	--	15,000	+15,000
Travel and transportation of persons	--	38,000	+38,000
Printing and reproduction	--	5,000	+5,000
Supplies and materials	--	1,000	+1,000
Equipment	--	11,000	+11,000
Grants, subsidies, and contributions	--	276,000	+276,000
Total obligations by object	--	$500,000	+$500,000

Summary of Changes

1970 estimated obligations	--
1971 estimated obligations	$500,000
Net change	+500,000

	Base		Change from Base	
	Positions	Amount	Positions	Amount
Increases				
A. Program				
1. Training in credit management	--	--	+15	+$500,000

Explanation of Changes

The total estimate of 1971 obligations is the net change requested inasmuch as this appropriation did not exist in 1970.

This is a new program and the estimated first year cost is based on: (1) Plans for 36 training sessions in consumer education and attendance at these sessions by approximately 900 persons interested in providing to limited-income groups knowledge of how they might be able to stretch their dollars. This involves not only searching for the right purchase price, including interest, but also the habit of saving. A total of $112,000 will be given the students as stipends while they are learning; (2) contracts with public and private organizations to develop programs and new techniques in the area of consumer credit training at an estimated cost of $164,000; and (3) establishment of a staff of 15 full-time permanent employees in the National Credit Union Administration to manage the program and conduct training sessions. Salaries and related expenses for these employees are estimated at $224,000 for fiscal year 1971.

Authorizing Legislation

Legislation	1971 Authorization	1971 Appropriation requested
Federal Credit Union Act as amended, Section (21)(f)(2)(c).....	$1,000,000	$500,000

FEDERAL CREDIT UNION ACT

Section 21--Fees

Appropriation

"(c) In order to carry out the purpose of this paragraph, there is authorized to be appropriated, as a supplemental to any funds that may be expended by the Director pursuant to sections 6 and 7 for such purposes, not to exceed $300,000 for the fiscal year ending June 30, 1970, and not to exceed $1,000,000 for the fiscal year ending June 30, 1971.

Consumer Credit Training

Year	Estimate to Bureau of Budget	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970	$300,000	$300,000	--	$300,000	--
1971	500,000	500,000			

Justification

Consumer Credit Training

	1970 Estimate		1971 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and benefits	--	--	15	$169,000	+15	+$169,000
Other expenses	--	--		331,000		+331,000
Total	--	--	15	$500,000	+15	+$500,000

General Statement

Program

The amendments to the Federal Credit Union Act approved on July 5, 1968 (P.L. 90-375) authorize the Administrator of NCUA to conduct directly, or to make grants to or contracts with colleges or universities, State or local educational agencies, or other appropriate public or private non-profit organizations to conduct, programs for the training of persons engaged, or preparing to engage, in the operation of credit unions, and in related consumer counseling programs, serving the poor. The main objective of the program is to promote more effective operation of credit unions, and related consumer counseling programs, serving the poor. The appropriations authorization was $300,000 for fiscal year 1970 and $1,000,000 for fiscal year 1971.

In fiscal year 1971, NCUA proposes to conduct 36 training sessions for indigenous leaders in low-income areas, with approximately 25 students attending each session. A training period would consist of an intensive 4-week course in consumer counseling and credit union management given by staff members of NCUA. Most of those given training are either already associated with low-income credit unions or go on to help establish low-income credit unions as a direct result of the training.

The House Appropriations Committee in disapproving a 1970 request of $300,000 for this program, stated in its report, "The Committee agrees that this is a worthwhile purpose, but in view of the fact that many other agencies are carrying out such activities, the request has not been approved." Although the Senate restored the funds deleted in the House, the House-Senate Conference Committee did not provide any appropriation for this purpose.

Other agencies are involved in consumer education activities that do complement the training offered by NCUA; however, the unique aspect of this program is that it trains low-income residents in credit union management and thus encourages and stimulates the establishment of credit unions in low-income neighborhoods. This provides a very effective way of helping people to help themselves. Availability of credit at non-usurious rates and consumer counseling are thus brought together by this proposed program, which is designed to replace impulse buying at high-cost credit rates with more provident management of their limited incomes by ghetto residents.

The Office of Economic Opportunity has been contracting with NCUA to perform this type of training (known as Project Moneywise) since 1966. The success of the program can be partially measured in the fact that 242 credit unions have been established to date by former students of the Project Moneywise training course. The appropriation will permit the continuation and expansion of this kind of training and allow the program more stability than the uncertain year-to-year grants from OEO permit.

Explanation of Budget and Manpower Estimates

Personnel Compensation and Benefits.....$169,000

The NCUA requests a total of 15 positions in fiscal year 1971 to carry out the program. The positions include a Deputy Assistant Director, GS-14; 12 training specialists and instructors, GS-7 to GS-13; and two secretaries. Twelve man-years of work in FY 1971 are estimated for these 15 new positions.

Other Objects $331,000

A total of $112,000 is provided as stipends for students while they attend the 4-week training course. Each student receives $30 per week subsistance pay during his period of training course attendance. $164,000 is estimated for contracts with public and private organizations to develop programs and new techniques in the area of consumer education. $17,000 is estimated for visual aid and other equipment and materials to assist in classroom instructions. Travel costs for instructors will amount to $38,000, as the training takes place within the residential area of the trainees.

New Positions Requested
Fiscal Year 1971

	Grade	Number	Annual Salary
Training in Consumer Credit			
Deputy Assistant Director	GS-14	1	$18,531
Training Specialist	GS-13	4	63,248
Assistant training specialist	GS-11	4	44,932
Consumer education instructor	GS-7	4	30,556
Secretary	GS-6	1	6,882
Secretary	GS-5	1	6,176
Total new positions		15	$170,325

FRIDAY, MAY 22, 1970.

U.S. SOLDIERS' HOME

WITNESSES

LT. GEN. ALBERT WATSON II, GOVERNOR
MAJ. GEN. T. R. STOUGHTON, DEPUTY GOVERNOR
COL. IVAN W. ELLIOTT, QUARTERMASTER
RAMOND A. GRITTON, BUDGET OFFICER
J. C. PAMPLIN, BUDGET ANALYST

U.S. SOLDIERS' HOME

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 est.	1971 est.
Personnel compensation:			
Permanent positions	5,186	5,744	5,955
Positions other than permanent	128	143	143
Other personnel compensation	253	260	260
Special personal service payments	58	72	72
Compensation of members	422	504	626
Total personnel compensation	6,047	6,723	7,056
Personnel benefits: Civilian employees	450	509	532
Travel and transportation of persons	1	4	4
Transportation of things	1	1	1
Rent, communications, and utilities	150	176	180
Printing and reproduction	6	6	7
Other services	341	426	391
Supplies and materials	1,267	1,347	1,402
Equipment	233	243	175
Lands and structures	111	78	142
Subtotal	8,607	9,513	9,890
Quarters, subsistence, and laundry	−68	−68	−68
Total obligations	8,539	9,445	9,822

PERSONNEL SUMMARY

NONMEMBER EMPLOYEES

Total number of permanent positions	859	890	909
Full-time equivalent of other positions	19	17	17
Average number of all employees	830	850	873
Average GS grade	4.8	4.9	4.9
Average GS salary	$6,668	$7,104	$7,095
Average salary of ungraded positions	$6,315	$6,702	$6,709

MEMBER EMPLOYEES

Average number of all employees	225	235	241
Average salary	$1,780	$2,152	$2,539

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 est.	1971 est.
Program by activities:			
1. Medical care	3,921	4,381	4,478
2. Domiciliary care	1,724	1,925	2,027
3. Administration and central services	2,894	3,139	3,317
Total program costs, funded—obligations	8,539	9,445	9,822
Financing:			
Unobligated balance lapsing	63	----	----
Budget authority	8,602	9,445	9,822
Budget authority:			
Appropriation	8,602	9,149	9,822
Proposed supplemental for wage-board increases	----	117	----
Proposed supplemental for civilian pay act increases	----	179	----
Relation of obligations to outlays:			
Obligations incurred, net	8,539	9,445	9,822
Obligated balance, start of year	651	587	596
Obligated balance, end of year	−587	−596	−582
Adjustments in expired accounts	−8	----	----
Outlays, excluding pay increase supplemental	8,594	9,154	9,822
Outlays from wage-board supplemental	----	110	7
Outlays from civilian pay act supplemental	----	172	7

CAPITAL OUTLAY

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
U.S. SOLDIERS' HOME			
Other services	8	----	----
Equipment	190	101	----
Lands and structures	16	91	223
Total obligations, U.S. Soldiers' Home	214	192	223
ALLOCATION TO DEFENSE—CIVIL, ARMY			
Personnel compensation:			
Permanent positions	65	72	----
Positions other than permanent	53	21	----
Total personnel compensation	118	93	----
Personnel benefits: Civilian employees	9	7	----
Printing and reproduction	----	1	----
Other services	4	5	----
Lands and structures	698	66	----
Total obligations, Defense—Civil, Army	829	172	----
Total obligations	1,043	364	223

PERSONNEL SUMMARY

ALLOCATION TO DEFENSE—CIVIL ARMY			
Total number of permanent positions	8	8	----
Full-time equivalent of other positions	5	2	----
Average number of all employees	13	10	----
Average GS grade	7.0	7.0	----
Average GS salary	$8,282	$9,152	----

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimated
Program by activities: Permanent improvements (costs—obligations)	1,043	364	223
Financing:			
Unobligated balance available, start of year	−605	−289	−95
Unobligated balance available, end of year	289	95	
Budget authority (appropriation)	726	170	128
Relation of obligations to outlays:			
Obligations incurred, net	1,043	364	223
Obligated balance, start of year	1,402	743	
Obligated balance, end of year	−743		
Outlays	1,701	1,107	223

Mr. FLOOD. We will hear next from the U.S. Soldiers' Home. The presentation will be made by Lt. Gen. Albert Watson II, the Governor. And he has with him, Mr. Ramond A. Gritton, the budget officer.

BIOGRAPHICAL SKETCHES OF GENERAL WATSON AND MR. GRITTON

We have a biographical sketch of General Watson which we will place in the record at this point, and we would like a biographical sketch of Mr. Gritton to follow that too.

(The information follows:)

PRINCIPAL WITNESS, U.S. SOLDIERS' HOME

BIOGRAPHICAL SKETCH, LT. GEN. ALBERT WATSON II

Albert Watson II was born in Mount Vernon, Ill., January 5, 1909. He graduated from the United States Military Academy in 1930 and was commissioned a second lieutenant in the field artillery.

After 4 years as a battery officer at Fort Myer, Va., he attended the regular course at the Field Artillery School, Fort Sill, Okla., graduating in 1935; and the advanced horsemanship course; graduating in 1936. On July 13, 1935, he was married to Anne D. Bucher of Lewisburg, Pa. He remained at the Field Artillery School as an instructor and detachment commander until he was reassigned to Fort Riley, Kans., in 1941, to command a firing battery of the 3d Field Artillery Battalion. After a year he was placed in command of the battalion. During the period he commanded the battalion he attended the Field Artillery School field officers course. In 1943 he returned to Fort Sill, Okla., and served for a year as an instructor in the field officers course.

In June 1944, he graduated from the Command and General Staff College and was assigned as assistant artillery officer of the 10th Army. He went overseas in August 1944 and served with the XXIV Corps and 6th Army in Hawaii. Hollandia and Leyte. Returning to the 10th Army, he remained through the Okinawa operation, reporting to General Headquarters, Pacific for duty in the G3 section in October 1945.

After serving for 2 years with G–3, general headquarters in Tokyo, he was transferred to the United States for amphibious training duty with the Navy in Coronado, Calif. In May 1950, he was assigned to the faculty of the Army War College, first at Fort Leavenworth, Kans., and later at Carlisle Barracks, Pa.

In the summer of 1953 he was sent to Korea where he commanded successively the X Corps artillery and the 3d Infantry Division artillery. In September 1954, he was appointed assistant chief of staff, G–3 for the 1st Army, Governors Island, N.Y. In July 1955, he was assigned to the office of the deputy chief of staff, personnel, Department of the Army, Washington, D.C. His assignment in that office as director of programs terminated in July 1958. General Watson assumed command of the 24th Infantry Division artillery, Munich, Germany, on September 16, 1958. In April 1960, he assumed command of the 3d Infantry Division and in May 1961, became the U.S. Commandant and Commanding

General, U.S. Army, Berlin. On December 1, 1962, he was promoted to the rank of lieutenant general. On February 2, 1963, he assumed command of 3d U.S. Army with headquarters at Fort McPherson, Ga. In August 1964 he was assigned Commanding General, U.S. Army, Ryukyu Islands, IX Corps and high commissioner of the Ryukyu Islands. He held this post until October 31, 1966 when he was placed on the retired list.

He became the Governor of the U.S. Soldiers' Home on November 1, 1966.

General Watson has two children: Albert Watson III, of Arlington, Va., and John B. Watson of Atlanta, Ga.

General Watson's decorations include the Distinguished Service Medal with Oak Leaf Cluster, the Legion of Merit, the Bronze Star Medal, and the Army Commendation Ribbon with Metal Pendant.

BIOGRAPHY OF RAMOND A. GRITTON, U.S. SOLDIERS' HOME

Ramond A. Gritton was born in Washington, D.C., November 26, 1924. He entered the Federal service as a clerk with the War Production Board in 1941.

In 1945, after serving 30 months in the U.S. Army during World War II in the European Theater of Operations in the 81st Mortar Battalion, he reentered the Federal service as a clerk with the Veterans' Administration in the District of Columbia.

In August 1946, he was employed as a clerk in the payroll office of the U.S. Soldiers' Home. In 1949, he transferred to the budget division of the Soldiers' Home Secretary-Treasurer's Department as a budget analyst. In 1953, he was promoted to supervisor of this division.

In 1968, he was appointed to the position of budget officer for the Soldiers' Home, the position he currently holds.

Mr. Gritton has a wife, Margaret, and three children: Lawrence, Mark, and Judith.

Mr. FLOOD. I see, General, that you have a statement here. How do you wish to proceed with the statement?

General WATSON. Mr. Chairman, I would like to ask Mr. Gritton to read my statement.

Mr. FLOOD. Very well.

GENERAL STATEMENT

Mr. GRITTON. It is a pleasure to appear before the committee to discuss the Soldiers' Home budget for fiscal year 1971. I am proud to state that while the home's appropriation request comes to Congress with the President's budget, the amount is not charged to the taxpayers of the Nation. The home is supported from a trust fund, not from the general revenues of the U.S. Treasury.

PURPOSE OF THE HOME

The Soldiers' Home was established by Congress in 1851 for the relief and support of old, invalid, or disabled soldiers of the Regular Army. Basic eligibility criteria have been unchanged except for inclusion of airmen and enlisted women of both services. This permanent residence has been maintained and expanded for almost 12 decades without cost to the taxpayers. Members can spend their remaining days at the home independent of public assistance, secure in the knowledge that their personal contributions to the trust fund have helped to make the home available.

ADMINISTRATION

The general supervision and administration of the home was placed by Congress in a Board of Commissioners. Subject to approval by the

Secretaries of the Army and Air Force, this Board has authority to establish regulations for the general and internal direction of the home. I am responsible to this Board for the management of the home. In addition to the Governor of the home, the Board is composed of the following members: (a) Comptroller of the Air Force, (b) Chief of Engineers of the Army, (c) the Surgeon General of the Army, (d) Assistant Deputy Chief of Staff, Personnel, of the Army, (e) Assistant Deputy Chief of Staff, Personnel of the Air Force, and (f) the Judge Advocate of the Air Force.

PHYSICAL PLANT

The home is situated on approximately 300 acres of land in Northwest Washington, D.C. Facilities in use include four domiciliary buildings, four hospital buildings, a service area, a heating plant and laundry, and miscellaneous structures. The capacity of the domiciliary area is 2,185 beds, including 184 for females. Hospital capacity will soon be 536 beds, including an extension of 55 hospital beds scheduled for completion in the summer of 1970.

SECURITY FORCE

Mr. FLOOD. We have had some trouble at Gallaudet College and at Howard University on security matters, students being attacked and what-not. Do you have any problems in this area?

General WATSON. We have a few, Mr. Chairman. On the other hand, we have a member guard at each of our gates. He is unarmed but he is a uniformed man.

Mr. FLOOD. How old is he?

General WATSON. The average age is about 54, slightly younger than the average age of our members.

Mr. FLOOD. Should your security people be younger?

General WATSON. Not necessarily, because we don't want them to use force. We don't want them to be armed, because that is a good way to get shot by some of these young dopesters that hang around and attack them. We do have a good contact with the Metropolitan Police, who move in, in case of any incident.

Mr. FLOOD. I gather you don't have a serious problem.

General WATSON. No, sir; we do not, because we have a fence around our grounds, and a guard on each gate. Besides that we have other member guards who are off shift, and they can be called in in an emergency, and if force is immediately needed, we can apply the entire force of about 25 men. If we have to get some out of bed they will go on duty.

Mr. FLOOD. Are the grounds lighted?

General WATSON. To a good extent; yes, excellent lighting.

ADMISSION CRITERIA

Mr. GRITTON. Membership is a terminal benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for 20 years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood; or, (3) non-service-connected disabilities rendering them unable to

earn a livelihood, provided they have had service during a war. These criteria are listed in this order, not as priorities, but because about 75 percent of the membership is of the first group. There is no need at this time for using priorities. These criteria attest to the home's fundamental mission of caring for professional or career soldiers and airmen, and recognize and reward service to country. On June 30, 1969, there were a minimum of 336,000 identifiable former Army and Air Force personnel entitled to membership, an increase of 37,000 over June 30, 1968. Based on experience, less than 1 percent actually apply for admission. The only ceiling on admissions is availability of facilities and financial support.

Mr. FLOOD. How many females?

General WATSON. Approximately 50.

MEMBERSHIP

The average membership during fiscal year 1969 was 2,576 including about 40 females. Fiscal year 1970 membership is estimated to average 2,620. The fiscal year 1971 budget is based on an estimated average of 2,664. A joint study by the Army and the Air Force projects an average increase in membership of 70 per year. Characteristically in periods of wartime, membership fails to increase and often declines. Those in the service tend to remain until the end of the conflict. Some members of the home take discharges and some eligibles stay away from the home, to take advantage of wartime employment opportunities.

FINANCES

The act of 1851, which established the home, provided that it would be financed from a trust fund rather than from the general revenues of the U.S. Treasury. This was a successful attempt by Congress to prevent the home from becoming a burden on the taxpayers. The balance in the fund is $111 million. Income to this fund, as prescribed by law, is from the following principal sources: (1) a contribution at the rate of 10 cents per month from each enlisted member and warrant officer of the Regular Army and Air Force, (2) fines and forfeitures imposed upon these personnel by sentence of courts martial, and, (3) interest of 3 percent per annum on the fund balance in the U.S. Treasury. In the 1950's, annual income to the permanent fund averaged $11 million with obligations for operation and maintenance averaging $4 million. In the 1960's, annual income averaged $10 million with obligations for operation and maintenance averaging $7 million. In 1969, income was $11 million; operation and maintenance obligations, $9 million. A study by the Army and the Air Force projects an average income from fiscal year 1970 through fiscal year 1978 to be $9 million; operation and maintenance obligations, $12 million.

INCOME

Initially, a reduction in income resulted from both services raising their standards of enlistment. This action reduced the number of undesirables and misfits and consequently, courts-martials. Then, in 1963, the Uniform Code of Military Justice was amended to authorize commanding officers to impose forfeitures of pay as nonjudicial

punishment. The Comptroller General of the United States decided that such forfeitures would not accrue to the home trust fund. The joint study by the Army and Air Force mentioned earlier indicates that the cost of operating the home can be expected to exceed income by fiscal year 1971. However, an increase in courts-martial fines due to continued wartime conditions has extended this projection. It is expected to decline as hostilities diminish. The continued rise in operating costs due to growth and inflation will soon reduce the margin between income and expenses to a point where costs will exceed income. The study forecasts a continuing rise in the cost of living and in the number of members in the home, and a decline in income. The study concluded that a requirement for new construction by fiscal year 1971 would be a distinct probability. The temporary decline in membership extends this projection by 1 or 2 years. When construction is required, the decline in the home's trust fund will be accelerated. In the judgment of the home's Board of Commissioners, the average annual increase of 70 members forecast in the study will require added capital investment for new domiciliary and hospital accommodations of about $1 million yearly. These expenditures are in addition to those presented in the study.

COMPTROLLER GENERAL'S DECISION

Mr. FLOOD. Was any attempt made to protest or appeal the action of the Comptroller General when he decided forfeitures of pay for nonjudicial punishment should not accrue to the fund?

General WATSON. Not to the Comptroller General, Mr. Chairman. When the Department of the Army received this ruling over their stated belief that it should be considered as the type of punishment which was contemplated by the Congress in 1851, the Army considered proposing legislation for congressional approval to recover the nonjudicial forfeitures. Since a discussion was underway for a separate airman's home, the General Counsel of the Department of Defense ultimately included such a proposal in the legislation on the airmen's home to the Bureau of the Budget. The entire project of an airmen's home was eventually withdrawn by the Department of Defense.

Mr. FLOOD. To whom do you appeal?

General WATSON. To the Comptroller General.

Mr. FLOOD. Could you take any appeal beyond the Comptroller General?

General WATSON. Yes, sir; to the Congress.

Mr. FLOOD. Anywhere else?

General WATSON. I know of no place we could have gone except to the Congress, and that follows in the next section of my statement.

PROPOSED LEGISLATION

Mr. GRITTON. A legislative proposal has been presented to the Bureau of the Budget. The proposal provides for crediting nonjudicial forfeitures to the permanent fund and for increasing the rate of interest paid on the trust fund. The first action would reduce the loss of income which resulted from the 1963 amendment to the Uniform Code of Military Justice.

Mr. FLOOD. I was looking over your shoulder, I suppose.

General WATSON. Yes, sir. You were ahead of us.

Mr. GRITTON. The second would provide a rate of interest commensurate with that of other trust funds similarly deposited.

Mr. FLOOD. I was going to ask you that.

Mr. GRITTON. In the event the legislation is not enacted or should fail to produce the required income, the amount contributed monthly by regular enlisted and warrant officer personnel could be reestablished at the rate of 25 cents per month under existing authority of the act of February 13, 1936. The monthly contribution was reduced from 25 cents to 10 cents in 1943 and has remained unchanged since then.

REAL ESTATE

The National Capital Planning Commission's proposal to use about 60 acres of the home's land for educational and recreational activities for the District of Columbia is believed not to be under active consideration. However, a document titled, "The First Annual Development Action Program for Overall Economic Development and Community Renewal," prepared by the Office of Community Renewal and the Mayor's Economic Development Committee, contains the following reference: "If large tracts of Federal land such as the arboretum, Soldiers' Home, Park Service areas, and so forth are made available, substantial economic and social benefits would result." In this connection, I am grateful for the support provided by committees of the House and the Senate for retention of the home's land.

MASTER PLAN

The National Capital Planning Commission remains on record as stating that they would defer consideration of building plans for the home until completion of a revised master plan. This revision, prepared by the Corps of Engineers, U.S. Army, has been submitted to the National Capital Planning Commission.

ANNUAL INSPECTION

The law provides for an annual report of inspection of the home by the Army Inspector General to be submitted to the Congress. I am pleased to state that for many years no significant changes have been suggested and no serious deficiencies have been found by the inspector general in either the management or the operation of the home.

THE FISCAL YEAR 1971 BUDGET

Operation and maintenance. The appropriation request of $9,822,000 for fiscal year 1971 is $377,000 greater than the appropriation for fiscal year 1970 which has been adjusted to include a $296,000 supplemental to cover pay increases proposed for later transmission.

That amount has recently been passed by the House in the second supplemental for 1970.

The increases and decreases over the current fiscal year are as follows:

Increases: $166,000 to increase employment by 39 new positions. They are required for the following reasons: (a) the anticipated increase in membership; (b) to increase internal security; (c) for the

possible reopening of a section of an old domiciliary building; (d) for increased maintenance on additional facilities; (e) to initially staff an intensive care unit included in construction soon to be completed; (f) to assist in the expanded recreation program for the members; and, (g) for increased office work in the financial and personnel areas.

$108,000 to increase member-employee wage scales to approximately one-half of that which would be paid to civilians in comparable jobs. The fiscal year 1970 appropriation included the first phase of this increase. For many years, the home has reserved certain jobs for members of the home at very low pay. There are about 260 jobs in this category. This increase is proposed in order to reduce the excessive turnover in these jobs.

$59,000 to annualize in fiscal year 1971, pay increases granted Wage Board and Class Act employees in fiscal year 1970.

$40,000 to increase the supply and ration allotments for the projected increase in patients from 427 to 431 per day and the increase in domiciliary members from 1,806 to 1,820 per day. Ration costs of $1.29 for patients and $1.17 for members are used in the fiscal year 1971 estimates. The $1.29 provides a 4-cent increase for patients. Current experience is proving that these costs may be too low due to continually rising food prices.

$23,000 to increase the home's contributions to personnel benefit funds such as retirement, insurance, and social security. These contributions amount to about 7 percent of total salaries paid each year. The increase accompanies the increase in salaries outlined above.

$15,000 to purchase fuel oil, which is more expensive due to a reduction of the sulphur content to reduce air pollution. The number of gallons, 1,900,000, remains the same as estimated for fiscal year 1970.

$43,000 to provide additional phone service, increased amount of printing, the initial purchase of computer time for payroll and budget purposes, more equipment replacement, and an increase in the maintenance program.

Decreases: $77,000. The fiscal year 1970 appropriation includes this amount for installation of a central tray feeding service at the hospital. No funds are included in fiscal year 1971 for this purpose.

Mr. FLOOD. What is the reaction of the people who live there to this?

General WATSON. So far we have no reaction on the trays. Installation is in progress. It is a matter of expenditure in this current year.

Mr. GRITTON. Capital outlay. The appropriation request for fiscal year 1971 of $128,000 is $42,000 less than the fiscal year 1970 appropriation. The fiscal year 1970 appropriation of $170,000 included funds for the following: $95,000 for installation of an elevator in an existing shaft in the recently expanded Sheridan domiciliary building and for additional parking required for the members in these additions; $50,000 for plans and construction for remodeling a basement area of the hospital messhall building for conversion to a canteen and restaurant for patients and employees; and $25,000 for planning funds to determine the type and cost of various recreation facilities to be installed in the Grant domiciliary building. Due to the President's directive to reduce construction, the home will not contract for the $95,000 jobs for the elevator and parking in 1970. These jobs will probably be accomplished in fiscal year 1971.

The fiscal year 1971 appropriation request of $128,000 is for field investigation, design, and specifications required to modify and air condition a portion of a domiciliary building for headquarters activities. This building area is no longer used to house members. Various headquarters functions are now located in a building that is 60 years old, and too small. It has been modified over the years to accommodate a 100-percent increase in personnel, two mechanical accounting machines, and miscellaneous space-consuming equipment.

CONCLUSION

I appreciate the opportunity to represent the members of the home. I know I speak for all of them when I express gratitude for the interest taken in their welfare by the committee.

MEMBERSHIP

Mr. FLOOD. All right. General, what is the trend in your membership over the past 10 years? Is it increasing or decreasing?

General WATSON. The trend over the past 10 years, we will say from 1970 on back, runs from, in 1960, 2,081, gradually increasing, until we reached a high in 1966 of 2,602. In 1969, it ran to 2,590. As I mention in my statement, characteristically, in period of wartime, membership fails to increase and often declines.

ADDITIONAL STAFF FOR REOPENING THE GENERAL SHERMAN BUILDING

Mr. FLOOD. You are asking additional staff for the reopening of an old domiciliary building. Why is that necessary?

General WATSON. The building itself is in pretty good condition, actually. It means modification internally to move partitions, so that we can actually arrange our offices so that the various elements are together, and that is the reason we have asked for the planning money in this appropriation.

Mr. FLOOD. You are not reopening some old, obsolete building?

General WATSON. No, sir. This is a beautiful building. As a matter of fact, it is being considered as one of the specified historical treasures by the Fine Arts Commission. I believe that final action has not been taken.

Mr. FLOOD. That is a very important comment.

General WATSON. It is a beautiful building, the General Sherman Building.

NATIONAL CAPITAL PLANNING COMMISSION

Mr. FLOOD. What about this business of the National Capital Planning Commission, this problem you had with them.

General WATSON. Mr. Chairman, at this time I am not concerned about their previous attempts to take our land. We do follow this, however.

STATUS OF TRUST FUND

Mr. FLOOD. All your appropriations come from the Soldiers Home Permanent Fund. What is the status of the fund?

General WATSON. The fund is now at about $111 million.

Mr. FLOOD. That is the $111 million you mentioned in your affirmative statement?

General WATSON. Yes, sir.

Mr. FLOOD. Is the annual income sufficient to cover expenditures?

General WATSON. At this time it is. That is the reason for our statement about our estimate for fiscal year 1971 in which we would begin to cut into the permanent fund. Because of an income greater than outgo we have had to extend our estimate a couple of years.

Mr. FLOOD. And you are going to raise the question of increasing the interest rate on that $111 million?

General WATSON. Yes, sir; plus the nonjudicial funds.

Mr. FLOOD. Mr. Hull?

Mr. HULL. No questions.

Mr. FLOOD. Mrs. Reid?

ADMISSION QUALIFICATIONS

Mrs. REID. What are the qualifications for admission to the Soldiers' Home?

General WATSON. Former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for 20 years or more as warrant officers or enlisted personnel, or, (2) service-connected disabilities rendering them unable to earn a livlihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war.

Mrs. REID. Last year it was stated that less than 1 percent of the eligible military personnel ever apply for admission. Is this still a fairly constant percentage?

General WATSON. Yes.

FEMALE MEMBERS

Mrs. REID. How many women who served in the military are currently in residence at the home?

General WATSON. There are 54 females currently members of the home.

Mrs. REID. Are you able to place all of the women who apply for admission?

General WATSON. At this time; yes. The Sheridan domiciliary building was expanded in 1969 by the addition of two wings. One of those wings is reserved for females. It can house about 184 females.

AVERAGE LENGTH OF STAY

Mrs. REID. How long does the average person stay in the home? When a person goes there, it is usually to live out the rest of his life?

General WATSON. The length of stay of each member is a matter of his personal needs. There are many men who come to the home and eventually become permanent hospital patients. Others come in and stay only a few months. Some members return a second or third time. It depends on the man's financial, familial, or medical situation.

Mr. FLOOD. Thank you very much.

JUSTIFICATION OF ESTIMATES FOR THE U.S. SOLDIERS' HOME, FY 1971

LANGUAGE

Operation and maintenance: For operation and maintenance of the United States Soldiers' Home, to be paid from the Soldiers' Home permanent fund, [$9,149,000] $9,822,000: Provided, That this appropriation shall not be available for the payment of hospitalization of members of the Home in United States Army hospitals at rates in excess of those prescribed by the Secretary of the Army upon the recommendation of the Board of Commissioners of the Home and the Surgeon General of the Army.

Capital outlay: For [construction of buildings and facilities, including] plans and specifications, [and furnishings,] to be paid from the Soldiers' Home permanent fund, [$170,000] $128,000, to remain available until expended.

24 U.S.C. 41-60; 31 U.S.C. 711 (12) 725s (a); Departments of Labor, and Health, Education, and Welfare Appropriation Act, 1970

DISTRIBUTION OF MEMBERSHIP (Averages)

		Actual 1969	Est 1970	Est 1971	(+) or (-)
Domiciliary:	Present	1,788	1,806	1,820	14+
	Absent	318	339	365	26+
	Total domiciliary	2,106	2,145	2,185	40+
Hospital:	Present	422	427	431	4+
	Absent	14	15	15	..
	Contract hospitals	34	33	33	..
	Total hospital	470	475	479	4+
Total membership:		2,576	2,620	2,664	44+

SUMMARY OF OBLIGATIONS BY PROJECTS (In thousands of dollars)

	Actual 1969	Est 1970	Est 1971	(+) or (-)
Operation and maintenance:				
1. Medical care	$3,921	$4,381	$4,478	$ 97+
2. Domiciliary care	1,724	1,925	2,027	102+
3. Administration and central services	2,894	3,139	3,317	178+
Total obligations (operation and maintenance)	8,539	9,445	9,822	377+
Unobligated balance lapsing (returned to permanent fund)	63	.....	.....	...
Budget authority (appropriation)	8,602	9,445	9,822	377+
Capital outlay:				
4. Permanent improvements (Total obligations - capital outlay)	1,043	364	223	141-
Obligations from prior year appropriations	-605	-289	-95	194+
Unobligated balance brought forward from current year appropriations	289	95	...	95-
Budget authority (appropriation)	726	170	128	42-

	Actual 1969	Est 1970	Est 1971	(+) or (-)
Project 1 - Medical care (in thousands of dollars)				
11 Personnel compensation	$2,976	$3,293	$3,446	$153+
12 Personnel benefits	217	248	257	9+
25 Other services	185	186	186	...
26 Supplies and materials	489	512	538	26+
31 Equipment	78	166	75	91-
Deduct quarters, subsistence, and laundry	-24	-24	-24	...
Total obligations	3,921	4,381	4,478	97+

EXPLANATION OF (+) OR (-)

11 Personnel compensation ($153+):

$120+ To increase employment by 18 man-years in 18 new positions required in FY 1971 for initial staffing of new construction including an intensive care unit to be completed in the summer of 1970 and to provide services for the projected increase in patients. NEW POSITIONS: 1 Medical officer; 1 Dental officer; 5 Nurses; 9 Nursing assistants, and 2 Janitors.

21+ To annualize in FY 1971, wage board and class act salary increases granted in FY 1970.

12+ To increase member employee wage scales to approximately one-half of that which would be paid to civilians in comparable jobs. This action is taken to reduce excessive turnover and to help stabilize member employment.

12 Personnel benefits ($9+):

$ 9+ Agency contributions to personnel benefit funds (retirement, insurance, health, and social security) are about 7% of total salaries paid for this project. The increase for FY 1971 is due to the increase in salaries listed above.

26 Supplies and materials ($26+):

$ 26+ For additional rations and hospital supplies for the projected increase in patients from 427 to 431 per day, and for a 4¢ increase in the cost of hospital rations from $1.25 to $1.29. The increase is due to increases in the cost of food.

31 Equipment ($91-):

$ 77- The FY 1970 cost to install central tray feeding at the hospital.

14- Less equipment is scheduled for replacement in FY 1971.

Project 2 - Domiciliary care (in thousands of dollars)	Actual 1969	Est 1970	Est 1971	(+) or (-)
11 Personnel compensation	$1,109	$1,244	$1,346	$102+
12 Personnel benefits	74	84	89	5+
26 Supplies and materials	547	597	600	3+
31 Equipment	21	27	19	8-
Deduct quarters, subsistence, and laundry	-27	-27	-27	...
Total obligations	1,724	1,925	2,027	102+

EXPLANATION OF (+) OR (-)

11 Personnel compensation ($102+):

$ 78+ To increase member employee wage scales to approximately one-half of that which would be paid to civilians in comparable jobs. This action is taken to reduce excessive turnover and to help stabilize member employment.

14+ To increase employment by 6 man-years in 16 new positions required in FY 1971 to provide services for the projected increase in members, to increase internal security in the domiciliary area, staff expanded recreational activities, and for the possible reopening of an old domiciliary building. NEW POSITIONS: 4 Domiciliary aids for security; 6 Domiciliary aids, 1 First Sergeant, and 2 Duty sergeants for reopening a domiciliary building; 1 Recreation sergeant; and 2 Mess attendants.

10+ To annualize in FY 1971, wage board and class act salary increases granted in FY 1970.

12 Personnel benefits ($5+):

$ 5+ Agency contributions to personnel benefit funds (retirement, insurance, health, and social security) are about 7% of total salaries paid for this project. The increase for FY 1971 is due to the increase in salaries listed above.

26 Supplies and materials ($3+):

$ 3+ For additional rations and domiciliary supplies for the projected increase in members from 1,806 to 1,820 per day. A unit cost of $1.17 is used for the FY 1971 domiciliary ration.

31 Equipment ($8-):

$ 8- Less equipment is scheduled for replacement in FY 1971.

Project 3 - Administration and central services (in thousands of dollars)	Actual 1969	Est 1970	Est 1971	(+) or (-)
11 Personnel compensation	$1,962	$2,186	$2,264	$ 78+
12 Personnel benefits	159	177	186	9+
21 Travel and transportation of persons	1	4	4	...
22 Transportation of things	1	1	1	...
23 Rent, communications, and utilities	150	176	180	4+
24 Printing and reproduction	6	6	7	1+
25 Other services	156	240	205	35-
26 Supplies and materials	231	238	264	26+
31 Equipment	134	50	81	31+
32 Lands and structures	111	78	142	64+
Deduct quarters, subsistence, and laundry	-17	-17	-17	...
Total obligations	2,894	3,139	3,317	178+

EXPLANATION OF (+) OR (-)

11 Personnel compensation ($78+):

$ 31+ To increase employment by 5 man-years in 5 new positions required in FY 1971 to provide additional maintenance resulting from additional construction and for additional external reporting, accounting, and personnel activities. NEW POSITIONS: 3 Clerks; and 2 Shop maintenance personnel.

29+ To annualize in FY 1971, wage board and class act salary increases granted in FY 1970.

18+ To increase member employee wage scales to approximately one-half of that which would be paid to civilians in comparable jobs. This action is taken to reduce excessive turnover and to help stabilize member employment.

12 Personnel benefits ($9+):

$ 9+ Agency contributions to personnel benefit funds (retirement, insurance, health, and social security) are about 8% of total salaries paid for this project. The increase for FY 1971 is due to the increase in salaries listed above.

23 Rent, communications, and utilities ($4+):

$ 4+ This increase covers additional telephone services, increased postage costs, and an increase in the cost of film rental for the two Home theaters.

24 Printing and reproduction ($1+):

$ 1+ This increase covers commercial reproduction by the photographic process of a greater number of Home publications such as the annual budget and the annual report, and the increased use of printed forms in lieu of mimeographed forms.

25 Other services ($35-):

$ 62- Funds are required in FY 1971 for only one item of nonrecurring maintenance - the installation of four laundry chutes to fit recently installed washer-extractors. The existing chutes cannot be economically modified or enlarged. Funds appropriated for FY 1970 were for four items of nonrecurring maintenance - replacing windows and frames; replacing a roof; resurfacing the laundry floor; and stonework and caulking buildings.

15+ To cover installation and monthly cost of computer time to improve the payroll system and to furnish more detailed budgetary information. This is the first year for this item to appear in a Home budget. Subsequent budget requests will not include the cost of installation of this system.

12+ To cover additional maintenance on elevators, an increased number of elevators, and increased costs for service contracts on office equipment such as typewriters, calculators, and bookkeeping machines.

26 Supplies and materials ($26+):

$ 15+ In accordance with the HEW Air Pollution Abatement Program, the Home is purchasing fuel oil with a reduced sulphur content. The General Services Administration from whom the Home buys oil has recommended a per gallon cost of 7¢ for FY 1971. The actual cost for FY 1970 is slightly over 6¢ per gallon. The number of gallons, 1,900,000, remains the same for both years.

11+ A general increase in the use and cost of supplies is based on actual experience over past years. As an accounting convenience, a number of small maintenance items, formerly considered "equipment" have been established as "supplies", thus adding somewhat to the increase.

31 Equipment ($31+):

$ 31+ The increase covers replacement of more items in FY 1971 than scheduled for FY 1970 including automobiles, trucks, a large grass mower, and a bucket for the Michigan loader.

32 Lands and structures ($864-):

$123+ The cost of FY 1971 nonrecurring repair and improvements as follows:

(a) installation of a steam line	$10
(b) replacement of sewer lines	82
(c) repairs to water system	5
(d) installation of additional toilets	20
(e) replacement of pressure-reducing and cut-off valves	6

59- The cost of FY 1970 nonrecurring repair and improvements which are not included in FY 1971 estimates.

Project 4 - Permanent improvements (in thousands of dollars)	Actual 1969	Est 1970	Est 1971	(+) or (-)
25 Other services	$ 8	$ ...	$ ...	$...
31 Equipment	190	101	...	101-
32 Lands and structures	845	264	223	40-
Total obligations	1,043	365	223	141-

EXPLANATION OF (+) OR (-)

31 Equipment ($101-):

$101- Obligations for FY 1970 include purchase of equipment for two outer wings added to the Sheridan domiciliary building and for the extension of the Pipes hospital ward wing.

32 Lands and structures ($40-):

$263- FY 1970 OBLIGATIONS

(a) Completion of expansion of Sheridan domiciliary building - $73; (b) completion of expansion of Pipes hospital ward wing - $55; (c) completion of revision of master plan - $45; (d) completion of construction of hospital canteen and restaurant for patients and employees - $50; (e) initial planning for converting older domiciliary building to a recreation center - $25; and (f) completion of safety improvements at the hospital - $15.

223+ FY 1971 OBLIGATIONS

(a) Field investigation, design and specifications for modification and air conditioning a portion of a domiciliary building no longer used for housing members, to house administrative activities - $128; and (b) installation of an elevator in the new section of the Sheridan domiciliary building and construction of additional parking area for that building - $95. This $95 was included in the FY 1970 appropriation but has been deferred in accordance with the President's construction reduction plan of FY 1970.

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS (in thousands of dollars)

	Actual 1969	Est 1970	Est 1971	(+) or (-)
Operation and maintenance				
11 Personnel compensation	$6,047	$6,723	$7,056	$333+
12 Personnel benefits	450	509	532	23+
21 Travel and transportation of persons	1	4	4	...
22 Transportation of things	1	1	1	...
23 Rent, communications, and utilities	150	176	180	4+
24 Printing and reproduction	6	6	7	1+
25 Other services	341	426	391	35-
26 Supplies and materials	1,267	1,347	1,402	55+
31 Equipment	233	243	175	68-
32 Lands and structures	111	78	142	64+
Deduct quarters, subsistence, and laundry	-68	-68	-68	...
Total obligations (operation and maintenance)	8,539	9,445	9,822	377+
Capital outlay				
25 Other services	8	.....	.....	...
31 Equipment	190	101	.....	101-
32 Lands and structures	845	263	223	40-
Total obligations (capital outlay)	1,043	364	223	141-

MONDAY, MAY 25, 1970.

PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS

WITNESSES

VIRGINIA H. KNAUER, SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS
ELIZABETH HANFORD, EXECUTIVE DIRECTOR
ARTHUR J. CRATEN, BUDGET REPRESENTATIVE, GSA
HARRY WELLS, DIRECTOR OF PUBLICATIONS

PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	219	266	488
Positions other than permanent	21	20	30
Other personnel compensation	1	1	5
Total personnel compensation	241	287	523
Personnel benefits: Civilian employees	16	20	39
Travel and transportation of persons	18	35	60
Rent, communications, and utilities	22	35	35
Printing and reproduction	18	20	77
Other services	93	50	60
Supplies and materials	12	12	13
Equipment	1	1	3
Total obligations	421	460	810

PERSONNEL SUMMARY

Total number of permanent positions	23	19	35
Full-time equivalent of other positions	2	1	2
Average number of all employees	18	18	37
Average GS grade	10.8	11.9	10.7
Average GS salary	$13,089	$16,012	$13,943

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:			
Advancing the interests of consumers (program costs, funded)[1]	354	480	810
Change in selected resources [2]	67	−20	
Total obligations	421	460	810
Financing:			
Budget authority	421	460	810
Budget authority:			
Appropriation	421	450	810
Proposed supplemental for civilian pay act increases		10	
Relation of obligations to outlays:			
Obligations uncurred, net	421	460	810
Obligated balance, start of year	21	95	105
Obligated balance, end of year	−95	−105	−105
Adjustments in expired accounts	−2		
Outlays, excluding pay increase supplemental	344	440	810
Outlays from civilian pay act supplemental		10	

[1] Includes capital outlay as follows: 1969, $1,000; 1970, $1,000; 1971, $2,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $0; 1969, $67,000; 1970,$47,000; 1971, $47,000.

Mr. FLOOD. The subcommittee will be in order.

We now have the President's Committee on Consumer Interests. The presentation will be made, of course, by Mrs. Virginia H. Knauer, who is the special assistant to the President for consumer affairs.

BIOGRAPHICAL SKETCH OF MRS. VIRGINIA H. KNAUER

Mrs. Knauer's biographical sketch will appear in the record at this point.

(The sketch follows:)

BIOGRAPHY OF MRS. VIRGINIA H. KNAUER

Mrs. Virginia H. Knauer was appointed by President Nixon as his special assistant for consumer affairs on April 9, 1969. She also serves as Chairman of the President's Committee on Consumer Interests and as Executive Secretary of the Consumer Advisory Council.

Prior to her present job, Mrs. Knauer was director of the Pennsylvania Bureau of Consumer Protection for 14 months, the first and only woman in the United States to actually administer such a bureau. In that post she also directed the operation of five branch offices in Philadelphia, Pittsburgh, Harrisburg, Erie, and Scranton.

Born and educated in Philadelphia, Mrs. Knauer won a board of education scholarship to the Pennsylvania Academy of Fine Arts. She is a graduate of the University of Pennsylvania and did postgraduate work at the Royal Academy of Fine Arts in Florence, Italy.

She was the first Republican woman elected to the Philadelphia City Council as a councilman-at-large in 1960.

She is married to Wilhelm F. Knauer, a Philadelphia attorney. They have two children, Mrs. I. Townsend Burden III, of Philadelphia and Wilhelm F. Knauer, Jr., an assistant district attorney in Philadelphia.

INTRODUCTION OF SUPPORTING WITNESSES

Mrs. KNAUER. I have with me Miss Hanford, the Executive Director. She is also a Harvard lawyer, and Mr. Arthur J. Craten, our budget representative from GSA.

Behind me we have Mr. Harry Wells, our Director of Publications, and Mr. Timothy Burr, who is an intern in our office and Mr. William Elwood.

Mr. FLOOD. What do you mean by an intern?

Mr. BURR. I am a management intern from the Labor Department.

Mrs. KNAUER. Mr. William Elwood, who is with us now, is our new administrative officer.

Mr. FLOOD. Are you going to handle that now within your own shop instead of GSA? The budget?

Mrs. KNAUER. We have had no one to do the budget except Elizabeth and myself and one secretary.

To date our Executive Director, Elizabeth Hanford, has been assisting me in policy matters and program detail. She serves as my deputy, my representative at meetings, hearings, public appearances, and so forth as needed. In addition she has had to handle budget, personnel matters, and the housekeeping details which are necessary in the day-to-day functions of an office. This has become an impossibly heavy combination of responsibility. We needed to have someone on the staff who could assist her with budget, personnel, and the housekeeping functions.

Mr. FLOOD. You plan to have this man take over as budget officer in your shop ultimately?

Mrs. KNAUER. I am not sure about that. I feel he would be the liaison with GSA. He will be working under Miss Hanford in budget, personnel, and office operation functions.

Mr. FLOOD. "Big Brother" GSA, is looking over your shoulder; you are in good hands.

Mrs. KNAUER. We are presently very fiscally sound. We are right on schedule.

BIOGRAPHICAL SKETCH OF MISS ELIZABETH HANFORD

Mr. FLOOD. We would like a short, modest biographical sketch of any witness who testifies in your support.

(The sketch follows:)

Miss Elizabeth Hanford was named Executive Director of the President's Committee on Consumer Interests on July 1, 1969.

She had previously served as Associate Director for Legislative Affiairs for the President's Committee. Before joining the Committee staff, she was on the staff of the Assistant Secretary for Education, Department of Health, Education, and Welfare and has represented indigent defendants in the District of Columbia court system.

She received an A.B. from Duke University, where she was a member of Phi Beta Kappa and president of the student government association; M.A. in education from Harvard University; and LL.B. from Harvard Law School; and attended Oxford University International Graduate Summer School, Oxford, England. She is a member of the District of Columbia Bar Association and is a member of the American Bar Association Consumer Bankruptcy Committee. She received the Outstanding Young Woman Award for 1970 for the District of Columbia.

Mr. FLOOD. Mrs. Knauer, I see you have a statement. How do you wish to proceed?

Mrs. KNAUER. May I read it?

Mr. FLOOD. Yes, of course.

GENERAL STATEMENT

Mrs. KNAUER. Mr. Chairman, distinguished Members of the House Committee on Appropriations, Subcommittee on Labor, Health, Education, and Welfare. Since April of 1969 it has been my privilege to serve as special assistant to the President for consumer affairs and as Chairman of the President's Committee on Consumer Interests, the agency in whose behalf I am appearing today. With me are Miss Elizabeth Hanford, Executive Director of the President's Committee on Consumer Interests, and Mr. Arthur J. Craten, our budget representative from GSA.

The President's Committee on Consumer Interests was established by Executive Order 11136 of January 3, 1964, and was amended by Executive Order 11349 of May 1, 1967.

MEMBERSHIP OF PRESIDENT'S COMMITTEE

Mr. FLOOD. Will you list for us the names and addresses of your committee, the terms, dates, and so on? Also perhaps a paragraph about them?

Mrs. KNAUER. Very well, Mr. Chairman.

(The information follows:)

MEMBERS OF THE PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS

Mrs. Virginia H. Knauer, 2400 Virginia Avenue NW., Washington, D.C., Special Assistant to the President for Consumer Affairs.
Miss Elizabeth Hanford, 2908 N Street NW., Washington, D.C., Executive Director.
Mrs. Rose Wright, 500 23d Street NW., Washington, D.C., Confidential Assistant to Mrs. Knauer.
Mr. Frank McLaughlin, 3100 Tinder Place, Bowie, Md., Director for Industry Relations.
Mrs. Betty A. Bay, 106 Fifth Street NE., Washington, D.C., Associate Director for Legislative Affairs.
Mr. Charles R. Cavagnaro, 5503 Fontana Place, Springfield, Va., Director for Field Operations.
Mr. Joseph Dawson, 8632 Langport Drive, Springfield, Va., Director for Public Affairs.
Mr. Samuel Blaskey, 1255 New Hampshire Avenue NW., Washington, D.C., Director for Education.
Mr. Harry Wells, Jr., 1662 Avon Place NW., Washington, D.C., Director for Publications.
Mr. C. Mauritz Erkkila, 10139 Spring Lake Terrace, Fairfax, Va., Special Projects Officer.
Mr. Ezra Kohn, 206 E. Melbourne Avenue, Silver Spring, Md., Director for Research.
Mrs. Dorothy J. Burkhardt, 3400 Russell Road, Alexandria, Va., Director for Correspondence.

SECRETARIAL-CLERICAL

Mrs. Jean Wittman, 2301 E Street NW., Washington, D.C.
Mrs. Virginia Unger, 402 E Street SE., Washington, D.C.
Mrs. Bertha Smith, 413 W. Windsor Avenue, Alexandria, Va.
Miss Terry Paszkiewicz, 4434 68th Place, Hyattsville, Md.
Mrs. Olinda Brown, 2111 Jefferson Davis Highway, Arlington, Va.
Mrs. Helen B. Johnson, 5105 Oakcrest Drive, Oxen Hill, Md.
Mrs. Barbara Kolarik, 5612 Ottawa Road, Centreville, Va.

Mrs. KNAUER. The committee serves as the voice of the consumer in the administration, representing the consumer in the highest councils of government. It coordinates consumer activity in the Federal Government, cooperates with State agencies and voluntary organizations in advancing the interest of consumers, promotes improved consumer education programs, recommends legislation of benefit to consumers, and encourages productive and continuing dialog between industry, government, and the consumer.

BUDGET REQUEST

The appropriation request for the 1971 fiscal year is $810,000, an increase of $360,000 over the amount appropriated for the current fiscal year. The current budget is $450,000.

POSITION CEILING

We are presently laboring under the handicap of fiscal year 1966 ceiling which restricts us to 19 permanent positions and two temporary slots.

Mr. FLOOD. Is that by law?

Mrs. KNAUER. It would be the fiscal ceiling of 1966. That is the one I inherited.

Miss HANFORD. It is a Bureau of the Budget ceiling.
Mr. FLOOD. This is not law?
Mrs. KNAUER. No.

WORKLOAD INCREASE

Since 1966, our workload has increased substantially without a corresponding increase in personnel. The Congress, the government at the national, State, and local levels, consumer organizations, business and the press have increased their requests for either information or policy positions on important consumer matters. We have been asked to act on matters ranging from the hot dog to school buses, from detergents to unit pricing, from packaging to individual consumer complaints.

Mr. FLOOD. What was your problem? The chicken content?
Mrs. KNAUER. That was nutritionally sound.

EMPLOYEES ON NONREIMBURSABLE DETAIL

It has been almost impossible to fulfill our designated functions under the limited 1966 position ceiling. We have thus had to obtain nonreimburseable details from other departments and agencies, and the bulk of our budget increase for fiscal year 1971 is earmarked to bring these persons onto the payroll of the President's Committee on Consumer Interests. It is only fair to detailed personnel that they be placed on my permanent staff so that promotions based on merit can be recommended by their actual supervisors and so that they, and we, can rest assured that detailed employees will not be called back unexpectedly to the parent agency. In addition, a tremendous amount of administrative work is required to arrange for and maintain the details.

I would like to review with you now the general organization of my office and some of the major activities which we are currently undertaking and others which we plan to initiate in the next fiscal year.

CONSUMER LEGISLATION

Our legislative affairs division is responsible for proposing and developing the President's consumer legislative program and for recommending administration positions on other legislation in the Congress which affects consumers.

As you know, approximately 200 consumer bills have been introduced in the 91st Congress. In 1968, approximately 80 consumer bills were introduced. Requests for the views and comments of my office on proposed legislation have increased accordingly.

Mr. FLOOD. What is the status of those bills?

Mrs. KNAUER. Many of them are in committee. I have testified about 28 different times in this past year.

Mr. FLOOD. We speak only of the House.

Mrs. KNAUER. I didn't divide it as to the House and Senate. I have testified a great many times before the House on the various bills where I have been asked to testify.

Mr. FLOOD. What is their status as of 1:30 today?

Mrs. KNAUER. Miss Hanford.

LEGISLATIVE STATUS REPORT

Miss HANFORD. This is a legislative report which gives the status of all the bills. Some are in executive session; with some there have as yet been no hearings.

Mr. FLOOD. A report from whom?

Mrs. KNAUER. This is one that we produce. We have produced this for several years and it covers all consumer bills. Not only administration ones.

Mr. FLOOD. Then you have available a report which mentions the status of all of these bills?

Miss HANFORD. Yes. They are in various stages.

Mrs. KNAUER. Some are in mark-up sessions.

Mr. FLOOD. This will be available if anybody is concerned.

Mrs. KNAUER. We will be happy to make this a part of the testimony if you like.

Mr. SMITH. How often do you bring it up to date?

Mrs. KNAUER. Once a month.

Mr. FLOOD. You issue this report once a month on the status of the proposed legislation?

Mrs. KNAUER. Yes.

Mr. FLOOD. It will be available if and when anybody is concerned?

Mrs. KNAUER. Yes. We would be happy to send it to you.

Mr. FLOOD. That includes both Houses of Congress?

Mrs. KNAUER. Yes, sir. As I was saying in my prepared statement, comments on 37 policy issues before Congress were submitted to the Bureau of the Budget in the last year as compared with 10 comments in 1968. The necessity for expanded research efforts is obvious.

The Legislative Affairs Office is, of course, responsible for preparing testimony and serves as the liaison on consumer issues with congressional committees and Members of the Congress. I have testified on 28 different occasions before various congressional and departmental hearings during the past year as compared with 16 appearances during 1968.

Those appearances, I believe, are extremely important because we are providing the consumer viewpoint in major policy decisions covering a wide range of subjects of concern to consumers across the Nation.

DIVISION OF FEDERAL-STATE COOPERATION

I am establishing a new Division of Federal-State Cooperation within my office in the next few weeks. I feel that this is an area which needs special emphasis because of the importance of exchanging information and the development of a complementary network of consumer protection which extends throughout all levels of Government.

Mr. FLOOD. What will it do?

Mrs. KNAUER. One of our legislative people is already working, as we all do, with the National Association of Attorneys General, Mr. Chairman. At their suggestion last year we started the codification of consumer protection laws in the various States in the Union.

Mr. FLOOD. Did this come from their national convention? They hold conventions every year?

Mrs. KNAUER. Yes, I know. I was a speaker at the last one. We had actually started this before their national convention.

CLEARINGHOUSE FOR ALERTING STATES OF CONSUMER FRAUD ACTIVITIES

At their national convention they asked us to investigate the possibility of setting up a central clearinghouse here so that they would be alerted about consumer fraud operators who frequently shift their operations from State to State to avoid prosecution. Not, for instance, the 10 most wanted criminals, but those guilty of fraud and deceptive practices.

Mr. FLOOD. Why would they not contact the Department of Justice?

Mrs. KNAUER. Apparently there is no central agency for this, but we are working with the Department of Justice now to see if they have funds to set up something like this. It has not been done yet.

Mr. FLOOD. You mean your commission is going to report to the attorneys general of the 50 States on criminal prosecutions and records?

Mrs. KNAUER. No, we won't be running it ourselves, but we will have input into it because some of this information comes to us, Mr. Chairman.

The attorneys general feel they have neither the staff nor the time to alert all 50 of their fellow attorneys general about the passage of, say, a——

Mr. FLOOD. This is going to cost money. You are going to hire people.

Mrs. KNAUER. It is not in our office. The actual operation of this program is not feasible in our office. It might be in the Department of Justice, perhaps as part of the LEAA Program. Frankly, we are currently exploring the possibilities of where it might best be located.

Mr. FLOOD. Then why are you talking about it?

Mrs. KNAUER. I just said they had asked me to look into this and we have looked around for places it might go.

Mr. FLOOD. Of course, you understand if you ask for money or jobs——

Mrs. KNAUER. This will not affect our budget at all. We had testified to the fact last year that they had asked us to look into the feasibility. We haven't staff or money to do it, but we feel this may be a function of Justice and the Department of Justice is looking into it.

Mr. FLOOD. By the way, so do we.

COOPERATION WITH STATES

Mrs. KNAUER. Among its functions, our new Federal-State division will complete a study of all consumer protection laws in the 50 States and will work with State officials and legislators in promoting consumer protection offices in every State, strong consumer protection laws in all of the States, and adequate budgets to enable the consumer officers to effectively enforce those laws.

Mr. FLOOD. How do you propose this? In the committee, in the House and the Senate there are many past State legislators. How do you plan to handle this?

Mrs. KNAUER. By close cooperation with State officials, by studying the State laws, compiling and making available information as to laws

and legislative proposals in the various States, and by constant encouragement to provide strong State consumer protection offices. Perhaps grants-in-aid passed by Congress this year, but not administered by us.

Mr. FLOOD. How do you here suggest or advise Harrisburg to do anything? How do you do that?

Mrs. KNAUER. A number of Governors and attorneys general have invited me into their State to talk about the need for a strong consumer protection office, backed up by adequate laws and budget. State officials or their designated representatives from a number of other States have requested meetings with me in my Washington office. We have also been requested to address several regional or national meetings of State officials. I am pleased at the growing interest in consumer protection by the States. I feel we, in the Federal Government, can't do everything.

Mr. FLOOD. You are invited in by the States?

Mrs. KNAUER. I am invited in, yes. This has nothing to do with politics. We have been to Missouri, Arkansas, and several other States.

Mr. FLOOD. You were invited in by the AG's?

Mrs. KNAUER. That is right, and by the Governor in other cases. In other words, to point out that some States have an excellent series of laws.

Mr. FLOOD. Which States?

Mrs. KNAUER. Arizona, California, Colorado, Connecticut, Hawaii, Illinois, Iowa, Kansas, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, North Dakota, Pennsylvania, Rhode Island, Texas, Vermont, Washington, and Wisconsin. Not too many of the others. There are other States which have a small bureau, one or two people.

Mr. FLOOD. Will you list for us the States in which the Governors, or AG's have invited you?

Mrs. KNAUER. I will be glad to.

(The information follows:)

STATES FROM WHICH STATE OFFICIALS OR THEIR DESIGNATED REPRESENTATIVES HAVE REQUESTED AN INDIVIDUAL CONFERENCE OR MEETING PARTICIPATION BY SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS OR STAFF, APRIL 1969 TO MAY 1970

Washington
New Hampshire
New Jersey
Pennsylvania*
Kentucky*
Maryland*
Arkansas*
Virgin Islands*
Tennessee*
Florida*
New Mexico
Virginia
New York
Missouri*
Indiana

REQUESTED SPEECHES AT MEETINGS INVOLVING MORE THAN ONE STATE

Southern Attorneys General Conference.
National Association of Attorneys General annual meeting.
Southern Conference of Council of State Governments.
National Association of Attorneys General Consumer Protection seminar.
Eastern Regional Consumer Protection Conference, Council of State Governments.

*Indicates invitation into the State. Other meetings requested in Washington, D.C., office.

Mrs. KNAUER. I have talked to the National Association of Attorneys General and they have asked us to use whatever influence we have to help them achieve a better consumer protection measure at the State level.

There may be grant-in-aid programs administered by the Department of Justice at the State level. We would like to see that happen. You and I know how effective it can be at the State level and it would be nice if every State had this same protection.

Mr. FLOOD You're very new to this commission and we want to be sure of jurisdictions here.

Mrs. KNAUER. We work with them and give them information. We do not interfere, naturally, in their internal setup and only go in when they ask us to.

EARLY IDENTIFICATION OF FRAUDULENT ACTIVITIES

Going back to my formal testimony, every effort must be made to nip consumer frauds—unfair and deceptive acts and practices—in the bud before they become national scandals. A decrease in fraudulent activities will benefit ethical businessmen as well as consumers.

Mr. FLOOD. How do you do that? How do you attack scandal A in your office?

Mrs. KNAUER. The administration has proposed a Consumer Protection Act to the Congress, which would outlaw 11 specific cases of frauds covering 85 percent of the cases handled by the FTC. In the case of letters which come to my office, we refer them to the appropriate Federal agency, or to the State consumer protection office where there is an alleged violation of law. In other cases, we contact the president of the company involved in order to expedite a solution of the consumer's problem.

Mr. FLOOD. Many of these frauds are in interstate commerce. How can you attack a fraud in interstate commerce?

Mrs. KNAUER. When it comes to our attention now, we bring it to the attention of the FTC if it is in their jurisdiction, or the Department of Justice. We have no statutory basis, of course, nor do we have any police function of any sort.

GENERAL COUNSEL

Mr. FLOOD. Do you have a general counsel?

Mrs. KNAUER. I have appointed one.

Mr. FLOOD. You haven't one?

Mrs. KNAUER. We haven't one now. We have appointed one, who will be coming very shortly. We have a vacancy for a legislative director, which we have filled. The new director is coming in on June 15.

Mr. FLOOD. As of now you have no general counsel and no legal division?

Mrs. KNAUER. Legal functions have been performed by the legislative division.

Mr. FLOOD. That is quite different.

Mrs. KNAUER. Yes; but this general counsel will start on the 15th of June.

Mr. FLOOD. This is authorized by law, or by administrative action?

Mrs. KNAUER. By administrative action.

Mr. FLOOD. This can be done?

Mrs. KNAUER. Yes.

Mr. FLOOD. Do you have a prospectus for him?

Mrs. KNAUER. Yes.

Mr. FLOOD. Will you supply for the record what you intend to have your General Counsel do as far as you are concerned, including liaison with Justice and with the State AG's?

Mrs. KNAUER. Yes; we will supply that information.

(The information follows:)

The General Counsel will be responsible for the rendering of advice on legal problems to the Special Assistant to the President for Consumer Affairs and the staff of the President's Committee on Consumer Interests.

His duties will include: The evaluation of the legal views of agencies on consumer matters, particularly where agencies hold conflicting opinions which must be reconciled before an executive branch position can be established; representing the President's Committee on Consumer Interests on interdepartmental committees and task forces concerned with broad constitutional legal problems; preparing, interpreting, and supervising the contracts of the President's Committee on Consumer Interests with outside consultants; conducting indepth studies of major legal issues; assisting in the reviewing and recommendation of proposed administration positions on all consumer legislation referred to the President's Committee on Consumer Interests by the executive and legislative branches of the Federal Government; and the maintenance of liaison with the Department of Justice, Federal Trade Commission, and other agencies with respect to the enforcement of consumer laws and regulations.

The new Division of Federal-State Cooperation will serve as liaison with the State attorneys general.

Mrs. KNAUER. We have developed a job description, sent it to the Bureau of the Budget, and they approve the definition and the purpose of it.

Mr. FLOOD. The Bureau of the Budget seldom impresses us.

MODEL STATE CONSUMER LEGISLATION

Mrs. KNAUER. The Division of Federal-State Cooperation will also work closely with the Council of State Governments in recommending adoption of model consumer legislation and uniform State laws. It will continue to cooperate with the National Association of Attorneys General and the Department of Justice on proposals to establish a central clearinghouse for consumer protection data and information.

Mr. FLOOD. What is that?

Mrs. KNAUER. The one I mentioned before, perhaps in the Department of Justice, in connection with LEAA.

This clearinghouse would provide a national focal point for information regarding fraudulent activity on the part of fly-by-night operators who are attempting to avoid prosecution by fleeing across State lines.

INDUSTRIAL RELATIONS DIVISION

Our industrial relations division is inundated with requests by national business groups for meetings with representatives of my office to discuss problems of mutual concern.

Mr. FLOOD. That involves the Department of Labor. How is your liaison with Labor?

Mrs. KNAUER. Excellent.

Mr. FLOOD. How do you do it?

Mrs. KNAUER. The Director, Frank McLaughlin, is in charge of our industrial relations division in my shop. These contacts are multiplying and will certainly increase in the coming fiscal year.

The industrial relations division is responsible for expanding this dialog between Government and industry and for seeking out additional areas of cooperation. My office serves as a barometer of consumer attitudes, and where there are legitimate problems, we encourage industry to solve them voluntarily and alleviate these concerns before legislation is considered.

Mr. FLOOD. How do you become aware of consumer attitudes?

Mrs. KNAUER. Our field division is in direct——

Mr. FLOOD. What field division?

Mrs. KNAUER. I haven't gotten to it yet. It is on one of the other pages.

Mr. FLOOD. You go on.

Mrs. KNAUER. I will go on about that.

We feel that there are areas where legislation is the only remedy and other areas where voluntary action on the part of industry might be effective. We must follow both approaches.

CONSUMER EDUCATION

Another major thrust of my office is consumer education. Innovative programs have been formulated by our Consumer Education Division. We feel that legislation is not really meaningful unless the consumer knows his rights under the law. Information and education are essential to insure the economic well-being of consumers who are often unable to protect themselves in today's complex marketplace.

Mr. FLOOD. Do you propose to launch a widespread information and education program in the news media, television, and radio? What will you use for money?

Mrs. KNAUER. May I just explain what we are going to do in our limited way?

Mr. FLOOD. How is it limited?

Mrs. KNAUER. It is limited by funding. We have to keep within that budget.

CONSUMER EDUCATION IN PUBLIC SCHOOLS

I am happy to report that by early July we will have completed our work with a group of highly qualified consultants in preparing consumer education guidelines for kindergarten through the 12th grade.

This is something that is new, innovative, and greatly needed.

These are skeleton guides which are designed to be adapted by the States to their own particular needs. We will be presenting them free of charge to State or local boards of education and will have them ready for utilization in summer workshops.

A year ago HEW did what is called the Purdue study, which showed clearly there was a national need for consumer education.

Mr. FLOOD. These are very exciting programs. Do you feel you are going to execute these things? Have you ever dealt with the State departments of education?

Mrs. KNAUER. We have been in communication with all 50, plus the territories, a total of 56. Only three have failed to reply as of this date.

Mr. FLOOD. We have had the education people here. Nobody in the Office of Education has mentioned anything like this at all.

Mrs. KNAUER. This is why we felt time is wasting. More people are being victimized, Mr. Chairman.

Mr. FLOOD. I am speaking of the Office of Education.

Mrs. KNAUER. Yes, I know. We have worked with Commissioner Allen. He is well aware of this.

Mr. FLOOD. We passed the education appropriations bill in the House. It is now in the Senate. This entire project was never mentioned to this committee.

Mrs. KNAUER. I mentioned it a year ago.

Mr. FLOOD. I say the Department has not mentioned it.

Mrs. KNAUER. As I say, we sat down with them; we told them what we wanted to do. Commissioner Allen seemed to think this was a good point.

Mr. FLOOD. Just so you know it, he didn't mention that.

Mrs. KNAUER. Perhaps he thinks we are running this.

Mr. FLOOD. Just so you know this is the first we have heard of it.

Mrs. KNAUER. Apparently the educational leaders think this is what has been needed for a long time.

Mr. FLOOD. They haven't told us that.

Mrs. KNAUER. We have been talking about consumer education for a long time.

Mr. FLOOD. They don't hear well.

Mr. MICHEL. As a matter of fact, they have ignored it. When we were kids in school, we got a lot more in school than what children are getting today. Those things are too rudimentary. They think you should be up in the clouds some place.

Maybe we are going to have to return to some of these things that are practical to the children.

Mr. FLOOD. Mr. Michel stated the case very well but isn't it odd that the education people didn't think so?

Mrs. KNAUER. I can't answer for them, but I can say, Mr. Chairman, that in Pennsylvania we were among the forerunners in starting consumer education. We were one of the few State agencies for consumer protection and education in the country, and we felt it was important to help people who did not have this information themselves.

Mr. FLOOD. You are the boss lady and we considered the education bill in this committee and nobody mentioned this. The bill is now in the Senate. That is not a suggestion, but I think you understand. The bill is in the Senate.

USE OF SUMMER INTERNS

Mrs. KNAUER. In addition, we will be working on materials for adult education for low-income areas, and my consumer education staff will be supervising a group of summer interns in a number of research projects and in practical field work in the low-income areas of the District of Columbia.

Mr. FLOOD. What do you mean by "interns?"

Mrs. KNAUER. These are graduate and undergraduate students who are concerned with consumer problems and will be working in our office under intern programs initiated, I believe, by the White House.

Mr. FLOOD. Where?

Mrs. KNAUER. I believe by the White House.

Mr. FLOOD. How do you trap them?

Mrs. KNAUER. We started it ourselves. We find that these young people, juniors, seniors, and some graduate students come, and I think they——

Mr. FLOOD. You asked for these people?

Mrs. KNAUER. That is right. We interview them. Some of them come to us and we try involve them in meaningful programs that will broaden their experience in this area.

Mr. FLOOD. Are they on a payroll?

Mrs. KNAUER. Yes, but I believe they come under the category of intermittent help.

Mr. FLOOD. It is the general intern program and it is nothing special to your shop?

Mrs. KNAUER. That is right.

CONSUMER EDUCATION FOR LOW-INCOME AREAS

Continuing with my prepared statement, problems are compounded and aggravated for the low income, the uneducated, and the minority groups which comprise large segments of our rural and urban ghettos where frauds flourish and deceptive sales practices abound. Here individuals are at least able to protect themselves and are most vulnerable to fringe operators. We are attempting to provide additional information and assistance to persons handicapped because of limited incomes, including groups with special problems such as the elderly, the foreign-speaking, and the Indian population. We will present a series of brochures dealing with such topics as the prudent use of credit, the real cost of owning an automobile, and the importance of reading contracts as a pilot project in five or six cities.

RELATIONSHIP WITH OEO

Mr. FLOOD. How do you work with OEO?

Mrs. KNAUER. Directly with Don Rumsfeld. Do you mean what are we planning to do?

Mr. FLOOD. How do you do this?

Mrs. KNAUER. We have had quite a few sessions, sitting down with Mr. Rumsfeld and his staff and outlining what we can do in cooperation with their offices——

Mr. FLOOD. Is this recently?

Mrs. KNAUER. Yes; I would say within the past month. I have seen them quite frequently. They have these consumers offices in the inner cities, and they, too, are in need of the type of information that we have and are preparing. Our office is also working with OEO's new Consumer Environmental Division and will be coordinating our fall low-income project with them. We have also worked with them in investigating prospective OEO consumer projects.

Mr. FLOOD. Are you all doing the same thing?

Mrs. KNAUER. No; they are not doing anything like this, and this is why we make sure there is no overlap or duplication, not only with OEO but any other Federal agency. We have consulted with them on brochures.

Mr. FLOOD. That is our pet hate, you know, here.

Mrs. KNAUER. Duplication of effort is my pet hate, too. I think the most important job we can do, Mr. Chairman, is to make sure in the coordinating role that our office knock out any duplication. We are not going to contribute to it. This is why we spy out the area so carefully before we do anything.

We hope to involve the entire community—OEO's Vista, FTC, State attorney generals' offices, State welfare departments, school systems, volunteer consumer groups—to reach as many people as possible through personal contact in low-income areas. These materials have already been produced by our Publications Division and will be printed as soon as additional funds become available.

In the current budget there is an allotment of only $3,000 for printing which is used almost exclusively for a monthly legislative report—in fact, this year we spent more than $3,000 on the publication of these legislative bulletins—which is of tremendous assistance to voluntary consumer groups throughout the country, State attorneys general, selected colleges, and libraries, and other interested persons concerned with the movement of consumer legislation through the Congress.

ESTABLISHMENT OF COMMITTEE

Mr. FLOOD. How long has this Committee been in existence?

Mr. CRATEN. Since 1964.

Mr. FLOOD. Will you place in the record the Executive order which gave birth to this Committee?

Mrs. KNAUER. Certainly, and this is the amendment.

(The documents follow:)

THE WHITE HOUSE—EXECUTIVE ORDER AMENDING EXECUTIVE ORDER NO. 11136, RELATING TO THE PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS AND THE CONSUMER ADVISORY COUNCIL

By virtue of the authority vested in me as President of the United States, Executive Order No. 11136 of January 3, 1964, is hereby amended to read as follows:

"The consumer's interest is the American interest, for we are all consumers. In filling the needs of our daily lives, we are direct purchasers of two-thirds of our total national production.

"The success of our competitive economic system depends on the furtherance of the consumer interest. And it is our free marketplace, working for the benefit of the individual, that has given to the American consumer the highest standard of living the world has ever known.

"The consumer has four very basic rights in that marketplace—the right to be informed about the products he buys; the right to choose between several varieties of those products; the right to be protected from unsafe products; and the right to be heard in the highest councils of Government.

"It is our job to assure the preservation of those rights. To do so, we must have the cooperation of business and industry, as well as of the consumer. They are all integral, interacting, indispensable elements of our economic system. They must have mutual trust, mutual respect, and a mutual dedication to a sound and healthy America.

"Now, therefore, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

"PART I. PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS

"SEC. 101. *Establishment of the Committee.*—(a) There is hereby established the President's Committee on Consumer Interests (hereinafter referred to as the 'Committee'.)

"(b) The Committee shall be composed of the Special Assistant to the President for Consumer Affairs: the Chairman of the Council of Economic Advisers; the Director of the Office of Economic Opportunity; the Attorney General; the Postmaster General; the Secretary of the Interior; the Secretary of Agriculture; the Secretary of Commerce; the Secretary of Labor; the Secretary of Health, Education, and Welfare; the Secretary of Housing and Urban Development; the Chairman of the Federal Trade Commission; the Administrator of Veterans' Affairs; and such other Government officials as the President may designate.

"(c) The Chairman of the Committee shall be the Special Assistant to the President for Consumer Affairs. The Chairman shall direct and supervise any staff employed by or detailed to the Committee.

"(d) When matters are to be considered by the Committee which affect the interests of Federal agencies the heads of which are not members of the Committee, the Chairman of the Committee shall invite such agency heads to participate in the deliberations of the Committee.

"SEC. 102. *Functions of the Committee.*—(a) The Committee shall study the plans and programs of Federal agencies affecting consumer interests. The Committee shall make recommendations to the President on questions of policy relating to consumer affairs; may conduct studies of matters related to consumer interests; and shall encourage and assist Federal agencies to accomplish effective coordination of plans and programs affecting consumers.

"(b) In carrying out the provisions of subsection (a) of this section, the Committee shall, as far as may be practicable, advise Federal agencies with respect to the effect of their respective plans and programs on consumer matters, and may suggest to such agencies procedures which the Committee believes will better protect consumer interests. Such plans and programs may include, but shall not be limited to, those relating to (1) the scope of Federal action in consumer matters, and (2) cooperation with the States and their local subdivisions and with private organizations and individuals in areas of consumer interest.

"SEC. 103. *Assistance and cooperation.*—(a) The Federal agencies headed by the officers composing the Committee shall, as may be necessary for effectuating the purposes of this order, furnish assistance to the Committee in accordance with section 214 of the act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691).

"(b) Upon request of the Chairman of the Committee, each Federal agency shall, to the extent consistent with law, furnish information, data, and reports needed by the Committee to accomplish the purposes of this order.

"(c) All Federal officials, in carrying out their statutory responsibilities and programs, shall be mindful of the objectives of this order, and shall take such measures, consistent with their authorities and available funds, as will assist in effectuating the consumer programs with which they are concerned.

"(d) The Department of Labor shall provide administrative services for the Committee on a reimbursable basis.

"SEC. 104. *Construction.*—Nothing in this order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any Federal agency or the head thereof to the authority of any other agency or officer or as abrogating or restricting any such function in any manner.

PART II. CONSUMER ADVISORY COUNCIL

"SEC. 201. *Establishment of Council.*—There is hereby established the Consumer Advisory Council (hereinafter referred to as the 'Council') which shall be composed of not more than 12 members appointed by the President. The President shall designate the Chairman of the Council from among its members. Initial appointments to membership on the Council shall be for 2-year terms. Successors shall be appointed for terms of 1 or 2 years, as specified by the President, and all appointments thereafter shall be for 2-year terms. Any person chosen to fill a vacancy shall be appointed for the unexpired term of the member whom he succeeds.

"SEC. 202. *Duties and responsibilities.*—(a) The Council shall advise the President and the Committee on matters relating to the consumer interest.

"(b) The Council shall advise and assist the Committee in evaluating the progress made in carrying out the functions of the Committee and recommend to the Committee, as necessary, action to accelerate such progress.

"(c) The Chairman of the Council, through the Chairman of the Committee, may request information relating to the functions of the Committee as set forth in section 102(a) above, and the Council, on its own motion, may initiate consideration of items which relate to carrying out those functions.

"(d) The Chairman of the Committee shall be responsible for assuring that the meetings and other activities of the Council are carried out in accordance with the relevant provisions of Executive Order No. 11007 of February 26, 1962.

"SEC. 203. *Expenses.*—Expenses of the Council shall be met from funds available to the Committee. Members of the Council shall, for each day a member is engaged in meetings or is, with the approval of the Chairman of the Committee, engaged in other work in pursuance of this order, receive compensation at a rate determined by the Chairman of the Committee, and travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 3109; 5 U.S.C. 5703)."

[Office of the White House Press Secretary, the White House, Austin, Tex., Jan. 3, 1964]

EXECUTIVE ORDER

ESTABLISHING THE PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS AND THE CONSUMER ADVISORY COUNCIL

Whereas all individuals in our society, as consumers, are significantly affected by Federal economic policies and by Federal programs to promote the welfare of consumers and to protect their interests in the marketplace; and

Whereas individual consumers and consumer organizations face unusual problems in attempting to assure that the views and needs of consumers receive full consideration by Federal officials who administer policies and programs affecting consumer interests; and

Whereas the Federal Government, serving all the people, has a special obligation to be alert to consumer needs and to advance the interest of consumers by all appropriate means, including arrangements to enable representatives of consumers to be heard in the development and administration of Federal policies and programs;

Now, Therefore, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

Sec. 1. *Establishment of Committee.* (a) There is hereby established the President's Committee on Consumer Interests (hereinafter referred to as the "Committee").

(b) The Committee shall be composed of representatives of the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Housing and Home Finance Administrator, the Chairman of the Federal Trade Commission, and the Chairman of the Council of Economic Advisors; such other Government officials or employees as the President may designate; and such private citizens especially qualified to represent consumer interests as the President may appoint. Each Federal agency head named herein shall designate one person, who shall be an assistant secretary or official of comparable rank, to represent him on the Committee.

(c) The Chairman of the Committee shall be designated by the President from among the Federal members to serve for such term as the President may determine. The Chairman shall direct and supervise any staff employed by or detailed to the Committee.

(d) The Chairman shall invite the heads of Federal agencies not represented on the Committee to designate representatives (who shall be assistant secretaries or officials of comparable rank) to participate as *ad hoc* members of the Committee when matters affecting the responsibilities of their respective agencies are to be considered by the Committee.

Section 2. *Establishment of the Consumer Advisory Council.*—(a) There is hereby established the Consumer Advisory Council (hereinafter referred to as the Council), which shall consist of the private citizens appointed by the President as members of the Committee. The President shall designate the Chairman of the Council from among its members.

(b) The Chairman of the Committee shall be responsible for assuring that the meetings and other activities of the Council are carried out in accordance with the relevant provisions of Executive Order 11007 of February 26, 1962, and for prescribing such additional regulations with respect to the affairs of the Council as may be necessary.

Section 3. *Functions of the Committee, the Federal members, and the Council.*—(a) The Committee shall from time to time consider (1) the Federal policies and programs of primary importance to consumers or the unmet consumer needs which can appropriately be met through Federal action, either under existing

laws or new legislation; (2) the aspects of Federal policies, programs, and operations concerning which the views of consumers should be available to Federal officials; (3) the means by which necessary liaison may be established between the Consumer Advisory Council and consumer organizations to enable the Council to perform its functions under subsection (c), below; and (4) the manner in which consumer views can be communicated to appropriate Federal departments and agencies.

(b) The Federal agency heads enumerated in section 1(b), collectively or individually, as appropriate, (1) shall seek the advice of the Committee or the Council on matters affecting consumers, and similarly receive recommendations made on the initiative of the Committee or the Council; (2) shall be responsible for considering recommendations made by the Committee or the Council; and (3) shall take such action as is deemed to be in the general public interest, including making recommendations to the President on matters requiring action by him or by the Congress.

(c) The Council shall advise the Government on issues of broad economic policy of immediate concern to consumers, on governmental programs to meet consumer needs or to protect consumer interests, and on needed improvements in the flow of consumer research material to the public. The Council may arrange through the Chairman of the Committee for fact-finding studies to enable the Council to carry out its responsibilities. In carrying out its functions the Council shall, insofar as practicable. provide interested organizations and individuals an opportunity to present their views and recommendations to the Council for its consideration.

Sec. 4. *Federal agencies.*—(a) Upon request of the Chairman of the Committee, the heads of Federal agencies shall so far as practicable provide the Committee with information and reports relating to matters within the cognizance of the Committee.

(b) Each Federal agency represented on the Committee shall furnish necessary assistance to the Committee in accordance with section 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691).

(c) The General Services Administration is hereby designated as the agency which shall provide administrative services for the Committee on a reimbursable basis.

Sec. 5. *Compensation and per diem.*—For each day any person appointed from private life as a member of the Committee is engaged in meetings, or is with the approval of the Chairman of the Committee engaged in other work in pursuance of this order, such person shall receive compensation at a rate determined by the Chairman of the Committee and travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 55a; 5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 3, 1964.*

Mr. FLOOD. Is your Committee being taken seriously by anybody?

Mrs. KNAUER. Yes; there are bills before both the House and the Senate which would make our office statutory.

Mr. FLOOD. I mean throughout the country.

Mrs. KNAUER. Very much so. We can show you a fantastic increase in 1 year in the workload that we have had. I think we have had good visibility; I think we have been able to show there is a real concern on the part of the administration and Congress for the welfare of consumers.

Mr. FLOOD. You are not merely a beau geste?

Mrs. KNAUER. I don't think so. As you know, there are bills before the Congress which would create our office as a permanent, statutory office with the central responsibility of coordinating. We have been performing this function to some degree.

CONSUMER REGISTER

Going back to my prepared statement, we plan to continue the monthly legislative report on a regular basis and to use additional funds which are being requested in the fiscal 1971 budget for publica-

tion of the low-income brochures; for a Consumer Register which would alert consumers to items of consumer concern in the Federal Register; for a revision of our 900-entry bibliography for consumer education materials; for a bulletin giving the public information about all consumer-related activities in the Federal departments and providing pertinent information about products procured by the Government; and for a revision of our Federal Guide to Consumer Services.

Mr. FLOOD. What consumer groups call for this?

Mrs. KNAUER. All the consumer groups in the country. They have been asking for a translation of the Federal Register into laymen's language which would be understandable.

Mr. FLOOD. We join with them.

Mrs. KNAUER. We will be happy to send you our version. We thought we would choose just those matters that are relevant to consumers, where they would conceivably wish to take part in these decisions which definitely affect them very personally.

We would call this a Consumer Register.

CONSUMER EDUCATION BIBLIOGRAPHY

We also have a Consumer Education Bibliography, the first one ever produced. It is a 900-entry bibliography listing materials and visual aids for persons teaching consumer education.

Mr. FLOOD. Who knows about that?

Mrs. KNAUER. We have distributed over 5,000 of them already.

Mr. FLOOD. Universities?

Mrs. KNAUER. Universities, teachers, teachers' workshops, libraries, all over the country.

Mr. FLOOD. The League of Women Voters?

Mrs. KNAUER. Yes. We are happy to supply a copy to any responsible person who writes in and wants one.

Mr. FLOOD. What does it contain?

Mrs. KNAUER. It contains 900 entries.

Mr. FLOOD. A bibliography about what?

Mrs. KNAUER. Sources of teaching materials in consumer education: film strips, movies, teaching serials, aid to teachers, and so forth.

Mr. FLOOD. Audio visual supplies?

Mrs. KNAUER. Yes. We state whether they are free or whether people have to pay for them. Apparently there is no such resource anywhere except this one.

Mr. FLOOD. There is now.

Mrs. KNAUER. There is one now, and we just want to update it.

Mr. FLOOD. Why isn't it 50,000? How do people know this exists? I didn't.

Mrs. KNAUER. We talk about it in speeches and meetings. There were also press releases.

CONSUMER NEWS BULLETIN

Going on to justify the increase in our printing budget, we believe it important to publish a bulletin giving the public information about the consumer-related activities in the Federal Government. Rather than have this proliferation of little newsletters in every agency, it was thought to centralize them out of our agency so that—for instance, HEW, Labor, everyone who has current information on programs

or projects relative to consumers would be in the one newsletter or news bulletin. Of course, we hope to revise our Federal Guide to Consumer Services.

COORDINATION OF CONSUMER-RELATED PROGRAMS

My office is increasing its efforts to serve as a coordinator of the 400 or more consumer-related programs scattered through 33 Federal departments and agencies. Because of its strategic position within the White House and its singleness of purpose, my office, with adequate funding and personnel, is best able to provide this much-needed coordination, thereby preventing possible fragmentation, overlap, and inadequacy in consumer protection services.

FIELD OPERATIONS DIVISION

Our field operations division serves as liaison with voluntary consumer organizations across the country. As consumers have become more vocal, many have banded together to express their concerns and the number of consumer groups has grown steadily. There are now 57 consumer organizations on the National, State, and local level—26 of them formed in the past 2½ years.

They run up to a membership of a thousand or more.

The demands on the field operations division, which provides advice and assistance to these groups, have increased proportionately.

There is still a great need for better communication between the individual citizen and his government. Great volumes of consumer correspondence are received daily at the President's Committee on Consumer Interests, and the consumer communications division in the past 12 months has received approximately 31,000 consumer letters, an increase of 24,000 over the previous 12 months. Referrals from Members of Congress have increased proportionately. By providing a forum for consumer frustrations, a source of relief for consumer complaints, and a single clearinghouse for information and programs, the Office greatly enhances the Government's awareness of these problems and thereby facilitates its response to the needs of the people.

From May of 1969 through May of this year my public information division has prepared approximately 110 speeches compared with 63 speeches for the same time period between 1968 and 1969. The number of press persons assigned to the office has increased from 58 to 100. These figures speak for themselves.

This review, gentlemen, should illustrate the tremendous increase in demand in every phase of my office's work during the past year. I feel that the functions which we are performing are essential and must be expanded and upgraded.

CONSUMERS ROLE IN THE ECONOMY

Consumers play a vital role in a sound economy. Since consumer spending accounts for over three-fifths of the gross national product, collective consumer decisions affect the direction of the economy and the very quality of American life. Consumer confidence in the marketplace is, therefore, the underpinning of a prosperous nation.

I urge you to act favorably on the budgetary increase which has been proposed, a modest one indeed in view of the importance of the functions being performed in terms of both human and economic values.

CONSUMER BILLS BEFORE CONGRESS

If I may, I would like to show you some charts we made which graphically show this.

(Chart entitled "Consumer Bills Before Congress" was shown.)

These are the bills we have before Congress this year. In the second session of the 90th Congress there were 80 consumer bills.

(Chart shown entitled "Congressional Testimony.")

This testimony, in my first year in office——

Mr. MICHEL. Are those different bills or one bill with 80 cosponsors——

Mrs. KNAUER. We cut them down so there were not duplications. These are separately identifiable bills.

I have appeared in congressional and departmental hearings 28 times in my first full year in office. In the prior year there had been 16 appearances.

BUSINESS CONTACTS

(Chart shown entitled "Business Contacts.")

In our business contacts, the office registered 400 during 1968. We are slightly over a thousand now.

CONSUMER ORGANIZATION CONTACTS

(Chart shown entitled "Consumer Organization Contacts.")

During 1968, my office reported 3,700 contacts with consumer organizations. In 1969, these contacts had mushroomed to 5,500.

CONSUMER CORRESPONDENCE

(Chart shown entitled "Consumer Correspondence.")

Consumer correspondence in 1968 was about 14,000, give or take a few. We have put in a new system of bookkeeping, auditing, and filing, which is much more efficient. This chart shows we are now running 31,000 letters a year.

CONGRESSIONAL REFERRALS

(Chart shown entitled "Congressional Referrals.")

These are congressional referrals. We answer these letters quickly. There were 420, roughly, in 1968, and now we are up to 970 in 1 year.

Mrs. REID. That 420 figure; are those responses or letters which were sent?

Mrs. KNAUER. These are responses. We respond to all the letters which come to us. May I say we have a new policy of contacting the President of a company directly at the head of a trade association in order to expedite the resolution of consumer problems.

We find the Presidents of these companies are getting, for the first time, an insight as to what is really happening in the lower echelon of their companies. They have been most grateful and cooperative, and in some cases have established a whole new process of consumer re-

lations, a new division in their respective companies. They are pleased; the consumer is pleased. We feel it is a good service to the consumer.

SPEECHES AND INTERVIEWS

(Chart shown entitled "Speeches and Interviews.")

On speeches and interviews, there were 125 in 1968. In the same time interval I have given 190.

PRESS CONTACTS

(Chart shown entitled "Press Contacts.")

Now, these press contacts are not only with me personally, but with all our staff, either in interviews, TV, or through providing information and backgrounding for members of the press. This has jumped from 1,500 up to 2,500, so you can see this has been a dramatic increase.

PERCENTAGE INCREASE IN ACTIVITY

(Chart shown entitled "Percentage Increase in Activity.")

Mrs. KNAUER. This is percentage increase in activity, 1 year over the previous full year.

The consumer organization contacts have gone up about 65 percent. The press contacts have gone up about 70 percent.

Speeches and interviews are almost 80-percent increased. Congressional testimony is up 80 percent and the consumer correspondence up 150 percent.

Bills before Congress, of course, are up 250 percent. Congressional referrals have gone up 250 percent.

There are some bills which have been passed. We are very anxious that the bills that set up our office as a permanent statutory office——

CONSUMER LEGISLATION

Mr. CASEY. How many of these bills did you recommend?

Mrs. KNAUER. Our office actually worked on President Nixon's consumer message, and on other consumer bills. We have a long list of them.

Mr. CASEY. You have worked on them but did you initiate any of the 200 bills?

Mrs. KNAUER. Yes, we did work with the administration team in the initiation of the administration bills which the President had recommended to the Congress in his consumer message: the Consumer Representation Act, the Consumer Protection Act, the Consumer Product Testing Act, and the Drug Identification Act of 1969.

In addition, we are asked to comment on a great many other bills whether they are our bills or not. If a congressional committee invites us to comment, then before I comment we have to work out an administration position if there is none, do research on the bill and talk to people both pro and con on the bill.

Mr. CASEY. Are you opposed to any of the 200 bills you have listed there?

Mrs. KNAUER. I believe I have made about 28 different appearances.

Miss HANFORD. All the bills which you see in this stack were introduced by the administration.

Mrs. KNAUER. We have a list which we will be glad to send to the committee.

PROPOSED STAFF INCREASE

Mr. NATCHER (presiding). Mrs. Knauer, you are proposing a rather large increase in your staff. You would go from 19 positions in 1970 to 35 positions in 1971. Tell us how the 19 positions that you have at present are being used and what the additional 16 positions proposed for 1971 would do.

Mrs. KNAUER. Well, actually, as I said in the testimony, because of the pressure of work we have been forced to go out and borrow people from the various agencies. As I said in my formal remarks, we would like to bring these people who are already working on our staff permanently aboard.

Mr. NATCHER. Do you feel the additional staff you are asking is necessary at this time?

Mrs. KNAUER. Yes; we are overworked as it is now.

EMPLOYEES ON DETAIL FROM OTHER AGENCIES

Mr. NATCHER. How many people are presently assigned to you on detail from other agencies?

Mrs. KNAUER. It is the difference between 35 and 19.

AVOIDING DUPLICATION OF ACTIVITIES

Mr. NATCHER. How do you avoid duplication of the activities of the many other Federal agencies who are involved in consumer protection? How do you avoid this duplication, Mrs. Knauer?

Mrs. KNAUER. Through coordination we are seeking to eliminate duplication. We have a coordinating function. For example, we are working with HEW and FTC on the question of enzymes.

PROGRAM EMPHASIS IN FISCAL YEAR 1971

Mr. NATCHER. In what fields do you plan to concentrate your efforts in fiscal year 1971?

Mrs. KNAUER. I would say in consumer education and in the area of coordinating and improving the many Federal consumer programs. We estimate there are over 400. We would like to make sure there is no overlap, duplication, or what have you in those areas.

Mr. NATCHER. What do you think is the most pressing need in the field of consumer protection, Mrs. Knauer?

Mrs. KNAUER. Consumer education is, of course, basic. We cannot do it all, but by acting as a catalyst, we can encourage the States to do more in their own areas. Someone has to show the way, however. I feel that is our responsibility at the national level.

The broad areas of fraud, safety, and adequate information in the marketplace are of great concern to my office. I would like to continue working in the area of additional legislation as it is needed, and to continue meaningful dialog between business, consumers, and Government. I feel that is what my office is about—we have an open-door policy. I have said all along we feel it is not necessary to be anti-business to be proconsumer.

Mr. NATCHER. We will be back with you in a moment. We will go over and vote.

(Recess.)

DUPLICATION OF CONSUMER SERVICES

Mr. FLOOD. As you know, one of the pet hates of this committee is duplication of any sort. Of course, the Government is rampant with it. We live and breathe only to stop this kind of thing. It is like fighting a windmill, but we do our best.

Now, Mr. Natcher was just talking to you about duplication. Mr. Natcher, how do you feel about the answer to your question?

Mr. NATCHER. Miss Hanford, of course, as you know, our committee is very concerned from the standpoint of duplication of services, especially not only in this category but in the other matters that come before our committee. How do you feel generally about the duplication of services from the standpoint of the consumer setup in your department?

Do we have a duplication in your department with other departments in the Government as far as consumer services is concerned?

Miss HANFORD. No, sir.

Mr. NATCHER. How are you avoiding it, Miss Hanford?

Miss HANFORD. This is one of the major goals of our office, to try to eliminate duplication. I think we are working right along with you, both in our concern and in our efforts to try to remedy this problem.

We discovered last fall that there were over 400 consumer-related programs scattered throughout 33 different departments and agencies in the Federal Government. We feel, because we are a White House office, we are uniquely able to coordinate consumer-related activities throughout the Federal Government, to eliminate any duplication or overlap, to strive for the best united effort for the consumer.

This we feel is very important. It is something we are trying to do now. We hope with some additional personnel we will be able to do a more extensive coordinating job in the future. If the office becomes statutory this year, this will certainly be one of our major roles.

Mrs. Knauer knows the various Secretaries, Cabinet members. She can pick up the phone and get top level attention for these problems and bring together, for example, two agencies who are involved in the same area, but where coordination might be needed to prevent duplication. We feel strongly, just as you do, that this is something which must be done. We feel that we are in a unique position to do it, and we are not duplicating what other agencies are doing.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. You understand exactly, as Mr. Natcher said, how the committee feels. We are gravely concerned because of the impact, the import, the public awareness recently of what your job is. There is not only environmental and technological pollution, Earth Day and all that, but this business of protection of the consumer. The news media make much of this. You are asking for money to do these things. So this is not a casual appearance.

Miss HANFORD. That is right.

Mr. FLOOD. I know you have gathered that.

PUBLICATIONS

Now you have publications, I gather, of which I saw one or two. What kind of publications? What do you publish?

Miss HANFORD. Let me show you a few examples.

As Mrs. Knauer mentioned, we had only $3,000 for publications. Our monthly legislative report——

Mr. FLOOD. You had only $3,000 for publications?

Miss HANFORD. Yes, sir.

Mr. FLOOD. That is because last year in the budget you had a request for $3,000 for publications?

Miss HANFORD. That is right.

Mr. FLOOD. What you asked for, you received?

Miss HANFORD. This is the budget request we inherited.

Mr. FLOOD. What are you asking now?

Miss HANFORD. We are asking for additional funds.

Mr. FLOOD. How much?

Miss HANFORD. We would be asking for $74,000 for publications, in addition to the $3,000; it would be $77,000 total.

Mr. FLOOD. In 1 year you have gone from $3,000 to $74,000 in your requests?

Miss HANFORD. The $3,000 estimate for fiscal year 1970 was much too low. Our legislative report alone has run to $7,200 as of June 1. You will notice in the budget justification that the updated estimate, the more accurate estimate as fiscal year 1970 closes, is $20,000; $20,000 is a more realistic figure for 1970 than $3,000. Last year we had no Division of Publications. This is a new office. Mrs. Knauer thought it was important to set up this particular function because there is a need for a number of other publications, such as a Guide to Federal Consumer Services and a Consumer Register.

Mr. FLOOD. Thes witness shows the committee a document called Consumer Legislative Monthly Report, issued by the Office for Legislative Affairs, President's Committee on Consumer Interests, dated May 1, 1970. This document is 70 pages in length.

I see a note "authorization to reproduce granted."

Miss HANFORD. Yes, sir.

Mr. FLOOD. Authorization by whom?

Miss HANFORD. In other words, if a person wanted to reproduce and use that report in connection with a consumer organization, he could provide copies to all members.

Mr. FLOOD. Last year you asked for $3,000 to embrace this kind of thing.

Miss HANFORD. That is right. Mrs. Knauer inherited that budget when she came to the Committee. In the year she has been with the Committee, she felt there was an increasing need in this area.

Mr. FLOOD. Did your inherited budget come from a previous administration?

Miss HANFORD. Mrs. Knauer——

Mr. FLOOD. Did it?

Miss HANFORD. The original figures, the initiation of the budget, was by the previous administration; yes.

Mr. FLOOD. That was the $3,000?

Miss HANFORD. That is right.

Mr. FLOOD. Now in your own right, based upon your experience in the past year, you are now asking for how much?

Miss HANFORD. $77,000 for publications. This would involve general printing, too, which would include testimony, and general office needs.

Mr. FLOOD. It is generally published information?

Miss HANFORD. That is right.

Mr. FLOOD. What about audiovisual aids?

Miss HANFORD. We would like to get into that area. We are investigating possibilities, but until we have a specific plan, we are not including that in our publications request.

Mr. FLOOD. We have the impression that you are not very happy with your position. Are you receiving support from the powers that be in this?

Miss HANFORD. Yes, sir.

Mr. FLOOD. You are?

Miss HANFORD. Yes. May I now add a comment regarding your question about publications? May I spell out what our plans are in the area?

"A GUIDE TO FEDERAL CONSUMER SERVICES"

You mentioned coordination. We feel our "Guide to Federal Consumer Services" would be most helpful in this regard.

Mr. FLOOD. The witness shows the committee a booklet entitled "A Guide to Federal Consumer Services, the President's Committee on Consumer Interests, 1967."

Miss HANFORD. Yes, we would like to revise that publication.

Mr. FLOOD. It is a paperback, 140 pages in length.

You would what?

Miss HANFORD. We would like to revise and update that document.

Mr. FLOOD. You intend to?

Miss HANFORD. Yes; we do, but we will need funds to publish it.

Mr. FLOOD. What is the purpose and intent of this document, this exhibit?

Miss HANFORD. This will enable individuals, consumer organizations, educators to readily acquire information about all Federal consumer-related services. In other words, this would eliminate the necessity for searching through a maze of literature to find out exactly where and how they approach a Federal agency to get the aid they need. This is to simplify—make Government services more accessible to the individual citizen. It is a part of our effort to coordinate Federal programs and eliminate duplication and overlap.

ROLE OF EXECUTIVE DIRECTOR

Mr. FLOOD. Now what is your title?

Miss HANFORD. Executive Director.

Mr. FLOOD. What do you do besides run the place? What do you do?

Miss HANFORD. I assist Mrs. Knauer in policy matters and program details. My function is also coordinating the activities of the office.

For example, we have a number of directors in different areas, publications, legislation, public information, industrial relations. My job is to coordinate their activities, give assignments. I handle budget, personnel, and housekeeping details.

I serve as a backup to Mrs. Knauer when she is not able to make an appearance or to attend a meeting. In other words, I am her deputy or alternate, performing the role as I am doing now.

MANY AGENCIES INTERESTED IN CONSUMER PROTECTION

Mr. FLOOD. Of course, as Mr. Natcher indicated to you, our great concern is duplication. It may amuse you, but it does not us here. The analogy might be family planning. We say here, all of us, that all of a sudden every department of the Government is concerned with family planning. A few years ago that was taboo, for many reasons. Now we say everybody but the Bureau of Mines wants money for family planning.

We think or hear or feel that so many agencies in the Government are now concerned about the consumer. That being so, they are asking for money in many departments, many agencies, from other subcommittees, for great sums of money.

They say they vehemently man the barricades for the interests of the consumer this year. That being so, we wonder is this another string to the bow?

Miss HANFORD. I think we have a little headstart on them because the Committee has been in operation since 1964. This has been our field of activity for a number of years.

The reasons for our requested budget increase are two. One is to bring the detailed personnel on to our payroll so they are being paid by the agency supervising their activities. We feel this is only fair to our personnel, so they can get promotions based on merit as approved by their actual supervisors; also to eliminate all the administrative work involved in obtaining personnel on detail.

Mr. FLOOD. We are concerned about this. We have seen many commissions and committees under various Presidents. We would like to see a commission against more commissions. Now here is another one.

Miss HANFORD. As I mentioned before, we are certainly concerned with eliminating any unnecessary duplication. In performing our coordination role we will not hesitate to recommend the elimination of any program which no longer serves the need for which it was established.

Mr. FLOOD. We just wonder, are you going to be a Hydra-headed monster? There is nothing more permanent here than a temporary commission or agency or building.

Miss HANFORD. The Committee is set up by Executive order. But there are a number of bills before Congress which would make it statutory.

If I may complete my remarks about where the bulk of our proposed budget increase comes from, I think that might help.

Mr. FLOOD. Suppose you do.

INCREASE FOR PRINTING

Miss HANFORD. As well as bringing the detail personnel on to our payroll, which, of course, would give us, and them, the security of knowing they would not be called back to a parent agency unexpectedly, we have also requested quite an increase in the printing area. Although we have completed the revision of our "Guide to Federal Consumer Services," we do need the funds to publish it. We are also planning for a consumer bulletin. This involves trying to cut out some of the proliferation of newsletters throughout Government.

Mr. FLOOD. Here you print a bulletin. What do you do with it?

Miss HANFORD. The major purpose of the proposed bulletin would be to provide information concerning the many consumer-related programs scattered throughout the Federal departments and agencies and the availability of visual aids, other reports, et cetera, available to consumers. Disseminating information and coordination are important functions of our office and the bulletin would be a tremendous help in fulfilling these functions. For example, we get about 3,800 letters a month. The information which we provide through letters could be circulated to many more people through the bulletin. Another possibility for consideration would be information about products which the Federal Government procures, information pertinent to consumers resulting from Government studies of the products it procures for its own use.

DISTRIBUTION OF INFORMATION

Mr. FLOOD. Do you realize, in our opinion, Mrs. Jones who lives across the street from us in our hometown has never heard of you.

Miss HANFORD. We will have to inform people that we have this service. We will do this through all of the many consumer organizations. There are now 57 of those throughout the National, State, and local levels. We will disseminate this information through the press. We will do it through the Attorney General's offices and State organizations, through the Federal agencies involved in consumer activities. We would help to cut down on proliferation and overlap.

If our office could provide information from one single source about consumer programs in different Federal agencies this would be a valuable service.

Some of the consumer groups have as many as 1,000 people as members. That gives us a real opportunity to distribute information which is helpful to people who are concerned with consumer issues. Then they can further distribute this information in their local areas.

But then, as Mrs. Knauer mentioned, we are going to publish a consumer register as soon as we have the funds. This would be a translation into layman's language from the Federal Register of pending Federal actions affecting consumers.

PUBLIC INQUIRIES

Mr. FLOOD. Have you received in the last year mail or inquiries of any sort, to any degree, nationwide, about any of these things?

Miss HANFORD. We constantly receive thousands of requests for information; yes. We have many requests for publications, not only consumer-education materials for use in the schools but also information along the lines I have just mentioned. We have had many requests for information about products that the Government has procured.

Also, people ask us about Federal services. If we had the revised edition of our "Guide to Consumer Services in the Federal Government," we could send that right out.

TYPES OF CONSUMER INQUIRIES

Mr. FLOOD. If you can, would you for the record show us, as much as you can in round numbers, the different types and kinds of inquiries and communications you received by mail, by telephone, from individu-

als, from organizations, in the past year; the number, type, and kind of inquiry?

Miss HANFORD. I would be happy to.

(The information follows:)

Consumer communications—June 1969 through May 1970

Advertising	742	Mail—unsolicited/service	82
Air conditioners	90	Meat inspection	34
Airlines/trains	76	Meat packaging	348
Automobiles	4,636	Medical/dental	100
Appliances	2,896	Miscellaneous	1,334
Auto insurance	152	Mobile Homes	214
Auto tires	378	Movers	384
Bargain finder	30	Musical instruments	28
Boats	64	Not our jurisdiction	48
Business practices	394	Packaging and labeling	1,046
Camera/film/projector	182	Paint	32
Carpets/flooring	306	Paper products	38
Cleaners	50	Pesticides	36
Clothing	540	Phonographs/records	38
Containers	166	Photographer	14
Consumer education	936	Pollution	32
Cosmetics/toiletries	172	Poultry inspection/packaging	28
Cost of living/inflation	70	Poor pay more	6
Coupons	156	Prices	994
Credit	830	Product safety	168
Credit cards	294	Record clubs	92
Credit reporting	82	Recorders/tapes	252
Detergents/soap	258	Request for information	1,324
Door-to-door sales	24	Sales referral	8
Drugs	94	Schools	38
Eyeglasses	46	Senior citizens	14
Farm prices	22	Sewing machine	100
Fish inspection	18	Shoes	160
Fluordination	10	Support	486
Food	2,178	Swimming pool	34
Food freezer plan	40	Taxes	66
Furnace	72	Telephone	56
Furniture	414	Television/radio	1,210
Gasoline	68	Textiles	132
Gimmicks	316	Tobacco/alcohol	40
Hearing aid	136	Toys	150
Home repair	168	Trading stamps	56
Household	160	Travel/accommodations	196
Housing	414	Typewriter/office machines	42
Insurance (other than auto)	288	Utilities	116
Investments	182	Veterans	4
Jewelry	44	Watches/clocks	188
Lawn mower	58	Wigs	60
Legal/legislation	210	X-radiation	40
Magazines/books	882		
Mail orders	1,114	Total	30,522

MAJOR AREAS OF CONSUMER COMPLAINTS

Mr. FLOOD. What is everybody's pet hate right now as far as you are concerned?

Miss HANFORD. I would say we probably have more consumer complaints on automobiles.

Second, home appliances. The automobile complaints would involve problems of a car which might be a lemon—that is, it just did not work from the beginning; repair problems, such as not being able to get prompt and effective service or taking a car in for repairs and having

an estimate turn out to be only a fraction of the actual cost. We receive many complaints on high cost of auto repairs.

Then there are problems of design, safety, warranties—just any number of problems concerned with the automobile, which is, of course, a major purchase for most people. That is where the bulk of the complaints lie.

Mr. FLOOD. And home appliances?

Miss HANFORD. That would be second; yes. Of course, the subjects of complaints vary from month to month and largely duplicate the same kind of complaints we receive relative to automobiles. We keep a monthly tabulation.

HANDLING OF COMPLAINTS

Mr. FLOOD. Very well. Mrs. Flood writes you a letter and complains about something in her car. What do you do with Mrs. Flood's letter?

Miss HANFORD. Well, first of all, if it involves an alleged violation of law, we would ask the appropriate Federal agency, such as the Federal Trade Commission, to review the matter. If it is a matter involving State law, we would ask the appropriate State consumer protection office to review it.

If it does not involve an alleged violation of law, we often contact the company directly involved in the complaint, asking them to investigate the status of the situation and let us know what action, if any, they took or what they plan to do to resolve this consumer complaint.

Mr. FLOOD. Have you been in touch with any of the great motorcar manufacturers about various complaints?

Miss HANFORD. Yes.

Mr. FLOOD. Do they look down their nose at you? Do they think you are legitimate?

Miss HANFORD. They think we are quite legitimate. We have gotten good results. In fact, we have had a number of letters since January from consumers who bothered to write a second letter thanking us for the fact that their problem is solved.

The case that stands out as far as the automobile manufacturers is GM. There were some school buses which we were afraid had some faulty parts. Mrs. Knauer got in touch with the president of General Motors. He sent a representative. The two of them had a press conference together, telling the public that both GM and the Department of Transportation were investigating the situation; 4,269 of the faulty buses were recalled shortly thereafter.

EXAMPLES OF COMPLAINTS HANDLED

Mr. FLOOD. Would you supply for the record a reasonable number of varied complaints from varied complainers, not alone the automobile industry, and what you did about those complaints? Do not use names of individuals, but the companies and types of complaints. Include how they reacted. Did they cooperate? Did they believe you were legitimate? Did they pay any attention to you or were you just another one of these commissions?

Miss HANFORD. Fine, I will be happy to.

(The information follows:)

70-0680

A Virginia owner of a 1968 Peugeot with a long history of problems she had been unable to get corrected alleged she had suffered considerable inconvenience, time lost from work and much mental anguish; that her car was a "lemon," that she was afraid to drive it, and that she felt she was entitled to attention that would guarantee the "care free driving" she had been promised when she bought the car.

Case was referred to Peugeot, Inc., 107-40 Queens Blvd., Forest Hills, New York 11375, on March 23. Letter received in reply, dated April 6, reads as follows: "Thank you for your letter of March 23rd concerning the subject Peugeot owner. This car was re-purchased by the dealer on March 31, 1970, and the case is now closed."

70-0678

Consumer in Washington, D.C., outlined the deteriorating condition of a piece of furniture manufactured by THOMASVILLE FURNITURE INDUSTRIES, INC., of Thomasville, North Carolina. One of two identical "door units" had gradually lightened with each waxing, so that it appeared the unit was not properly finished and it no longer matched the other unit. A reply to her letter to the manufacturer advised her to contact any local refinisher for assistance, as they did not have a recommended solution.

Case was referred to SOUTHERN FURNITURE MANUFACTURERS ASSOCIATION, High Point, North Carolina, on February 16 for complete review. Letter in reply, dated March 12, was received from Thomasville Furniture Industries, Inc., Thomasville, North Carolina, reading as follows: "We sincerely regret ... found it necessary to contact your office regarding her complaint on the No. 1630-8 door unit which was manufactured by our firm. I have asked our (local) representative ... to contact ... and make an appointment for him, or his associate, to personally inspect this item in an effort to determine how we can best rectify this matter ...."

Consumer in Missouri had purchased a stereo component system from Allied Radio Corporation of Chicago in May 1969, which he received on June 28. Three electronics shops could not satisfactorily construct the kit. Allied advised in phone conversation on August 27 that he should read page 442, which absolved them of all responsibility for his purchase and that they (Allied) were "sorry." He sent the amplifier from the kit, constructed but not functioning, to Eico Electronics Corporation of Brooklyn, New York, on August 28 and was advised it was received on September 8. Fourteen weeks later he had made numerous phone calls and written two letters to no avail.

Complaint was referred to Eico Electronic Instruction Co., Inc., 283 Malta St., Brooklyn, on January 14. Under date of January 20 Eico advised that the unit was received in a condition necessitating the filing of a claim with the Post Office, and continuing "At this point I readily admit that our Service Manager exercised poor judgment in that he refused to proceed with the repair until payment was received from the Post Office. ... Based on several of the instances regarding this transaction we have established some new procedures dealing with Post Office claims. This will enable us to be more responsive to our customers needs. We do try our best to provide the best possible service, however, there are occasions when we make a mistake which results in a customers inconvenience. If you have any further questions please feel free to contact us." The amplifier was repaired and returned to the complainant.

70-0505

Consumer in New York advised that a mobile home purchased for her husband's mother was delivered in unsatisfactory condition. One end of the trailer had been "jammed" so that the doors froze shut and the mother could not get out; roof was damaged, draperies and panelling were not in new condition. They had written the company but received no reply. The local dealer just shrugged his shoulders. They were concerned that if there were a fire, the mother would be trapped inside; also, that they had paid for a new trailer, but received a patched-up one.

70-3204

Consumer in the State of Washington advised that she had sent her fur coat to Morton's Department Store, Washington, D.C., on April 28, 1969, for remodeling. Receipt was acknowledged on June 10, 1969, but thereafter she received no word, although she wrote periodically asking when she could expect return of her coat. On November 10, 1969, Morton's advised her they had received no work order, whereupon she sent a duplicate of her previous order and enclosed $2.00 for return postage on coat if for any reason they did not want to work on her coat. She heard no more and wrote again on January 7, 1970, requesting return of coat, but did not get a reply.

Complaint was referred to Mr. Mortimer Lebowitz, President of Morton's Department Stores, 312-7th Street, N.W., Washington, D.C., on May 14. Reply from Mr. Lebowitz dated May 22 advised that garment had been returned, and further stated "My personal investigation of this transaction, as a result of your letter indicates a failure of communications resulting in inconvenience and anguish to the customer, and the loss of the sale to ourselves. This is poor business on both scores and I certainly will pursue the matter further."

Consumer in New Jersey sent correspondence with the Admiral Corporation, Chicago, outlining difficulties in obtaining a new picture tube under the 3-year warranty for his color TV purchased in July 1968. Serviceman advised that he should call distributor from whom he purchased the set, which he did. He was then referred to the Admiral Corporation Metropolitan Division who acknowledged having his warranty registration card but advised they must have sales slip showing the 3-year warranty. Sales slip was furnished but Admiral advised it was "no good" because distributor had not sent in "the money" to cover the warranty, and that even though the distributor then sent in the warranty money it would not be good enough; that he would have to pay the entire amount for the new picture tube. The distributor then claimed that the TV set never had a 3-year warranty on the picture tube.

Complaint was referred to the President of the Admiral Corporation in Chicago on January 7. On January 14 Admiral advised this office that "The Service Division has reported to Mr. ... that his picture tube is 'in warranty' and that he will receive a picture tube free of charge pursuant to the warranty." The letter continued, "I wish to thank you for calling this matter to my attention ... and I would appreciate it if you would forward to me any other communications which you may receive from any of our Admiral customers.

70-6619

Consumer in Maryland reported that he had purchased a "Real Sound Movie Projector" manufactured by Kenner in December 1968. Advertising by Kenner had indicated that replacement cartridges were readily available but none were found in the Baltimore-Washington area over a six-months' period. Consumer had written Kenner enclosing check for $6.50 for replacement cartridges and bulbs, but had no response after six weeks.

Complaint was referred to Kenner Products Company, Cincinnati, Ohio, on April 6. The President of the firm, Mr. Philip Steiner, phoned this office, then confirmed by letter that a diligent search had not located customer's letters or check stating that "We do appreciate the letter from Mrs. Knauer ... calling our attention to ... complaint. It was only through this communication that we were able to take care of what otherwise would have resulted in a very dissatisfied customer." The replacement parts ordered were forwarded to the customer without charge.

70-0273

Customer in New York advised that she had sent a mail order in July 1969 to Adco Gold Products, Sarasota, Florida, enclosing her check for $18.50 in payment. Check was deposited by company three days later but no merchandise was received. There were no replies to customer's numerous letters. Finally, in September, items other than were ordered were received, and returned to Adco. Customer continued to write Adco, tried getting help through various action line columns in the newspapers, a New York City radio station, and the local Better Business Bureau, all without success.

Complaint was referred to the Adco Company, Sarasota, Florida, on February 26. On April 6, Adco advised "Thank you for calling this to our attention. Mrs. ... has been mailed our refund check in the amount of $18.50...."

70-0588

Consumer in Pennsylvania wrote that she had ordered vitamins in January 1969 from the G.R.I. Pharmaceutical Company in Chicago, enclosing her check for $11.00. She enclosed correspondence indicating her check had been promptly cashed and order acknowledged, and company had indicated shipment had been made in August, although she never received it. She was unable to get the vitamins or a refund from the company, after repeated requests.

Complaint was forwarded to the G.R.I. Corporation, 623 S. Wabash Ave., Chicago, on January 26, and our letter was acknowledged by company on February 4 stating they would advise of the action taken as soon as possible. Copy of company's letter to consumer, dated February 17, was later received reading, in part, "On January 26th, Miss Virginia H. Knauer ... wrote to us about the problem you have experienced with our company. I must apologize for what might appear to you to be a total lack of interest on our part. However, I assure you it is not intentional, and believe me, it is our sincerest desire to settle this unfortunate situation to your complete satisfaction. Please write to me and let me know if you wish a refund or shipment of the vitamins."

Consumer in Maryland wrote to advise that the two rear tires on his new Kaiser Jeep purchased on January 20, 1970, were "out-of-round" by as much as an inch. They had been tested by a dealer who gave him a written statement to this effect, advising that all he needed to do was take them to a Goodyear dealer for exchange. He was unable to get dealer to make the exchange.

Matter was referred to the President of Goodyear Tire and Rubber Company in Akron, Ohio, on April 17. Letter in reply, dated May 8, thanked us for writing and advised matter had been immediately referred to Service Department for complete investigation, that tires had been checked and all had been replaced. Letter concluded "Goodyear's aim is, of course, always complete satisfaction of our customers, and we will make certain that Mr. ... is satisfied before this transaction is closed."

Consumer in Alabama advised that in June or July 1969 he had responded to a special offer advertisement by Union Oil Company for a Polaroid Camera, indicating monthly payments. He never received the camera, but after two months was billed for it. Three consecutive monthly bills were received, each of which he returned with advice he had not received the camera, requesting after the second month that the order be canceled and his account corrected. The third bill was received and he again requested cancellation and that his account be corrected and closed. He had no response.

Complaint was referred to the President of the Pure Oil Division of the Union Oil Company of California, Los Angeles, on December 16, 1969. Letter dated January 9, 1970, was received in reply with copy of one to consumer attached, indicating that matter had been straightened out, and concluding "We, at Union Oil, heartily endorse your efforts in behalf of the consumer. We welcome your ideas and suggestions on any practices or measures that will enable us to do a better job in serving the American motorist."

70-0530

Woman in Florida wrote to advise that her 82-year old mother in Texas had purchased a $300 hearing aid from a house-to-house representative of Montgomery Ward; that her mother could not use the hearing aid because it did not fit, and that her efforts through correspondence to help her mother get the aid properly fitted had only resulted in the

salesman visiting her mother and convincing her that she had to keep the hearing aid as it was. As the mother lives on a small social security check she could not afford to spend money for a useless hearing aid.

Matter was referred to the Government Relations Office of Montgomery Ward in Washington, D.C., on February 5. Reply, dated February 24, was received advising that the mother had been issued a refund for the purchase price of the hearing aid; further, after additional examination and cleaning, the hearing aid was made to fit and function properly and the mother was permitted to keep it as she did have a genuine need for it. The letter concluded, "I trust this matter has been handled satisfactorily for Mrs. .... Please don't hesitate to call on me again."

NEED FOR SPECIFIC FEDERAL LEGISLATION

Mr. FLOOD. Now, you are a lawyer. You say there are many bills in the Congress dealing with many facets, I presume, of your jurisdiction. Do you feel there is need for specific legislation at the Federal level—at the Federal level now?

You have in mind the 50 States and how properly jealous they are of their jurisdictions. Do you think at the Federal level there should be a strong law dealing with the protection of consumers? If so, what kind of law would you write?

Miss HANFORD. I think in many cases it depends on which subject we are talking about, because there are so many different areas which are included in the consumer field, for example, credit, insurance, packaging and labeling, fraudulent and deceptive practices to name a few.

Mr. FLOOD. Do you suggest a different law for canned beer, for example?

Miss HANFORD. No. For example, we might be speaking of a bill involving warranties or it might be inspection of food or a bill to make our office statutory, a bill to expand the jurisdiction of the Federal Trade Commission. There are so many different areas involved, it is impossible to think in terms of one overall law. It would depend upon the particular subject. Certainly many subjects are justifiably left with the States, but others cut across State lines and can most effectively be handled by Federal legislation.

Mr. FLOOD. In view of the magnitude of your problem—and there are no horizons to your jurisdiction on what you can or should do—do you feel you are not secure as a mere commission? Would you want to be made legitimate? Do you want the imprimatur of Congress upon you?

Miss HANFORD. We would like to feel that the consumer has a permanent voice at the highest level of government.

Mr. FLOOD. By Act of Congress?

Miss HANFORD. Yes, sir; that is why we favor a statutory office.

Mr. FLOOD. Mr. Michel?

PERSONNEL ON DETAIL

Mr. MICHEL. Miss Hanford, you presently have on board 19 people, is that correct?

Miss HANFORD. Yes; plus the detailed personnel I mentioned earlier.

Mr. MICHEL. You speak of wanting and requiring more people and, as a matter of fact, having them officially identified with your shop because, up to this point, you are borrowing from some other places over and above the 19.

Miss HANFORD. Yes, sir.

Mr. MICHEL. This intrigues me as a member of this committee. To whom did we give too much money and too many positions so they could do this?

Mr. FLOOD. Now that is a dirty question.

Mr. MICHEL. So they could lease them out? I do not suppose I would be so nasty as to ask specifically from what agencies there has been this overabundance of persons that they could give them to you.

Miss HANFORD. We have had to beg and plead for these details. Because of our urgent needs, some agencies were willing to make temporary arrangements to help us out.

Mr. MICHEL. Are these people with specific expertise or qualifications?

Miss HANFORD. That is right. We have tried to get people who can fill particular needs. The thrust of our testimony and the charts which we were showing illustrate the increase in our workload, in the demands that have been made on our office in even just the last year, and why we feel it is so essential to keep these people that we had to borrow. We just do not feel we can adequately do the job cut out for us without our current personnel.

Every phase of our office work, whether dealing with the voluntary organizations or industry groups or testifying here on Capitol Hill or responding to consumer complaints—whatever it might be—has increased tremendously.

POSITION ANALYSIS

Mr. MICHEL. Mr. Natcher, I believe, asked a question earlier that I do not think was altogether answered, with respect to what specifically these 19 people are currently doing. I do not see a breakdown in the justifications like I have for some of the other shops for so many persons at this GS level, et cetera, and what their area of responsibility is.

Would you at this point in the record give us what these 19 people are doing and what their level is, and the requested increase, numbers of people and identification or job description, what you are expecting these people to be put on board for?

Miss HANFORD. I would be happy to.

NEW POSITIONS

We would like to put on board an administrative officer who would be a budget and personnel expert. He would be our liaison with GSA. He would handle any contracts, personnel interviewing, and budget control. He would work closely with the Bureau of the Budget, as well.

Most other offices of our type have one, if not two, persons handling that sort of function.

Mr. MICHEL. You do not have anybody doing this now?

Miss HANFORD. I have been trying to do this in addition to my work in policy and program development and serving as Mrs. Knauer's backstop. Therefore, I think it is essential to have someone whose specific function is to work very closely with GSA and with the Bureau of the Budget.

We would be taking on an associate director for legislative affairs. We have a director and two associates, one of those currently on detail.

With the increased number of times that we have testified before Congress and the growing number of bills before Congress which require our study and comments, it is essential to have three people working in the legislative office.

In addition, that office has been handling all of our work with the States. We plan to break that off into a separate division because of increased demands in that area.

Mr. MICHEL. Have you up to this point had to beg off from submitting a report to a congressional committee if they ask for one on a specific piece of legislation which had been introduced?

Miss HANFORD. We have tried not to. I do not believe we have. We have tried to answer every question where we felt we could give some meaningful input. But it has been a tremendous burden.

Mr. MICHEL. Why do you not simply expand for the record at this point and it will save us a little time.

Miss HANFORD. Fine.

(The information follows:)

REQUESTED ADDITIONAL POSITIONS

SECRETARY

The Office requests that the secretary to the Special Assistant to the President for Consumer Affairs, currently on detail, be added to the permanent PCCI staff.

ADMINISTRATIVE OFFICER

Is responsible for all day-to-day activities of the President's Committee on Consumer Interests (PCCI) in the areas of procurement contracts, personnel, office services, fiscal/budget, budget control, procedures, and liaison with GSA. Is authorized to take final action for the PCCI in the procurement of items of furniture and equipment needs, office supplies, forms, printing and duplication; approves requisitions for such purchases.

The Office requests that the currently detailed professional be added to the permanent PCCI staff.

ASSOCIATE DIRECTOR FOR LEGISLATIVE AFFAIRS

The Associate Director's prime function is to assist the Director for Legislative Affairs in proposing and coordinating the President's consumer legislative program; analyzing and recommending administration positions on legislation in the Congress affecting consumers; preparaing testimony for the Special Assistant for Consumer Affairs; serving as liaison on consumer issues with congressional committees and Members of the Congress.

The Office requests that the currently detailed professional and a secretary be added to the permanent staff.

ASSOCIATE DIRECTOR FOR INDUSTRIAL RELATIONS

The Associate Director's prime function is to assist the Director for Industrial Relations in coordinating the work of the committee with business and industry.

All of the Special Assistant for Consumer Affairs' correspondence, appointments, meetings, speaking engagements, plant visits and other contacts with the Nation's business groups are arranged through the Office of Industry Relations. These contacts are multiplying and will continue to increase in fiscal year 1971.

The Office requests that the currently detailed professional be added to the permanent PCCI staff.

FIELD OPERATIONS DIVISION

The Office of Field Operations provides the principal staff support to the President's Special Assistant for Consumer Affairs in maintaining and expanding contacts with national, State and local organizations having consumer programs. Contact is regularly maintained with well over 100 organizations representing consumers, labor, women, education, as well as minority, civic, religious, fraternal and other interests. The number of organizations requesting assistance grows daily.

The Office requests that the currently detailed secretary be added to the permanent staff.

PUBLIC AFFAIRS DIVISION

Associate Director for Public Affairs

The Associate Director's prime function is to assist the Director for Public Affairs in carrying out the divisions prime responsibility.

The primary responsibility of the Public Affairs Office is focused on publicity to gain understanding of consumer problems and issues.

There has been a considerable increase in both public and press interest in consumer affairs, consequently adding to the Public Affairs Office workload.

In view of the increased workload, it has become necessary to add an Associate Director, a staff assistant and two secretaries. The Office requests that the currently detailed two professionals and two secretaries be added to the permanent PCCI staff.

PUBLICATIONS DIVISION

The scope of activities for fiscal year 1971 includes a consumer register, general brochures, 5 low-income pamphlets, a revision of the Guide to Federal Consumer Services, and a monthly newsletter.

The President's Committee on Consumer Interests is developing pamphlets on the following subjects: Door to door sales, credit, automobiles, contracts, and buyer's rights. These pamphlets will play a key part in a nationwide low-income education program.

Our plan for a monthly consumer newsletter grew from the administration's desire to avoid "a proliferation of consumer newsletters." The newsletter will primarily serve as a clearinghouse to exchange information regarding Federal consumer activities. Distribution would include Federal agencies, State and local consumer organizations, and interested consumers.

The Office requests that the currently detailed secretary be added to the permanent PCCI staff.

EDUCATION DIVISION

The Associate Director for Education's prime function is to assist the Director for Education in providing assistance and consultative services in the development and planning of consumer education programs.

The Office requests that the currently detailed professional be added to the permanent PCCI staff.

RESEARCH DIVISION

A Division for Research is a new addition necessitated by the many diverse problem areas which require intensive research. The Office will provide background material for development of policy positions and program ideas and will maintain constant liaison with other components of the Government concerned with consumer matters.

The Office requests that the currently detailed secretary be added to the permanent staff.

CORRESPONDENCE DIVISION

The President's Committee on Consumer Interests receives more than 3,500 pieces of mail each month from consumers (including many referrals from Members of Congress), and maintains an extensive coding and filing system for use by all divisions of the committee. The mail volume has more than tripled in the past year and continues to increase each month.

An automatic typewriter will be installed this month to aid in speedier processing of this correspondence, and the secretarial staff must be considerably increased as well in order to give proper attention to this large volume of mail and to prevent backlogs.

Correspondence received in this Office provides the opportunity to assist individual consumers and serves to alert the Committee to complaint patterns and areas of consumer concern needing immediate attention.

In view of the increased workload, it has become necessary to add a program assistant and a typist.

The Office requests that the currently detailed personnel be added to the permanent PCCI staff.

Mr. MICHEL. Now there is a significant increase here for publications. Just one little thing disturbed me in your comment to the Chairman, having to do with government purchases. Maybe I understood the response wrong.

I got the general impression that there would be a publication that would be issued for public consumption giving in some detail an assessment of items that the general public purchases just as the Federal Government purchases. Maybe I am wrong, but I got the general idea that what you were in effect doing was putting a stamp of approval on a particular article or item because the Federal Government had purchased it.

Miss HANFORD. No, sir; our office has no plans or intentions to put a "stamp of approval" on any product. At the President's request, we are examining this entire subject, working with an intergovernmental committee to determine what information the Government has which could help all people become more skillful consumers.

Mr. MICHEL. Frankly, we know that the Federal Fovernment, of all establishments, probably has some pretty lousy procurement practices in many cases. Frankly, I have some serious doubts about it in a number of areas. I would not want to have us in a position just because item so-and-so is purchased by the Department of Agriculture, or Department of Defense that it is the item to buy because the all-knowing omnipotent Government thought that was the best.

Miss HANFORD. We might report that the agencies or departments which buy paint had made available information on types or characteristics appropriate for certain surfaces or in certain climates such as the characteristics of paint which might be used for an outdoor porch, another type of paint would be more appropriate for a bathroom, where you have completely different criteria. This would be information pertinent to the consumer which the Government had learned in its procurement. If we were to disseminate such information, we would not just be making available a report on what the Government bought, but reporting the expertise and know-how the Government has acquired in its purchasing.

Mr. MICHEL. You would not get down so finitely as to be recommending specific brands between types of paint, would you?

Miss HANFORD. Federal purchases of paint, we have been informed, are not by brand name but by specifications. The President asked Mrs. Knauer to look into this area in terms of what would be meaningful to the consumer. We are trying to do that right now, to determine just what information would be pertinent.

Mr. FLOOD. If the gentleman will yield, I do not think that was responsive to Mr. Michel's question.

Miss HANFORD. I am sorry. Since, as I indicated earlier, the Interagency Committee has this whole area under consideration, I do not know if I really can answer that question right now. If we made any information of this type available in any publication, it would probably be a mere notification that a particular department or agency had released certain product information.

Mr. MICHEL. I wanted to make absolutely sure that we do not have your shop or the Federal Government telling me, my wife or anybody else that this or that product by brand name is superior to another. I do not think we want to get ourselves in that kind of a position.

Now we have in private industry Consumer Reports. I subscribe to it. It may be so much hocus-pocus. Nevertheless, I still read it occasionally, particularly if I am going to buy a new automobile, or a new appliance. At least I figure they have spent some time evaluating these products. Then I could weigh for myself whether or not this or that is important to me in making that purchase. Now that is private enterprise. I voluntarily subscribe to it for whatever it is worth. I may be taken down the primrose path, but that was my decision.

I do not want to see the Federal Government in the business of singling out specific brand name products, and indicating one being preferential over another. I do not think you would either, would you?

Miss HANFORD. What we are attempting now is to determine what information would be relevant for the consumer. For example, the Defense Department's purchasing of battleship paint has no relevance.

Mr. FLOOD. Young lady, this is still not responsive. If the gentleman will yield?

Mr. MICHEL. Go ahead.

Mr. FLOOD. Do you or do you not intend or propose or even think of doing what Mr. Michel is concerned about? Are you going to recommend for a baby food X company as against Y?

Miss HANFORD. Any information the agencies released would not put the Government in the position of out-and-out recommending that people buy a specific brand. At the moment we are studying how the skill and knowledge of Government in its purchasing can be shared with the public in a fair and helpful manner.

Mr. SHRIVER. What about the next moment? At this moment you are not, but what about tomorrow?

Miss HANFORD. Well, in trying to be as responsive as I can, I can just say what we are attempting to do right now is to decide what information is relevant and to make available that information which would be meaningful in terms of whole groups of products that are purchased.

Mr. FLOOD. Let this man talk. What is your name?

DISSEMINATION OF PRODUCT TEST INFORMATION

Mr. WELLS. I am Mr. Wells. I have been working with the Interagency Committee on the Dissemination of Product Test Information.

Mr. FLOOD. Can you reply to Mr. Michel?

Mr. WELLS. Yes, sir. There is an interagency committee studying the ramification of the different problems and they will submit a report to the White House within about 2 months.

Mr. SHRIVER. We would like to know, if we are going to fund this.

Mr. WELLS. We are not asking for funds for this.

Mr. SHRIVER. We are appropriating for this agency.

Mr. MICHEL. For the publications. The significant item here is $3,000 last year as compared to $77,000 this year.

Mr. WELLS. It is not the specific purpose of any of these publications to print this product information, if that answers your question.

Mr. MICHEL. If this record serves any purpose, we want to put you on notice that you should not ever give anybody on this side of the table or in the Congress the suggestion that the Government is going to be in the position of putting a good housekeeping stamp of approval on a specific brand name item, one against the other. If you are, you are talking to the wrong people, because we cannot get ourselves—at least this Member speaking—in that kind of position. I think that would be pretty well borne out by the other members of the subcommittee.

DEPARTMENT OF AGRICULTURE CONSUMER ASSISTANCE

Now, I know in the Department of Agriculture, in the ARS, the Extension Service——

Mr. FLOOD. Mr. Michel is on the Appropriations Subcommittee for Agriculture.

Mr. MICHEL. Mr. Natcher and Mr. Hull, too. There are a number of publications there that are consumer assists, no question about it. As a matter of fact, I see in your booklet here, "A Guide to Federal Consumer Services." Mr. Natcher and Mr. Hull, what we ought to do here is when we have that agricultural appropriation bill, cite the publications and services that are funded in the Department of Agriculture, but really have very little relevance to agriculture but are for the consumer.

What I am saying is, there will be booklets that will say in a general way you pour concrete at this time. They will publish general guidelines or something of that nature. It does not say, specifically, "We are going to pick this kind of concrete," by brand name.

In very general terms it tells the consumer how to build a log house or how to lay a foundation. Of if you are a gardener, how to lay out a flower garden, but it does not tell you to use Burpee seeds as compared to some other brand name, you see. This is where I think we would want to be very careful that when you are in this area of publications we do not go so far as to pit one industry against another, business against another. I think we would open up a Pandora's box.

Miss HANFORD. This particular publication is not meant to be submitted at this point. It has to be revised.

Mr. FLOOD. The witness is referring to the exhibit already identified and presented to the committee.

CONSUMER COMPLAINTS

Mr. MICHEL. I am curious to know on these fraud cases, have you had any complaints with respect to siding on houses? I know you mentioned in here educating the general public and consumers to reading their contracts more closely and not getting tied down to extended payments at exorbitant rates.

You mentioned complaints against automobiles and planes. Have you had many complaints against these? I know there have been some fly-by-night operations in that field too.

Miss HANFORD. I think there have been some complaints about siding, but I would want to check that for the record. We are getting about

3,800 letters a month on all consumer correspondence, involving many categories. We provide a list of broad categories each month but it's hard to say about a specific fraud without checking.

Mr. FLOOD. Do you think that is high?

Miss HANFORD. I think that it is quite a few in terms of the personnel to handle them. It's quite a load to try to be responsive because we want to answer immediately and try to resolve these problems effectively.

Mr. FLOOD. I don't care about that. Is 3,000 a lot of complaints?

Miss HANFORD. It's quite an increase from a year ago.

Mr. FLOOD. I didn't ask you that.

Miss HANFORD. In my opinion it is, yes, because I feel that a lot of people will not write until they feel desperate. When they have tried everything else they can think of, to no avail, then they sit down and write a letter to Washington.

Mr. FLOOD. The answer is "Yes"?

Miss HANFORD. That is right.

FEDERAL AGENCIES INVOLVED

Mr. MICHEL. What agency do you have the most contact with—the Federal Trade Commission?

Miss HANFORD. Yes, quite a bit, and with the Department of Health, Education, and Welfare, Department of Justice, and Agriculture.

Mr. MICHEL. In what respect with HEW?

Miss HANFORD. With HEW it would be in the area of food and drugs mainly.

Mr. MICHEL. And in Agriculture?

Miss HANFORD. This would be inspection of foods.

Mr. MICHEL. Have you had any complaints about meat inspection?

Miss HANFORD. I think we have. I would really want to provide you with specifics.

Mr. MICHEL. Mrs. Knauer made mention of the contacts and coordination between all the agencies of Government and what input you are getting in your shop. Do you have any rapport at all with the Agriculture Department, and more specifically their Extension Service, which really moves out in the States from the State university? It used to be limited to the rural areas, teaching home economics and some of these things in which you folks are vitally interested, but now moving much more into the big city areas and particularly the ghettos. As a matter of fact we have been asked to fund additional positions in the Extension Service for that specific purpose.

I am curious to know whether or not you people are aware that that is being done and that there are these sources of information and, as a matter of fact, even offices for distribution of printed material that would be helpful.

Miss HANFORD. Yes. There are two things I would like to mention. One, Mrs. Knauer and staff members meet regularly with Secretary Hardin and with Assistant Secretary Lyng for Consumer and Marketing Services and we have very close contact with that office and a continuing dialog with regard to problems of mutual concern.

We are well aware of the work of the Extension Service, and have numerous contacts. We would hope to work with them on our educational effort in the low-income areas in the five or six cities which Mrs.

Knauer mentioned in her testimony. We want to work with Federal Trade Commission offices, OEO offices, Agriculture, all of the regional Federal offices as well as State and local offices and volunteer consumer groups in trying to disseminate information as thoroughly as possible to the people who need it most in the ghetto areas. We would be working with people who are indigenous, who would help us find the best ways to get this information to these people who can least afford to lose their money through fraudulent activity.

NADER'S RAIDERS

Mr. MICHEL. Let me ask you one final question, What is your shop's view of Nader's Raiders, so-called?

Miss HANFORD. Mr. Nader is very independent, so there is no official link. We feel that he is a very concerned person who tackles problems which he feels need to be investigated and probed. He apparently doesn't have the funds without bringing in some people who are willing to work on a voluntary basis.

I think he is being responsive to what he feels must be done for the protection of the consumer.

Mr. MICHEL. Do those folks regularly ask you folks, or maybe on an irregular basis, for any kind of help or assistance?

Miss HANFORD. Mr. Nader's representatives have come in a number of times to ask about what we are doing, what our efforts are. They are concerned about every part of the Government. Our door is always open and we have given them what information they were seeking.

Mr. FLOOD. Mr. Natcher?

Mr. NATCHER. As I understand, Miss Hanford, you are now operating under the Executive order?

Miss HANFORD. That is right.

CONSOLIDATION WITH DEPARTMENT OF AGRICULTURE

Mr. NATCHER. With the experience that you have gained since January of last year, do you believe that the Committee on Consumer Interests should be consolidated with the Department of Agriculture and the name changed—instead of the Department of Agriculture let it be the Department of Food and Consumer Services? How do you feel about that, Miss Hanford?

Miss HANFORD. You mean in terms of what we are doing?

Mr. NATCHER. In terms of what you are doing now.

Miss HANFORD. Consolidation of our office with Agriculture?

Mr. NATCHER. Yes.

Miss HANFORD. No, I don't. I feel there must be a central White House office because, going back to your point about coordination, I think this can be done most effectively from an office which is in a position to coordinate all Federal consumer programs. In other words, Mrs. Knauer can pick up the phone and talk with Secretary Hardin and talk with the Secretary of the Interior, and she can bring people together to discuss problems of mutual concern and provide that coordination.

Mr. NATCHER. Why couldn't that be done if you were in the Department of Agriculture with a change of name? It would be the

Department of Food and Consumer Services with the Assistant Secretary and Under Secretary. Why couldn't you do the same thing?

Miss HANFORD. I believe the problems are broader than the area that the Agriculture Department handles. For example, we are involved in problems in insurance, in credit, problems which really extend beyond the area that Agriculture is now handling. Therefore, you need to bring in other departments as well.

Mrs. Knauer, as a representative of the President, has visibility. She has a platform from which to speak and can highlight the problems. Her voice is heard across the Nation and she speaks in behalf of the consumer at the highest level of government. In other words, because she is a Special Assistant to the President, she does have access to all the departments, and is thus in a better position to coordinate. This is extremely important, as you mentioned.

Mr. NATCHER. You have probably heard proposals along this line since you have been in office—consolidation with an existing department of the Government such as Agriculture or with some other department.

Miss HANFORD. I think there have been some suggestions along that line; for example, OEO. But it concentrates on low income problems. Consumer problems cut across the board, not just the low income area. Many people with middle incomes have consumer problems. It's a broader area. It's not really limited.

I feel that there has to be the central office in the White House with access to all the departments, to do an effective job of coordinating.

CABINET POSITION

Mr. NATCHER. Of the legislation now pending and some of the bills that you examined, do you believe that this should be a separate department of the Government?

Miss HANFORD. I am sorry—that our office should be?

Mr. NATCHER. Yes; that it should be a Cabinet position.

Miss HANFORD. Perhaps in the future. I am giving my own opinion now. Perhaps in the future, but I feel at this point that we really need to train more people in the consumer field and provide opportunities for experience in this area. For example, consumer education is new. It's something that we are trying to introduce. Not many people have great expertise in this area now. I think we need to build. We need to strengthen ourselves so that we can stand alone. It is an evolutionary process.

Right now I feel that we are in a position to draw on the resources of the various agencies and to do a good job of coordinating and building this expertise.

Mr. NATCHER. Thank you very much.

Miss HANFORD. Yes, sir.

Mr. FLOOD. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

PERMANENT POSITION FOR DETAILED PERSONNEL

In the transfer of certain detailed personnel from other Agencies to your Agency—and that is what you are working toward—if you get these positions you asked for, what is going to happen to those people?

Miss HANFORD. Actually what we would do would be to bring these people who are detailed onto our payroll. In other words, those people would be hired by the President's Committee on Consumer Interests.

Mr. SHRIVER. Those are the ones you would keep?

Miss HANFORD. Yes. We are trying to make them a part of our family.

Mr. SHRIVER. So there wouldn't be any duplication of effort?

Miss HANFORD. That is right.

FEDERAL CONSUMER RELATED PROGRAMS

Mr. SHRIVER. On page 6 you mentioned the 400-plus consumer related programs in the Federal Government. You did quite a little research in connection with consumer affairs. What is the total amount requested for all of these 400 programs for fiscal 1971?

Miss HANFORD. We do not have this information.

Mr. SHRIVER. You mentioned 400. Would you list them for the record?

Miss HANFORD. I would be happy to. I will give you the ones we pinpointed.

(The information follows:)

STATEMENT REGARDING CONSUMER PROGRAMS

Shortly after Mrs. Knauer was appointed she reviewed the eighth report of the Committee on Government Operations, 1961, entitled "Consumer Protection Activities of the Federal Departments and Agencies." As you may know this report surveyed 35 Federal departments and agencies and identified 296 distinct consumer protection activities.

Many of the agencies surveyed in the House report have designated liaison officers for consumer affairs who are in periodic contact with this office. In order to obtain a rough numerical updating of the 1961 House report, Mrs. Knauer directed the staff to survey the liaison officials by phone and inquire as to the number of ongoing programs which each agency designated as consumer related. The number reported to us exceeded 400. No attempt was made to categorize the programs (for example the 1961 House report figure of 296 included activities designated as "direct protection," "direct advancement," "indirect protection and advancement," and so forth) nor to identify the budgets allocated to these programs. The aim of the survey was merely to obtain a rough but current idea of how the agencies classify their programs from a public information standpoint.

We are at present participating in the early stages of implementing the actual study and analysis of Federal consumer-related programs through an interagency effort.

At this point we can say that the definition of "consumer relatedness" will always be a controversial point. Based on the classes of letters we receive from consumers, it would appear that the consumer uses a somewhat broader definition than that employed by the Federal agencies.

STATE AND LOCAL EFFORT

Mr. SHRIVER. Do you have any idea what States and local governments are spending in this field of consumer protection?

Miss HANFORD. I don't have a figure which I could give you. I know, for example, the State consumer protection bureau in Pennsylvania has about half a million dollar budget. That is one of the larger ones.

My own State, North Carolina, I understand, has approximately $300,000 for this function. They intervene in various hearings and regulatory proceedings. They actually investigate and enforce the laws.

Mr. SHRIVER. Thank you.
Mr. FLOOD. Mr. Casey?
Mr. CASEY. Thank you, Mr. Chairman.

MONTHLY LEGISLATIVE REPORT

How many copies of the monthly legislative report are released? How many are distributed?

Miss HANFORD. We have a mailing list which has been compiled over the years. It goes to all of the State attorneys general, to a number of colleges and libraries across the country, and to all the voluntary consumer groups. I would say several thousand copies go out each month.

Mr. CASEY. I didn't see it, but briefly for the record can you say what it is? You say it's a legislative report?

Miss HANFORD. That is right.

Mr. CASEY. What type of report is it?

Miss HANFORD. This is a report which actually goes into each of the bills before Congress. It would give the names of the committee and the subcommittee to which the bill was referred, the members of the committee and the status of the pending legislation. We follow the bills closely as they move through the legislative process.

Mr. FLOOD. By the way, you did say every month you do this; is that right?

Miss HANFORD. That is right. It comes out the first of each month. A number of Members of Congress have asked to be on the mailing list too, so they are following our status report of consumer legislation. It's summary which I think is helpful. With approximately 200 bills before Congress in the one area of consumer affairs, it is important to be able to follow their progress through the committees.

Mr. CASEY. In thumbing through this I note that in this report you do put whenever Mrs. Knauer appears in support of a bill.

Miss HANFORD. That is right. We try to provide that information too.

OPPOSITION TO PROPOSED BILLS

Mr. CASEY. I asked earlier—and I don't know as I got a satisfactory answer from Mrs. Knauer—does she ever oppose any of these bills? Has she, to your knowledge?

Miss HANFORD. I think that she has suggested modifications. She has certainly not agreed with just the specific structure of each idea. I think there have been times when she has suggested another approach, or perhaps even another bill. We have done some drafting of legislation in our office, so we have in some cases submitted an alternate approach.

Mr. CASEY. You have drafted specific bills?

Miss HANFORD. Yes.

Mr. CASEY. Have they been introduced?

Miss HANFORD. Yes, they have. Some of these were through the President's consumer message last October. As I mentioned earlier, we have a very small legislative staff now and we do plan to add a general counsel. This would be one of the functions, to look into the legal ramifications and do actual drafting of bills.

FEDERAL GUIDE TO CONSUMER SERVICES

Mr. CASEY. How many of the guides have you put out in the past year?

Miss HANFORD. You mean the "Federal Guide to Consumer Services"?

Mr. CASEY. Yes.

Miss HANFORD. I believe that was last printed in 1967, and we have not put out a new one. We feel it must be revised and updated. We don't want to distribute it as broadly until we have an opportunity to revise and publish a new one.

Mr. CASEY. 1967 is the last year it was revised; is that correct?

Miss HANFORD. That is correct.

Mr. CASEY. Have you reprinted any of those? In other words, how many of them did you print with this $3,000 you had last year? Or were any printed with that money?

Miss HANFORD. No; none were printed this year.

LEGISLATIVE REPORT

We spent the $3,000 on the legislative report alone this year. The total cost of this publication thus far was $7,200.

We have had awfully good response on that. It seems to be helpful to people out in the field especially, who might want to come to Washington to make their views known through testimony or keep up with the movement of legislation through Congress.

Mr. CASEY. This is free of charge; is that right?

Miss HANFORD. That is right.

DISTRIBUTION OF REPORTS AND PUBLICATIONS

Mr. CASEY. Do you propose to enlarge the distribution of your Legislative Monthly Report if you receive money for printing?

Miss HANFORD. We are certainly hoping to do that. We are not out soliciting a broader distribution, but we are happy to add any one or any group who would like to be on the list. We certainly mention it frequently when we are making speeches and testifying, so that the opportunity is there if people are interested in having the report.

Mr. CASEY. By making a statement like that, young lady, you open a Pandora's box, because if you make this known that this is open to anyone, I can see some Member of Congress putting this in his weekly newsletter. Some of them put out a weekly newsletter and they try to think of something to put in them and they will put in the newsletter, "Do you know that you can get the Monthly Legislative Report," and you would soon have 30,000 added in one fell swoop in one congressional district. Did you know that?

Miss HANFORD. This is why we are not soliciting vast numbers of new requests.

Mr. CASEY. Not that people would read it, but it's one more publication they could get free.

Miss HANFORD. So far it has been manageable. We do mention casually that we are doing this, and that we feel it is a service. Thus far it has been manageable. We have been able to handle the requests. We indicate on the cover that it can be reproduced so that consumer groups or any interested person can make copies for distribution.

Mr. CASEY. I just want you to keep that information in mind, because you would use the $70,000 up quickly in just a few legislative districts.

Miss HANFORD. I can see that.

Mr. CASEY. The same way with the guide. I can understand that. You want to update that.

Miss HANFORD. We do get a lot of requests for that.

Mr. CASEY. Is this for free distribution to anyone who requests it?

Miss HANFORD. Yes, sir; that is the plan.

Mr. CASEY. Do you know how many baby books are put out by the Members of Congress these days?

Miss HANFORD. No, I don't.

Mr. CASEY. You better get that figure, because consumers reports and guides are interesting. I can see that growing out of hand.

Miss HANFORD. After distributing a certain number to all the people on our mailing list now and those who have expressed an interest in receiving it, perhaps it would be feasible to have a small charge for it. Certainly, this is something that we can look into.

Mr. CASEY. I would think that that might be considered, because I can see this growing out of hand.

PRINTING AND REPRODUCTION COSTS

You mentioned you had $3,000 last year. Last year you had a total of $20,000 for all printing and reproduction, did you not?

Miss HANFORD. That is the updated estimate which was made after it became apparent that $3,000 would be quite inadequate to cover our needs. We did not receive this money.

Mr. CASEY. You are requesting $77,000 this year.

Miss HANFORD. That is right. Our current estimate for 1970 is $20,000 for printing and reproduction, which would include all the officework.

Mr. CASEY. For what was it used last year?

Miss HANFORD. The $3,000 was for the monthly legislative report.

Mr. CASEY. That was just for the monthly legislative report?

Miss HANFORD. Yes. In terms of other office services, such as printing and reproduction of speeches and that type of thing, it would be a total estimate of $20,000. By the time the fiscal year ends, $20,000 will be a more accurate estimate.

Mr. CASEY. How much do you anticipate expansion of the legislative report to cost you? How much of this breakdown do you think would be for the legislative report? You spent $3,000 just for the legislative report last year.

Miss HANFORD. That is right. I think it's conceivable that it could run as high as $12,000.

Mr. CASEY. About $12,000 of that $77,000 that would be for your legislative report?

Miss HANFORD. Yes.

Mr. CASEY. Then you want to upgrade your guide and republish it. How much do you think that would cost you?

Miss HANFORD. That would be about $10,000. That would include the guides and other educational brochures. We have a pamphlet on what consumer education means, what it involves. This is also in draft

form now. We would hope to publish that along with the "Guide to Federal Consumer Services." The total would be $10,000.

Mr. CASEY. That is $22,000 of the $77,000. What is the other $55,000 going to be used for?

Miss HANFORD. The consumer bulletin, which would involve publishing current information on what is happening in the consumer related programs throughout the Federal Government, in trying to cut down on the proliferation of newsletters coming from all the different departments and agencies. That would run about $25,000. The brochures we have produced for low-income consumers will run about $15,000. We will be working with all the other Federal regional offices, with the State attorneys general, and the volunteer groups in a massive effort to provide education and information including these materials in the low-income areas of five or six major cities.

Then we will also, of course, be involved in testimony and administrative material which would have to be printed.

CONSUMER EDUCATION GUIDELINES FOR PUBLIC SCHOOLS

We are producing guidelines now for consumer education, kindergarten through 12th grade. We may have to provide some funds from next year's budget. for publishing that information also. That is the guide which we will take to the State departments of education to offer to them free of charge.

Mr. CASEY. What kind of a guideline would you give a youngster in kindergarten?

Miss HANFORD. This would be what to do with the money that that child may have—in other words, teaching them to save and to know how to do their little shopping even at that level. You must start good habits early. We have educational specialists who have done a lot of work in this field who are convinced that the time to start this training is at the earliest level.

A lot of young people these days are married when they are still at the high school level and they are suddenly faced with problems such as insurance, mortgages, credit, health benefits, and all kinds of practical matters which are important, such as reading contracts carefully. Too many of us, I am afraid, just never had exposure to this type of information as we came through the school system. We feel it should be provided early and they should be firmly grounded in it by the time they reach the 12th grade.

There are several ways that this can be done. You can use the interdisciplinary approach, which would be to introduce consumer education through all your different courses—such as teaching how to compare financing costs in a math course or nuances in word meanings in advertising in an English course. That is the so-called interdisciplinary approach. Then you can have a course dealing just with consumer education, or you can do team teaching. There are a number of different methods.

This would be left to the States, to determine how they want to use these guides. They would be skeleton guides. Obviously State and local officials are much more aware of their local situations and they can adapt the guidelines to their own needs. We would provide just the basis, the skeleton.

RESPONSIVENESS TO CONSUMER COMPLAINTS

Mr. CASEY. In all of the letters and correspondence you have gotten, I notice Mrs. Knauer made a general comment that in some instances you got companies to stand back of their guarantees and give consumers relief in that way. Is that when you feel that they have some meritorious complaint and you go direct to the company in behalf of the consumer?

Miss HANFORD. We would contact the company and ask them to look into the complaint and determine whether some action is needed or whether it's a misunderstanding and just a matter of communicating with the consumer. Industry has been pleased with this method because they want to know where the complaints are coming from, where the discontent is. It's really a barometer of consumer attitudes for industry.

Mr. CASEY. I notice you had something like 35,000 communications. Is that right?

Miss HANFORD. That is right.

Mr. CASEY. What percentage of those can you actually help, or what percentage of them do you just give a little consolation to?

Miss HANFORD. We are trying to address ourselves to every single problem that comes into the office. We try to be as responsive as possible to these people who are concerned enough to write a letter. We don't want to just pass the buck. This is one of the reasons why we have been delighted that we can approach industry directly.

Mr. CASEY. Have you ever answered them and recommended that they take court action or see an attorney?

Miss HANFORD. We certainly recommend that they see an attorney in some cases where it looks as if they have a legal problem. Of course, we mention to the low-income consumer the possibility of free neighborhood legal services or legal aid, or other methods which might be helpful to him. We don't want a person who has a legal problem to try to solve it without a lawyer, because he needs expert advice. So there are instances where we do recommend seeing an attorney.

Mr. CASEY. How many letters do you get back after your answer, saying, "You didn't give me any help"? What do you do then?

Miss HANFORD. There haven't been very many of them, thank goodness.

Mr. CASEY. You haven't been in business as long as some of us have then, because we get letters back like that.

GENERAL PRODUCT INFORMATION

You are talking about probably considering issuing some recommendations on—I think you used the example—paint.

Miss HANFORD. Yes.

Mr. CASEY. Like Mr. Michel, I don't think you ought to give the brand of paint, but I can see where for outdoor paints you would recommend an oil paint versus a washable paint, as the case may be, for inside.

Miss HANFORD. I think there is a lot of information which can be useful to consumers.

Mr. CASEY. I can see where you could look at the can and see what percentage of a certain ingredient it has for outside use. If you get in the realm of recommending brand names, of course, the brand names

keep the same name, but they change the ingredients many times, always saying it's the new Super Duz, or Cold Power, or what have you, or they change the color of it.

Mr. FLOOD. Do you feel you should turn thumbs down on a specific brand—say brand X of moustache wax is bad?

Miss HANFORD. We are really not in the testing business. I think this is something where you would need actual tests. Of course, as you know, we don't have the money to do that type of testing nor the authority.

Mr. CASEY. Isn't that the duty of the Federal Trade Commission? If somebody misleads in advertising or makes some claim that is false they jump on them on a complaint, do they not?

Miss HANFORD. They have, of course, a much larger budget and they do have responsibility for false advertising.

Mr. CASEY. I understand that. That is what I am talking about.

Miss HANFORD. The National Bureau of Standards and a number of other departments do some testing, but this is something we are not involved in.

Mr. CASEY. That is all, Mr. Chairman.

Mr. FLOOD. Mrs. Reid?

Mrs. REID. Thank you, Mr. Chairman.

MAINTENANCE SERVICE

Miss Hanford, has the Office of Consumer Affairs made special studies concerning the rising costs of maintenance service on household appliances?

Miss HANFORD. Not specifically. We are trying to look into the area of rising costs in general, of higher prices. We want to be as responsive as we can to consumer problems in this area. We seek technical advice and helpful information for the consumer from the Council of Economic Advisers.

Mr. WELLS. The Bureau of Labor Statistics is compiling filing figures on that.

Mrs. REID. Has anything been done to encourage manufacturers of such products to train more mechanics, for example, or to give better service?

Miss HANFORD. Yes. We had a task force on warranties and guarantees which was involved in the home appliance field. One of the recommendations which we have been urging is training more repair men in this area. We are trying to promote programs to bring in more trained personnel. This comes through our Industrial Relations Division which has constant contact with industry. We feel that one of the important things we can do is to keep the channels of communication open, promote a continuing dialog with industry, and try to help to promote voluntary efforts to solve a lot of these problems before they become legislative mandates.

Mrs. REID. Certainly the area needs a great deal of attention.

PRODUCT TESTING

Has your Office been engaged in any actual product testing with other agencies?

Miss HANFORD. No; we have not.

RETURNABLE BOTTLES

Mrs. REID. It has been suggested that standards be developed to permit reuse of bottles to help solve the problem of solid waste disposal. Has your office done anything along this line with the National Bureau of Standards?

Miss HANFORD. We have discussed the problems of nonreturnable bottles, the fact that this does add to the waste problem.

Mrs. REID. It would be cheaper for the consumer also, I should imagine.

Miss HANFORD. Yes; we have encouraged industry in this area. There are a number of companies, for example, who are recyling their products. This can be done with aluminum and with a number of other products. You can actually put them back into the recycling phase. These companies are providing a certain amount of money to people who will bring in cans, for example, half a cent per aluminum can to encourage people to turn them back in. It is certainly one of the constructive ways to solve the waste problem.

USE OF BRAND NAMES

Mrs. REID. I would like to agree with the other members of the committee and with the questions Mr. Michel posed and the statement he made concerning your becoming involved in using brand names. I think you would be opening up many new problems if you did that. This is something I would not want to see happen.

Miss HANFORD. As you know, in the consumer message, the President directed his special assistant to prepare a program for his consideration about the best way to release product information in a manner relevant to consumers. She has created an interagency task force to study the ramifications. We are still working on this.

Mrs. REID. I can't imagine you would consider using brand names. That would be something that would be out of your realm completely, I should think.

Mr. WELLS. There is a certain amount of limited brand-name information available now in the Federal Government; for example, the Veterans' Administration has put out a publication giving by brand name the hearing aids that it has tested and it has found acceptable for distribution to veterans' hospitals.

However, this is not the principal thrust of this interagency committee. The principal thrust is to see what type of product characteristics can be shared with the buying public.

Mrs. REID. I would hope you would confine yourselves to that.

Thank you, Mr. Chairman.

Mr. FLOOD. Thank you.

Miss HANFORD. Thank you, sir. We will provide the information for the record that you wanted.

Mr. FLOOD. Yes.

Justification of the Budget Estimates

Statement of Activities

The Committee acts as the voice of the consumer in the Administration, coordinates consumer activity in Government agencies, cooperates with State agencies and voluntary organizations in advancing the interests of consumers, promotes improved consumer education, recommends legislation of benefit to consumers, and encourages productive dialog and interaction between industry, government, and the consumer.

ADVANCING THE INTERESTS OF CONSUMERS

Interest in the consumer and his problems has increased tremendously in recent years and continues to grow, as evidenced by the huge number of consumer-oriented bills which have been introduced in the Congress, increased consumer activity in the state legislatures, the establishment of consumer affairs offices within federal agencies and departments (e.g. Health, Education, and Welfare, Office of Economic Opportunity), the organization of voluntary consumer groups across the country, the amount of newspaper and magazine space devoted to consumer issues by the press, and the ever increasing mail delivery to the White House consumer office reflecting the concerns of an aroused public. (The letters received during March totaled more than 3,500. This represents an increase of 1,000 over the previous month.) As interest and activity in the consumer field grow, the demands on the President's Special Assistant for Consumer Affairs and her small staff have become tremendous. Representatives of industry trade associations and individual businesses seek to discuss industry problems with the Special Assistant; Congressmen and agency heads urge her to testify before their Committees; speech invitations pour into the office daily; and 160 members of the press cover the office on a continuing basis.

The substantive area which the President's Committee on Consumer Interests is expected to cover is extremely broad as reflected in the wide scope of consumer complaints received by the Office and the diverse subjects on which the Special Assistant is asked to testify.

For example, she has testified, over the past year on product safety, The Fair Credit Reporting Act, consumer interests of the elderly, packaging and labeling, the fat content of cooked sausage, the Wholesome Fish and Fishery Products Act, the establishment of a Department of Consumer Affairs or Office of Consumer Affairs, unsolicited credit cards, class actions, pricing of new automobiles, Poison Prevention Packaging Act, Consumer Product Testing Act, meat prices, the disclosure of gasoline octane ratings, warranties and guarantees, retail food store advertising and marketing practices, and the care labeling of textile products.

The Special Assistant served on Secretary Finch's Pesticide Committee at his request. Members of the staff represented the Office on four nutrition panels for the December White House Conference, on the Department of Housing and Urban Development's "Operation Breakthrough", are currently serving on the American Bar Association Bankruptcy Committee and the American Bar Association Committee on Specialization, and other extremely time consuming special studies. We meet regularly with various departments and agencies, such as the Department of Justice, the Department of Agriculture, the Department of Commerce, the Department of Health, Education, and Welfare, and the Council of Economic Advisers to provide advice on matters affecting consumers.

The tremendous demands on the time and energy of the Special Assistant for Consumer Affairs and her staff have necessitated the detailing of persons from other Federal agencies to supplement the small number of 19 allotted permanent positions and two temporary positions for the President's Committee on Consumer Interests. Obviously it is desirable to transfer these employees to the President's Committee on Consumer Interests payroll in order to comply with Congressional requirements and to provide promotions and benefits based on merit as only the agency supervising actual performance of the employee can determine. The bulk of the increase in the President's Committee on Consumer Interests 1971 budget is to be used for salaries for persons who are currently detailed.

Office of Legislative Affairs

The Office of Legislative Affairs is responsible for proposing, planning, developing, preparing, and coordinating the President's consumer legislative program. It recommends Administration positions on all legislation in the Congress affecting consumers.

Any consumer problems and unmet needs which may require federal legislative action are identified by the Office of Legislative Affairs. It coordinates all consumer legislation including the preparation of reports, providing liaison with departments and agencies, obtaining clearance with the Bureau of the Budget, and submission to Congress.

The Office of Legislative Affairs arranges for the appearance of the Special Assistant to the President for Consumer Affairs and other staff officials for Congressional hearings on consumer matters. This office prepares testimony for the Special Assistant to the President for Consumer Affairs before Congressional Committees, departments, and independent agencies, as well as reports and other communications which are requested.

The Office of Legislative Affairs serves as the liaison on consumer issues with Congressional committees and members of the Congress. It advises the Special Assistant to the President for Consumer Affairs, other White House staff members, the Consumer Advisory Council, other government agencies, and the President's Committee on Consumer Interests staff members on Congressional aspects of Administration and President's Committee on Consumer Interests policies and programs, legislative investigations, and other pertinent matters.

The Office of Legislative Affairs will coordinate with the Office of Federal-State Cooperation in consumer legislative drafting and consultative service to state and local governments.

Liaison is maintained with the Department of Justice and the Federal Trade Commission and other agencies with respect to the enforcement of consumer laws and regulations.

The Office of Legislative Affairs provides input and staff assistanc to the Consumer Advisory Council.

A monthly status report on consumer legislation before the Congress is prepared by this office.

Within the last twelve months the legislation introduced in the Congress affecting consumers has increased materially, as have the number of requests for testimony by the Special Assistant, and requests for consultation with members of Congressional committees, committee staff members, and individual members of the Congress regarding consumer legislation.

Industry Relations Division

All of the Special Assistant for Consumer Affairs' correspondence, appointments, meetings, speaking engagements, plant visits and other contacts with the nation's business groups are arranged through the Office of Industry Relations. These contacts are multiplying and will continue to increase in FY 1971.

The Office is involved in continuous briefing of the Special Assistant on action taken by various industries; preparing correspondence for the signature of the Special Assistant; representing or accompanying her at industrial meetings; preparing, approving and editing speech material for delivery before industry, legislative and administrative groups; and writing testimony for the Special Assistant in regard to industrial activities. This Office also has responsibility for implementing the Report of the Presidential Task Force on Appliance Warranties and Service Problems.

The Office is responsible for implementing a program for handling consumer complaints in cooperation with industry trade associations and is responsible for investigating consumer complaint handling systems to determine the most effective means of dealing with this problem.

The Director of the Office of Industry Relations is also responsible for heading up the study of 400 plus consumer related programs in the Federal Government. The preparation of this presidentially requested report on the effectiveness and responsiveness of the Federal consumer related programs will undoubtedly extend into FY 1971.

The Office requests that the currently detailed professional staff be added to the permanent PCCI staff and that another permanent secretary be added, a modest request for FY 1971 over FY 1970.

Consumer Education

As pointed out by the Special Assistant for Consumer Affairs in the inside front cover of the Consumer Education Bibliography published by this office in April 1969, "No one is expected to know everything about the goods and services he buys, but everyone should know enough to make an intelligent choice. That's why we need consumer education." Traditionally, most educational endeavors emphasize career goals and how to make a living, but not necessarily how to use human and material resources effectively. Ever-changing and evolving technological developments and the complexities of a modern economy point to the fact that although legislation and enforcement are important, a properly educated and informed consumer is more likely to achieve justice in the marketplace. Also, there is a great need for materials and trained teachers in consumer education.

K through 12 Guides - Suggested guides for consumer education programs for the teaching of consumer education from Kindergarten through 12th grade, being developed by a group of nationally prominent educators working with this office and with the cooperation of the Office of Education, should be completed and ready for publication during the summer of 1970. It is planned to make these guides available, free of charge, to the various State Education Agencies throughout the country to encourage the adoption of consumer education courses and programs in the schools of every State in the Union. This office will work with these States to determine the best means of putting these programs into effect; whether as part of an interdisciplinary program, as a team teaching effort, or as a separate course. The needs of the various school districts, obviously, will vary and we intend for the States to adapt these skeleton guides to their own local needs.

Adult Guides/Continuing Education Guides - For people past school age, this office also hopes to have a teacher's guide for adult/continuing consumer education programs ready for publication during the summer of 1970. This can be adapted and used for low-income groups, the elderly, various ethnic groups, and special language groups, and any other specialized groups of adults.

Higher Education and Graduate Programs - This office will continue to encourage the development of new kinds of majors in colleges and universities leading to specialization in consumer affairs, and also continue to encourage and participate in teacher training workshops for teachers of consumer education.

We plan to urge the establishment of consumer graduate programs, including consumer law courses in law schools throughout the country. Several universities have requested that this office establish an intern program for undergraduates. Such a program is currently being planned, and summer interns will be supervised by the Office of Consumer Education.

Doctoral Intern Program - The Adult/Continuing Education Teacher Guides, previously mentioned, are being prepared by this office with the assistance of a doctoral candidate at George Washington University Graduate School. The President's Committee on Consumer Interests and George Washington University plan to extend this doctoral Intern Program on a continuing basis.

Consumer Education Bibliography - This office continues to receive numerous requests, almost daily, for the Consumer Education Bibliography published in April 1969 for the assistance of teachers and others conducting consumer education programs. The need to update this Bibliography is immediate so that it will continue to serve as an effective aid with regard to the above-mentioned guides and all consumer education activities. Publication of the Bibliography has stimulated the development of consumer education materials by businesses, trade associations, publishing houses, and other organizations. It should be noted that professional consultants will be required to update and revise the Bibliography.

Brochures - In cooperation with the Publications Office, the Office of Consumer Education will continue to develop special pamphlets for low-income groups and also design them for special ethnic and foreign language groups. One of these pamphlets will explain the need for consumer education; and, as in the case of the others, it will also be prepared in English and in Spanish.

Workshops, Conferences, etc. - As part of the emphasis on consumer education programs and the necessity of coordinating and stimulating these programs, it is important for the office personnel to attend and participate in teacher training workshops, in-service courses, and educational conferences.

Audio Visual Materials - To complement the above-mentioned teaching guides and other activities, this office plans to encourage the development of educational television for classroom use and of movies and other audio visual aids for classroom and general consumer education programs.

Media - Discussions with various radio stations, commercial and educational television and other media will be expanded, looking forward to the development through these various methods of communication of several different types of consumer education programs. It is hoped that some will be on a continuing basis.

Cooperation with Industry - Continued dialogue with the business sector will be held, urging greater involvement and participation by it in consumer education programs. This will include advocacy for additional materials that contain more than just product information; materials that are broader and more objective in educational concept will be urged. This activity includes communication with various publishers for similar up-to-date objective references and teaching sources.

Research - From time to time, it will be necessary to study the effectiveness of various consumer education programs and materials; and consultants, experts in specific fields, will be required to work with the staff.

Dissemination of Information - This office will continue to respond to the constant flow of requests for examples of consumer education materials from all segments of society, by supplying not only our own source materials, but also those made available by other governmental agencies and non-governmental sources.

Publications Division

The scope of activities for Fiscal Year 1971 includes a Consumer Register, general brochures, 5 low-income pamphlets, a revision of the Guide to Federal Consumer Services, and a monthly newsletter.

Funds must be available to hire consultants as needed. The functions of planning and directing are well within the capabilities of present staff. However, heavy writing demands and/or unusual creative art requirements will necessitate outside help.

A Consumer Register, which is being planned for the near future, will be coordinated by the PCCI. It will contain a selection of items which are of concern to consumers now appearing in The Federal Register. The material presented there, including notices of hearings, proposed and final rules and orders, and other useful information, will be translated from its technical form into language which is readily understandable to the layman.

Our publications most in demand are the Consumer Education Bibliography, Guide to Federal Consumer Services, Forming Consumer Organizations, and Consumer Information Guide (PL-86). The Guide to Federal Consumer Services is obsolete and will be revised.

PCCI is developing pamphlets on the following subjects: Door to door sales, credit, automobiles, contracts, and buyer's rights. These pamphlets will play a key part in a nationwide low-income education program.

Our plan for a monthly Consumer Newsletter grew from the Administration's desire to avoid "a proliferation of consumer newsletters." The newsletter will primarily serve as a clearing house to exchange information regarding Federal consumer activities. Distribution would include Federal agencies, state and local consumer organizations, and interested consumers.

Field Operations Division

The Office of Field Operations provides the principal staff support to the President's Special Assistant for Consumer Affairs in maintaining and expanding contacts with national, State and local organizations having consumer programs. Contact is regularly maintained with well over 100 organizations representing consumers, labor, women, education, as well as minority, civic, religious, fraternal and other interests. The number of organizations requesting assistance grows daily.

The Office actively assists in organizing conferences and meetings, and in finding Federal or other resources for conducting consumer oriented programs, provides technical information to existing voluntary consumer groups, and encourages and assists in the formation of new organizations. There are now 53 consumer organizations alone on the national, State and local level and the number will increase. Four of these organizations are on the national level, while 33 States, one county and 12 cities have voluntary consumer organizations. Two States - Colorado and Ohio - each have two State-level consumer organizations. These groups emphasize testifying in support of consumer legislation, encouraging consumer representation at the executive level in Federal, State and local government, and the promotion of more effective consumer education. They are in almost constant touch with this Office in their efforts to obtain program information, assistance and guidance. Over 23 of these organizations have been formed during the past two and one-half years and new ones are continually being formed. As of April 1, 1970, three State-level consumer organizations are being formed with the assistance of this Office in Mississippi, New Hampshire and Montana, as well as one in the city of Pittsburgh, Pennsylvania.

To assist new groups the President's Committee published a booklet entitled Forming Consumer Organizations which was issued in January 1969. To date, nearly 5,000 copies have been distributed and the demand continues strong.

This Office is responsible for maintaining liaison and servicing requests of 36 national organizations represented on our Ad Hoc Advisory Committee on Consumer Interests. Collectively, these organizations represent over 125 million citizens and have programs or interests in consumer affairs in such areas as product pricing, quality of goods, servicing and guarantees, credit and insurance, home improvements, cost of food, drugs and medical care, safety, and other areas determined by their respective board of directors.

In addition to the foregoing, this Office maintains liaison with some 20-25 separate governmental activities at the State and local level which give consumer representation in the executive branches of these governments through special commissions, councils, or committees.

This Office also coordinates and does necessary liaison for the Special Assistant's emerging involvement in international consumer affairs, both through the International Organization of Consumers Unions (representing Consumers Unions in 30 countries), as well as important work through the U. S. Department of State with the newly formed Consumer Policy Committee of the 22-nation Organization for Economic Cooperation and Development in Paris.

With the ever increasing interest and involvement of all these organizations and agencies in consumer matters at all levels, there is naturally an ever increasing demand from them for service and assistance from the Office of Field Operations.

Approximately $25,000 will be needed to plan and fund a series of four regional consumer conferences to determine areas of consumer concern at the grass roots level and to hold indepth discussions of consumer issues and to promote consumer education. The conferences would be held in the northeast, southeast, northwest and southwest regions. Each conference would require approximately $6,000.

Federal-State Cooperation Division

The Office of Federal-State Cooperation will be responsible for liaison with states and local subdivisions in order to promote cooperation and communication on consumer affairs between the federal government, the states and local subdivisions. It will encourage, cooperate with, and assist the states and local subdivisions in the establishment and strengthening of consumer protection offices, effective laws, and programs.

The office will have responsibility for the continuing evaluation and dissemination of information concerning existing state and local consumer protection laws, programs, and legislative proposals. It will provide consultative and technical assistance in the development and drafting of effective state and local consumer protection laws.

The office will have responsibility for identifying consumer problems and unmet needs common to the states which may require federal action, federal-state cooperation, or cooperative state action. It will obtain the views of state and local officials on proposed federal policies affecting states and local subdivisions. It will have responsibility to identify federal government resources which could be of assistance to states and local subdivisions in conducting consumer programs.

The office will maintain liaison with the states' Attorneys General through visits, consultation, and attendance at the meetings of the National Association of Attorneys General. It will also maintain liaison with the Council of State Governments and the National Conference of Commissioners on Uniform State Laws.

The preliminary work has been completed for a comprehensive study of state consumer protection laws, which has already been funded and which we anticipate completing in fiscal year 1970.

The office will be continuing cooperation with the National Association of Attorneys General and the Department of Justice on proposals to establish, as soon as feasible, a central clearinghouse for consumer protection information involving both state and federal participation.

PUBLIC AFFAIRS DIVISION

The primary responsibility of the Public Affairs Office is focused on publicity to gain public understanding of consumer problems and issues.

Presently, the work of this Office falls into ten categories:

1) Speeches and Statements, including those of the Executive Director, and other members of the staff on occasion;
2) Answering press queries;
3) Press releases;
4) Press interview schedules for the Special Assistant and staff;
5) Calendar arrangements;
6) Background information for staff members, public, businesses, press, and government personnel;
7) Consumer complaints referred to us by members of the press, for example -- Action Line;
8) Articles on consumer issues;
9) Briefing of staff members prior to press conferences.

There has been a considerable increase in both public and press interest in consumer affairs, consequently adding to the Public Affairs Office workload.

During the closing months of FY 1969 (April 1969-June 1969), the Special Assistant testified five times and gave 16 speeches. During the First Quarter of FY 1970 (July 1969-September 1969), the Special Assistant testified 6 times and gave 26 speeches. Second Quarter of FY 1970 (October 1969-December 1969), the Special Assistant testified 8 times and gave 35 speeches. The Third Quarter of FY 1970 (January 1970-March 1970), the Special Assistant testified 8 times and gave 32 speeches.

From the First through the Third Quarters of FY 1970, the Special Assistant has made 93 speeches and has given over 87 interviews to the press. For many interviews, she is given back-up material or probable questions and answers. It is quite apparent that Mrs. Knauer's public appearances far out number Miss Furness'.

In view of the workload, it has become necessary to add two additional writers who are on detail. Again, we are extremely anxious to transfer all personnel to the President's Committee on Consumer Interests' payroll.

Consumer Communications

The President's Committee on Consumer Interests receives more than 3,500 pieces of mail each month from consumers (including many referrals from Members of Congress), and maintains an extensive coding and filing system for use by all divisions of the Committee. The mail volume has more than tripled in the past year and continues to increase each month.

An automatic typewriter will be installed this month to aid in speedier processing of this correspondence, and the secretarial staff must be considerably increased as well in order to give proper attention to this large volume of mail and to prevent backlogs.

Correspondence received in this office provides the opportunity to assist individual consumers and serves to alert the Committee to complaint patterns and areas of consumer concern needing immediate attention.

Research Division

A Division for Research is a new addition necessitated by the many diverse problem areas which require intensive research. The office will provide background material for development of policy positions and program ideas and will maintain constant liaison with other components of the government concerned with consumer matters.

Although the resources of other Federal agencies and departments are available to the President's Committee, it has been difficult to obtain assistance on short notice; in other cases, research completed by other agencies does not fulfill the particular needs of the Committee.

Although the Legislative Office covers Congressional hearings, there is neither time nor staff to attend the many hearings of consumer interest initiated by the various agencies, regulatory and Executive Branch. These will be covered by the Research Division and reports of their content and impact on office priorities will be written by the Division and circulated to the staff of the Committee for their information when indicated.

Consequently, it has been necessary to provide a central focal point for collecting, organizing, and supplying the latest available information on a given subject. This information is being collected in a Library of Consumer Information. The Library will provide syntheses and synopses of publications, both Government and private, on the consumer interest which are received by the Committee and filed in the Library, thereby providing another reference and informational source for briefings, speeches, testimony, and reports by the Special Assistant and senior officials in their contacts with government and the public.

The Research Division will also initiate and develop programs for conducting surveys and investigations concerning the needs, interests, and problems of consumers, and will work with industry and the Government to encourage and coordinate research dealing with consumer products and services.

PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS
EXPLANATION OF ESTIMATE BY OBJECT

11. Personnel Compensation $523,000. The estimate provides $488,000 for 35 permanent positions (this includes bringing on board detailed personnel); $30,000 for intermittent employment (this also provides for the Consumer Advisory Council meeting in Washington, D. C. approximately four times during Fiscal Year 1971); and $5,000 for overtime pay.

12. Personnel Benefits $39,000. Provides for contributions to the Civil Service Retirement Fund, group life insurance, health benefits and Social Security payments.

21. Travel and Transportation of Persons $60,000. We anticipate a greater need for travel funds in FY 1971 due to the increase in speaking engagements as compared to FY 1969. One of the primary functions of our office is to give visibility to consumer problems and to provide a pipeline to the President from consumers across the country. With the increased number of consumer organizations being formed around the country, the Office of Field Operations anticipates a need for additional travel money; as model guidelines and other information and educational materials are developed, the Office of Consumer Education anticipates additional cost for travel to State departments of education; and increased emphasis on working cooperatively with the States, e.g. to promote consumer protection bureaus and adequate laws, will certainly produce a need for additional travel funds.

23. Rent, Communications and Utilities $35,000. Provides for comprehensive telephone services, including FTS; Xerox equipment rental; and other utilities as required. Also included are telegraph and penalty mail costs.

24. Printing and Reproduction $77,000. (Other than work performed through Xerox equipment rental above).
This provides for work to be performed by the Publications Office as previously stated. Also provides for printing of speeches, press releases, testimony and duplication of material for administrative use.

25. Other Services, $60,000. This amount includes $25,000 reimbursement to General Services Administration for administrative and housekeeping services; personnel and security checks; office machine and furniture repairs and various miscellaneous services obtainable from other Federal agencies as required. In addition, we anticipate preliminary work on a possible White House Conference on Consumer Education and/or a consumer education movie to be shown nationwide and/or a proposed television series on consumer education and information. I also hope to initiate and fund a series of four regional consumer conferences. Each conference would require approximately $6,000.

26. Supplies and Materials $13,000. For necessary office and operating supplies (desk-top supplies, envelopes, letterheads, photocopy materials and other stationery as required), and work materials consisting of subscribed periodicals, reference publications and books.

31. Equipment $3,000. For purchase of additional office furniture and equipment for increased staff (desks, chairs, typewriters, and dictating equipment). Also includes provision for replacement of furniture and equipment items, as required.

President's Committee on Consumer Interests
Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code 32-10-1700-0-1-609	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Advancing the interests of consumers (program costs, funded) 1/	354	480	810
Change in selected resources 2/	67	-20	---
10 Total obligations	421	460	810
Financing:			
Budget authority	421	460	810
Budget authority:			
40 Appropriation	421	450	310
41.20 Proposed supplemental for civilian pay act increases	---	10	---
Relation of obligations to outlays:			
71 Obligations incurred, net	421	460	810
72 Obligated balance, start of year	21	95	105
74 Obligated balance, end of year	-95	-105	-105
77 Adjustments in expired accounts	-2	---	---
90 Outlays, excluding pay increase supplemental	344	440	810
91.20 Outlays from civilian pay act supplemental	---	10	---

1/ Includes capital outlay as follows: 1969, $1 thousand; 1970, $1 thousand; 1971, $2 thousand.

2/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $-0-; 1969, $67 thousand; 1970, $47 thousand; 1971, $47 thousand.

President's Committee on Consumer Interests

Salaries and Expenses

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 32-10-1700-0-1-609		1969 actual	1970 estimate	1971 estimate
	Personnel compensation:			
11.1	Permanent positions	219	266	488
11.3	Positions other than permanent	21	20	30
11.5	Other personnel compensation	1	1	5
11.8	Special personal services payments			
	Total personnel compensation	241	287	523
	Personnel benefits:			
12.1	Civilian	16	20	39
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons	18	35	60
22.0	Transportation of things			
23.0	Rent, communications, and utilities	22	35	35
24.0	Printing and reproduction	18	20	77
25.0	Other services	93	50	60
26.0	Supplies and materials	12	12	13
31.0	Equipment	1	1	3
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	421	460	810

President's Committee on Consumer Interests

Salaries and Expenses

Personnel Summary

Identification code 32-10-1700-0-1-609	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions.	23	19	35
Full-time equivalent of other positions	2	1	2
Average number of all employees. . .	18	18	37
Average GS grade	10.8	11.9	10.7
Average GS salary.	$13,089	$16,012	$13,943

President's Committee on Consumer Interests

Salaries and Expenses

DETAIL OF PERMANENT POSITIONS

Grades and Ranges	1969 actual	1970 estimate	1971 estimate
GS-16 $25,044 to $31,724	1	...	1
GS-15 $21,589 to $28,069	5	7	8
GS-14 $18,531 to $24,093	3	2	2
GS-13 $15,812 to $20,555	1	...	1
GS-12 $13,389 to $17,403	2	3	5
GS-11 $11,233 to $14,599	1	1	2
GS-9 $9,320 to $12,119	1	3	5
GS-8 $8,449 to $10,987	2	...	...
GS-7 $7,639 to $9,934	3	2	5
GS-6 $6,882 to $8,943	2	1	6
GS-5 $6,176 to $8,030	1	...	...
GS-4 $5,522 to $7,178	1	...	...
Total permanent positions	23	19	35
Unfilled positions, June 30	-9	...	...
Total permanent employment, end of year	14	19	35
HIGHER LEVEL POSITIONS			
GS-16 $25,044 to $31,724:			
Executive Director	1	...	1

MONDAY, MAY 25, 1970.

CABINET COMMITTEE ON OPPORTUNITIES FOR THE SPANISH-SPEAKING PEOPLE

WITNESSES

MARTIN G. CASTILLO, CHAIRMAN
HENRY A. QUEVEDO, EXECUTIVE DIRECTOR
FERNANDO DEL RIO, DEPUTY EXECUTIVE DIRECTOR
ART CRATEN, BUDGET REPRESENTATIVE, GSA
ZEKE DAVIS, LIAISON OFFICER, GSA

CABINET COMMITTEE ON OPPORTUNITIES FOR SPANISH-SPEAKING PEOPLE

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	209	363	410
Positions other than permanent	27	10	15
Other personnel compensation	12	10	15
Total personnel compensation	248	383	440
Personnel benefits: Civilian employees	16	27	32
Travel and transportation of persons	30	22	52
Transportation of things	1	2	3
Rent, communications, and utilities	62	48	60
Printing and reproduction	20	25	34
Other services	14	31	46
Supplies and materials	1	3	5
Equipment	10	2	3
Total costs, funded	402	543	675
Change in selected resources	44	−6	
Total obligations	446	537	675

PERSONNEL SUMMARY

Total number of permanent positions	29	27	35
Full-time equivalent of other positions	2	1	1
Average number of all employees	22	26	35
Average GS grade	9.4	9.8	8.9
Average GS salary	$10,552	$12,034	$11,424

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:			
Resolution of problems of Mexican-Americans, Puerto Rican Americans, Cuban Americans, and other Spanish speaking groups (program costs, funded) [1]	402	543	675
Change in selected resources [2]	44	−6	
Total obligations	446	537	675
Financing:			
Receipts and reimbursements from: Federal funds	−460		
Unobligated balance lapsing	14		
Budget authority		537	675
Budget authority:			
Appropriation		510	675
Proposed supplemental for civilian pay act increases		27	
Relation of obligations to outlays:			
Obligations incurred, net	−14	537	675
Obligated balance, start of year	42	85	117
Obligated balance, end of year	−85	−117	−77
Adjustments in expired accounts	−10		
Outlays, excluding pay increase supplemental	−67	480	713
Outlays from civilian pay act supplemental		25	2

[1] Includes capital outlay as follows: 1969, $0; 1970, $2,000; 1971, $2,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $2,000; 1969, $46,000; 1970, $40,000; 1971, $40,000.

Mr. FLOOD. Now we have the Cabinet Committee on Opportunities for the Spanish-Speaking People.

The presentation will be made by Mr. Martin G. Castillo.

INTRODUCTION OF SUPPORTING WITNESSES

You have with you some members of your staff.

Mr. CASTILLO. May I introduce them?

Mr. FLOOD. Yes; please do.

Mr. CASTILLO. Mr. Chairman, this is Henry Quevedo, our Executive Director; Mr. Art Craten, from GSA; and Mr. Fernando del Rio, Deputy Executive Director; and Mr. Zeke Davis, also working with us from GSA.

BIOGRAPHICAL SKETCHES

Mr. FLOOD. We have a biographical sketch of Mr. Castillo which we will place in the record. Mr. Castillo, if any of your members cares to speak, will you have biographical sketches of them placed in the record, too?

Mr. CASTILLO. Yes, sir. We have submitted biographical sketches on Mr. del Rio and Mr. Quevedo.

Mr. FLOOD. We will place those in the record.

(The biographical sketches follow:)

BIOGRAPHICAL SKETCH—MARTIN G. CASTILLO

Martin G. Castillo, a native of Santa Fe, N. Mex., was appointed Chairman of the Inter-Agency Committee on Mexican-American Affairs on May 28, 1969. He is presently serving as Acting Chairman of the Cabinet Committee on Opportunities for Spanish-Speaking People, a position he assumed upon the signing of legislation creating this agency on December 30, 1969.

Mr. Castillo, the son of Army Col. Jose A. Castillo and Emma Barela Castillo, is 39 years of age and married to the former Carol Wood. The couple have two children, Scott Christopher, age 14, and Craigg Anthony, age 11.

The above-named individual was educated in New Mexico, California, and Germany. He graduated from Loyola University of Los Angeles in 1953; attended the University of Heidelberg, Heidelberg, Germany, in 1949–50; received his juris doctor degree from Loyola Law School of Los Angeles in 1961; has practiced law as a member and founder of the firm of Lewis, Gershar & Castillo, in Los Angeles, Calif., since 1962.

Mr. Castillo served in the U.S. Air Force from 1953 to 1958 as a fighter pilot attaining the rank of captain. He is presently a member of the Air Force Reserves with the rank of captain.

Mr. Castillo is a member of the following organizations: Minority Relations Committee of the Los Angeles County Bar Association; speaker for the Ad Hoc Committee on Police and Community Relations; chairman for the Mexican American Committee on Senate Reapportionment; county board of directors of United Way, (a) member ad hoc committee on disadvantaged, and (b) general budget committee; board of directors of Neighborhood Legal Services; board of directors of MAS FACIL (Mexican American Self-Help Foundation For Advancement of Careers in Law); Urban Action Division of the YMCA of Metropolitan Los Angeles; East Los Angeles Junior Chamber of Commerce; Monterey Park school committee, chairman, legal aspects; Montebello YMCA fundraising committee; and BPOE No. 99.

BIOGRAPHY—FERNANDO R. DEL RIO

Fernando R. Del Rio, a native of Los Angeles, Calif., is currently Deputy Executive Director of the Cabinet Committee on Opportunities for Spanish-Speaking People.

Mr. del Rio is 37 years of age, married, no children, and now a resident of the District of Columbia. Mr. del Rio's wife is a licensed stockbroker in the State of

California and is a member of the Pacific Coast Stock Exchange and secretary-treasurer of a new firm, Bryl Lerner & Associates.

The above-named individual is a product of the Los Angeles city school system, a graduate in international relations from the University of California at Los Angeles, and has a degree in international management from the Thunderbird Graduate School of International Management in Phoenix, Ariz.

Mr. del Rio's military experience was completed in the U.S. Navy during the Korean conflict as an air crew member in a Navy patrol squadron. He was honorably discharged from the Navy in late 1952.

Professionally, after college, Mr. del Rio was a technical and advertising writer for several military electronics firms on the coast and in the District of Columbia area. In 1963 he jointed a community action project as a job developer for disadvantaged youths in an experimental training program in East Los Angeles, Calif. He rose from that post to supervisor, and then to Deputy Director of the Cabinet Committee. In 1967 he was appointed executive director of the Eastland Community Action Council in East Los Angeles, an OEO-funded program. This agency operated manpower training projects, community action programs, and health programs.

In late 1968 Mr. del Rio joined the Mentec Corp. of Los Angeles, Calif., as regional manager of their technical assistance program under contract to the National Alliance of Businessmen. In this capacity he managed the entire Western region for contract development for MA/4 hard-core training programs with private industry. Mentec is a research and development firm concentrating on social-science activities.

Biography of Henry A. Quevedo

Henry A. Quevedo, currently serving as the executive director of the Cabinet Committee on Opportunities for Spanish-Speaking People was born in Los Angeles, Calif., 34 years ago. He is the son of Eduardo L. Quevedo, long-time activist and respected leader in the Mexican-American community.

Mr. Quevedo is married to the former Alice I. Montano. They have five school-age children and reside in McLean, Va.

He received his bachelors in arts degree from Loyola University of Los Angeles, majoring in philosophy. He attended Southwestern University School of Law where he received his juris doctor degree in 1962.

Mr. Quevedo has been active in the Mexican-American community in the Southwestern United States since early in life. He has held important statewide positions in grass roots civic, political, civil rights, and community-improvement organizations in the Spanish-speaking community.

Prior to his appointment as executive director of the Cabinet Committee on Opportunities for the Spanish-Speaking People, Quevedo served as the field deputy to Los Angeles County District Attorney, Evelle J. Younger. In this position he acted as adviser to the district attorney on problems affecting the Mexican-American community. He also served as legislative director for the same department and acted as adviser to the Los Angeles County Grand Jurors' Association.

Mr. Quevedo is a member of the following groups and organizations: Los Angeles Parent Teachers Association, consultant to the Los Angeles County Federation of Labor AFL–CIO, Great Valley Chamber of Commerce, Mexican American Political Association, past State administrator, southern region; Girl Scouts of America, board of directors; East Los Angeles Youth Center, board of directors; War on Poverty, Inc., board of directors; Western Economic and Social Development Corp., board of directors; Mexican American Scholarship Foundation Assisting Careers in Law (MAS FACIL), tax exempt scholarship foundation; Mexican-American Voters' League, board of directors.

Prepared Statement

Mr. Flood. Mr. Chairman, I see you have a prepared statement. How do you wish to proceed?

Mr. Castillo. With your permission, sir, I would like to insert it in the record without comment, unless you have additional questions regarding the statement.

Mr. FLOOD. We will place your statement in the record.
(The statement follows:)

Mr. Chairman and members of the committee, my name is Martin Castillo. Since December 30, 1969, when President Nixon signed Public Law 91–181 establishing the Cabinet Committee, I have been serving as acting chairman of that body in whose behalf I am appearing today. With me are Henry Quevedo, my Executive Director; Fernando Del Rio, Deputy Executive Director; Arthur Craten, our budget representative from GSA; and Zeke Davis, the committee's Liason Officer, GSA.

The Cabinet Committee on Opportunities for the Spanish-Speaking People was established by Public Law 91–181 to carry out the objectives of (1) insuring that Federal programs are reaching and providing the necessary assistance for all Spanish-speaking and Spanish-surnamed Americans, including Mexicans, Puerto Rican, and Cuban Americans; (2) providing for the development of new programs which may be necessary to meet the problems which are unique to such persons; and (3) giving impetus to an integrated, Government-wide effort of assistance to such groups by providing for the establishment of a permanent body to replace the Interagency Committee on Mexican Affairs, established by presidential memorandum in 1967.

The Cabinet Committee is composed of the chairman, seven Cabinet members—the Secretraies of Agriculture, Commerce, Health, Education, and Welfare, Housing and Urban Development, Labor, Treasury, and the Attorney General—and the Director of the Office of Economic Opportunity, the Administrator of the Small Business Administration, the Chairman of the Civil Service Commission, and the Commissioner of the Equal Employment Opportunity Commission most concerned with Spanish-speaking and Spanish-surnamed Americans. In addition, as chairman I may invite participation by other Federal departments and agencies when matters of interest to them are being considered.

The principal function of the Cabinet Committee is to advise Federal departments and agencies regarding (1) appropriate action to be taken to assure that Federal programs are providing the assistance required by such Spanish-speaking Americans, and (2) the development and implementation of comprehensive and coordinated policies, plans, and programs focusing on the special problems and needs of the Spanish-surnamed American community. In connection therewith, the Cabinet Committee is authorized to foster such surveys, studies, research and demonstration, and technical assistance projects and establish and promote such relationships with, and participation by, State and local governments and the private sector as may be appropriate to identify and assist in solving the special problems of the people concerned. The committee is required to meet at least quarterly each year and to submit to the President and the Congress an annual report of its activities during the preceding year, including appropriate recommendation.

The committee is further authorized to (1) prescribe appropriate rules and regulations; (2) consult and coordinate its activities with appropriate Federal departments and agencies, enter into agreements with them and utilize their facilities and resources; and (3) acquire directly from any such Federal agencies information which it deems necessary to carry out its functions and utilize their services and facilities; and all such agencies are authorized to furnish such information, services or facilities to the committee upon the request of its chairman, to the extent permitted by law and by available funds.

Prior to fiscal year 1970, the predecessor agency, the Interagency Committee on Mexican American Affairs, was funded by contributions from member agencies, with an approved level of spending fixed at $485,000, and 29 permanent positions.

For fiscal year 1970, the committee received an appropriation of $510,000, and employed a total staff of 30 persons, of whom 27 occupied permanent positions and 3 were temporary. For fiscal year 1971, a total appropriation of $675,000 has been requested for 35 positions.

The increase in the requested appropriation for fiscal year 1971 is in keeping with the expanded mandate of the Cabinet Committee. Public Law 91–181 provides that the chairman of the committee shall not concurrently hold any other office or position of employment with the United States, but shall serve in a

full-time capacity as the chief officer of the committee. This section requires the committee to assume the responsibility for the chairman's compensation and his secretarial staff.

Public Law 91–181 also establishes an Advisory Council on Spanish-Speaking Americans composed of nine members appointed by the President from among individuals who are representative of the Mexican American, Puerto Rican American, Cuban American, and other elements of the Spanish-speaking and Spanish-surnamed community in the United States. The act further provides that all members of the Council shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties, and each member of the Council who is appointed from private life shall receive $100 a day for each day during which he is engaged in the actual performance of his duties as a member of the Council.

In view of these added requirements, the requested increase in appropriations for fiscal year 1971 only reflects an effort to continue the same level of activity.

Thank you.

Mr. FLOOD. Do you wish to comment on the statement?

Mr. CASTILLO. No, sir. It is a very short statement that sets out the various goals of the Cabinet Committee, which I am sure the chairman and the staff are familiar with.

Mr. FLOOD. Would you like to highlight three or four things in it? We have received it. We thought you might want to point out to us three or four things at this time.

MISSION OF CABINET COMMITTEE

Mr. CASTILLO. I would like to point out perhaps just one major thing, and that is I consider our mandate extremly important because we are dealing with approximately 10 million Spanish-speaking citizens of this country. Our mandate is to see that the existing Federal programs reach the Spanish-speaking people. I have been deeply concerned that existing Federal programs have not reached the Spanish-speaking.

Mr. FLOOD. How long has this Cabinet Committee been in existence, Mr. Chairman?

Mr. CASTILLO. As officially sanctioned by Congress, since December 1969. The bill changing the name of the Committee from the Interagency Committee on Mexican-American Affairs to the Cabinet Committee on Opportunities for the Spanish-Speaking People was enacted December 30, 1969.

Mr. FLOOD. Will you list for the record the names and the addresses of the members of the Committee?

Mr. CASTILLO. I don't know the addresses, sir.

Mr. FLOOD. Not now. Will you list for the record their names and States they are from?

Mr. CASTILLO. Yes, sir.

Mr. FLOOD. You can do it on the record.

(The information follows:)

The Committee is composed of the following Cabinet officers:

(1) the Secretary of Agriculture; Clifford M. Hardin of Nebraska;

(2) the Secretary of Commerce; Maurice H. Stans of New York;

(3) the Secretary of Labor; George P. Schultz of Illinois;

(4) the Secretary of Health, Education, and Welfare; Robert H. Finch of California;

(5) the Secretary of Housing and Urban Development; George W. Romney of Michigan;

(6) the Secretary of the Treasury; David M. Kennedy of Illinois;

(7) the Attorney General; John N. Mitchell of New York;

(8) the Director of the Office of Economic Opportunity; Donald Rumsfeld of Illinois;

(9) the Administrator of the Small Business Administration; Hilary J. Sandoval of Texas;

(10) the Commissioner of the Equal Employment Opportunity Commission most concerned with the Spanish-speaking and Spanish-surnamed Americans; (Has not been designated);

(11) the Chairman of the Civil Service Commission; Robert E. Hampton; and

(12) the Chairman of the Committee; Martin G. Castillo of California. who shall be appointed by the President, by and with the advice and consent of the Senate, from among individuals who are recognized for their knowledge of and familiarity with the special problems and needs of the Spanish speaking.

Mr. FLOOD. Is there anything further you wish to add?

Mr. CASTILLO. No, sir.

Mr. FLOOD. This has always intrigued me. I was raised in St. Augustine, Fla., a very old town, as you know.

Mr. CASTILLO. Yes, sir.

Mr. FLOOD. My mother's youngest sister married Henry Cordova. I lived for a while with them in Las Palmas.

How many Spanish-speaking people are there?

Mr. CASTILLO. We predict the 1970 census will disclose there are approximately 10 million, sir.

SPECIAL PROBLEMS OF SPANISH SPEAKING PEOPLE

Mr. FLOOD. I came from the hard coalfields in northern Pennsylvania, the anthracite mining area, and as you can imagine, I have people in my district from almost every nationality, race, color, creed, and religion in the world. It's a very American area—I might add with very few Spanish-speaking people. We brought some in in the early years of the last war from Mexico for mining purposes, but we have very few Spanish-speaking.

There are many Italians, Slavs, and Irish, and so on. Do the problems of the Spanish-speaking people in our country differ from those of the other immigrant groups who have come here down through the years? Do you think they have special problems not encountered by any of the other so-called minority immigrant groups? If so, what are they?

Mr. CASTILLO. I will answer your question broadly by saying, yes, that there are some unique problems that face the Spanish-speaking that perhaps do not affect the other disadvantaged groups in this country.

Mr. FLOOD. Disadvantaged?

Mr. CASTILLO. Yes, sir.

Mr. FLOOD. I wouldn't accept that. My people don't consider themselves disadvantaged—the immigrant groups.

Mr. CASTILLO. I understand. What I am trying to clarify, historically, I think we find recent immigrants considered actually a part of the disadvantaged group. Generally they tend to be assimilated.

Mr. FLOOD. Any immigrant has disadvantages at that point, but what is peculiar or especially difficult about the Spanish-speaking group?

Mr. CASTILLO. For one thing, sir, the Spanish-speaking people, for example, founded St. Augustine as well as my place of birth, Santa Fe, N. Mex. I understand they vie as to which is the oldest city. It's not as if we are a newly established group. We have been here a long time.

The Spanish-speaking person is very often at the bottom of the socioeconomic ladder, in terms of education and employment. An additional factor, in my opinion, is the proximity of the island of Puerto Rico and the border of Mexico to this country, it lends itself to a situation not peculiar to most immigrant groups.

For example, when there was a potato famine in Ireland, a great number of Irish people came to this country. They settled in this country, but there is an ocean between their homeland and this country. After a generation or two they progressed to the point that they are no longer considered a disadvantaged minority.

From Puerto Rico to the city of New York there is a constant migration, a daily influx of new people. The same is true at the Mexican border. For example, in my home city of Los Angeles——

Mr. FLOOD. There is also an emigration from Puerto Rico?

Mr. CASTILLO. Yes, sir. Los Angeles has more Mexican-Americans and Mexican people than any other city in the world, outside of Mexico City.

Mr. FLOOD. What are the special problems?

Mr. CASTILLO. Language and constant influx of new people that foster nonintegration into the American society by holding onto the traditions of the old culture. It's hard to put your finger on any given problem because there is a combination of circumstances.

When people look at a place such as East Los Angeles they do not realize it is in fact a port of entry and is constantly being fed by new people who replace those who have moved on.

Mr. FLOOD. I am still not clear how the Spanish-speaking immigrant differs from the Slav. They both come into New York or to anyplace, into a port of entry. Here is any sort of Slav or he is a Latin. What is the difference?

Mr. CASTILLO. Fortunately, in light of your question, I was graduated from San Pedro High School where we have a great many Yugoslavs, in fact the majority they call black Slavs. They are in the fishing industry. They came over as a group. They were here and worked hard. Their sons bought the fishing boats. They were integrated into the American society within a generation or two. There wasn't a blacklog of Slavic people coming in large numbers to reinforce their old culture, which has been fading as the children grow up and became part of the system. A few miles away there is a city

called Wilmington where there is a great concentration of Mexican-Americans. Our people moved in and, as they began to work themselves out, other Mexican people came thus creating a closed type of society different from that of the Slavs who seemed to integrate more rapidly because the funneling source was cut off.

Mr. FLOOD. Will you examine this question and make that clear for the record.

Mr. CASTILLO. I will.

Mr. FLOOD. It's just not clear why the Spanish-speaking immgrant has a very special problem as compared with a Slav or any one of the many other immigrant groups who have come to the United States from other countries. Why would the Spanish-speaking problem be different?

Mr. CASTILLO. May I try to answer in a different way?

Mr. FLOOD. Surely.

Mr. CASTILLO. The reason my answer may have seemed a little cloudy is because I was addressing myself to the problem of the Spanish-speaking immigrant.

Mr. FLOOD. I didn't mean that. I mean in our country today your Commission exists and you are special pleaders for the Spanish-speaking Americans in our country today.

Mr. CASTILLO. Yes, sir.

Mr. FLOOD. Why are their problems different from the Slav? Why must there be a Spanish-speaking Commission by Executive direction instead of a Polish one?

Mr. CASTILLO. Let me try to answer that question specifically. Maybe I can make it clearer than muddling through the immigrant thing, because in my mind I was dealing with a little different problem.

Where do we find the Spanish-speaking people in the United States in terms of income, education, achievement, school dropout ratio, the professions? In terms that measure how people are doing in this country we find them behind, other minority groups. This is difficult for a lot of us to understand since we have been here so long and since we have tried to participate in the process for so long.

Mr. FLOOD. Yes, very, very.

Mr. CASTILLO. We find very often that the first denominator to get acquainted with is the language difficulty.

Mr. FLOOD. How would that be more difficult than the Pole?

Mr. CASTILLO. I don't think it's more difficult, but there are 10 million Spanish-speaking people here, many of whom were here long before the first Polish immigrant.

(Additional information follows:)

CABINET COMMITTEE ON OPPORTUNITY FOR THE SPANISH SPEAKING,
Washington, D.C. May 28, 1970.

Dear Congressman Flood:

The attached reflects our response to your request for clarification regarding the unique characteristics and problems of the Spanish Speaking in the United States.

In establishing the Cabinet Committee, Congress and the President are attempting to break the cycle that is perpetuating a Spanish barrier between this community and the America of opportunities. In effect, we are attempting to open the door to an American way of life.

Sincerely,

Martin G. Castillo
Chairman

Honorable Daniel J. Flood
House of Representatives
Washington, D. C.

Enclosure

THE UNIQUE CHARACTERISTICS AND PROBLEMS OF THE SPANISH SPEAKING IN THE UNITED STATES

To understand the differences and the resulting implications between minority groups in this country, it helps to distinguish between the immigrant minority and the native minority groups. The relative assimilation rate of the former is associated with geographic isolation from the homeland, generational isolation and cultural isolation enhanced by conflicting exposure to the dominant culture. In the case of the native minority groups, the Spanish speaking and the American Indian, only the last phenomenon is true. Namely, the conflict of two cultures with the distinguishing characteristic that in the case of the American Indian, the reinforcement of the primary culture is diluted by diminishing growth rates and the lack of sustaining waves of immigration or language/culture reinforcement.

The Spanish speaking group, on the other hand, has experienced a higher birth rate than the dominant culture group and a higher immigration rate than any immigrant minority in the history of the United States. This sustaining reinforcement perforce institutionalizes the language and cultural differences to the point that in many Southwestern cities, the Spanish language is dominant over English even among non-natively Spanish speaking anglo Americans. Since Spanish was spoken long before the short guttural sounds of the Saxon or Teutonic languages carried over the Atlantic, the native Spanish speaking regard their culture/language patterns as not only primary but in most cases dominant.

This socio-psychological fact is compounded by the additional fact that as much as thirty percent of the high growth rate of the Spanish speaking population is attributable to direct migration, or immigration, as the anglo-American prefers to think of it, from the many, many miles of historically open border between the United States and Mexico. Additionally, similar only to the American Indian, a fourth of this country was once a Spanish speaking republic without a substantial exodus of the native population occuring during or after the transition to the United States' acquisition of territories. This tends to further reinforce the validity and, therefore, the reality of bi-culturalism and bi-lingualism.

The United States only once in history has recognized another language and another set of cultural values or mores. This was done officially and legally in 1848 in the signing of the Treaty of Guadalupe Hidalgo between the United States and Mexico. The language and culture of the subjects to the previous sovereign are guaranteed in perpetuity to the descendants of those subjects. No other ethnic minority in the country can ever exercise these supra-constitutional guarantees. Without delving into the legalistic supremacy of treaty rights over constitutional rights, it is sufficient to note that the hegemony of the Mexican American and for that matter the uniqueness of the Spanish speaking is historically, demographically, culturally, psycho-socially without precedent or comparison in dealing with the patterns of ethnic minorities in America.

Since these differences do exist and will continue to exist in the foreseeable future, the problems that arise based on language and cultural differences must be attacked on the premise of the unique nature of the subject in terms of the accepted measures of equal opportunity: education, employment, housing, health, nutrition and the other indicia of achievement, by which indicia the Spanish speaking American finds himself on the very bottom.

INCREASE IN SPANISH-SPEAKING PEOPLE

Mr. FLOOD. Mr. Michel, will you take over?

Mr. MICHEL. Mr. Castillo, you said that there are considered to be 10 million Spanish-speaking people in this country out of a total population of 200 million.

Mr. CASTILLO. Yes, sir. That is just a round number.

Mr. MICHEL. What was that ratio about 10 years ago?

Mr. CASTILLO. About 10 years ago the 1960 census, indicated that there were approximately five to six million Spanish-speaking people in the United States. It has approximately doubled in the 10 years.

Mr. MICHEL. Is the percentage of Spanish-speaking people to the whole population holding about steady? Or is it on the increase?

Mr. QUEVEDO. It's much greater.

Mr. CASTILLO. Our increase is greater, but we have double the birth rate of the majority community. However, there are more in the majority community. So I would think that the increase in total percentage is just barely perceptible but nevertheless is an increase.

BILINGUAL EDUCATION

Mr. MICHEL. I know a number of our programs have been oriented toward trying to help and assist particularly the low-income persons here who apparently have to be taught in their native tongue. We have been deficient in many cases in accommodating that kind of a condition. I raised the question earlier in the hearings, however, having drawn upon some personal experience with my own father having come from Europe as a Frenchman, and on my mother's side from Germany, and having even attended church services where two languages were spoken.

I recall the continuing argument that ran in the family about the necessity, while it's nice to hold to tradition, that when one comes to this country then his first and primary language ought to be the language of the land—and that all efforts should be employed to get people to speak in English and throw off some of these old ways and quit talking the old language and try to teach the kids to become Americans.

My only concern is, are we perpetuating this thing here? Are we really doing something about making a quicker transition for these people? Or are we actually stretching it out by these programs that we are enacting to help these people? I appreciate in the initial stages you have to make a big effort. Hopefully I would like to see the bridge narrowed. I see no real optimism down the road. What do you foresee?

Mr. CASTILLO. In the first place, since you didn't ask me a specific question, I am going to sort of wander with your thoughts.

I think one basic difference is where the largest concentration of Spanish-speaking people are, that was our land. It's not like coming to new land. You can't tell the difference between Mexico and New Mexico or Arizona if you walked across the border. By culture, it's thought of tradittionally as our land.

It's not the same kind of thing as if we went to France, let's say.

It's a new land. Why hide the old traditions when this is our land. It's sort of in the culture. I am not saying that is good, but I am saying it is a fact.

Second, it's fine to say when your relatives and your friends are all speaking Spanish and the culture is all Spanish. We believe that it would be perfect if you could come out completely bilingual in English and Spanish at the end of our high school or college career. We believe that our ability is a natural resource. However, our facts show us the system somehow isn't working well because so many of our children, about 50 percent, drop out of the seventh and eighth grades. Our grade achievement level is lower than any other group, except the American Indian.

We realize that something went wrong somewhere. Then we found some interesting things. For example, we found that the Spanish-speaking child is tested in English to find out what his IQ is. I suppose it would be much like going to Hong Kong and being tested in Chinese as to what your IQ was. Then they are put in an ability grouping and tracking system that leads nowhere. It doesn't lead to college. It doesn't lead to vocational education. It was just designed to keep them there somehow and satisfy the law. We know that somehow, whether it's in Spanish or English, teaching has to reach the child if he wants to have a reasonable chance of absorbing what is going on.

There is a scholarly debate going on between Anglo and Spanish-speaking scholars. Should we try to make it truly bilingual or just enough Spanish to get across the basics so the child can adapt to the system in his early childhood? Whatever system comes out and is used, it has to be better than what has been done in the past, because we have been excluded.

SPANISH-SPEAKING PEOPLE IN COLLEGES AND UNIVERSITIES

For example, there are only 0.5 percent Spanish-speaking college enrollees in the University of California educational system. That is with a population of 2 million Spanish-speaking citizens. It's just disastrous. We took a survey of all the Spanish-speaking graduates in the United States last year and came up with less than 4,000 in the whole United States. This may not sound like a crisis, but there are 111 black colleges, for example, that have approximately 20,000 graduates a year, not to mention the integrated colleges. I am not saying that is bad. I think that is great.

By way of contrast, we, the second largest minority group have something like 3,000 to 5,000 graduates. The reason I contrast these figures is that I find most people back East are more aware of the black situation than they are of the Spanish-speaking situation.

We all agree that the black situation is bad. For example, in Los Angeles I was a trial lawyer. At the time I became a member of the bar there were 0.5 percent of the lawyers in Los Angeles County out of a lawyer population of 10,000 that had a Spanish surname; 8 percent of the members of the bar were black. It goes right down the line. In comparison, I think they should have more. That is not the point.

What I am saying is, that somehow the educational system in this country has not addressed itself properly to the development of our children. This is obvious in any kind of report or resource you would care to examine. We feel something has to be done. The answer is not properly addressed by me, since I am not an educator. I think if you look at the satistics it answers itself.

FAILURE TO UTILIZE THE SPANISH SPEAKING

Mr. MICHEL. I think your points are very good. I am glad to have them spread upon the record in this fashion. As knowledgeable as we profess to be on some occasions, we are always looking for better arguments all the time. I think some of the points you make are most persuasive.

It seems to be rather tragic that there are so few Spanish speaking individuals currently enrolled in our institutions of higher learning. It would seem, as you suggest, it is a valuable resource when we stop to think of industry in this country particularly which has ties and would like to build ties with Latin America. Whether it be the Alliance for Progress, or offshoots from that program or any other, there are just so many occasions where it would seem to me private industry in this country snap up those who would be qualified to represent companies of this country in Latin America. It seems you could break down any barrier that might be there and it is really too bad we have been so slow in recognizing this.

Mr. CASTILLO. A few years ago I was a lawyer talking to a Government official and I asked, "How come you don't use more of our people in the State Department?"

He responded, "Well, it is no problem because we have a 6 weeks Spanish course for all our employees."

This is the thinking we are dealing with.

I too feel it is a waste of a natural resource and I think it is a tragedy that so much time has passed, from 1900 or the Revolutionary times we have a system that allows a 50 percent dropout ratio in so many areas. I see one of our major efforts as sensitivity training of the majority population.

INCREASES IN STAFF

Mr. MICHEL. What increase are you requesting for 1971?

Mr. CASTILLO. The last budget was 510,000 and this budget is 675,000.

Mr. MICHEL. In 1970 you have 27 positions and you request eight new ones in 1971. Now, in the interest of time here, would you supply for the record some general idea of what these 27 people are doing and what you expect these eight new people to be doing?

Mr. CASTILLO. Yes, sir.

(The information follows:)

PRESENT STAFF (FISCAL YEAR 1970)

CABINET COMMITTEE ON OPPORTUNITY FOR THE SPANISH-SPEAKING

Spanish-American: 18
Negro: Three.
Other: None.

EXECUTIVE STAFF ($11,905, TO $30,714)

Henry Quevedo (GS–17), $30,714
Fernando Del Rio (GS–15), $22,885
Ray Carrasco (GS–15), $22,885
Carlos Conde (GS–13), $16,760
Merci Hernandez (GS–13–2), $17,310
Manuel Oliverez (GS–15), $22,885
Carlos Ruiz (GS–12), $14,192
J. B. Casas, Jr. (GS–11), $11,905

(MIDLEVEL $8,098 TO $11,905)

Deluvina Aguirre—Part time (GS–11), $11,905
Winnie Balmer (GS–9–3), $10,539
Alejandro Becerra (GS–11), $11,905
Otto Berk (GS–9), $9,881
Marsha Bishton (GS–7), $8,098
Rita Calvan (GS–9), $9,881
Lillian Harrison (GS–7–3), $8,638
Manuel Nieto (GS–11), $11,905
George Upshaw (GS–9), $9,881
Terri Walter (GS–9), $9,881
Full-time staff—27
Part-time staff—3

SECRETARIAL/CLERICAL SUPPORT ($5,212 TO $8,098)

Sharon Heitz (GS–4), $5,853
Ellis Hinnant (GS–5), $6,548
Linda Hurevitz—Part time (GS–3), $5,212
Rita Jaramillo (GS–3), $5,212
Ethel Norris (GS–3–7), $6,256
Maureen O'Leary (GS–4), $5,853
Richard Ramos (GS–3), $5,212
Lydia Rivera—Part time (GS–3), $5,212
Arlene Sullivan (GS–7), $8,090
Paula Swanson (GS–5), $6,548
Alma Tijerina (GS–5), $6,548
Mary Helen Villa (GS–5–4), $7,202

NEW STAFF FOR FISCAL YEAR 1971

Chairman
Secretary (GS–9)
Clerk assistant (GS–7)
Clerk typist (GS–4)
Placement assistant (GS–7)
Assistant director—Research
Legal assistant (GS–9)

PROGRAMS FOR SPANISH-AMERICANS

Mrs. REID. What type programs have actually been established to aid Spanish-Americans?

Mr. CASTILLO. In general?

Mrs. REID. Yes.

Mr. CASTILLO. In general there is no particular program that has been established to aid Spanish-speaking people. There have been all kinds of programs, as you are aware, that have been aimed at the disadvantaged people of this country, or minority people, or whatever is the current term. We found out in the field prior to coming here that the existing governmental programs, whatever they were, weren't reaching our folks because of misconceptions in the design.

Mrs. REID. I should think it might be a very good idea if you knew specifically what had been done that wasn't successful that you could either improve these programs or get on a new track.

Mr. CASTILLO. We try to make it our business to find that out. Our staff had been involved for a number of years in the private sector working in the Spanish-speaking communities. We came here loaded with ideas as to why existing programs didn't work. We have been somewhat successful in implementing guideline and policy changes.

TECHNICAL ASSISTANCE TO COMMUNITY ORGANIZATIONS

Mrs. REID. Is this the type technical assistance you give to community organizations, for instance, to go out and help them with a program of assistance?

Mr. CASTILLO. Yes. For example, I understand you are from Illinois. There are more Spanish-speaking people in Illinois than in the States of Arizona and Colorado. Approximately a half million, I understand, in the Chicago area.

Our folks will know a program exists, and they see the need in their community and they will want to get it going. We have program sessions in housing, manpower, and the various fields. We will actually go out there and sit down with them, explain the rules and show them how to put it into the pipeline, and advocate its implementation as best we can.

SEPARATED FAMILIES

Mrs. REID. How serious is the problem of separated families along the Mexican border?

Mr. CASTILLO. Do you mean one part of the family on one side and a part of the family on the other side?

Mrs. REID. Yes.

Mr. CASTILLO. That would be difficult for me to answer. I can't say it is not a problem because I haven't heard of it so much but—are you talking about citizens of this country or citizens of Mexico who come to work here?

Mrs. REID. Citizens of this country. I understand they are separated by immigration problems, really. If there was some effort concentrated on reuniting these families, it might help conditions.

Mr. CASTILLO. In my law practice I used to get many immigration requests. The extent of the problem I can't comment on, but I can say it is a real problem because the immigration laws are such that there is a waiting period and a quota system. We very often find the breadwinner here in this country. Whomever the breadwinner might be, he is unable because of the redtape involved to unite the family.

DETAILS FROM OTHER AGENCIES

Mr. FLOOD. This is a question we always ask special groups like yours: Do you have any additional employees who are on detail from other Federal agencies? Are you pirating any Federal agencies?

Mr. CASTILLO. The legislation passed by Congress allows us to request details. However, to my knowledge at this point in time we only have one.

HEW OFFICE OF SPANISH-SURNAME AMERICANS

Mr. FLOOD. This is the Appropriations Committee for HEW. HEW has an office of Spanish-surname Americans. Now, do other departments have units of the same kind?

Mr. CASTILLO. None to my knowledge.

ANNUAL REPORTS

Mr. FLOOD. Your justifications here indicate that your administration, the research and development unit, writes and publishes four major research documents every year. What are some of these documents? We have never heard of them.

Mr. CASTILLO. I believe, Mr. Chairman, you were out when I mentioned our college printout list. We publish every year a college printout list of all the Spanish surname college graduates in the United States. I say all. There are about 4,000. This is one of the major documents that we produce. We are required by law to report to Congress and formerly to the President. This report is a part of the four items that you mentioned.

We also have a bibliography that we publish and make available to people.

Mr. FLOOD. A bibliography of what?

Mr. CASTILLO. A bibliography of any publication relating to Spanish-speaking Americans. For example, it might be a report on malnutrition. It might be a complete article on the housing conditions.

Mr. FLOOD. You mean writings and publications?

Mr. CASTILLO. Yes. A group of them in terms of a bibliography.

Mr. FLOOD. Of Spanish-named Americans who publish these things, write these things?

Mr. CASTILLO. Whether they are Spanish-surname people or non-Spanish surname. Any information available on the situation of Spanish-speaking people, we compile them into a group.

We also have our annual report and the list of Spanish-speaking organizations.

Mr. FLOOD. These are available to anybody who wishes to ask you for them?

Mr. CASTILLO. Yes.

Mr. FLOOD. Thank you very much.

Justification of the Budget Estimates

CABINET COMMITTEE ON OPPORTUNITIES
FOR THE SPANISH SPEAKING PEOPLE

Justification of Estimates for Fiscal Year 1971

1970 Appropriation	$510,000
1970 Proposed pay raise supplemental	$ 27,000
Total	$537,000
1971 Estimate	$675,000

The predecessor in interest to the Cabinet Committee on Opportunities for the Spanish Speaking People, the Inter-Agency Committee on Mexican American Affairs, was created by Executive Memorandum on June 9, 1967.

President Lyndon B. Johnson, in the creation of the Inter-Agency Committee, designated as members of the Committee the following Cabinet Officers and department heads:

The Secretary of Health, Education and Welfare;
The Secretary of Labor;
The Secretary of Housing and Urban Development:
The Secretary of Agriculture:
The Director of the Office of Economic Opportunity; and
The Equal Employment Opportunity Commissioner designated as Chairman of the Committee

On December 30, 1969, following favorable actions by the respective Committees on Government Operations in the House and Senate, Congress established and enacted Public Law 91-181 creating the Cabinet Committee on Opportunities for the Spanish Speaking People. Members of the Committee were added to include, in addition to the above:

The Secretary of Commerce;
The Secretary of the Treasury;
The Attorney General;
The Administrator of the Small Business Administration;
The Commissioner of the Equal Employment Opportunity Commission most concerned with the problems of the Spanish speaking people;
The Chairman of the Civil Service Commission; and
A Chairman of the Committee appointed by the President and with the advice and consent of the Senate.

The staff of the Committee, headed by an Executive Director, is composed of twenty-seven positions, professional and clerical.

The purpose and Presidential assignment of the predecessor in interest was "to assure that Federal programs are reaching the Mexican Americans and providing the assistance they need; and to seek out new programs that are necessary to handle problems that are unique to the Mexican American community." (Memorandum from the President, dated June 9, 1967, Exhibit III, Senate Hearing on S.740, Senate Report June 11 and 12, 1969).[1]

Public Law 91-181 expanded the mission of the Committee and added the statutory assignment the assuring of the objectives of the Committee to Puerto Rican Americans, Cuban Americans and other Spanish speaking and Spanish surnamed Americans.

In November of 1969 the estimated population of Mexican Americans was 5,073,000 in the United States, representing fifty-five percent of the Spanish speaking population. In the same month the total Spanish speaking population in the United States was 9,230,000. Thus, by the enactment of Public Law 91-181 and the Congressional mandate expanding the assignment of the Committee to the Spanish speaking increased the clientele population of the Committee and staff by forty-five percent. (Current Population Characteristics Series p-20, Spanish American Population, U.S. Department of Commerce/Bureau of the Census, November 1969, Table 1.)[2]

Pursuant to the statutory assignment, the Committee Staff plans to continue its functions in the following respects and to include all Spanish speaking groups in its range of operational and functional goals:

> It will lend technical assistance to Federal agencies which have either grant-in-aid or direct programs of significance to the Spanish speaking population, hereinafter referred to as the community;
>
> It will also lend technical assistance to community organizations seeking program assistance from the Federal government;
>
> It will, as occasion demands, match the needs of the community, with both private and public resources outside the community;
>
> It will lend technical assistance, in the research and statistics area, to Federal agencies, serving as a clearinghouse for the agencies and the community on developments in this field;
>
> It will alert Federal agencies to the largely untapped personnel resources of the community, and will supply placement assistance to the agencies;

It will lend technical assistance to Federal agencies in the communications field, so that the Government can, in a meaningful way, let the community know what services are available to it, and what services are being provided;

It will provide technical assistance to the community on related legislation, agency and program guidelines and procedures as well as advice on legal issues in the field of civil rights;

All of these functions will be discussed in greater detail in the narrative describing the operating units of the Committee.

In addition to the above, Public Law 91-181 provides for the creation of and provision for expenses for an Advisory Council composed of nine members of the various Spanish speaking communities, appointed by the President.

1 Exhibit Attached
2 Exhibit Attached

THE WHITE HOUSE

WASHINGTON

June 9, 1967

MEMORANDUM FOR: Hon. W. Willard Wirtz, Secretary of Labor; Hon. John W. Gardner, Secretary of Health, Education and Welfare; Hon. Orville L. Freeman, Secretary of Agriculture; Hon. Robert C. Weaver, Secretary of Housing and Urban Development; Hon. R. Sargent Shriver, Director, Office of Economic Opportunity; and Hon. Vicente Ximenes, Commissioner Equal Employment Opportunity Commission.

Over the past three years, many members of my Administration have had discussions with Mexican American leaders and others interested in their problems. They have discussed the value of our programs to Mexican Americans in their search for equal opportunity and first-class American citizenship.

The time has come to focus our efforts more intensely on the Mexican Americans of our nation.

I am therefore asking the Secretary of Labor, the Secretary of Health, Education and Welfare, the Secretary of Housing and Urban Development, the Secretary of Agriculture and the Director of the Office of Economic Opportunity to serve on an inter-agency committee on Mexican American affairs. I am asking Commissioner Vicente Ximenes of the Equal Employment Opportunity Commission to chair this committee.

The purpose of this committee is to--

assure that Federal programs are reaching the Mexican Americans and providing the assistance they need; and

seek out new programs that may be necessary to handle problems that are unique to the Mexican American community.

I am also asking this committee to meet with Mexican Americans, to review their problems and to hear from them what their needs are, and how the Federal Government can best work with state and local governments, with private industry and with the Mexican Americans themselves in solving those problems.

I would like to be kept informed, at periodic intervals, of the progress being made.

(signed) LYNDON B. JOHNSON

Table 1.--ORIGIN OR DESCENT OF THE SPANISH-AMERICAN POPULATION: NOVEMBER 1969

(Numbers in thousands. Excludes inmates of institutions and members of the Armed Forces)

Origin or descent	Number	Percent
Total	9,230	100.0
Mexican	5,073	55.0
Puerto Rican	1,454	15.8
Cuban	565	6.1
Central and South American	556	6.0
Other Spanish-American	1,582	17.1

Table 2.--SPANISH REPORTED AS MOTHER TONGUE AND SPANISH REPORTED AS CURRENT LANGUAGE, BY COUNTRY OF BIRTH: NOVEMBER 1969

(Numbers in thousands)

Country of birth	Spanish mother tongue		Spanish current language	
	Number	Percent	Number	Percent
Total	6,701	100.0	4,623	100.0
Native[1]	4,867	72.6	3,132	67.7
Puerto Rico	806	12.0	688	14.9
Foreign	1,822	27.2	1,477	31.9
Mexico	856	12.8	692	15.0
Cuba	491	7.3	453	9.8
Other	475	7.1	332	7.2
Don't know and not reported	12	0.2	14	0.3

[1]Includes persons born in the United States, Puerto Rico, and other outlying areas.

Table 3.--BIRTHPLACE OF PERSONS REPORTING SPANISH AS MOTHER TONGUE; AND OF PERSONS REPORTING SPANISH AS CURRENT LANGUAGE: NOVEMBER 1969

(Numbers in thousands)

Country of birth	All persons	Persons reporting--			
		Spanish mother tongue		Spanish current language	
		Number	Percent	Number	Percent
Total[1]	198,214	6,701	3.4	4,623	2.3
Foreign	10,880	1,822	16.7	1,477	13.6
Mexico	938	856	91.3	692	73.8
Cuba	504	491	97.4	453	89.9
Other	9,438	475	5.0	332	3.5
Native[2]	183,994	4,867	2.6	3,132	1.7
Puerto Rico	(NA)	806	(NA)	688	(NA)

NA Not available.

[1]Includes the category "Don't know and not reported" for birthplace; not shown separately.

[2]Includes persons born in the United States, Puerto Rico, and other outlying areas.

Statement of Staff Functions

EXECUTIVE UNIT

Chairman
Executive Director

Public Law 91-181 established the Chairman of the Cabinet Committee on Opportunities for the Spanish Speaking People as the chief officer on a full time capacity. The Chairman's chief duty is to carry out the plans, policies and programs as directed by the Committee. To assist the Chairman there is a small clerical staff. Under the direction of the Chairman is the Executive Director who is responsible to carry out the day to day operational duties and oversee programs conducted by the professional and clerical staff.

ADMINISTRATION AND RESEARCH AND DEVELOPMENT UNIT

The Administration and Research and Development Unit, under the direction of the Deputy Executive Director, is responsible for the carrying out of the general administrative duties normal to all Federal agencies. In addition to administrative duties, this unit is responsible in assisting and advising on social research and development for the Spanish speaking among the Committee's member agencies. The unit also writes and publishes four major research documents annually plus it maintains a research-reference library of contemporary Spanish speaking Americans.

HOUSING AND COMMUNITY DEVELOPMENT UNIT

The Housing and Community Development Unit, under the direction of an Assistant Director, is responsible for providing technical assistance and program assistance to the Federal, state and local governments, as well as to Spanish speaking community organizations, in the fields of low cost housing, multi-family housing, neighborhood facilities development, urban renewal, Model Cities, comprehensive health program development and planning, early childhood development, elementary and secondary education, bi-lingual education, higher education and rural assistance.

MANPOWER AND ECONOMIC DEVELOPMENT UNIT

The Manpower and Economic Development Unit, under the direction of an Assistant Director, is responsible for providing technical and program assistance to Federal, state and local governments, as well as to Spanish speaking community organizations in the field of manpower opportunity and utilization including JOBS 70, New Careers, Work Incentive Programs, Concentrated Employment Projects, migrant manpower opportunities, careers in public service, job related education, vocational training, on the job training, and manpower in minority contracting. In addition to this, the unit is responsible for providing the same services in the field of economic development including, Franchise Opportunity for Minority Businessmen, Small Business Administration assistance, minority government contractors, banking and financing.

PLACEMENT AND PERSONNEL UNIT

The Placement and Personnel Unit is responsible for programs to recruit and place Spanish surnamed Americans in Federal service, and assist in Equal Employment Opportunity programs. This office also serves as a technical consultant on matters relating to recruitment and placement of Spanish speaking individuals in the private sector and provides technical assistance and guidance to government agencies on programs that affect the employment and job up-grading of Spanish speaking people.

PUBLIC AFFAIRS

The Public Affairs office prepares and distributes news materials, publications, and literature concerning the activities of the Committee and other member agencies. This unit also serves as a consultant to the various Spanish speaking communities and organizations desiring to develop methods of modern communication techniques.

LEGAL AND LEGISLATIVE AFFAIRS UNIT

The Legal and Legislative Affairs Unit has two responsibilities. The Legal Affairs section is legal advisor to the Committee on the legal technicalities concerning the administration of Federal programs. The Legal Advisor directs administrative complaints to proper agencies, facilitates in the processing of complaints and monitors complaints originating from the Spanish speaking community. The Legal Advisor advises the general counsels of member Departments and agencies regarding the legal problems of the Spanish speaking and recommends appropriate action.

The Legislative Affairs section is responsible for the review of current, pending, or proposed legislation. This section provides the Committee with legislative information for the purpose of advising member Departments and agencies if current or pending legislations provides the assistance needed by the Spanish speaking community.

Personnel Outlay and Staffing, $440,000 for 35 permanent positions as follows:

	1969	1970	1971
Permanent Positions:	29	27	35
Average Employment:	22	26	35

Summary statement on "other objects for 1971"

12.0 Personnel Benefits - $32,000 Includes contributions to retirement fund, health benefits, and group insurance.

21.0 Travel and transportation of persons - $52,000 Includes funds for travel to the urban and rural communities where Spanish speaking people reside. These communities are located mainly in the five Southwestern states, the upper Midwest, the greater New York area, and the state of Florida.

22.0 Transportation of things - $3,000 To ship and transport films and other equipment to be used at Spanish speaking conferences and conventions.

23.0 Rent, Communications & Utilities
$60,000 - For telephone services, office space rental, equipment usage and other utilities as required. Also included are telegraph and postage.

24.0 Printing and Reproduction - $34,000 Provides for printing and binding of documents, studies, reports and newsletters both in Spanish and English. It also provides for normal duplicating completed on a commercial or reimburseable basis.

25.0 Other Services - $46,000 Provides for reimbursement to GSA for administrative services, for office equipment repair, health room services, office and furniture repair, and for commercial contracts.

26.0 Supplies and Materials - $5,000 For normal office supplies and purchase of small material as needed.

31.0 Equipment - $3,000 For office furniture, furnishings, and other equipment.

CABINET COMMITTEE ON OPPORTUNITIES
FOR SPANISH-SPEAKING PEOPLE

Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code 30-18-3500-0-1-908	19 69 actual	19 70 estimate	19 71 estimate
Program by activities:			
Resolution of problems of Mexican Americans, Puerto Rican Americans, Cuban Americans, and other Spanish Speaking groups (program costs, funded)	402	543	675
Change in selected resources	44	-6	...
10 Total obligations	446	537	675
Financing:			
11 Receipts and reimbursements from: Federal funds	-460	...	...
25 Unobligated balance lapsing	14	...	...
Budget authority	...	537	675
Budget authority:			
40 Appropriation	...	510	675
44.20 Proposed supplemental for civilian pay act increases	...	27	...
Relation of obligations to outlays:			
71 Obligations incurred, net	-14	537	675
72 Obligated balance, start of year	42	85	117
74 Obligated balance, end of year	-85	-117	-77
77 Adjustments in expired accounts	-10	...	...
90 Outlays, excluding pay increase supplemental	-67	480	713
91.20 Outlays from civilian pay act supplemental	...	25	2

CABINET COMMITTEE ON OPPORTUNITIES
FOR SPANISH-SPEAKING PEOPLE

Salaries and Expenses
OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 30-18-3500-0-1-908	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
11.1 Permanent positions	209	363	410
11.3 Positions other than permanent	27	10	15
11.5 Other personnel compensation	12	10	15
[illegible]			
Total personnel compensation	248	383	440
Personnel benefits:			
12.1 Civilian employees	16	27	32
[illegible]			
21.0 Travel and transportation of persons	30	22	52
22.0 Transportation of things	1	2	3
23.0 Rent, communications, and utilities	62	48	60
24.0 Printing and reproduction	20	25	34
25.0 Other services	14	31	46
26.0 Supplies and materials	1	3	5
31.0 Equipment	10	2	3
[illegible]			
Total Costs Funded	402	543	675
94.0 Change in selected resources	44	-6	(3) ...
99.0 Total obligations	446	537	675

CABINET COMMITTEE ON OPPORTUNITIES
FOR SPANISH-SPEAKING PEOPLE

Salaries and Expenses

Personnel Summary

Identification code	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions. .	29	27	35
Full time equivalent of other positions.	2	1	1
Average number of all employees. . . .	22	26	35
Average GS grade	9.4	9.8	8.9
Average GS salary	$10,552	$12,034	$11,424

CABINET COMMITTEE ON OPPORTUNITIES
FOR SPANISH-SPEAKING PEOPLE

Salaries and Expenses

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
Executive Level IV, $38,000	...	...	1
GS-17, $28,976 to $32,840	1	1	1
GS-16, $25,044 to $31,724	...	...	1
GS-15, $21,589 to $28,069	3	3	3
GS-13, $15,812 to $20,555	2	2	4
GS-12, $13,389 to $17,403	4	4	...
GS-11, $11,233 to $14,599	3	3	2
GS-9, $9,320 to $12,119	5	5	10
GS-8, $8,449 to $10,987	2	2	1
GS-7, $7,639 to $9,934	3	3	3
GS-5, $6,176 to $8,030	1	1	1
GS-4, $5,522 to $7,178	2	1	3
GS-3, $4,917 to $6,393	2	1	5
GS-2, $4,360 to $5,665	1	1	...
Total permanent positions	29	27	35
Unfilled positions, June 30	-9	...	...
Total permanent employment, end of year	20	27	35
HIGHER LEVEL POSITIONS			
Executive level IV, $38,000: Chairman	...	...	1
GS-17, $28,976 to $32,840: Executive secretary	1	1	1
GS-16, $25,044 to $31,724: Deputy director of operations	...	...	1

MONDAY, MAY 25, 1970.

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY

WITNESSES

HENRY M. SHINE, JR., EXECUTIVE DIRECTOR
ARTHUR J. CRATEN, GENERAL SERVICES ADMINISTRATION BUDGET REPRESENTATIVE

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY
OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Personnel compensation:			
Permanent positions	35	28	33
Positions other than permanent	141	82	65
Total personnel compensation	176	110	98
Personnel benefits: Civilian employees	7	10	8
Travel and transportation of persons	52	63	70
Transportation of things		1	1
Rent, communications, and utilities	63	66	71
Printing and reproduction	23	20	20
Other services	22	25	26
Supplies and materials	5	4	5
Equipment		1	1
Total obligations	348	300	300

PERSONNEL SUMMARY

Total number of permanent positions	1	1	
Full-time equivalent of other positions	5	4	
Avrrage number of all employees	6	5	

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Coordination of youth opportunity programs (program costs, funded) [1]	405	309	300
Change in selected resources [2]	−57	−9	
Total obligations	348	300	300
Financing:			
Receipts and reimbursements from: Federal funds	−337		
Unobligated balance available, start of year	−20		
Unobligated balance lapsing	9		
Budget authority (appropriation)		300	300
Relations of obligations to outlays:			
Obligations incurred, net	11	300	300
Obligated balance, start of year	161	25	25
Obligated balance, end of year	−25	−25	−25
Adjustments in expired accounts	12		
Outlays	159	300	300

[1] Includes capital outlay as follows: 1969, $0; 1970, $1,000; 1971, $15,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $78,000 (1969 adjustments, −$20,000); 1969, $1,000; 1970, $0; 1971, $0.

Mr. FLOOD. We now have the President's Council on Youth Opportunity.

The presentation will be made by Mr. Henry M. Shine, Jr., the Executive Director.

BIOGRAPHICAL SKETCH OF MR. HENRY M. SHINE

Mr. Shine, we would like a biographical sketch for inclusion in the record.

(The sketch follows:)

BIOGRAPHICAL INFORMATION ON HENRY M. SHINE, JR.

PERSONAL DATA

Residence, 4813 Old Dominion Drive, Arlington, Va.; telephone, (703) 538-7008, office, (202) 382-1534; birth, Lincoln, Maine, June 7, 1921; status, married, two daughters.

EDUCATION

Alexander Hamilton High School, Los Angeles, Calif.; Harvard College, A.B. in American government; Notre Dame Law School, L.L.B. (cum laude); Southern Methodist University, School of Law, Dallas, Tex.; graduate fellow, International Oil & Gas.

FEDERAL GOVERNMENT BACKGROUND

Executive Director, President's Council on Youth Opportunity; Assistant to the Secretary of Interior and director of congressional liaison; Assistant Staff Director, U.S. Commission on Civil Rights; Assistant to the Commissioner on the Commission on Organization of the Executive Branch of the Government (Hoover Commission); Executive Director and Counsel for the Federal Pavilion, Seattle World's Fair (U.S. Department of Commerce).

CALIFORNIA GOVERNMENT BACKGROUND

Director, California State Department of Professional and Vocational Standards; deputy appointment secretary, interim government of Governor.

INDUSTRY BACKGROUND

Director, National Housing Center and legislative director for National Association of Home Builders; attorney and Washington representative of Dresser Industries, Inc.

ADMITTED TO PRACTICE

U.S. Supreme Court; U.S. Court of Appeals, District of Columbia; U.S. Court of Claims; U.S. Court of Customs and Patent Appeals; U.S. District Court, District of Columbia; U.S. Court of Military Appeals; and the Texas Supreme Court.

PROFESSIONAL AND SOCIAL MEMBERSHIPS

American, Texas, District of Columbia, and Federal Bar Associations (national council); the John Carroll Society of the District of Columbia; National Lawyers Club and the Metropolitan Club, Washington, D.C.; Harvard Club of New York.

HONORS

International Biography Dictionary; Who's Who in the South and Southwest; Who's Who in Commerce and Industry; Who's Who in Texas; Who's Who in American Universities and Colleges; lecturer, Brookings Institution's public affairs fellowship program; general convention chairman for Federal Bar Association's annual convention, 1962 and 1965, for its 11,000 members (present and former Federal Government attorneys).

GSA ADMINISTRATIVE SUPPORT

Mr. CRATEN. Mr. Chairman, for some years there has been an arrangement where GSA provided the broad gamut of administrative services for these small commissions and agencies under the Economy

Act. This entails budgets, personnel, payroll, accounting, reporting, and all the various administrative expenses such as that.

Mr. FLOOD. We have a very high regard for GSA on this committee. These committees and commissions are very lucky to have you.

Mr. CRATEN. I would just like to add it is a measure of economy. We have to determine how much this amounts to dollarwise in the interests of economy. We are understaffed and yet the commissions are expanding in number.

Mr. FLOOD. Why don't you start tomorrow and let us know about it?

Mr. CRATEN. Yes, sir.

GENERAL STATEMENT

Mr. FLOOD. You have a statement here. How do you wish to proceed?

Mr. SHINE. With your permission, Mr. Chairman, I will have the statement submitted for the record and will be happy to answer any questions that you or other members of the committee care to direct to me. If I can't provide the answers here, we will supply further information for the record.

Mr. FLOOD. Very well. We will do that.

(The statement follows:)

STATEMENT OF HENRY M. SHINE, JR.

Mr. Chairman and members of the committee, my name is Henry M. Shine, Jr. Since September 1969, I have been Executive Director of the President's Council on Youth Opportunity, in behalf of which I appear today.

FUNDING LEVEL

The Council was established by Executive Order 11330 on March 9, 1967. Prior to fiscal year 1970, transfers of funds by member departments and agencies were relied upon to support the Council's work. This financing produced a budget of $505,000 in fiscal year 1968 and $348,000 in fiscal year 1969.

Public Law 91–176, authorized, for the first time, the direct appropriation to the Council of operational funds. It should be noted, however, that the funding level of $357,000, which had been recommended by the Bureau of the Budget, was reduced to $300,000 by Congress.

In response to that congressional mandate, the Council has submitted a request for fiscal year 1971 at the same $300,000 level. To support this reduction, curtailments have been made in personnel compensation and benefits. Furthermore, even with the additional responsibilities which have been assigned to the Council during the past year, we have held the line on expenses in other areas as well.

The Council itself is comprised of the Vice President, who serves as Chairman, the Secretary of Defense, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Labor, the Secretary of Commerce, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Director of the Office of Economic Opportunity, the Chairman of the Civil Service Commission, and such other Federal officials as the President may designate. The Secretary of State and the Postmaster General are being added. Ongoing contacts are maintained with appropriate officials in each of these departments.

STAFF

The only PCOYO staff position established by title is that of Executive Director. Up to four other employees, in accordance with the ceiling established by the Budget Bureau, may be retained on a direct compensation basis as full-time consultants. Additional personnel are intermittently made available by other departments and agencies on a detail basis. Overall staff size, from all sources, has been voluntarily limited to a level of 25 to 30.

STAFF ORGANIZATION AND RESPONSIBILITIES

The Council staff has been structured to most efficiently enable the effective execution of its principal responsibilities. As expressed in our Executive order, these are to strengthen Federal youth programs through better planning, coordination, and evaluation and to enhance opportunities for youth developed through private sector organizations as well as units of State and local government.

Throughout, our objective is to help young people, particularly the disadvantaged, become better prepared to assume adult responsibilities and function effectively in society. In furtherance of this goal, we focus on youth development programs related to employment, training, and education. Although recognizing fully the special needs of summer, attention is increasingly directed to meeting youth needs within a year-round context.

The three operating divisions of our staff are: (1) Program development and evaluation, (2) Private resources, and (3) Federal programs.

Staff responsibilities include the following:

(*a*) Development and dissemination of information on youth programs and program techniques, at the delivery level;

(*b*) Provision of training and assistance to private, State, and local youth officials through workshops, publications, and field visits;

(*c*) Supervision and evaluation of a youth opportunity program development project funded by HUD, OEO, and Commerce to enhance State and local capability for comprehensive youth program planning.

(*d*) Efforts to foster improvement and better coordination of key Federal youth programs;

(*e*) Liaison with voluntary organizations, foundations and other private sector organizations, to increase nongovernmental assistance in meeting youth needs;

(*f*) Periodic publication of reports concerning Federal youth programs, at the direction of Council members and other executive branch officials.

Thank you very much.

Mr. FLOOD. Do you have any particular point you would like to make?

Would you want to ad lib about anything in particular?

COUNCIL'S ACTIVITIES

Mr. SHINE. Basically the Council has gone from an executive order council to one sanctioned by both executive and legislative branches as a result of last year's Public Law 91–176. It has authorized us to have, for the first time, direct appropriations for operational purposes. We also are making a greater effort with the substantive activities of the Council. While concerned with summer youth opportunities, we are developing year-round emphasis, so that we are not just on a 3 months' crash program of jobs, cultural activities, vocational training, or whatever, for disadvantaged youth of the country, but involved in State and metropolitan planning for year-round activities in these sub-areas I have illustrated.

Mr. FLOOD. This is the first time you have appeared before this committee. You get your battle stars and wound stripes from the chief clerk after you leave.

You were appropriated $300,000 for fiscal year 1970 and you are asking for the same amount for 1971. What did you do in 1970 and what do you hope to accomplish in 1971 along the same lines?

Mr. SHINE. I will speak to 1971 first, if I may, since this is our budgetary request, at this time.

We have reduced our staff structure considerably but increased our activities at least twofold. It is part of our mandate to get a bigger bang for buck.

Mr. FLOOD. We are not used to that.

Mr. SHINE. We requested $357,000 last year and the Senate reduced that to $300,000 and we have lived within that and we will live within that this year. At the same time, we are engaged in program activities with twice as many jurisdictions as we were last year, including most of the United States and several more metropolitan jurisdictions. We are working more closely with manpower-oriented activities, particularly the Labor Department, vocational training in HEW, and the employment activities of OEO, to see if there can be some thread of continuity and commonality between these agencies in providing youth opportunity programs for disadvantaged youth. Our program of 1970—that is, through June 30 of this year—has been a redirection from "summer only" into year-round programing. We are going forward with that in 1971.

COUNCIL MEMBERS

The Council, as you know, Mr. Chairman, consists of most members of the Cabinet, plus the——

Mr. FLOOD. Will you list the members of the Cabinet who are on the Council?

Mr. SHINE. All the members of the Cabinet are on the Council except Treasury, State, and Post Office.

Mr. FLOOD. Are there any other members on the Council?

Mr. SHINE. The President is amending the Executive order to include State and Post Office.

Mr. FLOOD. Do you have other members of the Council not in the Cabinet?

Mr. SHINE. Yes.

Mr. FLOOD. Will you list their names and what States they are from?

Mr. SHINE. Yes, sir.

(The information follows:)

They are Donald Rumsfeld of Illinois, Director of the Office of Economic Opportunity; Robert E. Hampton of Maryland, Chairman of the Civil Service Commission; Charles R. Wilkinson of Oklahoma, special consultant to the President; Robert J. Brown of North Carolina, special assistant to the President; and Leonard Garment of New York, special consultant to the President.

RELATIONSHIP WITH OTHER FEDERAL AGENCIES

Mr. FLOOD. On this subcommittee let me assure you we are very familiar with a great variety of programs in the Federal Government aimed at disadvantaged youth. We have HEW and, as you mentioned, OEO, the Labor Department, and so on and so on.

We also understand the White House Conference on Youth is being planned and is receiving a great deal of publicity. How do you fit into that picture and how does your role differ from all these other agencies who are concerned about youth?

Mr. SHINE. First, let me answer the second part of the question about our relationship with other agencies and, second, I will address my remarks to the White House Conference of Children and Youth.

By the Executive order, the President's Council on Youth Opportunity is a catalyst, a needler, a coordinator, a watchdog and we have religiously avoided seeking any funds of our own so we are not in

the competitive role of programing ourselves. It is an overview encouragement of earlier announcements of youth program data and an updating of program guidelines of the OEO and HEW—we work with all of them. They all have delegates to the Council and we have working members at policy levels that we are in touch with on a daily basis.

The $300,000 relates only to the logistical support of the Council, the rent, the overhead, and the support activity, and does not relate to funding Federal youth programs, which are the role of the several agencies you have illustrated, and which are in fact manifold throughout the Government.

We occasionally try to illustrate when we have full augmentation, to some of the agencies, where there might be some overlap. Right now we are engaged in, hopefully, a little more coordination of the vocational, educational activities of the Manpower Administration of the Labor Department, and Vocational Education of HEW. As you well know, Mr. Chairman—you have sat in that chair for many years—there is obviously the Parkinson problem and there are jealous prerogatives of the several agencies in that, and we are not engaged in the buildup of an organization.

RELATIONSHIP TO WHITE HOUSE CONFERENCE ON CHILDREN AND YOUTH

The second part of the question relates to the White House Conference on Children and Youth. In every decade since the White House Conference was first called by President Theodore Roosevelt, there has been a White House Conference on Children and Youth, a national conference held in the decade years, the aught years, 50, 60, 70.

I do not speak officially in behalf of the White House Conference on Children and Youth, but I will direct my remarks to how we interrelate with them in a minute.

This year the White House Conference has been divided age wise from prenatal up through the age of 13, for a discussion, a 3-day discussion in December——

Mr. FLOOD. That would be two conferences?

Mr. SHINE. Two conferences.

Mr. FLOOD. By date?

Mr. SHINE. By date, and subject, and age group concerned. The first conference will be held barely within the decade, December 13–18, in Washington, relating to the children, 13 and under. It is my understanding that the chairman of that conference is contemplating a youth conference for ages 13–25 in June of 1971 in Washington.

Now, the relationship of the President's Council on Youth Opportunity is that at the request of the President's principal assistant on domestic matters, Mr. Ehrlichman, and with consultation of the Vice President, who is the Chairman of our Council, there is a subcommittee of the President's Council chaired by Secretary Shultz. We have met twice already in the last month, this subcommittee of Post Office, Labor, HEW, OEO, and HUD, to discuss the budget and the activities of the two parts of this White House Conference.

We have had an input on that relative to how they are going to develop their subject matter for the conferences in December and for next June.

FREQUENCY OF CONFERENCES

Mr. FLOOD. Why every decade? Most people here, beginning with the chamber of commerce and all through the whole spectrum meet every year. Ten years, what is sacred about a decade?

Mr. SHINE. I would not be at liberty to discuss that. That would be outside my prerogative.

Mr. FLOOD. What do you think?

If you were the boss, what would you do?

Mr. SHINE. I think that they certainly should meet within every 5 years, with the changes that are coming about and the magnitude of problems actual or alleged with the youth in this country.

Mr. FLOOD. Especially now, is not 5 years a long time?

Mr. SHINE. It takes a while to "rev up." Then as you well know—and I am sure you are much more pragmatic than I am, Mr. Chairman—once you have approved something it takes a long time to have the proof of the pudding. There is the "revving-up period," there is the activity, and then there is the review and the followup legislatively, and that pipeline takes a while.

Incidentally, it is contemplated by the administration that we will have a significant role, the President's Council on Youth Opportunity, in the followup on the conclusions reached at the December Conference on Children, as well as the June 1971 Conference on Youth, to see what happens.

Mr. FLOOD. Would you think, as of this year of our Lord, 1970, with the youth problem being pretty widespread, and I will not develop it now, but it is quite a problem here, we would wonder why you would wait 5 years. Maybe you waited too long in the last 10 years.

Mr. SHINE. Another personal observation, Mr. Chairman. I was here in 1960 when the conference was held on children and youth. There were hundreds of resolutions. If just some of those resolutions had seen the light of day in either administrative or legislative action, that would have been a memorable breakthrough. It was a talk-fest, largely under old-line agency operation.

I am not going to belittle the distinguished Children's Bureau of HEW, but that was the format. I personally believe that there is a sufficient number of laws on the books with respect to children or prenatal care or youth, that if properly administered and properly reviewed by GAO and hopefully, in your own limited time, on line items of HEW, Manpower Administration, and the others that you have jurisdiction over, that before they inaugurate something new they should make that work or abolish it in lieu of starting something new.

Mr. FLOOD. Yes; I know. Our books are filled with laws which are not properly administered or executed, we know that. But I still say in view of what the circumstances are today, last year, this year, perhaps next year and the next immediate several years, we would think that the President's Council on Youth Opportunity would make a point of meeting pretty regularly.

Mr. SHINE. I have confused you. The President's Council on Youth Opportunity and its delegates meet frequently. If you are addressing yourself to the White House Conference on Children and Youth, that meets every decade, sir.

Mr. FLOOD. I see.

Mr. SHINE. The President's Council on Youth Opportunity has a meeting this Thursday, chaired by Leonard Garment of the White House. We also had one on March 13.

Mr. FLOOD. That is good. Even so, why should not the White House Conference meet regularly?

Mr. SHINE. I would prefer, since that is a line item within HEW for the funding of that council, to throw that hot potato to the chairman.

Mr. FLOOD. I am asking your personal opinion.

Mr. SHINE. My own personal opinion is that they should meet more often, White House conferences should be called more than once every decade, and as I indicated before, split the difference and call it every 5 years.

Mr. FLOOD. In view of your position, that opinion has value, you see.

DISADVANTAGED YOUTH

Mr. SHINE. I would hope so, sir. Since you have asked for personal opinions, one of the major concerns is with the disadvantaged youth of America.

The White House Conference, as with any discussion on children and youth today, may end up with a vocal minority of college students speaking for youth in this community, while we are not addressing ourselves to the millions who are already in the work force or are teenage brides or high school dropouts or even, yes, National Guardsmen.

In other words, if we are going to be preoccupied by latest population statistics showing those that are in college, let's say 18 to 24 years of age, 6,731,000 in this country as of 1969. However, if we want to be concerned with the 14- to 17-year-olds, that is 14.452 million.

Mr. FLOOD. You merely emphasize my question.

Mr. SHINE. Numbers.

Mr. FLOOD. I just wonder, under all the circumstances, why the White House Conference on Youth does not meet more often. You think it should?

Mr. SHINE. I do.

The President's White House Conference on Children and Youth was organically started in 1968 by President Johnson and Dr. Joseph Douglas was appointed Executive Director. Then there was the changeover in the administration and the usual changing of the guard, and the necessity of a line item appropriation in HEW to get this White House Conference off dead center. So there have been these delays caused by a change of administration, but I still agree with you that because of the importance of youth, their numerical percentage in this country, and their desire to be heard, I would include the great numbers who in fact are not heard because they are not on college campuses. The desire to be heard should bring about White House Conferences on Youth (if not on children) more frequently, certainly than is the present case.

PERSONNEL ON DETAIL FROM OTHER AGENCIES

Mr. FLOOD. According to the budget that you have presented, you have one permanent employee and three consultants.

How many people do you have on detail from other agencies?

Mr. SHINE. We are entirely a detail operation except for those you mentioned. The detail operation is 24 detailed from the several agencies that are a part of the Council, with the exception of some restrictive matters, such as the Department of Agriculture. Anything you can do for us with Mr. Whitten, to have Agriculture assist us, we would appreciate.

Mr. FLOOD. Mr. Michel is on the Appropriations Subcommittee on Agriculture. Why do you not talk to him?

TRAVEL EXPENDITURES

By the way, this is interesting. You have four full-time employees and you spend $70,000 a year for travel. That intrigues me.

Mr. SHINE. I will give you an example of the travel that has already been engaged in.

Last week——

Mr. FLOOD. Four people?

Mr. SHINE. All the other professional staff people travel, too.

We held regional conferences with Youth Coordinators from city and State jurisdictions in three locations last week for 2 days each, concerning the Western, Central, and Eastern thirds of the country. I had 14 professional staff members, both consultants and those on detail with us from agencies of the executive branch, staffing these training sessions for youth coordinates in city, county, and State structures in order to provide more coordinated services to youth.

We invited a number of Federal agencies to be represented here. That activity alone I suspect was about $6,000 worth of travel, that one series of conferences that week in San Francisco, Chicago, and Washington.

In addition, once we had cleared with several agencies who were providing salaries for youth coordinators—we do not provide them, they do, but we coordinate it—the several agencies provide salaries for these youth coordinators in a matching fund operation, 15 members of our staff immediately visited, in an 8-workday period, 3 weeks ago, 45 State capitals, 18 HUD and OEO regional offices, and 55 local jurisdictions. So that they had their bags packed, Mr. Chairman.

Mr. FLOOD. They must have had.

Mr. SHINE. They were constantly on the move to get out from behind the general area of Washington officialdom to where the action is and get the problem solved.

Mr. FLOOD. We were thinking about having somebody take a look at that. That is a rather startling figure.

Mr. SHINE. As a matter of fact, I am scared to death we may go over it a little bit.

RENT, COMMUNICATIONS, AND UTILITIES

Mr. FLOOD. The same thing applies to your rent. We know a great deal about that around here.

Mr. SHINE. I would be very happy to discuss that in more detail with GSA.

Mr. FLOOD. Yes; they should know.

You want $71,000 for rent, communications, and utilities, the whole bag, for four people.

Mr. SHINE. We have 29 people on the staff.

Mr. CRATEN. Twenty-nine people.

Mr. SHINE. Our staff runs between 25 and 30 with variables according to whether they are being recalled to their agencies. Our structure is much like Mr. Castillo's.

Mr. FLOOD. I have before me your presentation. That is where I got the figures. I direct your attention to page 8.

Mr. SHINE. I will defer on some of these complex matters to Mr. Craten.

Mr. FLOOD. Why did you not show that?

Mr. SHINE. That does not come out of the $300,000.

Mr. CRATEN. There is no provision to show detail personnel. They are shown by their own agency, in all cases.

Mr. FLOOD. Mr. Michel?

CAMPUS DISORDERS

Mr. MICHEL. Mr. Shine, I have just one question, I guess. That is whether or not your shop has anything to do with respect to this riotous activity we find on the college campuses today.

You suggest in one of your answers to the Chairman that so much attention is focused there that you would think this is the only thing we are talking about with respect to youth when, as a matter of fact, it is just a small part of it.

Nevertheless, it is the part that today is getting so much attention in the news media. You talk about having some fingers out or feelers out. What relationship is there, if any, with your shop and what is going on in the college campuses today?

Mr. SHINE. We have some, but not very much. When we are dealing with disadvantaged youth, the realism is that a minority youth who has gotten to a college campus, you know, he can be a Jewish, Republican, black, he can be of several minorities. If he has gotten to a college campus his opportunity is already far and above those who are still in high school, or dropouts or within the work force of America. So we concentrate on the 79 percent who don't go to college. We engage in activities here of a rifle shot rather than a buckshot nature. We have these Mayors' Youth Coordinators, and now the innovation of several weeks ago, State Youth Coordinators, who are to help break through on minimum wage laws, minimum standards of health and safety. Because of the early child labor laws, young men perfectly equipped to perform many jobs now, are unable to, since the archaic laws of child labor of the 1920's and 1930's are still on the books. We want more youth to qualify for these jobs, all other standards considered.

We have, through these State Coordinators and these 55 pilot, sample local jurisdictional coordinators—an input on college youth, but the youth coordinators are really concerned with greater vocational opportunities, either within the high school system or vocation training after high school, for on-the-job training, work-study programs, summer hires, leading from summer full-time into work-study in the fall.

That is the area that we have a finite preoccupation with, rather than the college area. We get some input from college-age youth because there are college students that are social work-oriented working within the mayors' offices.

14- TO 21-YEAR-OLD—TARGET GROUP

Mr. MICHEL. So you are really concerned more with the high school age teenager.

Mr. SHINE. Right. Our basic market, to use a phrase, is the 14- to 21-year-old, of which there are just millions, within school and out of school.

There is no real recognition of their vocational needs. I am hoping the President's council will give considerable emphasis next year to a better look at vocational education of the country.

I saw some statistics out of the Bureau of Labor Statistics and Census Bureau the other day which showed that $1 is spent for vocational education for every $14 for higher education. Yet higher education is what we have here, 6 million in college, and we have 28 to 30 million that are in the work force, that are in military, and if they are young women, they may become housewives, not breadwinners. That section of the youth, particularly those who are disadvantaged, is what we are interested in.

VOCATIONAL EDUCATION

Mr. MICHEL. On that point of course, we have been wrestling with the whole area of vocational education and the amount of money that ought to be appropriated. In our last bill there was considerable controversy over the fact that the 1968 amendments to the Vocational Education Act, earmarked 40 percent of the money in the grants to the States, 15 percent for disadvantaged, 10 percent for disabled, and 15 percent post-secondary. They tell us we are getting some innovative programs started in this area.

Mr. SHINE. I hear that too. It is a difficult thing to turn around the philosophy of the educators in this country that if you do not go to college you are a flop, that if you do not have a baccalaureate degree, somehow or other you are a second-class citizen. Therefore, vocational education throughout the country has certainly taken a secondary role in the educators' minds, both in the high school and collegiate level.

I recently was with some low-income students in Eureka, Calif., 17 scholarship students, all of low-income or rural families. They have a little bit of a metropolitan area there, but not much. Mr. Clausen can tell you more about it than I can. As one, these 17 students indicated to me—and I did not ask them. I said "Tell us about schooling and what you think of your schooling, about the school systems of America as you see them." They were all white. So that none of them had a minority outlook, certainly not racially. They all felt that there was an incredible number of students who were being trained for college in the local school system, and they had heard it elsewhere around the coun-

try, who in fact never planned to go to college, who finish high school and go out and pay $300 or whatever it cost you, sir (the stenographer), to become a certified shorthand reporter. This is training which they did not get in high school and they had to pay this added cost for something they could have learned in school.

YEAR-ROUND PUBLIC SCHOOLS

They also felt, and I certainly concur with them, that there was an incredible waste of the American academic system with the closing down of schools in the summer months. We understand Toledo, Atlanta, and others are going to the four-quarters system with a choice of three consecutive quarters out of four. Those who now do not go the full four quarters, either because of rural crop activities, or that they have to go to work full time for a few months to aid the breadwinner of the family, that the school plants in these cities are going to have a greater utilization as community centers for adult training in the evening and recreational training in the summer.

We talk about the youth that do not have anything to do in the summer, not enough jobs, no vocational training, or they do not have the interest in it, they want to relax. With a plant like Atlanta, with a school system of about $70 million operation, from our pilot study of it, $1.4 million would keep that school system open four quarters, added on to the $70 million, because they already have year-round operations of air conditioning, self-insuring, faculty salaries, and the like.

Now the students can go four quarters. Maybe the fourth quarter in the summer can be vocational training or English makeup if they are going on to college and they are not doing too well on predicates, nouns, and verbs.

The mayor of Toledo indicated to me in the office just a few weeks back that work with the school system in Toledo, keeping those Toledo schools open at night and during the summer months, that the total outlay, he thought, was going to be less than the vandalism repair costs.

Mr. MICHEL. Those are interesting statistics.

Mr. SHINE. These are the things that the President's Youth Council is engaged in coming up with, a few pilot and quiet studies for the authorization committees and appropriation committees.

COMMUNITY EDUCATION FACILITIES

Mr. FLOOD. We are much impressed by this rash of community colleges being born every week in the last year.

Mr. SHINE. The same thing would go for the community high school. In other words, why cannot the high school have a proper recreational facility so that we are not faced, as we are this summer, with a great many measures, worrying about unrest. They do not really differentiate whom they talk about, when referring to the unrest. They end up taking the 13-year-olds and lower on a bus to a camp or swim-

ming pool, while ignoring the other group, 13-year-olds and above, those who are intellectually and physically the most mature. If the elementary and high schools of a given community were open during summer months and they put in some good recreational facilities, they could take care of the recreational market.

Mr. FLOOD. Mrs. Reid?

TRAINING CONFERENCES

Mrs. REID. How many training conferences were held in the past year—and how widely were these attended?

Mr. SHINE. During fiscal 1970 the Council has conducted two major series of regional conferences nationwide. The first series was held in November and December 1969, in Boston, Oakland, and St. Louis for youth coordinators and representatives of youth-serving agencies in those three sections of the country.

A second series was conducted the week of May 17–24 in San Francisco, Chicago, and Washington. Approximately 250 officials took part in the most recent series. Federal agencies and private sector groups were represented as well as youth coordinators for States and cities. Staff members from the President's Council on Youth Opportunity also addressed or participated in a number of other State and local field workshops sponsored by other youth-serving agencies.

NON-FEDERAL CONTACTS

Mrs. REID. What contacts do you make with private industry and State and local governments to provide listings of summer jobs for youths?

Mr. SHINE. The Private Resources Division of the Council is actively engaged in maximizing job opportunities and developmental resources for locality and States. The Human Resources Development Institute of the AFL–CIO, the National Association of Manufacturers, the National Alliance of Businessmen and Foundations are but a few of the organizations with whom the Council works.

The role of the Council is one of encouraging the establishment on the State and local level, of the offices of youth coordinator, and providing technical assistance to them through personal visits and written and telephoned communications.

The Council works with youth coordinators in over 200 cities and 45 States, helping them to do at the local level what the Council tries to achieve at the national level. In the past, the results of these youth coordinators working with local government and State agencies, Federal agencies on the local level, and private groups and organizations have produced excellent coordination. The Council through these people has increased the availability and effectiveness of resources by as much as tenfold.

Mr. FLOOD. Thank you, Mr. Shine.

Justification of the Budget Estimates

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY

GENERAL STATEMENT

The PCOYO was established in 1967 as successor to a Task Force on Summer Domestic Programs and other informal Federal efforts to develop a coordinated response to youth needs in the Summer months.

Although the mandate of the Executive Order creating the Council was quite broad, the principal focus was placed on developing activities which would constructively involve disadvantaged youths during the Summer.

While primary concentration on low-income youths continues, during the past year the Council has directed its attention to year-round efforts with special, rather than exclusive, emphasis on the Summer. It has been a further objective to expand developmental programs in employment, education and training for youths ages 14-21, encouraging recreation-oriented activities through its contacts with some 200 key national voluntary organizations, with Federal, State and local officials, and other private groups and organizations.

The goal is to help equip them to function effectively in society, rather than simply "keeping kids off the streets and out of trouble".

In furtherance of this objective, the Council staff works with officials of Federal departments and agencies in evaluating the operation and direction of selected programs and encouraging a coordinated response to identified youth needs.

The Council also furnishes ongoing assistance and information about available resources and their effective use to officials of State and local government, private sector organizations, and voluntary associations. This is provided by means of training conferences, publications, and staff field visits.

The Council works closely with selected departments and private agencies in supervising efforts intended to foster comprehensive planning and coordination at the State and local level.

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY

EXPLANATION OF OBJECTS

Personnel Compensation ($98,000) - Provides for an Executive Director and a small staff of experts and part-time consultants.

Personnel Benefits: civilian employees ($8,000) - Provides for benefits to permanent and temporary employees as required -- roughly 7.5% of salary of permanent position and 5% of salaries of temporary employees.

Travel and Transportation of Persons ($70,000) - Provides for approximately 80 days of travel per month or 960 days per annum at an average cost of $65 per day. Also provides for local transportation.

Transportation of things ($1,000) - Provides for miscellaneous freight and express charges.

Rent, Communications and Utilities ($71,000) - Provides for same space presently occupied and for same level of communications (telephone, telegraph, etc.) support now used.

Printing and Reproduction ($20,000) - Provides for printing of weekly newsletter and other informational data for distribution to approximately 15,000 names and for other incidental printing.

Other Services ($26,000) - Provides for payment to General Services Administration for financial and administrative support services estimated to total $18,000.

Also provides for procurement of services from commercial sources not available from other governmental agencies such as special studies, court reporting services, conference costs and provision of newspapers, periodicals and professional journals.

Supplies and materials ($5,000) - Provides for supplies and materials purchased from General Services Administration.

Equipment ($1,000) - Provides for replacement of office equipment and/or purchase of equipment presently under rental agreements.

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 32-17-3300-0-1-609	1969 actual	1970 estimate	1971 estimate
Program by activities:			
Coordination of youth opportunity programs (program costs, funded)[1]	405	309	300
Change in selected resources[2]	-57	-9	.....
10 Total obligations	348	300	300
Financing:			
11 Receipts and reimbursements from: Federal funds	-337	.....	.....
21 Unobligated balance available, start of year	-20	.....	.....
25 Unobligated balance lapsing	9	.....	.....
40 Budget authority (appropriation)	.....	300	300
Relations of obligations to outlays:			
71 Obligations incurred, net	11	300	300
72 Obligated balance, start of year	161	25	25
74 Obligated balance, end of year	-25	-25	-25
77 Adjustments in expired accounts	12	.....	.....
90 Outlays	159	300	300

1/ Includes capital outlay as follows: 1969, $-0-; 1970, $1 thousand; 1971, $15 thousand.

2/ Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1968, $78 thousand (1969 adjustments, -$20 thousand); 1969, $1 thousand; 1970, $-0-; 1971, $-0-.

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY

PROGRAM AND PERFORMANCE

The PCOYO was established by Executive Order 11330, on March 5, 1967, and received Congressional authorization on December 30, 1969, per H. J. Res. 764 (PL 91-176). Its members include the Secretaries of Defense, Interior, Labor, Agriculture, Commerce, Health, Education and Welfare, Housing and Urban Development, Transportation, the Attorney General, the Director of the Office of Economic Opportunity, the Chairman of the Civil Service Commission, and such other persons as may be designated by the President. The Vice President is Chairman of the Council. Its staff includes an Executive Director, such persons as may be assigned from time to time on non-reimbursable details by other agencies, and up to four persons who may be retained on a full-time consultant basis.

This appropriation will provide administrative funds for the Executive Director and staff to carry out the Council's functions in 1) coordinating and evaluating summer and other youth programs of the Federal Government and 2) working with State, local, and private sector organizations and agencies to enhance opportunities for young people, particularly the disadvantaged. Emphasis is placed on employment, education, and training year round, with attention to special needs in the summer months.

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY
SALARIES AND EXPENSES
OBJECT CLASSIFICATION (in thousands of dollars)

Identification code		1969 actual	1970 estimate	1971 estimate
	Personnel compensation:			
11.1	Permanent positions	35	28	33
11.3	Positions other than permanent	141	82	65
[redacted]				
[redacted]				
	Total personnel compensation	176	110	98
	Personnel benefits:			
12.1	Civilian employees	7	10	8
[redacted]				
21.0	Travel and transportation of persons	52	63	70
22.0	Transportation of things	.....	1	1
23.0	Rent, communications, and utilities	63	66	71
24.0	Printing and reproduction	23	20	20
25.0	Other services	22	25	26
26.0	Supplies and materials	5	4	5
31.0	Equipment	.....	1	1
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
99.0	Total obligations	348	300	300

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY
SALARIES AND EXPENSES

Personnel Summary

Identification code	1969 actual	1970 estimate	1971 estimate
Total number of permanent positions	1	1	1
Full-time equivalent of other positions	5	4	3
Average number of all employees	6	5	4

PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1969 actual	1970 estimate	1971 estimate
GRADES AND RANGES			
GS-18, $33,495	1	1	1
Total permanent employment, end of year .	1	1	1
HIGHER LEVEL POSITIONS			
GS-18, $33,495 ..... Executive director.....	1	1	1

TUESDAY, MAY 26, 1970.

OFFICE OF ECONOMIC OPPORTUNITY

WITNESSES

DONALD RUMSFELD, DIRECTOR
WESLEY L. HJORNEVIK, DEPUTY DIRECTOR
FRANK C. CARLUCCI, ASSISTANT DIRECTOR FOR OPERATIONS
JOHN O. WILSON, ASSISTANT DIRECTOR FOR PLANNING, RESEARCH AND EVALUATION
ROBERT C. CASSIDY, ASSOCIATE DIRECTOR FOR ADMINISTRATION
WILLIAM A. PLISSNER, DIRECTOR, PROGRAM ANALYSIS DIVISION, OFFICE OF PLANNING, RESEARCH, AND EVALUATION
THOMAS BRYANT, M.D., ASSOCIATE DIRECTOR, HEALTH AFFAIRS, OFFICE OF ECONOMIC OPPORTUNITY
ARNOLD R. WEBER, ASSISTANT SECRETARY FOR MANPOWER, DEPARTMENT OF LABOR
TERRY F. LENZNER, ASSOCIATE DIRECTOR, LEGAL SERVICES, OEO

OFFICE OF ECONOMIC OPPORTUNITY
OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1971 estimate
OFFICE OF ECONOMIC OPPORTUNITY			
Personnel compensation:			
Permanent positions	32,599	29,215	31,849
Positions other than permanent	1,463	2,733	2,637
Other personnel compensation	853	1,000	1,000
Special personal service payments	43,106	15,300	16,500
Total personnel compensation	78,021	48,248	51,986
Personnel benefits:			
Federal employees	2,502	2,220	2,420
Non-Federal employees	1,477	550	560
Travel and transportation of persons	12,761	7,717	9,047
Transportation of things	173	140	199
Rent, communications, and utilities	4,244	2,666	3,481
Printing and reproduction	1,916	1,122	1,393
Other services	195,548	101,268	129,986
Services of other agencies	12,631	7,517	9,760
Supplies and materials	893	421	497
Equipment	2,494	1,403	1,791
Lands and structures	2,587	1,543	2,007
Grants, subsidies, and contributions	910,309	592,085	651,948
Insurance claims and indemnities	163	100	125
Total obligations, Office of Economic Opportunity	1,225,719	767,000	865,200
ALLOCATION ACCOUNTS			
Personnel compensation:			
Permanent positions	39,009	40,703	41,323
Positions other than permanent	4,188	4,300	4,310
Other personnel compensation	2,321	2,400	2,400
Special personal service payments		20,844	24,331
Total personnel compensation	45,518	68,247	72,364
Personnel benefits:			
Federal employees	3,774	3,700	3,900
Non-Federal employees		700	760
Travel and tranportation of persons	2,471	6,876	7,328
Transportation of things	2,072	2,180	2,281
Rent, communications, and utilities	3,680	4,795	5,045
Printing and reproduction	211	469	481
Other services	26,496	122,965	130,457
Services of other agencies	2,170	2,500	2,643
Supplies and materials	18,281	20,216	21,503
Equipment	1,538	2,063	2,162
Lands and structures	483	1,500	1,562
Grants, subsidies, and contributions	609,218	938,377	963,098
Insurance claims and indemnities	9	12	15
Subtotal	715,921	1,174,600	1,213,600
Quarters and subsistence charges	−54	−100	−100
Total obligations, allocation accounts	715,867	1,174,500	1,213,500
Total obligations	1,941,586	1,941,500	2,078,700

OFFICE OF ECONOMIC OPPORTUNITY—Continued

PERSONNEL SUMMARY

	1969 actual	1970 estimate	1971 estimate
OFFICE OF ECONOMIC OPPORTUNITY			
Total number of permanent positions	2,856	2,387	2,502
Full-time equivalent of other positions	152	270	260
Average number of all employees	3,088	2,545	2,712
Average GS grade	9.8	9.9	9.9
Average GS salary	$11,103	$12,842	$12,982
ALLOCATION ACCOUNTS			
Total number of permanent positions	3,429	4,030	4,030
Full-time equivalent of other positions	689	234	234
Average number of all employees	4,510	3,972	4,021
Average GS grade	8.5	9.2	9.2
Average GS salary	$9,462	$10,889	$10,912

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 estimate	1970 estimate
Program by activities:			
1. Work and training programs (delegated to Department of Labor):			
(a) Job opportunities in the business sector	28,327	98,000	123,000
(b) Concentrated employment	105,499	150,000	142,400
(c) Public service careers	17,149	24,800	47,000
(d) In-school and summer	170,184	195,100	196,400
(e) Out-of-school	105,700	100,400	120,700
(f) Job Corps	253,560	179,500	191,700
(g) Operation Mainstream	37,276	41,000	41,000
(h) Work experience	25,843	1,000	----------
(i) Foster grandparents	5,029	2,200	----------
(j) Program support	23,264	19,000	18,800
Subtotal	771,831	811,000	881,000
2. Child development programs (delegated to Department of Health, Education, and Welfare):			
(a) Head Start	338,200	328,200	332,400
(b) Follow Through	14,300	32,200	38,600
Subtotal	352,500	360,400	371,000
3. Community development programs (operated by the Office of Economic Opportunity):			
(a) Community action operations	396,847	401,500	409,300
(b) Health and nutrition	85,769	112,400	155,100
(c) Legal services	35,762	47,000	56,400
(d) Special impact	18,619	19,800	19,200
(e) Research, pilot programs, and evaluation	56,638	56,950	78,800
(f) Migrants	25,840	30,200	30,800
(g) Volunteers in Serivce to America	30,500	31,200	36,700
(h) Other opportunity programs	37,121	4,400	3,500
Subtotal	687,096	703,450	789,800
4. General support	13,292	14,500	15,000
Total program costs, funded [1]	1,824,719	1,889,350	2,056,800
Change in selected resources [2]	116,867	52,150	21,900
Total obligations	1,941,586	1,941,500	2,078,700
Financing:			
Receipts and reimbursements from: Federal funds	−330	----------	----------
Unobligated balance available, start of year	−5,000	----------	----------
Unobligated balance lapsing	8,398	----------	----------
Budget authority	1,944,654	1,941,500	2,078,700
Budget authority:			
Appropriation	1,948,000	1,948,000	2,080,200
Transferred to other accounts	−3,346	−6,500	−1,500
Appropriation (adjusted)	1,944,654	1,941,500	2,078,700

OFFICE OF ECONOMIC OPPORTUNITY—Continued

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)—Continued

	1969 actual	1970 estimate	1970 estimate
Relation of obligations to outlays:			
Obligations incurred, net	1,941,256	1,941,500	2,078,700
Obligated balance, start of year	982,931	1,075,719	1,183,938
Obligated balance, end of year	−1,075,719	−1,183,938	−1,289,498
Adjustments in expired accounts	−36,401		
Outlays	1,812,067	1,833,281	1,973,140

[1] Includes capital outlay as follows: 1969, $7,000,000; 1970, $7,000,000; 1971, $7,000,000.
[2] Selected resources as of June 30 are as follows:

	1968	1969 adjustments	1969	1970	1971
Unliquidated grants	958,276	−36,401	1,074,789	1,121,327	1,135,604
Unpaid undelivered orders	95,454		59,407	65,019	72,642
Total selected resources	1,053,730	−36,401	1,134,196	1,186,346	1,208,246

OBLIGATIONS BY PROGRAM

[In millions of dollars]

	1969 actual	1970 estimate	1971 estimate
Program by activities:			
1. Work and training programs (delegated to Department of Labor):			
(a) Job opportunieies in the business sector	111.3	70.0	55.0
(b) Concentrated employment	83.0	149.4	123.0
(c) Public service careers	18.5	47.0	50.0
(d) In-school and summer	189.5	183.9	208.9
(e) Out-of-school	123.7	98.0	125.8
(f) Job Corps	278.4	171.6	180.0
(g) Operation Mainstream	41.0	41.0	41.0
(h) Work experience	6.4		
(i) Foster grandparents	9.1		
(j) Program support	21.4	17.4	18.3
Subtotal	882.3	778.3	802.0
2. Child development programs (delegated to Department of Health, Education, and Welfare):			
(a) Head Start	[1] 333.9	336.7	339.0
(b) Follow Through	32.0	56.0	69.0
Subtotal	365.9	392.7	408.0
3. Community development programs (operated by the Office of Economic Opportunity):			
(a) Community action operations	380.1	379.8	381.1
(b) Health and nutrition	95.3	132.6	180.1
(c) Legal services	47.3	56.9	63.2
(d) Special impact	22.4	31.1	32.2
(e) Research, pilot programs, and evaluation	36.8	81.5	118.1
(f) Migrants	28.5	32.1	35.5
(g) Volunteers in Service to America	32.8	37.0	39.0
(h) Other opportunity programs	37.3	3.5	3.5
Subtotal	680.5	754.5	852.7
4. General support	12.9	16.0	16.0
Total obligations	1,941.6	1,941.5	2,078.7
5. Transfers to other accounts	3.3	6.5	1.5
Totals	[1] 1,944.9	1,948.0	2,080.2

[1] Includes 1969 Head Start $5,000,000 supplemental.

Mr. FLOOD. We now have the Office of Economic Opportunity, Economic Opportunity Act programs, and the presentation will be made by Mr. Donald Rumsfeld, the Director. I think we should begin auspiciously, by mentioning that this is some sort of anniversary. A year ago today Mr. Rumsfeld, who is a former and highly respected colleague of ours, was sworn in to be Director of this program. He may wish he had stayed in the House by this time. Upon that he need not comment.

Mr. Director, I see we have a biographical sketch of you which, of course, we will place in the record even though the members of the committee know all about you.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF MR. DONALD RUMSFELD

Donald Rumsfeld was sworn in as Director of the Office of Economic Opportunity and as assistant to the President with Cabinet rank on May 26, 1969.

Mr. Rumsfeld was born on July 9, 1932, in Chicago, Ill. He received his A.B. degree from Princeton University in 1954. After graduation, he entered the U.S. Navy and served as a naval aviator until November, 1957.

Prior to his election to the House of Representatives in November, 1962, Mr. Rumsfeld served as an administrative assistant to Rep. David Dennison of Ohio, as a staff assistant to Sen. Robert Griffin, then a Michigan Representative, and with A. G. Becker & Co., a Chicago investment banking firm.

He was elected to the 88th Congress in 1962 and was reelected to the 89th, 90th and 91st Congresses. In the House of Representatives, he was a member of the House Committee on Government Operations, the House Committee on Science and Astronautics, the Joint Economic Committee, and the House Republican Policy Committee.

While in the Congress, he was a sponsor and an active supporter of legislation on Congressional reform, freedom of information, the volunteer army concept, and aerospace safety.

In 1967, he was a cofounder of the Japanese-American Inter-Parliamentary Council.

As Director of the Office of Economic Opportunity, Mr. Rumsfeld is a member of 11 standing committees and councils, including the National Council on Indian Opportunity.

The assignment to the Cabinet level position as assistant to the President includes membership on the Urban Affairs Council, the Rural Affairs Council, the Cabinet Committees on Voluntary Action and School Desegregation, and the President's Committee on the Vietnam Veteran. As a member of the Urban Affairs Council, Mr. Rumsfeld was made Chairman of the Poverty Program and OEO Subcommittee, and a member of the Subcommittee on Welfare, Education, Foster Care, Land Use and Development, and Internal Migration. As a member of the Rural Affairs Council, he is a member of the Subcommittee on Jobs and Economic Opportunity in Rural Areas, and Family Assistance in Rural Areas. He is also a member of the Board of Directors of the National Center for Voluntary Action.

Mr. Rumsfeld is married to the former Joyce Pierson. They have three children, Valerie, Marcy, and Nicholas.

INTRODUCTION OF SUPPORTING WITNESSES

Mr. FLOOD. Then, do you have with you any people that you think we should meet?

Mr. RUMSFELD. Yes, sir. It is my understanding that your preference is that, taking the Economic Opportunity Act as a whole, today be spent discussing those portions of the programs that are administered by the Office of Economic Opportunity, and tomorrow those portions of the Economic Opportunity Act programs that are administered by the Department of Labor, the Department of Health, Education, and Welfare, and the Department of Agriculture.

Mr. FLOOD. That is right.

Mr. RUMSFELD. I note that Mr. Arnie Weber is here, the Assistant Secretary of the Department of Labor. He will be performing tomorrow.

Mr. FLOOD. We have seen that act before.

Mr. RUMSFELD. From the Office of Economic Opportunity those at the table are Dr. John Wilson on my immediate left, who is the Director of the Office of Planning, Research and Evaluation; Mr. Bill Plissner, who is in charge of the Office of Program Analysis and Budget; on my right, Mr. Frank Carlucci, the Assistant Director for Operations, who has responsibility for all operational programs in the country under the Office of Economic Opportunity.

Mr. FLOOD. In addition to Mr. Carlucci's obvious qualifications, he also has that additional distinction of having been born in my hometown. Very well.

Mr. RUMSFELD. And then, Mr. Robert Cassidy, who is the Director of the Office of Administration for the Office of Economic Opportunity.

BIOGRAPHICAL SKETCHES OF SUPPORTING WITNESSES

Mr. FLOOD. If and when, Mr. Director, any of these in the supporting cast are called upon we would like a modest biographical sketch of those witnesses whose names will appear on the record.

Mr. RUMSFELD. We will see that they are supplied for the record.

(The biographical sketches follow:)

BIOGRAPHICAL SKETCH OF WESLEY L. HJORNEVIK

Mr. Hjornevik, 44, of Dickinson, Tex., who was appointed Deputy Director of the Office of Economic Opportunity by President Nixon, was formerly the Associate Director of the National Aeronautics and Space Administration at the Manned Spacecraft Center in Houston, Tex. At NASA he also served as Assistant to the Administrator, Deputy Director of Business Administration, and Director of Administration for the Manned Spacecraft Center.

Prior to joining NASA, he served with the Bureau of the Budget as a budget examiner and budget and program analyst; and with the Department of Health, Education, and Welfare as Assistant to the Under Secretary.

He is a graduate of North Dakota State University.

BIOGRAPHICAL SKETCH OF FRANK C. CARLUCCI

Frank C. Carlucci III, of Scranton, Pa., is Director for Operations of the Office of Economic Opportunity.

Mr. Carlucci, 38, is a former Foreign Service officer with the Department of State. He was graduated from Princeton University in 1952 and attended Harvard Graduate School of Business for 1 year.

The Office of Operations is a principal change in the reorganization. In it are grouped those activities that closely relate to the operation of Office of Economic

Opportunity programs in the field. These include: the regional offices, which will report to the assistant director; the Community Action Support Division, which includes those components of the old CAP organization oriented to support of community action agencies, and the State and local government affairs division, which is responsible for planning and coordinating OEO's relations with State and local government.

Following graduation from college he entered on active duty with the U.S. Navy and was discharged as a lieutenant junior grade in 1954. From 1955 until 1956, he was in private business with the Jantzen Co. in Portland, Oreg. In 1956 he joined the Department of State where he worked in the Post Management Office. From 1957 to 1959, he served as Vice Consul and Economic Officer in Johannesburg, South Africa. In 1960, he became Second Secretary and Political Officer at Kanshasa, the Congo, and served there until 1962 when he became the Officer in Charge of Congolese Political Affairs at the Department of State.

In 1964, Carlucci became the Consul General in Zanzibar and in 1965 assumed the post of Counselor for Political Affairs in Rio de Janeiro.

Carlucci is married and has two children.

BIOGRAPHICAL SKETCH OF JOHN OLIVER WILSON

Name and address: John Oliver Wilson, 1715 Oak Lane Drive, McLean, Va.
Marital status: Married, one child.
Present position: Director, Office of Planning, Research and Evaluation, Office of Economic Opportunity, Washington, D.C.
Birthplace: Rolla, Mo.
Birthdate: May 22, 1938.
Education:
1960: B.A. in mathematics, Northwestern University.
1967: Ph. D. in economics, the University of Michigan.
Scholarships, fellowships:
1956–60: Northwestern University, regular NROTC scholarship.
The University of Michigan:
1964–65: Rackham Graduate School fellowship.
1967: Ford Foundation fellowship.
Learned societies: American Economic Association.
Profession activity:
1968–69: Assistant professor of economics, Yale University, New Haven, Conn.
1969: Academic director, urban fellows program, sponsored by Yale University, U.S. Conference of Mayors and National League of Cities. Involves the education and placement of urban administrators from minority groups under mentors, primarily large city mayors.
1968: Consultant, Metropolitan Planning Commission, Kansas City region.
1967: Director, Missouri State Tax Study. A 12-month study concerned with analyzing the fiscal relationship of local, State, and Federal Governments and the future trend of public finances in Missouri.
1966: Staff, Institute of Public Administration, the University of Michigan.
1964–69: Consultant, Midwest Research Institute, Kansas City, Mo.
1964: Staff, Metropolitan Planning Commission, Washtenaw County, Mich.
1960–63: Officer, U.S. Navy.
1958: Operations Research Department, United Air Lines, executive office, Chicago.
Publications:
Washtenaw County Metropolitan Planning Commission, "Capital Needs and Their Financing: A Capital Improvement Program for the Metropolitan Area" (Ann Arbor, Mich., September 1965).
"Missouri State Tax Study" (Kansas City: Midwest Research Institute, January 1968).
"Analysis of Fiscal Policy of Local Governments in a Metropolitan Area," Metropolitan Planning Commission, Kansas City Metropolitan Area, October 1968.

"Quality of Life in the United States—An Excursion into the New Frontier of Socio-Economic Indicators." Midwest Research Institute, Kansas City, Mo., February 1969.
"Inequality of Racial Opportunity in the United States," "The Annals of the American Academy of Political and Social Science," March 1970.
"Capital Budgeting and Resource Allocation in Metropolitan Areas" (New Haven: Yale University Press, forthcoming).

BIOGRAPHICAL SKETCH OF ROBERT C. CASSIDY

Mr. Cassidy is a native of Johnstown, Pa., Re received a B.A. degree from St. Vincent College in Latrobe, Pa., in 1949, and an M.B.A. degree, from Syracuse University, Syracuse, N.Y. in 1961.

He served in the U.S. Marine Corps in 1942–45, participating with the Third Marine Division in the invasions of Bougainville, Guam, and Iwo Jima.

Mr. CASSIDY entered the Federal service as a junior management assistant trainee with the Navy Department in 1950. From 1951–54 he was with the Veterans' Administration as a management analyst. In 1954, he moved to the U.S. Army Audit Agency, serving at their Washington headquarters office until 1957 as a management analyst. In 1957 he was appointed Comptroller of the European Region, USAAA, located at Frankfurt, Germany. Mr. Cassidy served in this capacity until selected in 1960 as one of the first civilians to attend the Army's graduate course in comptrollership at Syracuse University. He joined the Office of the Inspector General, USDA in March 1963. He was appointed Deputy to the Assistant Director for Management, OEO, on November 27, 1965. In December 1966, he became Associate Director for Administration, OEO.

BIOGRAPHICAL SKETCH OF WILLIAM A. PLISSNER

Birthplace and date: New York City, N.Y., October 17, 1929.
Education:
Harvard College, Cambridge, Mass.: A.B., 1951.
Princeton fellow, Woodrow Wilson School, Princeton University, Princeton, N.J., 1967.
Experience:
Chief, Program Analysis Division, Office of Economic Opportunity, 1967.
Program control officer, Office of the Assistant Secretary of Defense (installation and logistics), 1967.
Staff Director, Program Evaluation Division, Office of the Deputy Assistant Secretary of Defense (family housing), 1962–66.
Assistant Chief, Administrative Management Division, Systems Research and Development Service, Federal Aviation Agency, 1961–62.
Served in the Navy Department from 1955 to 1961 in various budgetary, programing, and management reporting posts.
Served on active duty as captain in the U.S. Marine Corps, 1951–53.

Mr. FLOOD. Mr. Director, I see you have here a prepared statement. How do you wish to proceed?

PREPARED STATEMENT

Mr. RUMSFELD. I think what I would like to do, Mr. Chairman, is to submit the statement for the record and simply touch some of the highlights of it, and possibly comment on one or two other areas that I think are of interest.

Mr. FLOOD. Very well. We will do it that way.

(Mr. Rumsfeld's statement follows:)

INTRODUCTION

Mr. Chairman, Members of the Committee:

I am pleased to appear before this distinguished Committee on the proposed Fiscal Year 1971 Appropriations under the Economic Opportunity Act.

It was six months ago, November of last year, when I appeared and discussed with you the Agency's request for Fiscal Year 1970. It is heartening to be here so much earlier this year.

We are doing things a great deal differently at the Agency and I welcome this opportunity to discuss the new Office of Economic Opportunity with you.

In the past, Office of Economic Opportunity Appropriations estimates have been limited primarily to tabular presentations and narrative discussions of specific programs funded under the Economic Opportunity Act. This year, the Justification Book includes an Abstract, designed to provide the Congress with an overview of major new directions and responsibilities of the Office of Economic Opportunity. It also presents the Appropriation request in several new contexts, designed to give Congress more complete information and a broader perspective on the Agency's operations.

In addition to the usual program-by-program discussion of what we wish to do, and cost estimates, the opening section of the Justification Book discusses the Administration's redirection of total funding for the poor, and the role of this Agency. The approximately $2 billion for the Economic Opportunity Program compares with a total Federal effort of $33 billion in the coming fiscal year.

Finally, the book views our approach to poverty from several different perspectives; in terms of specific programs (Family Assistance, Community Action, Legal Services, etc.), central causes or effects of poverty (employment, economic development, education, etc.), and selected target groups. Some Americans experience a higher incidence of poverty than others and their problems often have peculiar ramifications or are especially difficult to deal with. We have, therefore, included short analyses and discussions of Early Childhood, Youth, the Aging, Migrants, Indians and the Rural poor, and how we propose to insure that our programs reach them.

THE FISCAL YEAR 1971 BUDGET

The President has requested $2,080.2 million for Fiscal Year 1971 for the Economic Opportunity Act Program, compared with an appropriation of $1,948 million for Fiscal Year 1970. The Congress has authorized for Fiscal Year 1971 a total of $2,831.9 million. The

Administration is asking for the full $2,080.2 million appropriation. We have not requested the full amount previously authorized. The need for the full budget request is clear, and I firmly believe that the Agency is now in a position to expend the full amount wisely and effectively.

Office of Economic Opportunity Activities:

In Research, Development and Evaluation, an increase of $39,600,000 is planned, including a major increase targeted for day care studies. A strong research and development program in day care models is an important ingredient of successful welfare reform. Other research, development and evaluation increases will emphasize early childhood development, expansion of individual choice and the strengthening of state and local institutions.

An additional $4,000,000 will be spent to expand the capability of State Economic Opportunity Offices. Fifteen new special technical assistance and ten additional planning development projects will be initiated along with special demonstration projects.

An increase of $7,300,000 will be used to provide ancillary services and additional development activities designed to improve the delivery of services to the poor in the Emergency Food and Medical Services program.

An increase of $2,000,000 will be used in Family Planning to continue developing better approaches for delivering family planning

services more effectively. Included will be projects offering services to mothers in hospitals at the time of childbirth, cooperative activities involving private physicians -- particularly in rural areas -- and coordination efforts in both metropolitan and rural areas.

Added Drug Rehabilitation funds of $2,000,000 will help provide continued development of new experimental projects initiated in 1970, including addiction rehabilitation components for employment programs, activities especially designed for young addicts or drug experimenters, and assistance to a variety of community groups dealing with the problem of addiction.

An additional $3,000,000 for Alcoholic Counseling and Rehabilitation funds will support comprehensive rehabilitation services in urban areas, special training activities, and projects designed to meet the particular needs of Indian and migrant alcoholics.

Forty million dollars will be available for new Comprehensive Health Services projects in Fiscal Year 1971. These funds will make it possible to start local projects designed to restructure hospital outpatient departments, develop special rural health projects, assist existing and new groups to serve low-income populations; and initiate plans for community-wide health delivery systems in a number of areas.

Legal Services program new starts of $1,500,000 will help improve coordination between the training program, assistance provided by six law schools, the statewide legal research units, and the 266 operating programs in 49 states.

In the Special Impact program, $2,500,000 will be used to fund new groups for providing economic development assistance to depressed communities.

The Title III Migrants and Farm Workers program will use $3,000,000 as part of its long-range program direction toward developing more permanent and better paying job opportunities. A total of approximately 32,000 eligible adults heads of farm labor households are expected to participate in these permanently.

VISTA provides volunteer manpower to approximately 500 local sponsors helping the poor in urban and rural areas in 49 states. During Fiscal Years 1970 and 1971, increased emphasis is being placed on recruiting volunteers to be trained for and to serve in specific program activities. The $2 million budget increase in 1971 will enable VISTA to support about 5,000 volunteers and to refine and improve the program on the basis of knowledge gained in the past four years of growth.

Delegated Activities

In work and training activities, over $20 million will be used to increase the number of jobs available and provide training for disadvantaged persons through the new Public Service Careers program. Initiated in Fiscal Year 1970, this program will focus on jobs in the public sector, the most rapidly growing sector of our economy.

The recently re-designed Out-of-School program will also be expanded; the $36,000,000 of additional funding planned in Fiscal Year 1971 for this program will be used to increase the amount of training provided 16 and 17-year-old dropouts, with particular emphasis on those living in rural areas.

CONGRESSIONAL EARMARKING

It is important to understand why the earmarking in the Economic Opportunity Act Amendments of 1969 was, in my judgment, not in the best interest of the program. When the Senate was considering the authorization bill last year and made the decision to earmark the programs, the Labor and Public Welfare Committee used the budget figures which were then available...the figures put together early in the Nixon Administration before I was appointed Director. These figures did not represent the budget allocation plan for the Agency which I

presented to this Committee last year during the appropriation hearings. Today, they are two years old. The result was that not only were stringent earmarks imposed, but they were placed on a budget that was out of date then and is today two years out of date. Further, they were placed on an Appropriation that was not approved until eight months after the start of the fiscal year, leaving less than four months to show programs to conform to the earmarks for the year.

The Congress, and particularly this Committee, has the responsibility to set priorities and establish resource allocations. However, when the earmarked figures are inconsistent with the budget presented to the Appropriations Committee and the best judgment of the Agency concerning the most efficient and effective expenditure of funds, and are imposed over a two-year period, severe program dislocations result. Unfortunately, this was the case when the Fiscal Year 1970 budget was severely earmarked. Cuts in planned spending levels in such programs as Head Start, Legal Services, VISTA, etc., were required in Fiscal Year 1970 and large sums of additional monies not planned to be spent were necessarily obligated for other programs.

It is difficult to explain in a simple manner the severe problems which this Agency would face if the earmarks were again imposed upon

our budget request. The authorization bill sets up a system which permits a maximum and minimum figure for each program and discretionary authority is given to the Director to choose, within the limits, the precise level of funding. However, the present earmarks are so out of range as to strain the limits. I would be pleased to discuss with the Subcommittee the attached charts which show their effect on the Fiscal Year 1971 program. Table I shows which programs in the President's request would have to be increased and how that might harm other programs.

(Table I)

Table I

EFFECT OF MANDATORY EARMARKING ON FISCAL YEAR 1971 ECONOMIC OPPORTUNITY ACT PROGRAM

	Effect on requested $2,080.2 million		Effect on hypothetical $1,980 million appropriation	
SPECIFIED INCREASES		+$53.2 million		+$45.1 million
Community Action Local Programs - Sec. 221	+ 4.9		+ 4.9	
Special Impact Economic Development	+ 5.7		+ 3.6	
Head Start Follow Through	+ 2.7		---	
Emergency Food & Medical	+16.8		+14.0	
Alcoholism	+ 8.8		+ 8.8	
Narcotics	+ 9.8		+ 9.8	
Rural Loan Fund	+ 4.5		+ 4.0	
SPECIFIED DECREASE		(-)$5.0 million		(-) $6.0 million
Family Planning	(-)5.0		(-)6.0	
UNSPECIFIED DECREASE		(-)$48.2 million		(-)$139.3 million
If Pro Rata Against Programs that may be reduced:				
Dept. of Labor - Work & Training Programs	(-)25.1		(-)72.4	
DHEW - Head Start	(-)10.8		(-)31.2	
Legal Services	(-) 1.9		(-) 5.6	
Comprehensive Health	(-) 3.5		(-)10.2	
State Offices	(-) 0.5		(-) 1.3	
Day Care R&D	(-) 0.6		(-) 1.8	
Other Experimental Programs	(-) 3.0		(-) 8.7	
Training & Technical Assistance	(-) 0.7		(-) 2.1	
Migrants	(-) 1.1		(-) 3.1	
VISTA	(-) 1.0		(-) 2.9	

In effect we are required to make significant cutbacks in approximately half our programs in order to inflate the others.

It also shows what would happen if the final appropriation were reduced by a hypothetical $100 million. The Chart illustrates that the earmarking formula becomes even more oppressive as the total appropriated sum is reduced. With the hypothetical $100 million reduction from our request, 92% of such a cut would have to be borne by the programs already faced with earmarking problems under a full appropriation. Such rigidity, even with the limited reprogramming flexibility granted to the Director, fails to account for differences in operating requirements of the respective programs. Table II illustrates the inequities between some programs forced into expansion and others that will have to be reduced.

(Table II)

Table II

Illustrations of Program Imbalances Arising
out of Mandatory Program Earmarks in FY 1971

(In $ millions)

Increases

	Mandatory Increase $2,080.2	$1,980.0
	Full Budget	Reduced Budget
	$	$
Emergency Food and Medical	+ 16.8	+ 14.0

Earmarking flooded program in last 3 months of FY 1970, fully covering '71 requirements for new projects. Additional '71 money unnecessary for new projects, particularly since older projects will be phased out having accomplished original emeregency purpose.

Alcoholism	+ 8.8	+ 8.8

While recognizing close relation of alcoholism and poverty, forced hasty funding of projects before results from '70 experimentation are available is unwise.

Rural Loans	+ 4.5	+ 4.0

Ignores large, unanticipated balance available 1971 from collections from old loans re-cycled during the previous year.

Reductions

	Pro Rata Reductions	
	Full Budget	Reduced Budget
	$	$
Family Planning	(-) 5.0	(-) 6.0

Congress removed this earmark in the original FY 1970 Appropriation bill without opposition, but inadvertently failed to do so in the record version after the President's veto.

Dept. of Labor - Work & Training Program	(-) 25.1	(-) 72.4

Those fund reductions, applied across the board would result in eliminating 20,000 and 58,000 job and training opportunities (under each of the appropriation assumptions), about 85% of them representing a cutback below present program levels.

Head Start	(-) 10.8	(-)31.2

Head Start sustained a fund reduction as a result of the FY 1970 earmarking problem. Further reductions would result in 10,000 or 31,000 children denied a full year of Head Start (or an equivalent reduction in summer program children), with consequent laying off teachers and aides, many of them poor.

Legal Services	(-) 1.9	(-) 5.6

These reductions would at the least deny opening the first new projects in two years and at the greater figure would force a significant retrenchment of present activities.

Migrants	(-) 1.1	(-) 3.1

Migrants represent (next to Indians) the poorest of the poor; the rigid earmarking formula, based on the present too-low funding levels, not only prevent increasing aid to Migrants, but could result in cutting back present efforts.

In short, major changes from the budget this Agency is presenting today would be required if the language we have requested concerning the earmarks is not accepted. As you know, there is a precedent for this course as the Congress inserted similar language into the Appropriations Acts of Fiscal Years 1968 and 1969.

IMPROVED AGENCY MANAGEMENT

In making this request for full funding without earmarks, I have a responsibility to the Congress and to the American people to insure the Agency is capable of carrying out the Congressional mandate of our legislation and that the funds appropriated are expended wisely. A great deal of time and energy has been devoted to improving the management of the Agency during the past year.

STATUS OF REORGANIZATION

The reorganization of the Office of Economic Opportunity is now complete. It was the first for a major Federal agency in this Administration.

During the past year, many changes have been made:

-- Strengthened planning, research, program development and evaluation capabilities.

-- Clarified and improved direction and management of the operational programs (VISTA, Community Action Agencies, Migrant, the Family Planning Program, Emergency Food

and Medical Services, Comprehensive Health Services, Senior Opportunities and Services, and the Legal Services Program.)

-- Strengthened relationship between the Office of Economic Opportunity and state and local governments.

-- Where 30 individuals and offices reported directly to the Director; there are now 11.

-- Three new regional offices have been added to meet the requirements of uniform regional boundaries.

-- The ten Regional Directors are now directly responsible to the Assistant Director for Operations, providing lines of authority from him directly to the Regions, CAAs and other local projects.

However, people are what make an organization succeed and we have recruited the best and most dedicated people we could find in this country. They are perceptive of and concerned with the needs of the poor. Interestingly, the average age of the Senior Staff is 35. They are bright, able and tough minded.

IMPROVED PROCUREMENT PROCEDURES

A great deal of effort has been devoted to upgrading the process by which grants and contracts are made by the Office of Economic Opportunity.

1. A set of new regulations have been issued providing for strict adherence to sound procedures in evaluating contract and grant proposals, establishing policies to guard against potential conflicts of interest, and guaranteeing maximum control over the expenditure of funds.

2. Project review boards have been established composed of senior personnel to review the substance and technical aspects of each new procurement request in excess of $50,000. Previously, there was no independent review of this nature.

3. Great emphasis has been placed on using the competitive bidding process as opposed to sole source contracting, resulting in better proposals and lower costs. So far in Fiscal Year 1970, 79% of all contracts have been competitively bid as compared to 38% in Fiscal Year 1969, 27% in Fiscal Year 1968 and 2.2% in Fiscal Year 1967.

4. Previously, the Agency was lax in permitting substantial cost overruns on contracts. Today, we are pursuing a very strict policy, permitting adjustments on costs only where clearly warranted. In Fiscal Year 1969, overruns were permitted on 19 contracts involving $626,771; to date in Fiscal Year 1970, overruns have been approved on only 3 contracts for a total of $84,051.

5. Thirty nine Community Action Agencies have been or are being closed or merged, based on their proven inability to serve the poor.

6. Eight out of 9 contracts in the Office of Public Affairs are being closed out.

7. Thirty-five out of 55 contracts in the Office of Program Development have either been terminated or not renewed, either for poor performance, completion of work, or redirection.

8. The percentage of fixed price contracts has been increased from 33% of all contracts in Fiscal Year 1969 to 42% in Fiscal Year 1970.

The emphasis of our efforts has been to improve contractor and grantee performance, eliminate inefficient or incompetent operations, reduce the number of individual projects requiring monitoring and insure a higher return for the Agency for each dollar spent. I am confident that these activities are resulting in continued improvement in the overall quality of management of the Office of Economic Opportunity.

THE MYTH OF DUPLICATION

Many people, in and out of government, incorrectly feel that the Office of Economic Opportunity duplicates the programs of other Federal agencies. This is not true. It is true, however, that the Office of Economic Opportunity is the only Federal agency that has as its sole responsibility the problems of some 24 million poor citizens in this country.

To meet the special needs of the poor, new approaches are often needed at the local level. In addition, more must be learned about the complexity of poverty and the effectiveness of the various programs which have been advocated.

The Agency does administer programs that may seem similar to other departments. For instance, both the Department of Health, Education, and Welfare and the Office of Economic Opportunity administer

family planning programs. However, the Department of HEW's program is administered through traditional health institutions, while the Office of Economic Opportunity's program is geared specifically to reach poor women and, therefore, uses new institutions such as neighborhood health centers and local community action programs which emphasize outreach capabilities.

Both approaches are needed. We are still a long way from meeting the total need for family planning in this country. Each approach is using a different mechanism to reach specific target populations. This is not duplication--this is using the flexibility which is possible in government to take different approaches to meet different needs in an important and difficult problem area.

In addition, I am often asked why programs, such as Head Start, Job Corps and others, which are administered by other departments continue to receive their funds through the Office of Economic Opportunity's budget - the Economic Opportunity Act. To many this appears to be a senseless duplication of effort. The answer is important to an understanding of the philosophy behind the Economic Opportunity Act, and I would like to respond in some detail.

The Economic Opportunity Act authorizes appropriations to the Director of the Office of Economic Opportunity. It also permits him to delegate program administration and transfer funds to other Federal agencies where he deems it appropriate. The following table illustrates how Economic Opportunity funds have been allocated among participating agencies.

Table III

ECONOMIC OPPORTUNITY OBLIGATIONS BY FEDERAL AGENCY

(Millions of Dollars)

	FY 1969 Actual	FY 1970 Estimate	FY 1971 Estimate	Percent Change FY 1969-71
Office of Economic Opportunity	$ 648.0	$ 785.4	$ 865.2	+10.2%
Department of Labor	875.4	753.9	802.0	+ 6.4%
Department of Health, Education and Welfare	365.9	396.3	408.0	+ 0.3%
Department of Agriculture	6.0	9.4	5.0	-47.0%
Other (Transferred or Discontinued)	49.6	3.0	- 0 -	--
Total	$1,944.9	$1,948.0	$2,080.2	+ 6.8%

NOTE: All years adjusted for current program responsibilities.

When programs such as Head Start have grown in size, they may be delegated to the appropriate Federal agency to be administered outside of the Office of Economic Opportunity. As necessary, the funds can continue to be authorized and appropriated through the Economic Opportunity Act where the Office of Economic Opportunity can assist in seeing that the program is administered in a manner reflecting the needs of the poor. After this "trial period," when the new Department is administering the program properly, the program and the budget request for that program can be officially transferred. This theory is a new one in government, but I believe that it may have potential. It permits the Office of Economic Opportunity to remain the innovator, developer and tester of programs and approaches. In this way the Agency can back up and support the mission of the Federal departments in their efforts to assist the poor.

SUMMARY

In a time of pressing domestic needs, your Committee must recommend to the Congress priorities for the domestic budget. You must determine how limited resources can most effectively be spent to meet the many demands of our Nation today. Added to this already difficult task is the fact that the economic situation is such that projected revenues for this fiscal year are down and the deficit up. The pressures on this Subcommittee to cut nonessential spending will be great.

Realizing all of this, I strongly request that the Congress grant the full appropriation for the Office of Economic Opportunity. It is well known that in times of anything less than a very strong economy, those who are hit the hardest and hurt the most are the poor. So it is at this time that the poor most need the programs of this Agency. The poor will be doubly hurt if the budget for the Office of Economic Opportunity is cut in the present economic situation.

It was a hard decision to take a year to work to straighten out, redirect, and strengthen the management of the Office of Economic Opportunity. The Congress saw the need and provided funds for the continuance of the Office of Economic Opportunity. I am satisfied that the past year which saw the reorganization and redirection of the Office of Economic Opportunity was worthwhile. We are now ready to step off from a considerably stronger management position. I anticipate some mistakes as we proceed. But when the mistakes are made, immediate corrective action will be taken and the Congress and the Nation will be so informed. We learn by doing, but today there are controls in that process. I intend to continue to refine those controls so as to have the least margin of error possible.

I have every confidence that we are ready, more ready than ever before, to tackle intelligently and responsibly the problems of

the poor in our country. Our house is in considerably better order. Recognizing the stringent budget situation, we have not requested the full $2.8 billion which has already been authorized by Congress. However, we feel that the full appropriation request of $2,080 billion is urgently needed.

HIGHLIGHTS OF PREPARED STATEMENT

Mr. RUMSFELD. Should I proceed?

Mr. FLOOD. Yes, please.

Mr. RUMSFELD. When I was here, I think last November, you made the comment that I should be careful to explain at every opportunity exactly what the relationship of the Office of Economic Opportunity was to the rest of the executive branch of the Federal Government. I have since that time found that to be a very wise counsel.

Mr. FLOOD. Yes; we are very concerned that you are being—what is the word—fragmented.

Mr. RUMSFELD. Yes, there is a good deal of question about that, so what I would like to do is to say that I am delighted to be appearing before your committee today very early in the year. This is a tremendous help to us, to be able to present our proposals at an early point with the hope being that our appropriation will be passed in a timely way this year, so we are very grateful.

The Office of Economic Opportunity is in the Executive Office of the President and is funded, as you know, through the Economic Opportunity Act. The Economic Opportunity Act provides funds to the Office of Economic Opportunity which then either end up in programs administered by the Office or are administered by major Federal departments, such as the Department of Labor, the Department of Health, Education, and Welfare, and the Department of Agriculture on a delegated basis.

I will be, for the most part, discussing those programs that are administered by the Office of Economic Opportunity in my remarks today, and the individuals from the other departments will be discussing the programs that are administered in their departments, even though they are funded through the Economic Opportunity Act.

First, I would like to say that we are doing things a great deal differently at the agency today than was the case when I became Director a year ago.

Mr. FLOOD. Differently?

Mr. RUMSFELD. We are, yes, sir; and some of the things I will touch on in my statement will explain the kinds of changes that we have made that resulted from what I learned on becoming Director and why we believe these are sound and why we believe that the appropriation request that is being made today will give us an opportunity to make an impact on the problems of the poor.

TURNOVER IN TOP LEVEL JOBS

Mr. FLOOD. We have heard that you have lost by resignation a number of so-called topflight people, and that you are having difficulty replacing such people.

Mr. RUMSFELD. That is incorrect. I personally have visited with a number of people and suggested that I wished to fill their positions with different people, and the result has been, as is normal in a new administration, that a number of the Presidential appointees and the top political appointees have, in fact, left, some at their option, some at my request, and we have replaced them with, in my judgment, some truly outstanding people. We have a very exciting, talented, tough-

minded group of people who have come into the agency, and I feel that the leadership in the agency today is excellent. We have not had a problem finding good people.

Mr. FLOOD. There is no prevailing scare, so to speak, going on?

NEW BUDGET PRESENTATION

Mr. RUMSFELD. No, sir. I might make a comment or two about the budget presentation.

In addition to the normal things that have been presented to your committee on previous occasions, we have added severel elements to this budget book. Having served in Congress, I had the feeling that the old presentation lacked some things that would have been of use to me as a Congressman, and so we have included an overview of what the Federal Government is doing with respect to the poor; and in addition to the normal program-by-program discussions which you request with cost estimates, we have provided some material that extracts out the impact of old programs on different categories of people, such as the young, older persons, for example.

STIGMA ATTACHED TO THE WORD "POOR"

Mr. FLOOD. Do you think we should continue to use the word "poor"? That stigma offends many people who resent being called poor, who insist they are not poor.

Mr. RUMSFELD. There is no question that from a communications standpoint it is sometimes less than precise.

Mr. FLOOD. You will recall when your act was being debated originally Congress made quite a point of staying away from the word "poor" in the title. There were a dozen titles suggested and we came up with what I think is a very good one, but at that time much was made about leaving out the name "poor" in the title. It was first proposed and everybody jumped on that, and it didn't last long.

Mr. RUMSFELD. There is also the feeling, and I think this is what you are reflecting, that by pounding the word "poor" you can tend to create a resistance or a reaction on the part of the near-poor because of a seeming imbalance that they perceive as a result of the concentration on one group which can be counterproductive to what you are trying to do.

Mr. FLOOD. Yes.

Mr. RUMSFELD. We use an income level to trigger in programs, and in some instances you will find in the justification book we have used the words "low income" for the purpose of showing that it is below a certain income that eligibility would apply.

Mr. FLOOD. I wouldn't mind being called disadvantaged, or something—that is a clumsy word, though—but I wouldn't like to be called poor.

Mr. RUMSFELD. In the justification book in these various target groups, in addition to the young and the older persons we have added sections so that members can very qiuckly review what we are doing with respect to such groups as migrants and seasonal farm workers, Indians, and the rural poor, all of which there has been a good deal of interest about in Congress.

BUDGET REQUEST

Turning to the budget itself, the President requested $2,080.2 million for fiscal year 1971 for the Economic Opportunity Act programs.

ACCESS TO WHITE HOUSE

Mr. FLOOD. Do you meet at what might be called the Cabinet or sub-Cabinet level of the White House in conference or meetings in that rarified atmosphere? You are the director of an extremely important operation, and are you in or out, or where are you?

Mr. RUMSFELD. I am kind of in a situation which I guess is unique. I am the Director of an agency which is in the Executive Office of the President and in that capacity I am not in the Cabinet. But I have another set of responsibilities. I am assistant to the President and in that capacity I am a member of the Cabinet, a member of the various councils, and involved in staff work in the White House that stretches beyond the jurisdiction and responsibilities of the Office of Economic Opportunity.

Mr. FLOOD. Then you have an entree of your own right? You don't have to call somebody to call somebody to get into the back entrance?

Mr. RUMSFELD. That is right.

1971 BUDGET REQUEST

The appropriation for fiscal year 1970 and $1,948,000,000, so the request this year in the appropriation is slightly above last year's appropriation. Interestingly, the Congress last year authorized for the Economic Opportunity Act $2,831.9 million, so our request is substantially below what Congress has already authorized for the fiscal year that we are discussing, 1971. I want to make a very strong point that the need for the full request of $2,080,200,000 is, in my judgment, very clear.

I would also say that I honestly believe that the agency and the departments that handle the delegated programs are in a position to expend that full amount wisely and effectively. The mortgage that exists on Federal programs—meaning the program in place or annualized figure that you must meet just to fund what you have or what it is what you have that you wish to fund—will leave a very small margin between that figure and the $2,080,200,000, and on page 3 of the statement I have set out some of the areas that will be funded by that additional sum with respect to the programs in the Office of Economic Opportunity.

In research, development, and evaluation we have activities with respect to day care, continued research and development and evaluation, child development, and various experiments involving individualization of choice, as well as the strengthening of State and local institutions.

The agency is planning an additional $4 million to be spent to expand the capability of the State Economic Opportunity offices. Fifteen new special technical assistance and 10 additional planning development projects will be initiated along with special demonstration projects. As you know, the Office of Economic Opportunity historically has

had little relationship with State or local government. We have been actively attempting to develop a relationship that is in the best interests of the programs, and attempting to encourage our people in our agency and those we grant funds to to actively look to States and local governments as a source for resources, as a source of support, and attempt to help to bring their resources to bear on these problems.

An increase of $7,300,000 will be used to provide ancillary services and additional development activities designed to improve the services to the poor in the emergency food and medical services program.

An increase of $2 million will be used in family planning to continue to develop better approaches to deliver these services.

The other funds included will be projects offering services to mothers in hospitals at the time of childbirth, cooperative activities involving private physicians, particularly in rural areas, and coordination efforts in both metropolitan and rural areas.

Added drug rehabilitation funds of $2 million will help provide continued development of new experimental projects initiated in 1970, including addiction rehabilitation components for employment programs, activities designed for young addicts or drug experimenters, and assistance to a variety of community groups dealing with the problem of addiction.

An additional $3 million for alcoholic counseling and rehabilitation. $40 million will be available for new comprehensive health services projects in 1971.

Legal services program new starts of $1,500,000 will help improve coordination between the training program, assistance provided by six law schools, the statewide legal research units, and the 266 operating programs in 49 States.

In the special impact program, $2,500,000 will be used to fund new groups for providing economic development assistance to depressed communities.

The sum of $3 million will be added in the migrant and seasonal farmworker area.

As far as the delegated activities, I will leave those to be discussed until tomorrow.

CONGRESSIONAL EARMARKING

One thing came up last year, Mr. Chairman, which is unfortunate. Because of the press of everything at that time I don't feel the issue was really fully discussed and I would like to take a few minutes to discuss it this morning. That is the problem of congressional earmarking. By way of background, as you will recall, the authorization committee last year, as in previous years, decided to impose earmarks on the Economic Opportunity Act programs. In all previous years up to last year the Appropriations Committee was able to add language which relieved the agency of the disadvantageous effects of the earmarks. Last year that was not the case.

To make matters worse, the earmarks were imposed on the budget that the President sent down early last year and not on the budget that was presented to this Appropriations Committee. You will recall they were quite different, because the budget that we presented before you was one that we had an opportunity to affect, and the one that was

presented in January was prepared many months before I arrived on the scene.

LATENESS OF 1970 APPROPRIATIONS

To make things worse, the appropriation was not finally approved by the Congress until there were only 3 or 4 months left in the fiscal year.

Mr. FLOOD. Of course, there was a reason for that.

Mr. RUMSFELD. I understand that, but the effect of the earmarks with a later appropriation was that we were required to try to skew our programs during the remaining 3 or 4 months to conform to earmarks that were intended to apply over a 12-month period.

Mr. FLOOD. The reason was the Presidential veto.

Mr. RUMSFELD. Yes; in part, I understand that. My point was not just that it was late. My point was that when it was late and there were earmarks it caused a misallocation of our resources during that period and has warped a variety of the programs.

Mr. FLOOD. That is one reason why, insofar as that sector of the bill, education, is concerned we took it out of the bill and passed it some weeks ago, for many of the reasons you are suggesting.

IMPACT OF EARMAKING

Mr. RUMSFELD. I have included in the presentation some examples of what has happened as a result of the earmarking, why it imposes some problems in a small agency. It is a complicated thing to discuss, so I had a hypothetical example prepared here which shows that with a reduction below the budget request what happens with earmarks. The effect, of course, last year was that we had to reduce some program areas in a harmful way and were asked to spend money in areas that we had not had time to hire people, to develop the kinds of projects so that that money could be spent in the best possible way, or at least as well as if we had had notice at a much earlier time, or if the earmarks had been less stringent.

So, some charts in here show by program what was increased, what was decreased. Table I shows what the effect of a $100 million cut is in terms of taking money out of certain categories. In effect, the earmarks require that you make significant cutbacks in approximately half the programs in order to inflate two or three others.

Table II gives illustrations of program imbalances arising out of mandatory program earmarks in 1971 by program, and we have simply listed, for example, the emergency food and medical services budget, alcoholism, rural loans, to show which would be increased and which would be decreased.

FAMILY PLANNING

One good example, for example, is the family planning program. Last year because of the earmark we were required to reduce rather substantially the funds we intended to spend and had prepared to spend in family planning, and it, I think, was unfortunate because I happen to be a strong believer in the family planning program and feel that it is of tremendous importance to the poor.

Mr. FLOOD. You are engaged actively in a family planning program?

Mr. RUMSFELD. Yes, sir.

Mr. FLOOD. How do you execute this plan or program? How does your office? We don't like to belabor this record but, of course, you are just here for a day or two. This subcommittee sits here almost interminably, it seems, and we have seen family planning paraded across here almost like a circus. We amuse ourselves by saying that every bureau or agency in the Government is in family planning except the Bureau of Mines.

Mr. RUMSFELD. I have selected out that example later in my testimony to show the difference between our family planning activities and the Department of Health, Education, and Welfare's family planning activities because I appreciate that there is a——

Mr. FLOOD. There can be a difference.

Mr. RUMSFELD (continuing). Feeling that there is a duplication of some sort.

Mr. FLOOD. I attended a radio and television seminar in my district over the weekend, dealing with technological and environmental pollution, and they had a very distinguished technician who startled, I think, everybody except me by talking about family planning vis-a-vis pollution. He startled the people by the use of the words "If you have too many people you are polluting the world."

This is not new, but in that area it was a startling thing. Do you look upon it in this way?

Mr. RUMSFELD. I did exactly what you did last weekend. I appeared on a discussion television show, I guess——

Mr. FLOOD. The same thing.

Mr. RUMSFELD (continuing). And the founder of Earth Day was there and he made the same argument, that the quantity of pollution, air pollution or water pollution or solid waste, is a function of the numbers of people who are involved in society.

Mr. FLOOD. You mean the more people, the more pollution? That is a startling thought.

IMPROVED MANAGEMENT

Mr. RUMSFELD. The last time I was here we discussed agency management at some length, and I would like to give a very brief report on where we are.

Mr. FLOOD. Yes, we did, because you recall OEO was under the gun on this point.

Mr. RUMSFELD. Right. It is always dangerous to prognosticate and crystal ball-gaze, but I would say after 1 year that there have been major changes in the operations of this agency and there have been a variety of administrative and regulatory changes that, in my judgment, will lead to considerably better management and will lead to a much greater impact on the problems of the people we are in business to serve, and some specifics I will recount now.

MAJOR REORGANIZATION

We completed the first major reorganization of a Federal agency in this administration, strengthened planning, research, program de-

velopment and evaluation capabilities, clarified and improved direction and management of operational programs such as VISTA, community action agencies, migrant programs, family planning, emergency food and medical services, comprehensive health services, senior opportunities and services, and the legal services program, strengthened relationship between the Office of Economic Opportunity and State and local governments, which I felt to be needed if we were to have the kind of accountability that was necessary.

MUNICIPALITIES EXERCISING STATUTORY OPTION TO TAKE OVER COMMUNITY ACTION AGENCIES

Mr. FLOOD. To what extent has there been any increase in the actual taking over and operating of the community action agencies by municipalities, the local elected officials?

Mr. RUMSFELD. It has intrigued me that there has been very little because we have revised the regulations so that the position of the agency is no longer to oppose that but, rather, to assist with whatever the judgment of the city is, and it is my recollection that out of the 1,063 community action agencies there are only 52 where the municipalities have, in fact, exercised their statutory option to take over responsibility for the community action agency. I don't know quite why that is. I think one of the reasons might be that the fact that it was very difficult or impossible to do previously led to a situation where the desire to do it was magnified. Once they have the option there apparently isn't as strong a desire as there appeared.

Mr. FLOOD. Was that the so-called Green amendment?

Mr. RUMSFELD. Yes, sir; and the second thing might be the fact that we have been very aggressively trying to develop better relationships with State and local governments. Possibly that has reduced the pressure, because if the relationship is better there is less of a desire to feel it is necessary to go in and actually take it over. I would think that possibly both are involved.

Mr. FLOOD. There has not been any marked rush by municipal officials to take over?

REGIONAL OFFICES

Mr. RUMSFELD. No, sir. We have conformed to the President's requirements to establish 10 regional offices with regional boundary lines that are similar to those of HEW, Labor, and the other human resource departments. We have the 10 regional directors reporting directly to Mr. Carlucci rather than to the Director of the agency, and we feel that this will provide them considerably better support and, hopefully, see that our regional operations are responsive and in conformance with headquarters policies.

Mr. FLOOD. Will you list the location of your regional offices for the record?

Mr. RUMSFELD. Yes, sir; I will be happy to supply a map showing the boundary lines and the locations.

(The information follows:)

46-486 O - 70 - pt. 6 - 26

LOCATION OF REGIONAL OFFICES AND BOUNDRIES OF JURISDICTION

REGION	OFFICE HOURS	TIME ZONE HOURS DIFFERENCE FROM HEADQUARTERS
Boston	8:30 - 5:00	None
New York	9:00 - 5:30	None
Philadelphia	8:45 - 5:30	None
Atlanta	8:30 - 5:30	None
Chicago	8:30 - 5:00	Minus one hour
Dallas	8:00 - 4:45	Minus one hour
Kansas City	8:00 - 5:00	Minus one hour
Denver	8:00 - 4:30	Minus two hours
San Francisco	8:30 - 5:00	Minus three hours
Seattle	8:00 - 4:00	Minus three hours

RECRUITMENT OF SENIOR STAFF

Mr. RUMSFELD. As I indicated earlier, people are what make an organization succeed or fail, and I believe that we have recruited some of the finest and most dedicated people that we could find in the country. I am proud of them, and I think they are doing an excellent job. Surprisingly, they are a rather young group. The average age of our entire senior staff is 35. I don't know quite how that happened, but as we went around looking, I guess part of the problem was, as you pointed out, the agency was under fire and there were a great many critics of the Office of Economic Opportunity. I guess that the risk takers, the ones who were willing to jump in and try and grapple with a piece of this, tended to be younger people. As a result, as I say, the average age is 35. They are bright and they are able and I think they are doing an outstanding job.

Mr. FLOOD. You included women as well as men?

Mr. RUMSFELD. Yes.

Mr. FLOOD. At these high levels?

Mr. RUMSFELD. Yes, sir. She is an assistant director of the agency and doing an outstanding job.

ADMINISTRATION OF GRANTS AND CONTRACTS

As a Member of Congress, I heard all the criticisms of the Office of Economic Opportunity's contracting and grant procedures. I never was really able to pin down the specifics of it, and as a Congressman it is hard, and I must say that since I have been there we have been able to pin down the specifics.

The Deputy Director of the Office of Economic Opportunity, who is back here, Mr. Wes Hjornevik, was formerly with NASA at the Houston Manned Space Flight Center, and is very knowledgeable in this business.

Mr. FLOOD. Knowledgeable in what?

Mr. RUMSFELD. The grant and contracting business with respect to the Federal Government and outside organizations, private or public. It is a complicated business and, as I indicated, I felt that there was a great deal of improvement needed in the agency's activities. As a result, this new set of regulations has been issued providing for strict adherence to sound procedures and evaluating contract and grant proposals.

Mr. FLOOD. How lengthy are they in pages?

Mr. RUMSFELD. I have them, and it possibly would be useful to submit them for the record. It is about 45 to 50 pages. They are designed to prevent potential conflicts of interest and to guarantee maximum control by the agency over the expenditure of funds.

Mr. FLOOD. These are of major import, and since they are new and since there has been a great deal of public discussions of this subject, and widespread criticism, we will place the regulation in the record at this point.

(The information follows:)

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

April 7, 1970

SUBJECT: Instructions on the Administration of Grants and Contracts

Attached are eleven instructions dealing with the administration of grants and contracts in Headquarters. I urge you to study these instructions because they set the ground rules by which all Headquarters grants and contracts will be made and administered. Within the next two weeks, you will be asked to attend office by office meetings at which the instructions will be explained.

We consider these issuances to be of such importance that we have issued the attached news release. We hope that the instructions will serve as the foundation for establishing sound and consistent management practices throughout the Agency, and to provide a thorough review based upon full information before making decisions on grants and contracts.

WESLEY L. HJORNEVIK
Deputy Director

Attachment

OFFICE OF ECONOMIC
OPPORTUNITY

PUBLIC AFFAIRS
WASHINGTON, D.C. 20506
Telephone: 296-0364

FOR RELEASE: WEDNESDAY A.M. PAPERS
April 8, 1970

NEW POLICY TO BAN CONFLICTS OF INTEREST ANNOUNCED

Stringent new instructions aimed at preventing conflicts of interest and tightening the administration of contracts and grants by the Office of Economic Opportunity were announced today by Director Donald Rumsfeld.

In the past few months, the Agency has conducted an office-by-office review of hundreds of contracts and grants made in recent years. The Agency-wide survey revealed extensive deficiencies in the review and monitoring of contracts and grants as well as a widespread lack of proper management. Based on this experience a new policy governing the handling of grants and contracts has been prepared. The conflict of interest instruction is one of a series of 11 instructions implementing the new policy.

The purpose of the instructions is to assure fair competition among prospective contractors. The intent is not to exclude any contractor from competing for the opportunity to do business with the agency but to establish sound and consistent management practices and a thorough review based on full information before the award of contracts. The Agency seeks to avoid the occurrence of any factor that would give any firm an unfair advantage.

The new conflict of interest instruction provides that for one year after an employee leaves the Agency, no sole source contract may be awarded to a firm that employs him in a senior position. An exception to this rule may be granted only by the Director. In the case of competitive bids, no contract may be awarded to a firm that employs in a senior position a person who has left the Agency within the previous year, without the approval of the Deputy Director.

The instruction also:

- Provides for the maintenance of records of former personnel who have joined prospective contractors or grantees.

- Says a firm bidding for contracts will be asked to disclose whether it is seeking to hire an Agency employee, whether it employs former Agency staff people in senior positions and how such an employee would participate in the contract; and whether any present Agency employee or his family has a substantial financial interest in the firm.

- Requires prospective grantees to identify any former OEO employee who has left the Agency within the year prior to the grant application, who has a financial interest in or is employed by the grantee, by its delegate agency or by a subcontractor.

Other new instructions:

- Establish project review boards to examine proposed grants and contracts with the exception of certain routine refundings of operating grants. This means that, in contrast to past practice, a grant or contract cannot be approved without review at a high level.

- Insure that only designated Agency officials shall commit or obligate the Government under a contract or grant. Violations will constitute cause for disciplinary action.

- Require that project managers prepare a written evaluation of a contractor's performance within 60 days of contract expiration. These evaluations will be considered in the awarding of future contracts. No such system has operated in the past.

- All project requests for $2,500 or more will be reviewed by the Office of the General Counsel.

The new instructions apply to projects approved by the Washington headquarters office. New instructions will be issued to the Regional Offices and to Community Action Agencies funded through the Regional Offices in the near future.

OFFICE OF ECONOMIC OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610-1
Subject	**Date**
REPORTING AND REVIEW PROCEDURES FOR PREVENTING CONFLICTS OF INTEREST IN CONTRACTS AND GRANTS	April 7, 1970
	Office of Primary Responsibility
	General Counsel
Supersedes	**Distribution**
	E

1. PURPOSE

To establish reporting and review procedures for preventing conflicts of interest in contracts and grants.

2. GENERAL

Because many Agency employees develop a unique expertise in the poverty field, they are in demand for employment by organizations that contract with or receive grants from the Office of Economic Opportunity. Even though a Federal law may not be violated by employment in such organizations, it creates the possibility of, or at least the appearance of, misuse by such employees of their influence with their former colleagues.

3. CONTRACT AWARD LIMITATIONS

For a period of one year from the date of termination of employment with the Office of Economic Opportunity, no contract shall be awarded without competition to any organization which employs in the capacity of officer, director, or other senior management position a former Office of Economic Opportunity regular employee or a special employee who served Office of Economic Opportunity for a total of more than 60 days during the 365 days prior to the termination of his Office of Economic Opportunity employment. A special Government employee is an employee appointed to serve not more than 130 days during the 365 days following his appointment. Special Government employees are so designated by the Personnel Division at the time of their appointment. An exception to this requirement may be granted only by the Director. No contract shall be awarded as a result of a competitive procurement to a firm employing in any of the above capacities a former regular employee or a special employee of the Agency to whom the above restriction applies without the prior written approval of the Deputy Director.

a. Reporting Information. In order to maintain current information on former employees employed by Agency contractors, the Personnel Division shall include in the Exit Clearance Form (OEO Form No. 73) a requirement that the departing employee reveal the name of his next employer, if known, and his position with that employer. The Personnel Division

shall then submit this information to the Procurement Division, which will be responsible for establishing an index of firms employing former Agency employees. This index shall be expanded by periodic inputs from other staff offices, such as the Office of General Counsel, as to the current employment status of former employees.

Contract negotiations shall check this index before entering into negotiations and shall secure the advice of the General Counsel as to whether a potential conflict of interest exists if a former employee is employed as officer, director, or other senior management position by a contractor being considered for a contract award.

b. Contract Reporting. The following shall be inserted in all Office of Economic Opportunity solicitations of $2,500 or more:

"Offerors shall state as part of the proposal:

"(1) Whether or not it is now negotiating with a regular or special OEO employee for employment; and, if so, specify the name of the individual(s) and the position(s) for which considered:

"(2) Whether or not it now employs as a regular employee or consultant a former regular or special OEO employee whose employment with OEO terminated within the past 365 days; and if so, specify the name of the individual(s) and the position(s) held:

"(3) Specify the names of any present OEO employees or their spouses or minor children known to have a substantial financial interest in the offeror's organization. A financial interest shall be considered insubstantial if it amounts to less than $5,000 in the market value and less than one (1) per cent of the organization's outstanding stock or other securities, and the OEO employee or spouse or minor child is not active in the management of the organization.

"(4) If either (1) or (2) is answered in the affirmative, specify whether any such individual(s) shall participate in the performance of any contract that may result from this solicitation and the extent of such participation.

Contractors are advised that the foregoing disclosure request is for informational purposes in order to protect former employees against potential conflict of interest situations.

The fact that a contractor employs or contemplates employing a former OEO employee shall not prejudice that contractor's competitive standing, provided that the employment or proposed employment is not contrary to the public interest and that the relationship is consistent with the Federal law and OEO conflicts of interest regulations."

The Director of the Procurement Division shall instruct his negotiators and contracting officers to report to the General Counsel any affirmative responses to the above disclosure requests.

c. Grant Reporting. Because the conflicts of interest problem is not restricted to the procurement field, but also is found in the employment of former regular and special employees of the Agency by grantees, delegate agencies, and subcontractors to such organizations, each grant application form shall include a form containing the following clause:

"The Grantee, as part of its application for a new grant or for a refunding, shall identify any former regular or special OEO employee whose employment with OEO terminated within 365 days prior to the date of grant application, who (1) is employed by the grantee, its delegate agency, or a subcontractor who performs work for the grantee or delegate agency under a subcontract of $25,000 or more; or (2) who owns or has a financial interest in the grantee or its delegate agency; or (3) who is in any other way involved with the grantee or its delegate agency in his private capacity. The grantee shall specify as an attachment to its application the names of such individuals and their position, degree of financial interest, or other relationship with the grantee or delegate agency. The grantee shall also identify any present or former employee of the Office of Economic Opportunity who is negotiating for employment with the grantee, any delegate agency or subcontractor to any such organization."

Agency personnel receiving grant applications shall forward any information received as a result of this paragraph to the General Counsel for consideration.

Wesley Hjornevik
Deputy Director

OFFICE OF ECONOMIC
OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610- 2
Subject	**Date**
PROJECT REVIEW BOARDS FOR PROPOSED GRANTS AND CONTRACTS	April 7, 1970
	Office of Primary Responsibil Deputy Director
Supersedes	**Distribution** E

1. PURPOSE

To establish a procedure for the detailed review of procurement requests and proposed headquarters grant actions by Office of Economic Opportunity officials at an early stage in the review process.

2. GENERAL

There shall be established a Project Review Board in each of the following headquarters offices:

a. Office of Health Affairs
b. Office of Legal Services
c. Office of Operations
d. Office of Planning, Research and Evaluation
e. Office of Program Development
f. VISTA

No other headquarters office shall initiate procurement requests or grant actions, except for normal procurements of supplies and services for Agency administrative needs which are the responsibility of the Office of Administration. However, the expertise of staff offices shall be utilized by program offices in procuring goods or services where staff office expertise is relevant.

3. ORGANIZATION

a. The permanent Chairman of each Project Review Board shall be the Deputy Assistant or Deputy Associate Director of that Office, or such other appropriate person selected by the Assistant/Associate Director of the Office and approved by the Deputy Director of the Agency.

b. Each Assistant/Associate Director shall name, in addition to the permanent Chairman, a minimum of ten individuals in his Office who, based on seniority, experience and judgement, are authorized to sit on the Project Review Board for that Office. Changes in the composition of the Project Review Board may only be made by the Assistant/Associate Director.

c. In addition, each Board shall include two members from the Office of General Counsel and two members from the Procurement Division, of the Office of Administration chosen by the General Counsel and the Chief of the Procurement Division, respectively.

d. The Office of Program Development shall include in its Board membership a senior member of PRE and the Office of Planning, Research and Evaluation shall include in its Board membership a senior member of OPD.

e. For each project, or group of projects, to be reviewed, the permanent Chairman shall schedule meetings and call together those individuals most competent to review the project/projects under consideration. For such meetings, a quorum shall consist of five members, which must include the Chairman and a member from the office of General Counsel. Whenever a procurement request as against a grant package is being reviewed, the Chairman should make every effort to include a member from the Procurement Division.

4. SCOPE

a. Each Project Review Board (Board) shall consider all projects including refundings, renewals, modifications and overruns with a projected cost of $50,000 or more. If an initial project request is for less than $50,000 but will ultimately involve more than that amount, it must be approved by a Project Review Board. However, refundings of the following operating projects need not be reviewed by Project Review Boards:

(1) Office of Legal Services operating grants funded under Section 222 of the Act;

(2) Office of Health Affairs comprehensive health center operating grants funded under Section 222 of the Act;

(3) Office of Operations Indian operating grants funded under Section 221 and 222 of the Act; and

(4) Office of Operations migrant operating grants funded under Title III B of the Act.

b. The Board's review of a procurement request or proposed grant action should include but not be necessarily limited to such factors as:

(1) Whether the requirement is part of the agency's operating plans, including the Research and Demonstration Plan, the Training and Technical Assistance Plan and Evaluation Plan.

(2) Whether the requirement should be fulfilled by grant or by contract.

(3) Whether the requirement can be met through less costly methods than awarding a contract or making a grant (i.e., can it or should it be done in-house?).

(4) Whether other Federal agencies or other Agency offices are contracting or making grants for the same or similar requirements.

(5) Whether the requirement is capable of performance.

(6) If appropriate, whether the justification for non-competitive procurement is adequate.

(7) Whether the Office of Economic Opportunity cost estimate for the effort is valid.

(8) What the prior history of the requirement has been.

(9) Whether, in pilot or demonstration projects, an adequate evaluation design exists.

(10) Whether the statement of work adequately defines the requirement.

(11) The past performance history of the proposed grantee or contractor, if applicable.

(12) Whether adequate evaluation criteria and point factors have been established.

5. PROCEDURE

a. Proposed Contracts

Project requests shall be submitted to the Project Review Board after sign-off by the Activity Finance Officer, but prior to submission to the Office of General Counsel and prior to submission to the Assistant/Associate Director of the program office for formal approval.

b. Proposed Grants

(1) The project request shall be submitted to the Project Review Board at the time the project is being seriously considered for funding. It is not possible to define this point with certainty for all grants, but it should occur after a prospective grantee, or group of grantees, has been identified, and before any steps have been taken by Agency personnel which in any way commit the agency to a particular grantee or work program. This may or may not be after a formal funding request or application has been received. Thus, the project request must be submitted to the Board at an early enough stage so as not to preclude alternative prospective grantees and work programs.

(2) Whenever possible, more than one project request of a particular category or type should be submitted to the Board at the same time.

(3) Proposed grants submitted to the Board shall contain full documentation justifying the method of selection of the prospective grantee.

(4) Formal legal review by the Office of General Counsel and formal approval and sign-off by the Assistant/Associate Director of the initiating program office shall occur after approval by the Project Review Board. However, initiating office personnel are encouraged to consult with the office of General Counsel at early stages in the development of a project.

c. Other

(1) Agency personnel presenting the project request to the Board shall furnish to the Board members, at least two days in advance of the meeting, a copy of the proposed statement of work or work program and all other information pertinent to making a decision on the requirement. The initiator of the project request and, if necessary, his superior, shall appear personally before the Board.

(2) If a formal funding request or grant proposal has been received, and it is not too lengthy to be reproduced conveniently, a copy should also be furnished to the Board members. In the case of grant refundings, the complete grant files for previous grant actions need not be furnished, however, copies of previous highlight memos and significant memos and other documents, including evaluation reports, shall be furnished.

(3) If the Board determines, it may request that additional information or supporting documents be presented at a later meeting of the Board for further consideration.

(4) Detailed minutes shall be kept of all meetings, including the recommendation of the Board, and shall be signed and dated by the permanent Chairman of the Board. The minutes shall form a permanent part of the project file.

Wesley Hjornevik
Deputy Director

OFFICE OF ECONOMIC OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO Headquarters Staff Instruction	2610- 3
Subject Authority to Commit OEO Under Contracts and Grants	**Date** April 7, 1970
	Office of Primary Responsibility General Counsel
Supersedes	**Distribution** E

1. PURPOSE

This Instruction establishes authority to commit OEO under a grant or contract.

2. AUTHORITY

Within the Office of Economic Opportunity, the authority to execute, amend, revise or to otherwise commit or to obligate the Government under a contract, grant or interagency agreement has been delegated by the Director to specific individuals under written delegations of authority.

The authority to commit the Government is the exclusive responsibility of those individuals. Any other employee who attempts to exercise such authority shall be subject to disciplinary action. In addition, any such employee may be pecuniarily liable to the contractor or grantee who relied upon the employee's unauthorized representation.

Wesley Hjornevik
Deputy Director

OFFICE OF ECONOMIC
OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610-4
Subject	**Date**
REVIEW OF PROCUREMENTS (GRANTS AND CONTRACTS) BY THE OFFICE OF GENERAL COUNSEL	April 7, 1970
	Office of Primary Responsibility
	GENERAL COUNSEL
Supersedes	**Distribution**
	E

1. PURPOSE

This instruction provides for review of procurement grants and contracts by General Counsel prior to final action.

2. PROCEDURES

a. All project requests (grants and contracts) for $2,500 or more, whether new initiatives or refundings, shall be submitted for legal review to the appropriate branch of the Legal Division of the Office of General Counsel. Where Project Review Board approval is required, legal review shall take place only after approval by a Project Review Board.

b. Office of General Counsel review will be prior to sign-off by the Assistant/Associate Director of the responsible program office. The Director of the Procurement Division will not process any procurement requests for contracts that do not contain sign-offs by the Office of General Counsel and the Assistant/Associate Director of the proper office. No request for proposals (RFP) or other solicitation shall be issued, and no resulting contract shall be executed for $2,500 or more, without legal review by the Office of General Counsel.

c. Likewise, the Assistant/Associate Director of each program office may not sign off on a procurement request or grant package that does not contain a sign-off by General Counsel.

Wesley Hjornevik
Deputy Director

OFFICE OF ECONOMIC
OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610-5
Subject EVALUATING CONTRACTOR PERFORMANCE	**Date** April 7, 1970
	Office of Primary Responsibility A/Procurement
Supersedes	**Distribution** E

1. PURPOSE

This instruction assigns responsibilities and establishes procedures for evaluating the performance of contractors.

2. RESPONSIBILITY

Office of Economic Opportunity Project Managers shall be responsible for evaluating contractor performance and preparing a statement of contractor performance for the Agency's permanent records at the expiration of a contract.

3. PROCEDURES

A statement shall be prepared by the Project Manager within 60 days following the expiration of a contract. It shall be approved by the Assistant/Associate Director of the program office and addressed to the Director of the Procurement Division, Office of Administration. The Procurement Division will be responsible for maintaining a permanent file of such contractor evaluations. Such files shall be used by the Procurement Division in assembling bidders lists, and contractor evaluation files shall be made available, upon request, to the Chairman of technical review panels when a particular contractor is a competitor for a new Agency contract.

Attached hereto is a form of proposed contractor evaluation statement.

Wesley Hjornevik
Deputy Director

Attachment

APPENDIX A
April 7, 1970

Contractor Evaluation Statement

In evaluating a contractor, Project Managers shall give consideration to, but not limited to, the following criteria:

1. Performance under the contract as compared with the statement of work, including quantity, quality, and timeliness of work done;

2. Relationship of contractor's personnel to OEO and other parties involved in the performance of the contract. Did the contractor's personnel conduct themselves in a professional and businesslike manner with high standards of conduct? Did they respond in a constructive way to problems and difficulties as they arose? Was there stability in the leadership and personnel assigned to the contract or were there numerous changes?

3. Did the contractor report on progress in a timely and thorough manner as called for by the contract?

4. Did the contractor perform within the cost structure of the contract?

5. To what extent was the final product of the contractor, including data and conclusions, of utility to the agency?

6. How would the Project Manager rate the contractor's overall performance?

excellent
satisfactory
if less than satisfactory,
explain why.

Would he recommend that the contractor be used again? If not, why not?

OFFICE OF ECONOMIC
OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610- 6
Subject	**Date**
REVIEW OF TECHNICAL PROPOSALS	April 7, 1970
	Office of Primary Responsibility
	Deputy Director
Supersedes	**Distribution**
	E

1. PURPOSE

To establish headquarters procedures for the effective review of proposals received in response to negotiated, competitive solicitations.

2. REVIEW PANEL

Each Assistant/Associate Director reporting directly to the Director shall establish a review panel to review technical proposals received in response to negotiated, competitive solicitations. In the discretion of the Assistant/Associate Director, the review panel may be permanent or ad hoc. He shall designate a chairman of each panel who is familiar with the requirement but not necessarily from the office initiating the procurement. The chairman shall appoint the panel members, giving due consideration to appointing some members from outside of the requiring office including whenever possible individuals from outside of the Office of Economic Opportunity; and appointing, where possible, individuals who are not under the direct employment supervision of the chairman. The chairman shall insure that his presence on the panel poses no actual or apparent conflict of interest with respect to any of the organizations submitting proposals; and he shall insure the same for each panel member by inquiring personally of them, including whether such member is negotiating for employment with any organization which has submitted a proposal. If an actual or apparent conflict of interest exists, the chairman shall disqualify such person, be it himself or any proposed member, or refer the matter to the General Counsel before any reviews are conducted by the individual involved.

3. REVIEW OF PROPOSALS

a. Requests for Proposals (RFP) shall contain the evaluation criteria upon which the proposals will be evaluated. The criteria shall not be later modified by the Agency without a formal modification to the RFP. If a point factor is applied to the evaluation, it also shall be contained in the RFP.

b. As a general rule, the panel will receive only the technical proposals. However, if requested by the chairman, with good reasons therefor, the contracting officer, may make the cost proposals available to the panel.

c. In reviewing the proposals, it is appropriate for the panel to conduct personal interviews with key personnel of the offerors submitting acceptable proposals, provided that a representative of the Procurement Division is present during such interviews. During such interviews, or at any time prior to award of the contract, no offeror shall be given information relative to the requirement that is not also made available to all other offerors. In no event, during this period, should any offeror be told the number of offerors, the identity of offerors, prices or ranges of costs or the Government's cost estimate.

d. The goal of the panel is to assist the contracting officer in determining those offerors which have offered proposals that are technically responsive to the RFP and which are acceptable to perform the technical aspects of the procurement; and to give ranking in order to preference, based upon the criteria of those firms deemed acceptable.

4. COMPETITIVE RANGE

Based upon the recommendations of the panel and other information available to him, the contracting officer will determine those offerors which are within a competitive range for negotiations. Such determination will consider price, technical and other factors. The attached document (Selection of Offerors for Negotiation and Award) presents a discussion of the meaning of competitive range for use by panel members. The panel and the contracting officer should bear in mind that the requirement for negotiation does not mean that a firm which is considered to be in a competitive range and is negotiated with must be awarded the contract if it submits the lowest price or cost proposal.

Rather, after negotiations have taken place, the Office of Economic Opportunity will accept the proposal that is most advantageous to the Government. Therefore, a proposal lower in price or cost need not be accepted if the Office of Economic Opportunity determines that its technical requirement is better fulfilled by an offeror which offers a higher price as long as its technical proposal is considered to be more advantageous to the Government. Furthermore, frequently the RFP provides that an award may be made without negotiations. This may occur where the offeror's proposal is lowest in price and is technically acceptable to OEO, and further provided that the contracting officer has determined that the offeror's price is fair and reasonable.

5. CRITERIA FOR PROPOSAL REVIEW

It is recognized that it may not be feasible to establish uniform criteria for every procurement requirement. Consequently, it is the responsibility of each Assistant/Associate Director to insure the development of meaningful evaluation criteria so that each proposal is evaluated on a fair and equal basis. Attached to this instruction is a document entitled "Suggested Evaluation Scheme" which each program office may wish to consider in developing its criteria for review of proposals.

6. SPECIAL CIRCUMSTANCES

If a proposed contract over its projected life, including contemplated extensions, is estimated to exceed one million dollars, the panel to review the proposal will be selected by the Deputy Director, and the report of the panel will be submitted to him for review.

7. EVALUATION REPORT

The evaluation report shall be signed by the chairman and each panel member and shall constitute a permanent record in the procurement file. The report should reflect the voting of each member on each proposal; a general response to each proposal by each member; a detailed response to each proposal by each member in support of the general response; and a listing of the ranking of the technical proposals resulting from the combined voting of all the members based upon the evaluation criteria contained in the RFP. The report should list all proposals which are technically non-responsive, those which are technically unacceptable, and those which are acceptable in the order of rank.

Wesley Bjornevik
Deputy Director

Attachments

APPENDIX A
April 7, 1970

OEO Hq. Staff Inst. 2610-6

MEMORANDUM

SUBJECT: Selection of Offerors for Negotiation and Award (FPR 1-3.805 -1, -2)

All purchases and contracts, whether by formal advertising or by negotiation, must be made on a competitive basis to the maximum practicable extent. Thus, even when we procure by negotiation, it is incumbent upon negotiators with the assistance of panel evaluation members to make selection of the offeror and the award on the most competitive basis practicable. The fact that it is a negotiated procurement does not eliminate the need for competition.

Negotiation and competition imply a series of offers and counter-offers until a mutually satisfactory agreement is concluded by the parties. The provisions of FPR 1-3.805-1 and - 2 (see attachment) are an integral part of this process. The former provision requires, for fixed price contracts, that "after receipt of initial proposals written or oral discussions shall be conducted with all responsible offerors who submitted proposals within a competitive range, price and other factors considered ..."

1. " . . . Within a competitive range, price and other factors considered . . ."

Determining which proposals fall within a competitive range will depend upon the particular circumstances of each negotiation. Thus, any number of realistic evaluation factors can be used to determine the bounds of this range. Price alone is often controlling. But, it should be noted that the competitive range is not necessarily merely a price range, but may encompass technical capability and other relevant factors as well. (E.g., 45 Comp. Gen. 417)

In all cases it is important that the factors leading to the establishment of a competitive range be meaningful and realistic and in no way arbitrary. Of course, decisions as to which firms are and which firms are not within a competitive range is a matter of administrative discretion. However, this discretion should be exercised in a reasonable manner, since the Comptroller General will reverse such a determination where it was shown to be made arbitrarily. (See Comp. Gen. dec. B-158042, March 30, 1966).

Recent decisions of the Comptroller General illustrate the scope of the regulation. For example, in an award of certain ADP equipment to the only contractor whose equipment performed well in a live bench mark test, the Comptroller General pointed out that even in such a case discussion should have been conducted with other offerors within the competitive range: "To give effect to the statutory and regulatory requirement for discussions and for such discussions to

be meaningful, failure to pass a bench mark test should not automatically preclude the necessity for further discussions. When the application of a mandatory bench mark test requirement results, as in this case, in leaving one proposer, and its price is, initially at least, substantially in excess of a price of another proposer we believe the spirit and intent of [the regulation] would not be served without further discussion to determine whether the other proposal can be improved to meet the bench mark requirement." (Comp. Gen dec. B-161483, July 14, 1967) In one case, negotiation only with the firm submitting a proposal which was "distinctly superior" to all other proposals was held not proper because the regulation requires discussions with all responsible offerors submitting competitive proposals. (Comp. Gen. dec. B-158686, September 2, 1966). In another instance the Comptroller General noted that there was "ample justification in the record for concluding that, in the absence of negotiation [with a certain proposer], there was a lack of competition both as to price and in technical aspects of [the award]. We find it difficult to understand how a current contractor may have its technical proposal . . . categorized, not as unacceptable but as inferior, . . . without affording such an offeror at least an opportunity of discussion and explanation especially when its cost proposal represents significant savings to the Government."(45 Comp. Gen. 426).

Perhaps the clearest statement of the factors determinative of a competitive range was made by the Comptroller General when he stated that a proposal is within a competitive range unless it is either so high in cost or so inferior technically "as to preclude any possibility of meaningful negotiation with [the] offeror." (emphasis added) (45 Comp. Gen. 417, 47 Comp. Gen. 252).

2. "Written or Oral Discussions shall be conducted with all responsible offerors . . ."

Generally, the methods of conducting negotiations are quite flexible. The primary purpose is to obtain the best deal for the Government, price and other factors considered. Where discussions are held pursuant to the quoted regulation, it is important that they be meaningful and useful. As a rule, these discussions should take place face-to-face and the factors upon which the evaluation of the

proposal is being made should be specifically discussed, with opportunity for the proposer to explain his proposal and to refute any alleged deficiencies.

There are two restrictions on this process, however, which are quite important. FPR 1-3.805-1 (b) provides that "whenever negotiations are conducted with more than one offeror, no indication shall be given to any offeror of a price which must be met to obtain further consideration since such practice constitutes an option technique which must be avoided. Likewise, no offeror shall be advised of his relative standing with other offerors as to price or be furnished information as to the prices offered by other offerors".

Where the discussions result in revisions in a particular proposal, "all offerors selected to participate in such negotiations . . . shall be offered an equitable opportunity to submit such price, technical, or other revisions in their proposals as may result from the negotiations."

Finally, FPR 1-3.805-1(d) provides that when during the negotiations "a substantial change occurs in the Government's requirements or a decision is reached to relax, increase, or otherwise modify the scope of the work or statement of requirements, such change or modification shall be made in writing as an amendment to the request for proposals, and a copy shall be furnished to each prospective contractor. Oral advice of change or modification may be given if (1) the changes involved are not complex in nature, (2) all prospective contractors are notified simultaneously (preferably by a meeting with the contracting officer), and (3) a record is made of the oral advice given. In such instances, however, the oral advice should be promptly followed by a written amendment verifying such oral advice previously given."

The Comptroller General decisions interpreting these requirements indicate that federal buyers normally have a large degree of flexibility in complying with the discussion requirement. It is important that discussions be a meaningful attempt to get the best deal for the Government. And they must be fair to the proposers: "One further matter requires comment on our part, and that is that [one proposer] was permitted to refute or explain away the areas of deficiency in its initial survey, but [another proposer] was not given the same opportunity . . . . The contracting officer . . . could have and should have conducted discussions with [the latter proposer], concurrently with [the former], concerning its non-responsibility, in an effort to obtain a second responsible offeror so that competition could have been established. (Comp. Gen. Dec. B-161448 pp. 10-11, Feb. 7, 1968).

A recent decision of the Comptroller General has also emphasized the importance of amending the RFP where, during negotiations, a substantial change occurred in the government's requirements or decision is made to modify the scope of work. (See Comp. Gen. dec. B-161405, October 2, 1967).

The import of these and similar decisions on the conduct of negotiations by OEO is obvious. We must be especially careful to comply with the discussion requirements of the cited regulation. In every case, therefore, it is incumbent upon buyers to make a prompt determination after the receipt of all proposals as to who are responsible proposers and what is the competitive range. Meaningful discussions should subsequently take place with those proposers that the determination indicates fall within the scope of the requirement.

Where discussions are not held the documents in the files should accurately reflect the reasons for this omission. For example, one of the enumerated exceptions in the regulation may fairly be applicable to the situation. (See attachment, 1-3.805-1(a)(1) to (5)). Or, it might be established that there was no other responsible bidder, (but note Comp. Gen. decision above which required discussions attempting to obtain a second responsible offeror) or that no responsible bidder was within the competitive range. In all instances, however, these factors and findings should be carefully documented.

The discussion requirement of FPR 1-3.805-1 is not strictly applicable to negotiations in cost reimbursement type contracts. We believe, however, that the intent of the discussion requirement should be carried out in such negotiations also to the maximum extent practicable. The fundamental difference will be that price alone is not determinative in establishing a competitive range, since an award of a cost reimbursement type contract is primarily dependent upon the technical competence of the contractor. The key here is which contractor can most adequately fulfil OEO's needs.

APPENDIX B
April 7, 1970

OEO Hq. Staff Inst. 2610-6

Suggested Evaluation Scheme

1. Does the Proposal Respond to and Meet the Requirements of the Work Statement? (20 points maximum)

   In responding to this question the proposals should be compared to the work statement for consistency of goals, objectives, purposes of compliance with OEO requirements, as well as specific requirements of the work statement. Does the proposal reflect understanding of the training requested?

Scale

0-7 points - 1 rating: indicates that several requirements of the work statement are missing or have been ignored.

8-15 points - 2 rating: indicates that all the requirements of the work statement have been included.

16-20 points - 3 rating: indicates that all the requirements of the work statement have been included and met with exceptional balance and creativity.

2. What is the Quality of Staff and Consultants? (20 points maximum)

   It is important to review carefully the resumes of staff and consultants, not only for academic qualifications, but for length and variety of experience in similar tasks. The resumes should clearly demonstrate relevant training and experience. (1)

0-7 points - 1 rating: indicates that staff is weak both academically and experientially.

8-15 points - 2 rating: indicates that staff has academically superior qualifications with little experiential training.

16-20 points - 3 rating: indicates that staff has both superior academic and experiential qualifications.

(1) You are to evaluate proposals on the basis of what is requested in a RFP. If one offeror furnishes information not requested by the RFP, contact the contracting officer who will request similar information of the other offerors.

3. What is the Quantity of the Staff Specialists and Consultants? This question reflects a numerical pattern as well as a staffing pattern. Is the staffing pattern clear and does it include the amount of time each staff member will contribute to the program? Are there enough staff full time to deliver the services requested? Are the consultants or specialists committed to enough time to effectively deliver the services? (15 points maximum)

Scale

0-5 points - 1 rating: indicates limited quantity in both number of staff and time devoted to training.

6-10 points - 2 rating: indicates sufficient quantity in both number of staff and time devoted to training and adequate consultant use.

11-15 points - 3 rating: indicates more than sufficient quantity in both number of staff and time and number of consultant time.

Should information necessary to a responsible determination of this question require information contained in the pricing section, contact the contracting officer for release of such information.

4. Administration Provided by Contractor? (15 points maximum) This question essentially addresses itself to the contractor's performance and management capacities. The important questions to be asked deal with contractor's ability to carry out the program. If he is a past contractor, his past work should be examined to focus on whether he in fact carried out the proposed activities, whether he reported clearly and timely, whether he dealt with training funds competently. Further, some review should be made of any existing consultant reports, site visits and evaluations which may have been made. Prior problems in administration, community relations or manpower utilization, or other areas should have been resolved and new approaches to these problems reflected in the proposal.

Further consideration needs to be given to the contractor's ability to maintain and attract staff for the development of a stable professional group. What evidence is there that he can deliver required services on time? Will the contractor be able and willing to develop harmonious smooth relationships with OEO and SEOO staff, where necessary, and to consult and work with various groups?

Another aspect of administration which should be considered if appropriate under the RFP, is the willingness of the contractor as shown in the proposal to employ and develop non-professionals and minority group members. Is evidence presented that such persons are being employed and upgraded as a regular part of the contractor's operation?

Scale

0-5 points - 1 rating: indicates limited capacity and/or limited experience in carrying out the administration of the contract.

6-10 points - 2 rating: indicates prior good performance or an indication that good performance would be received.

11-15 points - 3 rating: indicates prior excellent performance or that excellent performance would be received.

5. What is the Contractor's Knowledge of and Experience With OEO and the Subject Matter Being Procured? (2) (10 points maximum) Consideration should be given to the understanding of OEO concepts in relation to the requirement being procured.

This question really asks whether the applicant and his staff are "beginners" or "veterans" in the area of the requirement and whether the proposed activity actually falls within their area of expertise.

Scale

0-3 points - 1 rating: indicates no prior knowledge of or experience with OEO by the majority of the contractor's staff or by the company.

4-7 points - 2 rating: indicates prior knowledge of and some limited experience with OEO and subject matter being procured.

8-10 points - 3 rating: indicates prior knowledge of and vast experience in OEO and subject matter being procured.

(2) This factor should be used only where prior OEO experience is considered essential to satisfactory performance.

6. What is the Contractor's Knowledge of and Experience With Population and Geographical Area Being Serviced? (3) (10 points maximum)
This question addresses itself to the knowledge and experience the contractor and his staff have with poverty workers, para-professionals and resident low-income workers as well as knowledge and experience with the geographical area to be served. Do they know the people and the communities? Have they worked in comparable circumstances and situations with like people? If so, how did they do? If not, how might they do from information indicated in the proposal?

Scale

0-3 points - 1 rating: no prior experience with the population or in the geographical area.

4-7 points - 2 rating: some experience with the population and the geographical area.

8-10 points - 3 rating: considerable experience with the population and the geographical area.

7. How does the Over-All Design of the Proposal "Shape-up"? (10 points maximum)
This is essentially a broad "feeling-type" question. What is your "gut" feeling about the whole proposal? Does it sound and read as though it will accomplish the task for which intended? Although specific criteria for the answer to this question are not given, the importance of the evaluator at least giving an over-all rating to the proposal and contract is of valuable importance.

0-3 points - 1 rating: it just won't work.

4-7 points - 2 rating: fair to average.

8-10 points - 3 rating: "it all hangs together and feels good."

(3) Use only if appropriate to consideration of RFP.

OFFICE OF ECONOMIC
OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610-7
Subject	**Date**
COMPETITIVE PROCUREMENTS	April 7, 1970
	Office of Primary Responsibility
	General Counsel
Supersedes	**Distribution**
	E

1. PURPOSE

This instruction establishes the Office of Economic Opportunity's policy for competitive procurement of supplies and services.

2. BACKGROUND

Government policy and procurement regulations require that all procurements be on a competitive basis to the maximum extent practicable. This is based upon established experience that (1) competition is an effective technique in obtaining lower prices; (2) competition stimulates and maintains the private sector's interest in OEO programs and does not eliminate otherwise qualified sources of supply; (3) competition affords OEO a broad base upon which it can appraise more than one solution or approach to a problem and, thus, arrive at the most favorable manner for a fair and equal opportunity to satisfy Agency requirements. Only through the most meticulous planning can there by achieved satisfactory compliance with the requirement for competitive procurement. However, due to the sometimes unique and difficult to define nature of the supplies and services that the Office of Economic Opportunity procures, at times it is necessary to consider exceptions to the requirements for competition.

3. PERIOD OF CONTRACT

The Agency has authority to enter into contracts for periods up to two years using a particular fiscal year's appropriation. It also is possible to enter into contracts for a basic term of up to two years with an option to extend the contract. No contract, however, shall run with extensions for more than three years without being competed. Only the Deputy Director may grant exceptions to this policy.

Before contracts are entered into for a basic term of more than one year, or for one year with options to extend, the Project Review Board or other reviewing authority when Board review is not required, shall determine that such a procurement will best serve the interests of the Agency. The Project Review Board, or other reviewing authority, shall determine that an adequate evaluation of the contractor's effort will be instituted so that an option will not be exercised or that the contract will not proceed beyond a reasonable,

fixed period, without a detailed review of the contractor's performance in order to establish that continued performance or the exercise of the option is proper. Moreover, before an option is exercised the contracting officer must establish from historical pricing or other cost information that the contract price is the lowest that is obtainable and that due to the experience gained by the contractor in the previous period of performance, the Agency will not realize full cost and performance benefit from the contractor's initial experience unless another period of performance with the same contractor is permitted.

4. PROCEDURE

a. Circumstances That May Permit Noncompetitive Procurement.

Exceptions to the competition requirements may be submitted for consideration to the Office of Economic Opportunity Contracting Officer under the following types of circumstances:

(1) A prospective contractor has submitted an unsolicited proposal in a relatively unexplored area which cannot be divulged to the contracting public in sufficient detail to permit competitive proposals because it is not feasible to define the work desired without divulging technical data which is contained in the unsolicited proposal and which is subject to proprietary restriction.

(2) The supplies or services or substantially equivalent supplies or services can be obtained within the time required and for reasonable prices from only one person or firm because of exclusive or predominate capability by reason of experience, specialized facilities or technical competence. In this case it is not sufficient justification merely to show that a particular firm may do a better job, or is more capable because of certain named personnel, or is more experienced due to its prior association with OEO, or is able to deliver more expeditiously. As to delivery, it should be a rare occasion that the time of delivery is so urgent that it justifies a noncompetitive procurement on the basis that only one firm can deliver within the time required.

b. Method of Approval of Noncompetitive Procurement. It is important to observe that the circumstances set forth above are only possible reasons for noncompetitive procurement. The factual existence of any of the foregoing situations will not automatically give rise to the approval of a noncompetitive procurement. The Chief of

the Procurement Division, as Contracting Officer, and his duly designated contracting officers are vested with the authority to determine whether or not a particular procurement should be competed. A Procurement Request for a noncompetitive procurement shall be submitted with an attachment signed by the initiator's supervisor, to the Project Review Board setting forth a complete justification for such a request citing this Instruction and its relevant part along with a statement as to the possibility whether the effort, if awarded, will be extended in subsequent years. The justification shall include information substantially in accordance with the attached form. It shall be the responsibility of the Project Review Board to examine the factual basis for a noncompetitive procurement and to set forth as part of its recommendations to the program office chief whether or not the effort should be competed. After the last program official has approved a Procurement Request calling for a noncompetitive procurement and before transmission to the Procurement Division, such a request shall be submitted to the General Counsel for review as to legal sufficiency. Noncompetitive procurements in the estimated amount of $250,000 or more will be approved by the Deputy Director.

5. RESPONSIBILITIES OF PROGRAM AND CONTRACTING PERSONNEL:

a. It is imperative that no action be taken by Office of Economic Opportunity personnel that may affect the integrity of the competitive procurement process. Office of Economic Opportunity personnel shall not deal with contractors in a manner that presumes a noncompetitive situation without first obtaining the approvals outlined above.

b. Further, they shall not divulge to a particular contractor information that may give that contract an unfair competitive advantage.

c. The following information, if given out at all, must be given to all potential offerors:

(1) The Office of Economic Opportunity cost estimate of the work to be performed;

(2) Prior Office of Economic Opportunity cost or technical experience on the same or similar work;

(3) Key proposal evaluation factors;

(4) Any other information not made a part of the official solicitation which places an offeror in a preferred position of

knowing what the Office of Economic Opportunity is seeking in a cost or technical proposal.

d. In short, all Governmental personnel engaged in the procurement process shall conduct business dealings with contractors in a manner above reproach in every respect.

6. BIDDERS LISTS. In order to insure the broadest feasible competitive base, solicitations shall be sent to the maximum number of qualified sources consistent with the nature of and the requirement for the supplies and services being procured. Office of Economic Opportunity personnel shall not use bidders lists in a manner that restricts potential sources of supply, nor shall Office of Economic Opportunity personnel make advance determinations as to an offeror's capability by limiting the distribution of solicitations only to selected sources.

7. REMEDIAL EFFORTS. It is the responsibility of program officials to state program requirements in a manner that encourages competition on the broadest possible base. If a noncompetitive procurement is permitted for a particular effort, the responsible program officials shall, in conjunction with the Procurement Division, take immediate steps to state future program requirements in a manner that will permit competition. A renewal of a noncompetitive contract will be allowed only in the rarest circumstances.

Attachment

Wesley Hjornevik
Deputy Director

APPENDIX A
April 7, 1970

OEO Hqs. Staff Inst. 2610-7

JUSTIFICATION FOR NONCOMPETITIVE PROCUREMENT

(This form must be submitted to the Project Review Board for justification of noncompetitive procurement)

1. Fully express the circumstances which operate to make competitive negotiation impractical or not feasible;

2. Explain the exclusive or predominant capability the proposed contractor possesses which meet the requirements of the procurement; and

3. Show the degree of consideration that has been given to other sources in the field and the reasons why they lack the capability which the proposed contractor evidences.

   a. What capability does the proposed contractor have which is important to the specific effort and which makes it clearly more desirable than another firm in the same general field?

   b. What prior experience of a highly specialized nature does the contractor possess which is vital to the proposed effort?

   c. Does the contractor have a substantial investment of some kind which would have to be duplicated at Government expense by another source entering the field?

   d. If schedules are involved, why are they critical and why can the proposed contractor best meet them?

   e. Is the effort a continuation of previous effort performed by the proposed contractor?

   f. Does the proposed contractor have personnel considered predominant experts in the particular field?

   g. Is competition considered precluded because of the existence of patent rights, copyrights or secret processes or proprietary data?

OFFICE OF ECONOMIC
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EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610- 9
Subject	**Date**
PROHIBITED SUPPORT CONTRACTS FOR PERSONAL SERVICES	April 7, 1970
	Office of Primary Responsibility
	GC
Supersedes	**Distribution**
	E

1. PURPOSE

This Instruction sets forth Office of Economic Opportunity policy and procedures related to procurement of support services utilizing non-Government personnel.

2. REFERENCES

a. Federal Personnel Manual Letters #300-3 (December 12, 1967) and #300-12 (August 20, 1968).

b. Bureau of the Budget Circular No. A-76, sec. 4(b) (August 30, 1967).

3. BACKGROUND

The Civil Service Commission and the General Accounting Office require Federal agencies to perform their functions by using Government employees rather than by utilizing support contracts to obtain the personal services of non-Government personnel. This rule is designed to protect the integrity of the Civil Service System, prevent circumvention of personnel ceilings and budget limitations on administrative expenses, and avoid the risks inherent in delegating the discretion and authority placed in Government agencies to persons not directly responsible to the Government. In addition, executive agencies cannot contract out certain basic management functions that are necessary to retain control of the conduct and content of Federal programs. These functions include the selection, orientation and direction of Government employees, assignment of organizational responsibilities, and final decisions on the planning of programs, establishment of goals and priorities, and evaluation of the performance of Federal employees, contractors and grantees.

4. POLICY

The Office of Economic Opportunity must strictly observe the above prohibition against obtaining personal services through support contracts. This rule does not prevent the Office of Economic Opportunity from properly contracting for a variety of professional and technical services in support of the Agency's programs that require the use of non-Government personnel. Contracts should not, however, be made by the Office of Economic Opportunity when such a degree of control and supervision over the contractor's employees is desired that the contract would create what is tantamount to an employer-employee relationship between the Government and contractor personnel or when contractor personnel are desired for the performance of non-delegable Federal functions.

5. PROCEDURE

The Legal Division, Administrative Affairs Branch of the Office of General Counsel shall be consulted whenever during the proposal, drafting, negotiation, administration or performance of a contract any possibility appears that, because of the existence of any of the elements enumerated in the following section, such contract might violate this prohibition. Before any Office of Economic Opportunity Headquarters contract for support services is awarded, a written determination shall be made by the Contracting Officer, after consultation with the program office requesting the contract, the Office of General Counsel, Legal Division, Administrative Affairs Branch, and the Office of Administration, Director of the Personnel Division, that it does not violate the rule against support contracts for personal services. For procurements delegated to the Regional Offices, the Regional Contracting Officer shall consult with the Regional Program Administrator, Counsel, and Personnel Officer before making such a determination.

6. INDICIA OF PROHIBITED SUPPORT CONTRACTS

a. Direct Government Control and Supervision. This is the classic test of an employer-employee relationship. It is indicated where:

(1) Approval is exercised by Government personnel over the individuals to be furnished by the contractor. Office of Economic Opportunity cannot specify, suggest, or approve in advance the persons to be hired by a contractor, but may in rare cases, where the position involved is crucial to the success of the entire program, retain power to disapprove a clearly unqualified person. This limited approval power should not be used as a disguised method of selecting the personnel desired to implement a contract. Nor should Office of Economic Opportunity retain the right to require dismissal of individual contractor employees, except in rare cases for flagrant misconduct endangering the success of an entire program. If performance is unsatisfactory because of unqualified or deficient personnel, the contractor may be warned and if the situation is not remedied the contract may be terminated for default. This prohibition is particularly important in case of evaluation contracts, where the value of the contractor's effort is in large measure related to the independence of his selection of evaluators.

(2) A Government supervisor assigns tasks and schedules to contractor employees from time to time during the performance of the contract. The Contract "Statement of Work" should be

drafted in sufficient detail so that the contract will be self-operating to the maximum extent feasible, thus avoiding the need for continual supervision by Office of Economic Opportunity personnel. Additional or changed tasks, when necessary, should be assigned to the contractor in general terms by the Office of Economic Opportunity Contracting Officer. Assignments of specific jobs and schedules among its employees should always be made by the contractor.

(3) The Government reviews the performance of individual contractor employees. The Office of Economic Opportunity should evaluate interim or final performance by the contractor on an overall basis.

b. Performance by Contractor Employees of "Federal Functions." This is indicated when:

(1) The work involves the exercise of personal judgment and discretion on behalf of the Government. Contractor employees should not sign official documents which normally require the signature of a Government officer or render decision on whether or not a project should be funded, continued, or terminated. Final responsibility for all management decisions must clearly rest with Office of Economic Opportunity officials.

(2) Contractor employees perform tasks normally performed by Government employees. If Contractor personnel are desired for the performance of tasks that the Office of Economic Opportunity also uses its own employees to perform, it is likely that the proposed contract is for illegal staff supplementation. If Contractor personnel are desired for the performance of tasks carried out by Government employees in other Federal agencies, the proposed contract is also suspect. When such tasks are to be carried out on a long-term basis, the likelihood that Contractor personnel would be utilized illegally increases.

c. Other Key Indicia

(1) The Contractor provides no end product to OEO. When all that is desired from a Contractor is the furnishing of a certain number of man-days of Contractor employee services to Office of Economic Opportunity, the proposed contract should be closely scrutinized to see if it violates the personal services prohibition. A fixed level of effort in terms of man-days, however, may and should often be provided for in a contract as a minimum standard of performance when a genuine end product is being furnished by a Contractor.

(2) Contractor employees work on Government sites or in Government offices with Government-furnished property. The Office of Economic Opportunity should not provide office space, secretarial assistance, or office equipment to a Contractor employee. Such an employee is more likely to come under the control and supervision of Office of Economic Opportunity personnel, and may be asked to or may appear to perform Federal functions.

Wesley Hjornevik
Deputy Director

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WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO HEADQUARTERS STAFF INSTRUCTION	2610- 10
Subject	**Date**
PROJECT MANAGEMENT	April 7, 1970
	Office of Primary Responsibility
	Deputy Director
Supersedes	**Distribution**
	E

1. PURPOSE

The purpose of this Instruction is to set forth Office of Economic Opportunity policy governing the use and application of Project Management as it applies to both contracts and grants within the headquarters office of the Office of Economic Opportunity.

2. DEFINITIONS

Project Manager. A project manager is a designated individual within the Office of Economic Opportunity assigned the responsibility and delegated the authority for the centralized management of a particular headquarters project of the Agency.

3. OBJECTIVE

The purpose of this directive is to strengthen the effectiveness of headquarters project management so that Office of Economic Opportunity can plan, direct and control projects in order to insure that they possess the performance capabilities required by approved program plans and within the resources allocated to specific projects.

4. POLICY APPLICATION

a. Selection of the Project Manager

(1) A Project Manager should have sufficient grade and organizational stature within the Agency to effectively carry out his responsibilities in dealing with contractor or grantee personnel operationally responsible for the project. The grade should be commensurate with the magnitude of the task.

(2) It is mandatory that a Project Manager have a high degree of technical, professional, business and managerial competence, supplemented whenever possible by recent experience and training in the special requirements of project management.

(3) A Project Manager shall be carefully selected on the basis of his general intelligence, judgment and proven willingness to make decisions. He should become the visible center of project authority and information, with his career affected by his performance.

b. Role and Authority of the Project Manager

A Project Manager shall be responsible for the successful accomplishment of his project. He shall exercise executive authority over the planning, direction, and control of the approved project. Specifically a project manager shall:

(1) Be able to develop in a professional way project statements of work, procurement requests, non-competitive procurement justifications, when necessary, proposal evaluation schemes, proper cost estimates and suggested source lists. For proposed grants the Project Manager shall be able to develop clear statements of purpose, performance standards and timetables and an effective monitoring schedule.

(2) Present proposed projects to Project Review Boards.

(3) Be able to forecast program difficulties with sufficient time to develop alternate solutions.

(4) Project dollar needs in advance so as to respond to annual budget cycles, if appropriate.

(5) Avoid overruns by constant attention to economy.

(6) Insure attention to reliability and quality during performance.

(7) Report on the progress of his project in accordance with contract or grant terms.

(8) Identify explicit progress milestones together with an appropriate information system in order to maintain project control.

(9) Prepare,in the case of contracts, a contractor performance evaluation statement at the termination of a contract.

(10) Provide leadership and direction to those junior staff members assigned to the Project Manager as aides in the management of particular projects. The project manager shall be responsible for the manner in which aides carry out their duties on a given project and shall be responsible for their growth and development as potential project managers.

Wesley Bjornevik
Deputy Director

OFFICE OF ECONOMIC
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EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Type of Issuance	Number
OEO Headquarters Staff Instruction	2610-11
Subject: Preparing Contract Statements of Work	**Date**: April 7, 1970
	Office of Primary Responsibility: A/Procurement
Supersedes	**Distribution**: E

1. PURPOSE

This Instruction establishes responsibilities and prescribes procedures for preparing contract statements of work.

2. PROCEDURES

The preparation of a specific, clear statement of the work desired to be carried out by an OEO contractor is the responsibility of the program office submitting a Procurement Request. The statement of work should be submitted as an attachment to a Procurement Request (PR) in a form that can be inserted without change in a Request for Proposals (RFP), and with only minor changes in a final contract resulting from that RFP. Information that need not be given to firms submitting proposals on the contract, but which must be communicated to the Project Review Board, such as the justification for the proposed procurement or the level at which it is to be funded, past history of contracts of this type, reasons for requesting noncompetitive procurement, if appropriate, should not be included in this statement of work, but should be submitted as a separate attachment to the PR. A statement of work for an RFP will normally contain the following elements:

a. Background - This portion of the statement of work is designed to set forth briefly for the information of offerors the magnitude and objectives of the OEO program for which the procurement is desired, the general purposes of the proposed contract, and other information that may give firms an insight into the program area in which they will be submitting proposals. In many cases the purposes of this section can be served by attaching to the RFP OEO guidelines, instructions, or brochures explaining the methods and purposes of the program and the regulations under which it operates. Such material also can be identified in the RFP but made available to offerors at designated places.

b. Detailed Requirements - This section should usually begin as follows:
"The Contractor shall provide the necessary qualified personnel, facilities, materials, and services (including travel and per diem) required to furnish_____(name of product or services desired)."

The product or services to be provided should be stated in sufficient detail that if the contractor deviates from what he promises to

deliver, OEO can hold the contractor accountable to exactly what the agency contracted for. Some of the specific items that should be set forth in the contract are the following:

(1) The exact number and locations of sites where work is to be performed.

(2) The exact number of items to be delivered, or man-days of services to be delivered, for each separate task. Man-days should reflect the total requirement to accomplish the desired result, and not available dollars.

(3) The exact number and dates of reports that are to be submitted by the contractor. It is important to note that reports should not be requested more frequently than is absolutely necessary.

(4) Whether travel and per diem for contractor employees is to be included in the contract price. When this amount can be estimated as a known factor by the program office, and will be a very substantial portion of the contract amount, it should be made known to offerors in the RFP and cost proposals should be judged solely on other variable factors.

(5) If site training, technical assistance, evaluation, or other visits are required, the number, frequency, and length of such visits.

(6) If surveys or field testing is required, the number of sites at which surveys or field tests shall take place, the length of each survey or test, and the number of persons to be surveyed or tested at each site.

(7) If training is required, the number of training sessions, their location, length, number of participants, and whether the contractor shall provide travel and per diem for participants.

(8) If materials are to be developed, the exact type and number of such materials, the dates for submission of each, whether draft copies must be submitted to OEO for approval, the target group for such materials, and whether the contractor will be required to print and distribute the materials or whether he need only submit prototype copies for OEO's own printing and distribution.

The above list is, of course, only illustrative of the many specific items that may be necessary in a particular RFP.

c. Schedule of Performance - A detailed chronology of target dates for completion of performance of sub-tasks under the contract should be provided in the Statement of Work. Such dates may be firm or estimated, depending on the circumstances. If justifiable delays are encountered, the target dates may be changed only by contract modification. Milestones are absolutely necessary in work statements, and are vital to maintaining project control once a contract has been let.

d. Level of Professional Efforts - This serves two different functions, one in an RFP and another in a signed contract:

(1) Because it is often difficult to accurately specify in a more tangible way the magnitude of services to be performed, most RFPs should contain an estimate of the levels of professional effort required to perform the tasks stated therein. This estimate will greatly assist firms in submitting accurate cost proposals and the level of qualification of the staff necessary to perform the task.

(2) By putting into a fixed price contract the minimum professional level of effort that will be provided by a contractor, OEO can hold a contractor to a certain level of performance even if the end product it desires is difficult to define qualitatively. In a cost-reimbursable contract, OEO will only pay for actual time worked by contractor employees, but an estimate should still be in the contract as an indication of the scope of services the contractor is expected to provide.

Levels of professional effort may be stated in terms of man-hours, man-days, man-months, or man-years, as appropriate. They may be stated in the aggregate or be broken down into professional subcategories, such as "Project Director - one man-year, 2 Training Specialists - 6 man-months each, 3 Education Specialists - 3 man-months each."

In conclusion, if a RFP is to be a document which communicates the maximum feasible amount of information to enable offerors to determine whether or not they wish to bid, the statement of work must be a clear, well drafted and precise statement of OEO's requirements.

Wesley Hjornevik
Deputy Director

PROJECT REVIEW BOARDS

Mr. RUMSFELD. In addition, project reveiew boards have been established composed of senior personnel to review the substance and technical aspects of each new procurement request in excess of $50,000. Previously there was no independent review of this nature.

Mr. FLOOD. Is that a statutory ceiling?

Mr. RUMSFELD. No. We have established agency regulations and procedures that are stricter than statutory procedures. The reason was because we felt that things were somewhat out of hand and it was rather clear that there was a lack of congressional and, to some extent, public confidence in the procedures. I felt for these programs to succeed they not only had to be good, but we had to see that they were perceived to be good.

Mr. FLOOD. As you know, the intent of Congress in delegating the right to issue and establish regulations and procedures was just for that purpose.

COMPETITIVE BIDDING PROCESS

Mr. RUMSFELD. Right. Great emphasis has been placed on the competitive bidding process as opposed to sole source contracting, and this, of course, results in many instances in better proposals and lower costs. So far in fiscal year 1970, 79 percent of all contracts have been competitively bid as compared with 38 percent in fiscal year 1969 and 27 percent in 1968.

Mr. FLOOD. Do you negotiate a contract under the competitive bid system? Can you issue an invitation for bids and get x number of bids, and narrow down to five which you finally decide should be considered, or are you required to take the lowest one? Are you confined by law or your regulations to the lowest responsible bidder concept or do you negotiate with the final five, even though the fifth may be higher than the first?

Mr. RUMSFELD. There is a statutory provision in this connection. In addition, there are governmentwide regulations that pertain, and the procedure is as you indicated, that there is a choice within a department or an agency as to whether it should be a competitive bid contract or a sole source contract.

Mr. FLOOD. You exercise the traditional legal phrase "lowest responsible bidder"?

Mr. RUMSFELD. Yes.

Mr. FLOOD. You use the word "responsible" in that case?

Mr. RUMSFELD. It need not be the lowest dollar amount because there might be other factors, such as time of delivery and quality, that would be tradeoffs with the cost, but the point I was making is that it is easier to let a sole source contract and the trend has been, as I have described, away from that. Thus far this year, 79 percent of the contracts have been competitively bid as opposed to sole source, and in fiscal 1969 it was 38 percent, so we have almost doubled the number that were competitively bid. In fiscal 1968 it was 27 percent and in fiscal 1967 it was 2.2 percent, so we have moved rather sub-

stantially toward an effort, a very sincere effort, to try to use the competitive bid process to the extent that it is possible.

Mr. FLOOD. And you think this is good?

COST OVERRUNS ON CONTRACTS

Mr. RUMSFELD. I do. Previously the agency at least appeared to have been somewhat lax in permitting substantial cost overruns on contracts. We are attempting to pursue a very strict policy, permitting adjustments on costs only where they are very clearly warranted.

In fiscal year 1969 overruns were permitted on 19 contracts involving some $626,000; to date, in fiscal year 1970 overruns have been approved on only three contracts totaling about $84,000, which again shows the effect of the regulations and the procedures that we have imposed on the agencies.

LARGEST CONTRACT AWARDED

Mr. FLOOD. In dollars, what is the biggest contract that you have awarded since you have been in office? It might not be big vis-a-vis the Department of Defense, but I mean for your shop.

Mr. RUMSFELD. Where is Mr. Howard? We have our contracting officer here.

Mr. HJORNEVIK. It is on the order of $6 million.

Mr. RUMSFELD. Probably the highest would be $5 million or $6 million.

Mr. FLOOD. What was that for, by the way? Do you remember? Six million dollars for what?

Mr. HJORNEVIK. I don't recall.

Mr. FLOOD. Supply that for the record. We would like to know how big a contract.

(The information follows:)

To date the largest contract let in fiscal year 1970 has been with Control Systems Research, Inc., Arlington, Va., in the amount of $1,099,000. The contract provides for training and technical assistance to emergency food and medical services projects. The contract was awarded on a competitive basis; the request for proposal was furnished to 78 firms, 16 of which submitted formal proposals. Within the total dollar amount the prime contractor has issued a subcontract to the Washington, D.C., based minority firm of Roy Littlejohn Associates in the amount of $276,100.

This contract provides training and technical assistance with respect to nutrition and consumer education; the USDA food assistance programs, including State and local options; and training to CAA staffs and poor people participating in the emergency food and medical services program which is established by our act.

REVIEW OF COMMUNITY ACTION AGENCIES

Mr. RUMSFELD. The question of the Community Action agencies has been one that has been discussed, of course, extensively and we have been attempting to systematically review these Community Action agencies. Where they are doing a good job, fine. Where they are not doing as good a job as we would wish but have the capability of improving, we have attempted to provide some support so they would improve. Where they were not doing a good job and we felt they were not capable of improving, we shut them down.

TERMINATION OF COMMUNITY ACTION AGENCY

Mr. FLOOD. How do you shut them down?

Mr. RUMSFELD. Well, it is painful, I tell you.

Mr. FLOOD. Besides that.

Mr. RUMSFELD. What Mr. Carlucci does is that he supplies——

Mr. FLOOD. Suppose he tells us. How do you shut down a Community A when you think their performance is deficient?

Mr. CARLUCCI. If their performance is obviously deficient, Mr. Chairman, there are two ways. We can either terminate them immediately——

Mr. FLOOD. How do you do that?

Mr. CARLUCCI (continuing). In which case we hold a public hearing. We give them sufficient notice that it is our intention to terminate them. We give them a letter listing the deficiencies.

Mr. FLOOD. Whom do you notify? The members of the Board of Directors?

Mr. CARLUCCI. The members of the Board of Directors, yes, sir, with a letter listing the deficiencies and asking them to appear at a public hearing. At the public hearing their case is heard.

Mr. FLOOD. Conducted by whom?

Mr. CARLUCCI. Conducted by an OEO official, usually from the regional office. Subsequently we reach a decision on whether we should terminate them or not.

Mr. FLOOD. You mean, you give them a trial before you hang them, or how do you do this?

Mr. CARLUCCI. In some cases we have reversed our decision, Mr. Chairman. Where the agency is able to demonstrate that it has corrected the deficiencies that we believe existed we have reversed ourselves.

Mr. FLOOD. Do you notify the news media, the local elected officials?

Mr. CARLUCCI. We do contact the local elected officials, yes, sir. We also make it a practice of consulting with the Congressmen.

Mr. FLOOD. Who do you invite to appear at such a public hearing?

Mr. CARLUCCI. We issue a public notice.

Mr. FLOOD. In the news media?

Mr. CARLUCCI. To the CAA and they usually insert it in the news media.

Mr. FLOOD. And they will meet at the courthouse on Thursday night at 8 o'clock? Who can come?

Mr. CARLUCCI. Anyone can come. It is open to the public.

Mr. FLOOD. All right.

Mr. RUMSFELD. Thirty-nine community action agencies have been or are being closed or merged based on the performance.

MERGING OF COMMUNITY ACTION AGENCIES

Mr. FLOOD. Merged with what?

Mr. RUMSFELD. In some instances we have found it desirable, where there is a weak community action agency and a strong desire on the part of the community to have one, to merge it into a neighboring one, where it becomes, say, a multicounty community action agency instead of a single county.

Mr. FLOOD. Have you done such things?

Mr. RUMSFELD. Yes.

Mr. FLOOD. Very often?

Mr. RUMSFELD. Yes. Over a period of 2 years as a matter of fact, there has been a great movement in rural areas to move from single county rural community action agencies toward multicounty community action agencies so that you get a stronger administrative and economic base.

Mr. FLOOD. Do you have multicounty community action agencies?

Mr. RUMSFELD. Yes, sir.

Mr. FLOOD. Regional concept?

Mr. RUMSFELD. Multicounty, yes, six, eight counties come together and develop a community action agency.

Mr. FLOOD. For the record would you describe one of these multicounty community action agencies, where it is, how long it has been functioning, and what you think it is doing?

Mr. RUMSFELD. I will be happy to.

(The information follows:)

GOOD MULTI-COUNTY COMMUNITY ACTION AGENCY

The West Central Rural Development Corp. serves the following nine counties: Bates, Cedar, Cass, Henry, St. Clair, Vernon, Johnson, Benton, and Morgan. Six are within the State regional planning district. The CAA is located in Appleton City, Mo., and has $396,000 in OEO funds, plus $223,000 in Headstart money. The Department of Labor also provides funds for the CAA's NYC program. The Office of Economic Opportunity feels that this CAA has done an excellent job in mobilizing local resources to more adequately deal with the problems of the poor. Following are a few examples of what it has done.

The CAA has stimulated two labor unions to provide classes in carpentry; the unions pay the stipends for 30 low-income trainees. One class has already graduated, and all 14 already have been placed on jobs; 16 are now in training.

Three groups of local businessmen have agreed to sponsor a 150 slot on-job training program as a result of CAA encouragement. This is part of the JOBS/NABS program. Very few of these types of programs have focused their energies on rural areas such as the area served by the West Central Missouri CAA.

The Henry County Hospital has been encouraged to develop a nurses aide training program. Thus far 41 low-income people have participated, and approximately 75 percent of those who have completed the course have been placed in nurses aide positions. The Vernon County Hospital is now establishing a similar program.

An on-the-job training program placed 80 percent of its participants during a recent 12-month period.

MAMOS (Missouri migrant action program) has placed 46 participants on jobs; 41 have remained on the job after 5 months. The CAA operates this program.

Twenty-nine senior citizens centers have been established in the nine-county area as a result of CAA stimulation.

All centers are locally financed. Two senior citizen craft co-ops have also been established; both are also locally financed.

There are many additional examples which could be cited.

IMPROVEMENT OF CONTRACTOR AND GRANTEE PERFORMANCE

Mr. RUMSFELD. I have other statistics in the statement concerning the various results we have achieved with respect to grants and contracts.

The emphasis of our efforts has been to improve contractor and grantee performance, eliminate inefficient or incompetent operations, reduce the number of individual projects that we are handling, which

require monitoring. Just because of the fact that there were too many things that were out there——

Mr. FLOOD. What?

Mr. RUMSFELD. Too many grants and contracts that were out there that required staff time, and with the limited number of slots that we had, and the difficulty of managing many of these contracts and grants, because of the problems they were dealing with, we felt that it was important to reduce down the total number, so that we could do a better job with the ones we had. We have undertaken that.

Mr. FLOOD. How long has the Office of Economic Opportunity been in existence?

Mr. RUMSFELD. Legislation was passed in 1964. For example, in the Office of Program Development, 35 out of about 55 contracts have either been terminated or not renewed, either for poor performance, the completion of their work, or a desire on our part to achieve some redirection.

DUPLICATION OF FAMILY PLANNING ACTIVITIES

To address the question you raised about family planning, and the problem or appearance of duplication, many people in and out of government, in my judgment, incorrectly feel that the Office of Economic Opportunity duplicates the programs of other Federal agencies.

Mr. FLOOD. I am going to ask you about that later on.

Mr. RUMSFELD. Right. It is not correct that there is duplication in the sense of wasteful duplication. It is true that the Office of Economic Opportunity is the only Federal agency that has, as its sole responsibility, the problems of some 24 million poor across the domestic spectrum.

Mr. FLOOD. You aren't suggesting that mere duplication is not necessarily bad?

Mr. RUMSFELD. No, I am trying to more precisely define the word "duplication," and I will do that specifically with respect to family planning. We do administer programs that may seem similar to programs in other departments. For example, both the Department of Health, Education, and Welfare and the Office of Economic Opportunity, administer family planning programs. However, the Department of Health, Education, and Welfare's program is administered through the traditional health institutions, the State and county health departments, while the Office of Economic Opportunity's program is geared specifically to reach poor women and, therefore, use new institutions such as neighborhood health centers and local community groups.

Mr. FLOOD. To reach the poor?

Mr. RUMSFELD. Yes.

DEFINITION OF "POOR" PEOPLE

Mr. FLOOD. Now, again I must ask you what is a poor woman?

Mr. RUMFELD. Again we simply use the thing that Congress provided, which is the income level cut-off.

Mr. FLOOD. What is that?

Mr. RUMSFELD. It varies, depending on the part of the country and the number of people in the family.

Mr. FLOOD. Suppose you list for us what encompasses poor women?

Mr. RUMSFELD. We will be happy to.

Mr. FLOOD. By country and geographically.

Mr. RUMSFELD. We will be happy to supply the examples of which level of income qualify in different parts of the country for different family size.

(The information follows:)

The definition of poverty which is used throughout the Federal Government as the basis for collecting statistics on the number and characteristics of the poverty population in this country was officially established by the Office of Statistical Policy, Bureau of the Budget, in August 1969. This definition, which is a slight modification of a definition developed several years earlier by the Social Security Administration, varies according to the composition of the family, since it is family income which is used to determine whether the members of the family are poor. The major factors in the variation of the poverty line are size of family and family residence (farm or nonfarm). Geography is not a factor.

Mr. FLOOD. It is always surprising how many people find out they are poor.

NEED FOR FAMILY PLANNING SERVICES

Mr. RUMSFELD. We feel that both approaches are needed. In other words, that they are not duplicating each other. We are still a long way from meeting the total need for family planning in the country. It is estimated that there are some 5.3 million women below the poverty level between the ages of 14 and 44. In other words, in the range where women tend to have babies, and of the total number of 5.3 million, government and private resources are possibly reaching less than one million. It is estimated, Dr. Bryant, that the Office of Economic Opportunity programs reached, I think, 370,000, is that correct, and the Department of Health, Education, and Welfare's programs reach, do you know what number?

Dr. BRYANT. Something like 250,000.

Mr. RUMSFELD. Something like 250,000 women. This is Dr. Tom Bryant, the head of our Office of Health Affairs, and is in charge of our neighborhood health centers, our family planning, drug and alcoholism programs as well as the emergency food and medical services program.

Mr. MICHEL. I was given to understand that in our earlier testimony that the goal of the administration for all agencies was to reach approximately 2 million of the 5 million women to which you refer. As a matter of fact, in the maternal and child health justifications on page 158, it says this:

Funds available in 1971, about 19 percent of the total grant program are expected to provide services to about 1.5 million women, or about one-third of the 5 million needy women estimated to require such services.

That is just in maternal and child health, and, of course, I would expect what other programs and what you are doing is over and above that.

Mr. RUMSFELD. You are correct and my statement was that at the present time, meaning fiscal year 1970, we are reaching the 370,000 women below that income level in the Office of Economic Opportunity, and the figure Dr. Bryant cited for the Department of Health, Education, and Welfare. The President did announce that he wanted to

move from where we were, less than 1 million, toward the 5 million plus in the coming 5 years, I believe——

Dr. BRYANT. Five years.

Mr. RUMSFELD. And what you have before you is how much of that difference between where we are and where we want to be that can be achieved in fiscal year 1971. Because we are still a long way from reaching the total need for family planning in this country, both approaches are needed. Each use a different mechanism to reach specific target populations. It is not duplication. In a sense, it is using the flexibility which is possible in Government to take advantage of different approaches to meet different needs in an important and very difficult problem area.

OEO PROGRAMS ADMINISTERED BY OTHER AGENCIES

In addition, I am also asked the question, why such programs as Headstart, and Job Corps are administered by departments other than the Office of Economic Opportunity. It is complicated to have an act that supplies funds for three separate departments. To many it appears to be a duplication of efforts, or at least an unnecessarily complicated administrative procedure. The answer, I think, is important to an understanding of the philosophy behind the Economic Opportunity Act, and I would like to comment on it.

The act gave the Director of the Office of Economic Opportunity authority to delegate funds or programs that were provided to him by the Congress.

Mr. FLOOD. Delegated?

Mr. RUMSFELD. Delegated, meaning to have the Congress provide the Office of Economic Opportunity with the responsibility and the money, and then allow the Office of Economic Opportunity to have that money delegated or given, with some strings, to a department, Labor, or HEW, for the purpose of doing some specific thing. The reason was that they felt that there should be some coordination with respect to the programs affecting the poor.

Mr. FLOOD. Do you reserve the right of veto?

Mr. RUMSFELD. There is a procedure in the delegation agreement where, in the case of Labor, the Secretary of Labor and the Director of the Office of Economic Opportunity, negotiate and discuss a delegation agreement, which sets out what the responsibilities are, and gives each party certain power.

Mr. FLOOD. This liaison continues?

Mr. RUMSFELD. Yes, sir.

Mr. FLOOD. And it is friendly?

Mr. RUMSFELD. Yes, sir. The other reason I think it was done was there was a general agreement in the Congress that we didn't need, in this country, a new Federal bureaucracy like the Department of Labor, the Department of Health, Education, and Welfare, and so they made the Office of Economic Opportunity fairly small, placed it not in an executive department or as a new executive department, but placed it in the Executive Office of the President. There is no intention on my part or this President to have that grow into a new Federal department.

OPERATIONAL PROGRAMS RETAINED BY OEO

Mr. FLOOD. On the other hand, we have the impression that you are turning over your arsenal to your allies, that you have now become or intend to become little more than a research and development organization, a think tank and that the execution of these programs, that were created by Congress and given to you, you now feel should be executed by other agencies. You now think that other agencies of the government traditionally are better set up supposedly to go into the field and execute these things, and you will be more or less chief of the general staff.

Mr. RUMSFELD. I would put it differently, Mr. Chairman. I would put it this way: There are operating programs in the Office of Economic Opportunity, and there is an intention on the part of this Administration to keep some operating programs in the Office of Economic Opportunity.

Mr. FLOOD. What would be some such programs?

FAMILY PLANNING

Mr. RUMSFELD. For example, we have a family planning program, which is an operating program. In other words, it is not for the purpose of learning. It is for the purpose of delivering family planning services to poor women across the country.

Mr. FLOOD. And you are going to keep that within your shop, and you are going to make it work, within your shop?

Mr. RUMSFELD. It is working. It is an excellent program.

Mr. FLOOD. That you are going to do?

Mr. RUMSFELD. What I would like to see, just to take that one example, I would like to see the Department of Health, Education, and Welfare increase its activities in family planning, through its approach of the traditional health offices. I would like to see us increase our health family planning activities through our approach, which is through neighborhood groups, until we reach the 5.3 million people who needed family planning services and can't pay for them. Then I would like to see us, the Office of Economic Opportunity, over a period of, say, 5 or 6 years begin, once the need is met, to move out, and possibly delegate our activities to the Department of Health, Education, and Welfare, or State offices or local offices.

Mr. FLOOD. What is another such one?

EMERGENCY FOOD AND MEDICAL SERVICES

Mr. RUMSFELD. Take Emergency Food and Medical Services. It is an amendment passed by the Congress. It is an operating program. It is a food program.

Mr. FLOOD. Operated by you?

Mr. RUMSFELD. Operated by the Office of Economic Opportunity.

Mr. FLOOD. Can you handle food distribution better than the Department of Agriculture?

Mr. RUMSFELD. Again it is not duplication. It is not a matter of who is better. It is a fact that in the case of family planning the HEW

programs reach a certain group of people and the OEO programs reach a different group of people, and we are far from reaching the total need. In the case of food, the agricultural programs have proved, as has been, I think, rather clearly indicated, to have some gaps, and as a result, the Congress passed an amendment suggesting that those gaps could be filled by the use of out-reach workers and community groups, and the Office of Economic Opportunity was put in the business of operating a program to marry those in need of food programs with the Department of Agriculture's Food Stamp or Commodity Direction program.

TREND TOWARD RESEARCH AND DEVELOPMENT

Mr. FLOOD. But in the back of your head, not quite firmed up, there is a visceral sensation that the real purpose and intent in "X" number of years in the future would be to place all such operational programs in other bureaus or agencies, where they probably should be placed, when you are satisfied it could be safely done.

Mr. RUMSFELD. That is right.

Mr. FLOOD. And that at some time you would go into an ivory tower and really plan, research and develop and not operate.

Mr. RUMSFELD. The way I would describe it is that as you move towards filling the need, that the basic department that has the jurisdiction over that subject matter is probably where that program should be operated on a continuing basis, but when you are at the point where it takes different designs and approaches to reach people, such as in the family planning or the food area, it is best to use something like this as a supplement to what the basic department is doing.

Mr. FLOOD. But after the supplement, you are the Director now, we are talking to you, maybe in the front of your head you think perhaps this is the way, sooner or later, OEO should function?

Mr. RUMSFELD. With the possible exception of some operating programs which might not really fit somewhere else, such as legal services programs.

Mr. FLOOD. There may always be one or two such programs.

Mr. RUMSFELD. Or VISTA program, or additional programs that are coming along behind.

Mr. WILSON. Mr. Chairman, could I add one comment?

I think when you look at the dollar figures, you'll see that of what we are requesting in 1971, a total $2,080,200,000 request, 6 percent of it would go into research and development. Out of the total amount $865 million that we administer in OEO, 13 percent would be in what we would call R. & D.

Mr. FLOOD. You are speaking of this year. I was looking further ahead.

Mr. RUMSFELD. I think his point is a good one. In other words, from a percentage standpoint, the total number of dollars through the Economic Opportunity Act——

Mr. FLOOD. That talks, we can understand that.

Mr. RUMSFELD (continuing). Would be small on a percentage basis in research and development.

Mr. WILSON. I think that what we are talking about as an allocation to the research and development effort is about comparable to what a private corporation spends, for example, and a private corporation in an innovative area will spend even more. That is probably right in the ball park. Our substantial growth, I think, has already occurred. If you will look at 1969, our expenditure was $38.9 million. We have doubled that in 1970, and you can see it leveling out, I think, at around 13 percent of what we administer in the agency.

Mr. FLOOD. You realize this is a very current question. This is very approximate, and we have to unmask it, if it is being hidden any place. It isn't clear.

Mr. RUMSFELD. Another response to your question as to whether or not the Office of Economic Opportunity is being dismembered and everything transferred away, on page 18 of the testimony we have broken down the portion of the total budget request under the Economic Opportunity Act that is requested for each department.

Mr. FLOOD. On page 18 of your statement?

Mr. RUMSFELD. Of my statement.

Mr. FLOOD. Your original statement?

Mr. RUMSFELD. Yes, and you will see that in 1970 the Office of Economic Opportunity administered $785 million out of the $1.9 billion. In 1971 the Office of Economic Opportunity would be administering $865 million, which is a rather substantial dollar increase out of a $2,080,200,000 request, so rather than going——

Mr. FLOOD. You understand, Mr. Rumsfeld, that the reason I am belaboring this is that around the halls of Congress there is much talk about the future of OEO.

Mr. RUMSFELD. Yes, sir.

Mr. FLOOD. And that is the purpose for my probing. All right, what is next?

BUDGET REQUEST

Mr. RUMSFELD. Just to wind up here, in a time of what I consider to be pressing domestic needs, your committee has the task of recommending to the Congress priorities in the domestic budget, in many very important areas. You have to determine how limited resources can be most effectively spent to meet many demands that are pressed on you in our Nation today. Added to this already difficult task is the fact that the economic situation is such that projected revenues for the fiscal year are down, and the announcement by the Director of the Budget concerning the deficit is up. So the pressures on this subcommittee, I would imagine, to cut nonessential spending will be great. Realizing all of this, I still want to very strongly request that this committee and the Congress grant the full appropriation for the Office of Economic Opportunity, and the Economic Opportunity Act. It is well known that in times of anything less than a very strong economy, those who are hit the hardest and hurt the most are the poor, and so it is at this time that the poor most need the programs of this agency.

They will be doubly hurt if the budget for the Office of Economic Opportunity is cut in this present economic situation, in my judgment.

It was a tough decision for me to take a year, in effect, to work to

try to straighten out, redirect and strengthen the management of this agency. The Congress saw the need for the agency, provided funds last year for the continuance of the Office of Economic Opportunity. I am satisfied that the past year, which saw the reorganization and redirection of the agency, was worthwhile.

We are now ready to step off, in my judgment, from a considerably stronger management position. I anticipate that some mistakes will be made as we proceed, but when mistakes are made, corrective action will be taken immediately, and the Congress and the Nation will be so informed.

Mr. FLOOD. Just be sure that you don't do as a famous American Statesman who said, when he makes a mistake, it is a beauty.

Mr. RUMSFELD. We, all of us I guess, learn by doing, but I believe that today we have put in place some controls on that process. I intend to continue to try and refine those controls, so that we will have the least margin of error possible.

I have every confidence that we are ready to tackle intelligently and responsibly the problems of the poor in the country, that our house is considerably better in order, and recognizing the stringent budget situation, we have not requested the full $2.8 billion which has already been authorized by Congress. However, we do feel that the full appropriation request of $2.08 billion is very urgently needed.

PRIORITY GIVEN OEO PROGRAMS IN THE PRESIDENT'S BUDGET

Mr. FLOOD. Mr. Director, we know you and admire you well as a former colleague in the House. Some of us were startled when you took over this job, about which we knew something. As a matter of fact, some people were almost appalled. You are obviously close to the throne. Do you feel that you are low man on the totem pole in the budget structure? Are you way down on the list?

Mr. RUMSFELD. No, sir. The President has responded to my requests in a full and responsive way. He has been very helpful, and I, as I indicated last year, was new. The agency needed a good deal of internal attention. I didn't feel we had the capacity to come in last year with a budget request that would have required our digesting substantial sums of money beyond that which we already had. I told this committee that.

I do feel that we are at that point this year where we not only can but it can be helpful to the country.

Mr. FLOOD. You are asking a total appropriation for 1971 of $2,080,200,000. That is an increase of $132,200,000 over the appropriation for 1970.

DISTRIBUTION OF FUNDS TO OTHER AGENCIES

Out of this total you are requesting $865,200,000 for programs administered by OEO, and $1,215 million for programs administered by other agencies, including $802 million for the Department of Labor, $408 million for HEW, and $5 million for the Department of Agriculture. You are passing out largess. How did you decide how these funds should be distributed? Specifically how was the decision made as to how much of the $2,080,200,000 would be spent for OEO,

how much for Labor and how much for HEW? Did you pick them out of a hat? How did you do that?

Mr. RUMSFELD. You can see on page 18 the projection from 1969 to 1970 to 1971. This is a process which was developed in effect in 1964, when the Congress passed the act, and I don't think of it really as passing out largess. I accept the fact that the Congress made this decision. I am of the opinion that it is worth trying to see if we can make this delegation process work.

The President, when he came in while I was still in Congress, made the decision to move two activities, Headstart to the Department of HEW and the Job Corps to the Department of Labor.

Mr. FLOOD. Did you recommend that?

Mr. RUMSFELD. I was still in Congress. I was not a party to either decision. I think they were good decisions in retrospect. My feeling is that what the country wants done is to have the dollars that are appropriated by Congress spent in the most intelligent possible way. In some cases the Congress has made a judgment that a program should be transferred. In some cases the administration has made a judgment that they should be transferred.

ALLOCATION OF FUNDS WITHIN BUDGET

Mr. FLOOD. Let's talk about your shop now, not something that somebody else did.

How did you decide upon the distribution of the $865,200,000 administered by OEO? What factors influenced the decision as to how much should be spent for R. & D., how much for health, how much for the community action programs and so on. In other words, how do you decide to cut up your pie? Forget about the White House. What about you? You had to cut up your own pie.

Mr. RUMSFELD. What we have done is we have systematically gone through each office in the agency, and either terminated or refused to refund every activity that we felt was not getting the proper impact and benefit for the people that it was designed to serve. What is left in the operating program area then are operating programs which you believe are either good or capable of being improved, and that is a mortgage for the coming year.

Mr. FLOOD. Do you have a staff conference or do you speak ex cathedra, from on high, as the Director?

Mr. RUMSFELD. What we have done is we use a variety of approaches. One is that we have developed a planning and review committee, which is the senior staff.

Mr. FLOOD. In house?

Mr. RUMSFELD. In house, which interests itself in all program office activities and areas, and we use that as a control mechanism to try to see that we are, in fact, allocating resources properly, and some of the other things that go into it, beyond your mortgage of good programs. The question then comes, what did the Congress say, so you look at your requirements from last year, and the Congress, for example, put a priority on certain things. They put a priority on alco-

holism, they put a priority on drug addiction by the amendment process, and by legislative language.

The other factors that go into such a decision are such things as requirements to meet the Presidential recommendations. For example, on family planning his statement put a goal for this country in 5 years to attempt to move towards that 5 million universal need, and so part of that Presidential message was that this agency would increase its activities in the family planning area.

IDENTIFYING TARGET POPULATION FOR FAMILY PLANNING SERVICES

Mr. FLOOD. As Mr. Michel was suggesting, what is sacred about 5 million? Did you get that off the left field wall?

Mr. RUMSFELD. No, sir. That came from a study that was made that attempted to identify the number and locations of the females between the ages of 14 and 44.

Mr. FLOOD. You did not make that study?

Mr. RUMSFELD. That study was funded by the Office of Economic Opportunity through Dr. Bryant's office.

Mr. FLOOD. When?

Dr. BRYANT. Eighteen months ago.

Mr. FLOOD. And it has been concluded?

Dr. BRYANT. The actual work was done by the technical assistance division of Planned Parenthood World Population. The technique they used was that of a nationwide survey. They went into every county in the country and tried to ascertain what was available and what was being utilized in the way of family planning services.

Mr. FLOOD. This is not a hit and a miss thing.

Dr. BRYANT. No; I think it is probably the best health related survey that has ever been done in the country.

CONTINUATION OF ON-GOING ACTIVITIES

Mr. FLOOD. How much of the $2,080,200,000 is required for—and this as you know also concerns us—the continuation of on-going activities, projects?

Mr. RUMSFELD. In excess of $1.9 billion.

Mr. FLOOD. We would like a breakdown with specific reference to the on-going and continuing projects. Will you supply that for the record? We worry about those things and I am sure you do.

Mr. RUMSFELD. Yes, sir.

(The information follows:)

FISCAL YEAR 1971 SCHEDULE OF ANNUALIZATION AND NEW STARTS

	Fiscal year 1971 total plan	Annualization	New starts
Total EOA	$2,080.2	$1,913.1	$167.1
Office of Economic Opportunity	865.2	757.2	108.0
Research, development and demon. and evaluation	118.3	78.7	39.6
R.D.D. & E	94.0	75.0	39.0
Day care	20.0		
Pro. admin	4.3	3.7	.6
Health and nutrition	176.8	122.0	54.8
Family planning	24.0	22.0	2.0
E.F. & M	33.0	25.7	7.3
Drug rehab	3.0	1.0	2.0
Alcoholic ccl. & rehab	4.0	1.0	3.0
Compre. health	110.0	70.0	40.0
Prog. admin	2.8	2.3	.5
Legal services	63.4	61.3	2.1
Legal services	61.0	59.5	1.5
LS prog. admin	2.4	1.8	.6
Comm. action operations	384.6	378.3	6.3
Local initiative	324.0	324.0	
SOS	7.8	7.8	
T/TA	22.4	19.7	2.7
SEOO's	14.0	12.0	2.0
Prog. admin	16.4	14.8	1.6
Special impact	32.1	31.9	.2
Special impact	31.0	28.5	2.5
SI—prog. admin	1.1	.9	.2
Migrants	35.5	32.5	3.0
Migrants	34.0	31.0	3.0
Migrants—Prog. admin	1.5	1.5	
Vista	38.5	36.5	2.0
Vista	31.0	29.0	2.0
Vista prog. admin	7.5	7.5	
General support	16.0	16.0	
Department of Labor	802.0	745.4	56.6
JOBS	0		
CEP	123.0	123.0	
PCS	96.6	76.0	20.6
In school	62.4	62.4	
Summer	146.5	146.5	
Out of school	134.2	98.2	36.0
Job Corps	180.0	180.0	
Mainstream	41.0	41.0	
Administration	18.3	18.3	
Department of Health, Education, and Welfare	408.0	406.0	2.0
Headstart	339.0	339.0	
Follow Through	69.0	67.0	2.0
Department of Agriculture	5.0	4.5	.5
Rural loans	.5		.5
Rural loans—Prog. admin	4.5	4.5	

PROPOSED LANGUAGE TO SET ASIDE EARMARKING PROVISIONS OF ECONOMIC OPPORTUNITY ACT

Mr. FLOOD. Now your authorizing legislation, the Economic Opportunity Act, as amended, as you say contains provisions requiring that a certain proportion of the appropriations be earmarked for certain

purposes, and I can see how that would make a director unhappy, but you are proposing appropriation language which would make these earmarking provisions ineffective in 1971.

As you recall, and if you don't I can assure you, we got into quite a tussle over this language last year, and it was not included in the final appropriation bill for 1970. Do you remember the controversy?

Mr. RUMSFELD. Yes, sir.

Mr. FLOOD. We would like to know three or four things. First, how do you feel about this language? I mean you as the director, and what will happen if you don't get it? How does it affect the distribution of your budget request, this language? Specifically what changes would you have to make in the budget request, if the language was not in the bill? Is that too complicated to answer at one time?

Mr. RUMSFELD. I think what I would like to do is respond and then let Dr. Wilson respond briefly, and then refer you to the material in my prepared statement which I mentioned earlier.

Mr. FLOOD. Shall I repeat that now? We want to know why you feel the need for this language, and what will happen if you don't get it, in your opinion? How does it affect the distribution of your budget request?

What changes would you have to make in the budget requests before us now, if the language was not in the bill? That is not too complicated a question.

Mr. RUMFELD. As you know, Mr. Chairman, the Congress, through the leadership of the appropriations committee, was successful in eliminating such language in both 1968 and 1969 fiscal years. And as far as what I feel about it, I can say it has caused us a great deal of difficulty in meeting those earmarks during the current fiscal year. The specific table that I inserted in my testimony indicates some hypothetical examples of what happens as a result of putting on minimums and maximums.

Mr. FLOOD. That is an excellent table.

Mr. RUMSFELD. The difficulty, I am sure that Labor, HEW, and Agriculture can comment on this also tomorrow, but from the standpoint of a small office in the Executive Office of the President, with less than $800 million involved in its program, to have a requirement placed on that comes so late in the year—for example, just hiring people. It is now almost June. The fiscal year begins in 30 days. If we are going to have a substantial sum of money in a given program area, with the Civil Service requirements the way they are, we would have had to begin hiring 3 months ago, to take a substantial chunk of money and spend it intelligently during the 12 months that begin July 1 to June 30 of next year. We would have to have started 3 months ago getting people on board to handle a certain program area, and you would have to start moving people out of the office where they presently were, where you had intended to spend that money. The internal problems that result from it are great.

I would guess that it would be safe to say that earmarks would be far less of a problem if they were imposed, say, 3 months before the fiscal year begins, and you had time to begin to organize your office in a way, that you could intelligently spend that money.

Mr. FLOOD. That is what we are doing this year.

Mr. RUMSFELD. Oh, no. The fiscal year starts in 30 days.

Mr. FLOOD. I see what you mean.

Mr. RUMSFELD. If last March the decision had been made, but last year it was put on after the fiscal year was 8 months over. John, you can comment on some of the specifics.

Mr. FLOOD. On the other two.

Mr. WILSON. Yes, sir.

Mr. Chairman, if you look at page 9 of the Director's opening statement, you will see that we have given an example of what specified increase would have to be in those areas. Those dollar amounts show that a total of $53 million would be earmarked by specific line items in given programs, community action, special impact, emergency food and medical, alcoholism, narcotics, and the rural loan fund.

The specified decrease would be in the area of family planning. Now the question that you ask is what impact would this have on other programing. If we make the assumption that we will take the amount that has been earmarked, $53.2 million, subtract that, and then pro rate it in proportion to the total programs, the rest of them now, you see how much we would have to reduce individual programs. In the Department of Labor it would be $25.1 million, Head Start would be $10.8 million, and you can go right on down the list.

On the right-hand column, that is again a hypothetical case, assuming a $100 million cut in what we have requested, and you can see that there you would have a total of $45.1 that would be earmarked for given programs. Again prorating that against our operating programs the effect would be much more substantial. Labor would take a cut of $72.4 million, Headstart $31.2 million.

EFFECT OF EARMARKING PROVISIONS ON BUDGET REQUEST

Mr. FLOOD. What changes would you have to make in the budget you have presented today, if the language was not included in the bill?

Mr. WILSON. The budget we have presented today we have not assumed earmarks, in those areas. We would have to reprogram.

Mr. RUMSFELD. We have brought into you the budget that in our best judgment we feel fits the priorities in the country and the capabilities of the four departments involved to handle those funds in the coming 12-month period.

Mr. FLOOD. Do you feel that you should go ahead and do reprograming without coming to this committee or anybody else?

Mr. RUMSFELD. We would have to, if the Congress earmarked. They would be requiring it, you see. We are coming in before the fact, presenting what we think should be passed by the Congress, and expressing the strong hope that the earmarks will be removed. If you and the Congress, both Houses, make a judgment that there are going to be earmarks, then we will automatically have to conform, and will do the reprograming necessary to conform.

MANDATORY FUNDING PROVISIONS OF ECONOMIC OPPORTUNITY ACT

Mr. FLOOD. Suppose you put in the record at this point a list of the mandatory funding provisions of the OEO Act to which this language refers.

(The information follows:)

OFFICE OF ECONOMIC OPPORTUNITY

Authorization Act as Applied to Fiscal Year 1971 Appropriation Request
(in millions)

	Authorization Act (1)	Prorata Reduction (2)	Transfer Authority Minimum (3)	Transfer Authority Maximum (4)	Appropriation Request (5)
Reserved Funds					
Title II (Local Initiative	$ 328.9	$ 328.9	$328.9	$444.0	$ 324.0
Amounts Subject to Proration					
Title IA & IB	890.3	835.3	710.0	1,127.7	786.0
Title ID (Special Impact)	46.0	43.2	36.7	58.3	31.0
Title IE (Mainstream & PSC)	20.0	18.8	16.0	25.4	16.0
Title II					
Head Start	398.0	373.4	317.4	504.1	339.0
Head Start Follow Through	90.0	84.4	71.7	113.9	69.0
Legal Services	58.0	54.4	46.2	73.4	61.0
Comprehensive Health	80.0	75.1	63.8	101.4	110.0
Emergency Food and Medical	62.5	58.6	49.8	79.1	33.0
Senior Opportunity Services	8.8	8.3	7.1	17.6	7.8
Family Planning	15.0	14.1	12.0	19.0	24.0
Other Title II	69.0	62.9	--	--	178.9
Title II Reserved					
Alcoholism	15.0	15.0	12.8	20.3	4.0
Drug Rehabilitation	15.0	15.0	12.2	20.3	3.0
Title III					
Rural Loans	12.0	11.2	9.5	15.1	5.0
Migrants	34.0	31.9	27.1	43.1	34.0
Title VI (Administration)	16.0	15.0	12.8	20.3	16.0
Title VIII (VISTA)	37.0	34.7	29.5	46.8	38.5
Total	$2,195.5	$2,080.2	NA	NA	$2,080.2

Explanation of Authorization
as applied to 1971 Appropriation Request

The Authorization Act, Public Law 91-177, provides specific earmarks that total $2,195.5 million. These are shown in column 1 of the above table. The current appropriation request $2,080.2 million, is less than these earmarks. The law states that in this case, the amount to be allowed for each program shall be determined by proration. Local Initiative, Alcoholism and Drug Rehabilitation programs, however, are exempted from this proration. The second column above shows how each program would be reduced so that the total is equal to the appropriation request.

The law also allows a degree of flexibility by permitting funds to be transferred between the various EOA programs in 1971 so long as no program is reduced by more than 15 percent or increased by more than 35 percent. Alcoholism and Drug Rehabilitation programs, while not subject to the proration explained above, are subject to this transfer provision. Additionally, this section allows any program earmarked for $10 million or less to be increased 100 percent. This applies in the 1971 budget to the Senior Opportunity Services program only. Columns 3 and 4 show the range of funding levels possible for each program under this provision. The law exempts the Local Initiative program from the application of any reduction, therefore, the minimum level for this program is $328.9 million.

The 1971 appropriation request is shown in column 5. Included in this request is language that would nullify the earmarking provisions of the authorization act. If this language is removed from the appropriation act, the amounts in column 7 would have to be adjusted to fit within the range marked by columns 3 and 4.

CLASSIFYING PEOPLE AS POOR

Mr. FLOOD. What is the present poverty yardstick? By that I mean the family income level below which you classify people as being poor?

Mr. WILSON. The yardstick that we use, Mr. Chairman, is based on the social security definition, which calculates the budget, as you know, based on food consumption, multiplies that times three. They vary it by family size and by whether the person lives in a rural or a urban area. If they live in a rural area, they get 85 percent of the level that is defined through this food budget process.

To give you an example, a family of four, living in an urban area, has an income of around $3,700 per year. Below that, they are counted as poor. I will supply for the record the total breakdown of the 14 categories we are using.

Mr. FLOOD. You are using a family of four as a basis upon which the yardstick is made?

Mr. WILSON. No, sir. We have 14 different categories depending on family size, from a family size of one, two, or three, up to seven or more.

Mr. FLOOD. We would like those categories listed, because this is a matter which always comes up.

(The information follows:)

Census actually uses 124 categories, they average these out and publish the averages of which there are 14. The guidelines the Office of Economic Opportunity uses for program participation purposes as opposed to those census uses to separate the poor from the nonpoor for statistical purposes are 26 in number (families size one to 13 on farms and not on farms).

BUREAU OF THE CENSUS POVERTY THRESHOLDS

Family size	Annual income	
	Nonfarm	Farm
1	$1,748	$1,487
2	2,262	1,904
3	2,774	2,352
4	3,553	3,034
5	4,188	3,577
6	4,706	4,021
7 or more	5,789	4,916

Note: These thresholds also depend on the sex of the head of household. In general, the cutoffs are higher for households with male heads. The figures shown are weighted averages.
These figures are used for statistical purposes only and not to determine program eligibility.

Source: Bureau of the Census, Poverty in the United States, p. 11.

OEO POVERTY GUIDELINES [1]

Family size	Nonfarm family	Farm family
1	$1,800	$1,500
2	2,400	2,000
3	3,000	2,500
4	3,600	3,000
5	4,200	3,500
6	4,800	4,000
7	5,400	4,500
8	6,000	5,000
9	6,600	5,500
10	7,200	6,000
11	7,800	6,500
12	8,400	7,000
13	9,000	7,500

Note: For families with more than 13 members, add $600 for each additional member in a nonfarm family and $500 for each additional member in a farm family.

[1] These guidelines are based on the poverty thresholds shown above but have been adjusted to simplify their use for program administration. The thresholds have been rounded off and adjusted so that there is a constant increment in the guideline level for each additional family member.

CHARACTERISTICS OF PEOPLE BELOW POVERTY LINE

Mr. FLOOD. Tell us this: How many people in the United States fall below the poverty line on your yardstick at the present time?

Mr. WILSON. I would like to say one thing. The yardstick we use is the same one that all Government agencies use, so by that yardstick I would estimate there are about 22 million people in the United States in 1971, or will be.

Mr. FLOOD. We would like to know how many of them are employed.

Mr. WILSON. Yes, sir.

Mr. FLOOD. And then we would like to know for obvious reasons how many are adults. Then we would like to know, for equally obvious reasons, how many are Negroes. Of course you have a geographic distribution. How many are in the South? Tell us what you mean by the South. You can get into some trouble with that.

Then supply, if you can for the record, a table—you may have trouble with this—a table which summarizes the characteristics of this group which you classify as "poor."

We are concerned about the geographic distribution. We want to know about the age distribution. We want to know about race status, and, as a matter of fact, anything else that you think is important.

Mr. RUMSFELD. Mr. Chairman, these are identical questions that I posed to Dr. Wilson when I began as Director of this agency, and the cold, hard fact is that the society lacks good, hard information on many of those questions.

We have worked with the Bureau of the Census. The 1970 census will provide a much clearer fix on those questions.

Mr. FLOOD. We can't wait for that.

Mr. RUMSFELD. That is right. Dr. Wilson will present to you and to the committee the very best information that is available.

Mr. FLOOD. We don't mean that these figures are rigid.

Mr. RUMSFELD. The other two things that I add would be a breakdown of the ones, say, over 60 or 65.

Mr. FLOOD. You add what you think is required beyond what I have asked.

Mr. RUMFELD. And the other is how many are in the Armed Forces, which is fascinating.

Mr. FLOOD. Yes. You supply significant figures beyond the half dozen that I have asked.

Mr. RUMSFELD. Yes. You might want to just respond.

Mr. FLOOD. This would be a great help to us.

(The information follows:)

TOTAL POOR PERSONS, BY FAMILY CHARACTERISTICS

[In thousands]

	1959		1968	
	Number of poor	Incidence	Number of poor	Incidence
Total poor	39,490	22.4	25,389	12.8
Nonfarm:				
Persons not living in families	4,492	44.0	4,553	33.8
Persons living in families:				
White	19,141	14.2	11,985	7.8
Family heads	4,916	13.1	3,225	7.5
Children under 18 years	9,070	18.0	5,696	10.1
Other family members	5,155	11.0	3,064	5.7
Nonwhite	7,842	50.3	6,533	31.0
Family heads	1,709	45.3	1,328	27.1
Children under 18 years	4,464	61.3	4,003	40.0
Other family members	1,669	36.7	1,202	19.5
Farm:				
Persons not living in families	436	90.3	141	45.0
White	5,302	41.0	1,562	17.4
Family heads	1,270	38.0	391	15.9
Children under 18 years	2,317	47.2	676	21.6
Other family members	1,715	36.7	495	14.7
Nonwhite	2,277	92.9	615	64.1
Family heads	426	91.8	103	58.9
Children under 18 years	1,358	93.7	363	74.4
Other family members	493	91.6	149	50.2
Persons not living in families	4,928	46.1	4,694	34.0
Persons living in families, by characteristic of family head	34,562	20.8	20,695	11.5
Male	27,548	18.2	13,705	8.3
White	20,211	14.7	9,995	6.7
Negro and other	7,337	51.0	3,710	22.9
Female	7,014	49.4	6,990	38.7
White	4,232	40.2	3,551	29.1
Negro and other	2,782	75.6	3,439	58.7

POOR FAMILIES BY AGE, SEX, AND COLOR OF FAMILY HEAD

[In thousands]

	1959		1968	
	Number of poor families	Incidence	Number of poor families	Incidence
Poor families	8,320	18.5	5,047	10.0
White	6,185	15.2	3,616	8.0
Male	4,951	13.3	2,595	6.3
Under 35	1,232	12.6	613	5.4
35 to 54	1,676	9.9	784	4.4
55 to 64	741	13.1	409	6.0
65 and over	1,302	26.9	789	14.3
Female	1,233	34.8	1,021	25.2
Under 35	334	66.5	360	46.1
35 to 54	561	37.0	381	23.0
55 to 64	99	15.9	87	13.5
65 and over	237	26.2	193	19.6
Negro and other races	2,135	50.4	1,431	28.2
Male	1,453	44.2	697	18.9
Under 35	427	45.5	171	15.7
35 to 54	621	38.0	240	15.0
55 to 64	171	38.1	128	21.2
65 and over	234	70.0	158	39.0
Female	683	72.0	734	52.9
Under 35	247	84.3	297	64.1
35 to 54	275	64.0	322	50.0
55 to 64	74	NA (1)	54	34.9
65 and over	87	NA (1)	61	39.1

[1] Not available.

POOR FAMILIES BY NUMBER OF CHILDREN UNDER 18 YEARS OF AGE

[In thousands]

	1959	1968
Total poor persons	39,490	25,389
Total poor persons not in families	4,928	4,694
Total poor persons in families	34,562	20,695
Total poor families	8,320	5,047
Total poor families with children	5,443	3,347
1 child	1,222	754
2 children	1,236	711
3 children	1,112	643
4 children	742	476
5 children	495	361
6 or more	636	402

POOR PERSONS BY WORK EXPERIENCE OF FAMILY HEAD

[In thousands]

		White		Negro and other	
	Total	Male	Female	Male	Female
Total poor	25,389	10,994	6,400	4,031	3,964
Persons not living in families	4,694	999	2,849	321	525
Persons living in families by work experience of family head	20,695	9,995	3,551	3,710	3,439
Worked year round full time	6,958	4,303	421	1,698	536
Worked year round part time	851	381	112	113	245
Worked 49 weeks or less	5,669	2,480	932	1,189	1,068
Did not work	6,958	2,615	2,086	667	1,590
Ill or disabled	2,127	1,165	220	452	290
Keeping house	3,031	35	1,769	5	1,222
Unable to find work	60	71	15	38	36
Other	1,640	1,344	82	172	42

SOUTH

Statistics on the number of poor people living in the South are tabulated by the Bureau of the Census on the same classification scheme used to tabulate all demographic and economic data collected by the Census Bureau. Under this system the South consists of the following States:

South Atlantic division: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida.

East-South Central division: Kentucky, Tennessee, Alabama, and Mississippi.

West-South Central division: Arkansas, Louisiana, Oklahoma, and Texas.

Poor families in the South, 1968

White	1,500,000
Nonwhite	929,000
Total	2,429,000

Aged poor (65 and over) 1968: 4,632,000.

MILITARY

The Department of Defense has estimated that with the recent military pay raise there remain 32,000 military families, with a total of 135,000 members, who would be eligible for aid under the administration's proposed family assistance plan. The pay raise called for in H.R. 17313 would reduce the number of these families by more than half to approximately 15,500. Since most of the reduction would be among smaller families, the reduction in family members would be less pronounced, from 135,000 to 80,000.

ADULT POOR

Mr. RUMSFELD. How many are considered adults out of the total?

Mr. WILSON. Mr. Chairman, as I recall about 60 percent of the total poverty population are either younger than 18 or over 65. About 40 percent are in what we would call the working age category.

Mr. FLOOD. Do you have a demarcating line by age as to when do you become adult, for your purposes?

Mr. WILSON. We break it down, and I will provide you tables on this. In general, we classify the poor in many different ways, but one of the more useful for policy planning purposes is by relevant target group. For example, you could have a youth group.

Mr. FLOOD. What kind of a group?

Mr. WILSON. A young child or youth group. We have set the age bracket from zero to 6 because we are not working through an established institution to deal with their problems. Their problems tend to be unique, as opposed to 6- to 18-year-old group, which we say is the school age population. We can reach this group through existing and additional educational institutions.

Mr. FLOOD. But they are still not adult for my purposes.

Mr. WILSON. That's right. They are not adult for your purposes.

Mr. FLOOD. Now then you go beyond 18.

Mr. WILSON. We then go from 18 to 21, which is kind of a transition period. Some children are going on to college in that group, and others are trying to gain access to the labor force. Indeed, those who are trying to gain access to the labor force, represent a different target group with which to work.

Mr. FLOOD. Beyond 18 is what you consider adult?

Mr. WILSON. Beyond 18.

Mr. FLOOD. The other problems are related; yes?

Mr. WILSON. Right, and 21 to 65 is normally referred to as the adult group.

POOR PEOPLE IN ARMED SERVICES

Mr. FLOOD. Could I ask a question? You don't call a single person in the armed services poor; do you?

Mr. RUMSFELD. No.

Mr. FLOOD. Do you go strictly on the amount of money they receive? Everything is furnished for the guy in the service. He is not poor.

Mr. WILSON. The statistics indicate that about 135,000 persons in families attached to various branches of the Armed Forces are poor.

Mr. FLOOD. I said the single guy in the service.

Mr. WILSON. No; not the single guy. We're not counting him, just the married man with a family.

Mr. FLOOD. A married man with a family who is going to school, you might put all of those in the poor category, but actually they are not.

Mr. WILSON. Usually they are not counted. A student in college might fall below the poverty line. But he has to get support from somewhere, and usually his family supports him well above the poverty level. But this is different for the military family. The hard facts are that there is a substantial number of persons associated with Armed Force members who are poor, approximately 135,000.

Mr. FLOOD. Do you have any way of finding out from the Defense Department people the number of families in the Armed Forces who are on public relief? There is such a figure. There is such a source of information.

Mr. WILSON. We will make an attempt to get that for the record.

(The information follows:)

DEPARTMENT OF DEFENSE SURVEY OF MILITARY FAMILIES ON WELFARE*

SUMMARY

Questionnaires were sent to all 50 States and the District of Columbia. Data was provided by the District of Columbia and 34 of the States. Sixteen States elected not to participate for a variety of reasons—such as (1) too few military families on welfare rolls to make the survey worthwhile; (2) lack of staff to conduct survey; and (3) inability to identify military families on welfare.

The attached table shows a total of 12,589 "military" families, nationwide, receiving public assistance of some kind. This figure, however, must be used with caution and conclusions to be drawn therefrom must be carefully qualified. For example, over 5,000 of the 12,589 cases reported appear to involve persons who are not legally military dependents within the meaning of 37 U.S.C. 401. This statute defines "dependent" with respect to a member of the Armed Forces for purposes of determining dependency or relationship for specific compensation entitlements. It should also be noted that the majority of the 12,589 cases result from abnormal family situations, not unique to military service, but representative of our society as a whole, and are unrelated to the levels of military compensation.

The most frequently reported situations were:

(1) Divorced or separated spouses.

(2) Father (or mother) deserted family.

(3) Illegitimate children whose fathers are alleged to be members or former members of the Armed Forces. (In this category alone about 5,000 cases were reported.)

(4) Service member is AWOL, deserted from the service, or is in confinement.

(5) Service member is overseas. Family in the United States is receiving only the monthly "family allotment" check. (Note: The "allotment" is actually an allowance for quarters. To qualify the serviceman must add $40 from his pay. In the cases cited, the service member obviously is not supplementing the "allotment" from his total monthly pay.)

The 12,589 cases reflected in the report represent less than eight-tenths of 1-percent of the total number of members of the Armed Forces with dependents. As of March 31, 1969, of the total active duty force of 3,438,533, the number with dependents was 1,594,442.

*Source: Department of Defense.

Compiled on January 15, 1970

DEPARTMENT OF DEFENSE
MILITARY FAMILIES RECEIVING PUBLIC ASSISTANCE
(Compiled from data provided by State and County Welfare Agencies.)

Pay Grade of Military Member	Number of Families Receiving Assistance (By Types of Assistance)[1]			Number of Families Receiving Assistance (By Size of Family)[2]			
	Monetary	Food Stamps	Other[3]	Family of Three or Less	Family of Four	Family of Five or More	Total
E-1	922	191	171	728	218	160	1,106
E-2	1,003	271	54	581	244	225	1,050
E-3	461	130	46	348	93	73	504
E-4	448	116	48	248	153	80	481
E-5	587	225	49	285	112	287	684
E-6	302	124	36	63	109	147	319
E-7/above	48	7	19	18	16	31	65
Unknown	8,067	166	81	621	7,604	155	8,380
Total	11,838	1,230	504	2,882	8,549	1,158	12,589[4]

Notes:
1/ A family may receive more than one of these benefits.
2/ Includes military member.
3/ Includes Medical Assistance, Aid to Dependent Children, Day Care Service, Surplus Commodities.
4/ Includes over 5,000 who are not legally military dependents.

Summary of Military Families by State
Who Are Receiving Public Assistance
(*Indicates that the State declined to participate in survey.)

State	No. of Families	State	No. of Families
Alabama	88	Ohio	*
Alaska	10	Oklahoma	184
Arizona	130	Oregon	*
Arkansas	0	Pennsylvania	*
California	7,500	Rhode Island	*
Colorado	91	South Carolina	0
Connecticut	*	South Dakota	23
Delaware	36	Tennessee	*
District of Columbia	6	Texas	43
Florida	111	Utah	*
Georgia	1,116	Vermont	*
Hawaii	75	Virginia	63
Idaho	58	Washington	*
Illinois	211	West Virginia	*
Indiana	133	Wisconsin	34
Iowa	*	Wyoming	25
Kansas	142		
Kentucky	207		
Louisiana	*		
Maine	*		
Maryland	0		
Massachusetts	200		
Michigan	122		
Minnesota	*		
Mississippi	21		
Missouri	*		
Montana	19		
Nebraska	66		
Nevada	0		
New Hampshire	1		
New Jersey	130 1/		
New Mexico	*		
New York	1,653		
North Carolina	54		
North Dakota	25		

1/ Does not include Cumberland, Monmouth and Passaic counties.

Enlisted Military Personnel with Dependents*

Pay Grade	Total	One Dependent	Two Dependents	Three Dependents	Four Dependents	Five Dependents	Six or more Dependents
Total - - - - -	1,271,185						
E-1	49,627	37,839	9,052	1,868	457	290	121
E-2	50,154	36,226	9,699	2,329	707	638	555
E-3	133,407	90,661	31,285	5,463	2,141	1,434	2,423
E-4	247,478	127,793	77,805	21,641	10,484	3,300	6,455
E-5	327,526	87,820	81,344	69,902	44,603	22,928	20,929
E-6	252,483	28,454	44,315	68,962	54,904	29,241	26,607
E-7 thru E-9	210,510	28,102	37,313	58,215	43,674	25,010	18,196

* Extracted from OASD(M&RA) Actuarial Consultant Table 1310, dated 21 November 1969, as of 31 March 1969.

Cash Pay and Allowances of Enlisted Military Personnel
with Dependents, and Net "Take Home" Pay
1969

Grade	PAY AND ALLOWANCES*		NET "TAKE HOME"**	
	Annual	Monthly	Annual	Monthly
E-1	3,174	264	3,081	257
E-2	3,318	277	3,219	268
E-3	3,825	319	3,701	308
E-4	4,779	398	4,609	384
E-5	5,877	490	5,496	458
E-6	7,245	604	6,604	550
E-7	8,420	702	7,542	629
E-8	9,690	808	8,573	714
E-9	11,171	931	9,826	819

* Includes basic pay, quarters allowance, and subsistence allowance (assuming 3 dependents). The basic pay is the average calculated by applying the 1969 pay scale to the 1970 force strength.

** Net after deduction of Federal income tax (without the 10% surtax), social security contribution at 4.8 percent, and the Servicemen's Group Life Insurance contribution of $24 annually. The Federal income tax has been calculated on the assumption of 3 dependents, joint return, and standard deduction.

COSTS OF ADMINISTRATION

Mr. FLOOD. Mr. Director, many people—and you know this—have challenged the OEO program on the ground that the administrative costs are too high. They say that the OEO program pays the salaries of thousands of Federal, State, and local employees but a relatively small proportion of OEO expenditures ultimately result in help to the poor. How many people are there whose salaries are paid in whole or in part by OEO? How many of those people are in the "poor" category?

Mr. RUMSFELD. We have that right here. It's in the justification book.

Mr. FLOOD. That is a question everybody will ask.

Mr. RUMSFELD. As far as administrative costs, it's my recollection that the statute indicates the administrative costs shall not exceed 15 percent. It's also my understanding that the average administrative cost is between 8 and 10 percent, which is far below the administrative requirement.

Mr. FLOOD. Have you any way of measuring your administrative costs and how they compare with other Federal agencies?

Mr. RUMSFELD. Yes. They are substantially below the statutory maximum. Do you have the comparison figures in the justification books?

Mr. PLISSNER. Yes.

MAXIMUM SALARIES

Mr. FLOOD. A lot of people have the idea you are paying outrageous salaries.

Mr. RUMSFELD. That is not correct. That fact of the matter is that we have ceilings on salaries.

Mr. FLOOD. I ask you, how do you compare with other Federal agencies?

Mr. RUMSFELD. I am going to give you that. There is a figure in the book which shows, for example, that relative to model cities directors, community action agency's directors, an average difference of $928 less. The salary of the CDA Director is higher than 55 percent of the cities sampled. The comparison that is made is not accurate.

Mr. FLOOD. But you are not paying fantastic salaries to people all over the country in your organization as compared to other agencies, are you? You are not doing that, are you?

Mr. RUMSFELD. No. There have been instances where it has happened.

Mr. FLOOD. I know that.

Mr. RUMSFELD. Let there be no doubt about it.

Mr. FLOOD. I know that.

Mr. RUMSFELD. But we do have maximum limits on salaries compared with other programs.

Mr. FLOOD. But such an indictment wouldn't stand?

Mr. RUMSFELD. No, sir.

Mr. CARLUCCI. Mr. Chairman, may I make a comment? Our maximum limitation on salaries for the executive directors for community action agencies is $15,000 a year and a waiver may be granted by OEO in unusual circumstances. For example, in New York City it's a $50

million agency, and you have computer operations and things that require a high degree of technical skill.

Mr. FLOOD. You understand what I am talking about.

Mr. CARLUCCI. Yes, sir.

Mr. FLOOD. Can you imagine these salaries being published in your hometown paper, the Hazelton Sentinel, and here are the salaries of these people and the local municipal employees, and so on. Do you see where you are?

Mr. CARLUCCI. There are presently 319 CAA employees who receive salaries in excess of $15,000. Of these, 249 have been certified as justified due to special circumstances. The majority of these waivers are for statutory reasons, to keep them consistent with the cities pay scales. There are remaining 70 cases presently under review.

Mrs. REID. Mr. Chairman, would you yield at this point?

There was an article in the New Haven, Conn., Journal Courier of May 6, 1970, which stated that the Director of Community Progress, Inc., which is funded by OEO, had tripled his salary in a period of 4 years. Are you aware of this situation?

Mr. RUMSFELD. What does that mean? Does that mean he started out unemployed and then went to work at a low-paying job apart from OEO or within OEO?

Mrs. REID. As the Director of Community Progress, Inc. They said that he had tripled his salary in that capacity in 4 years.

Mr. CARLUCCI. We will be glad to look into that, but that is not allowable under regulations. The maximum is 20 percent.

(Additional information follows:)

As indicated earlier the maximum limitation on salary for executive directors of community action agencies is $15,000 per year. These funds may be supplemented from other community sources.

Last year the salary of the Director of Community Progress, Inc., New Haven was proposed at $30,000. No funds were proposed from OEO sources. The program proposal for this year for Community Progress, Inc. again requests a $30,000 salary for the Director, $15,000 of which has been requested from OEO. OEO Regulations limit salary increases for new employees to 20 percent; similarly promotions within a single 12-month period are limited to 20 percent. Exemptions must be specifically justified and approved by the OEO Regional Office.

Mr. FLOOD. You understand, Director, that we hear about this continually from Members of Congress. I don't know whether they know what they are talking about or not, but these salaries apparently are published every once in a while in the local papers all over the country. They tear out the article and they come to me or other Members of the Congress and say, "Look at this. Here is a list of 25 employees with their salaries." They hit the roof. They say this is outrageous, these salaries are out of proportion with the local city hall employees or courthouse employees or United Funds Social Service employees, and that this is a real boondoggle. This is the WPA with lace curtains.

Mr. RUMSFELD. I am advised that less than 2 percent of the employees of Community Action program grantees and delegated agencies receive salaries of $10,000 or more. In a $384 million program, less than 2 percent of all of them are at $10,000 or more.

Mr. FLOOD. This is a crucial thing and if you think that should be developed further for the record, I would suggest you reexamine it.

Mr. RUMSFELD. Fine.

(The information follows:)

COMMUNITY ACTION Memo

Published as a supplement to the COMMUNITY ACTION PROGRAM GUIDE by the Office of Economic Opportunity

COMMUNITY ACTION PROGRAM • OFFICE OF ECONOMIC OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

MEMORANDUM NO. 23-A

DATE: August 26, 1966

SUBJECT: Personnel Policies and Procedures--Revised (Supersedes CA Memo No. 23)

Purpose of this Memorandum

This memorandum supersedes and replaces Community Action Memo No. 23 (dated March 3, 1966). It provides basic instructions to be followed with respect to personnel employed by grantee and delegate agencies in programs assisted by OEO under Sections 204 and 205 of Title II-A and under Section 311 of Title III-B of the Economic Opportunity Act. It supplements instructions already issued in the Community Action Program Guide (Volumes I and II) and in the supplementary Community Action Memo series, citations of which are appended to this memorandum.

This memorandum applies only to persons employed by grantee and delegate agencies as staff to develop and carry out community action programs. It does not apply to enrollees, trainees, or other beneficiaries of manpower development and training or similar programs.

Nature of the Revisions

The revisions contained in this memorandum are based in part on comments received by OEO from grantee and delegate agencies and from other interested persons. In particular, revisions have been made in the sections of the personnel policies and procedures dealing with standards for selection of personnel, persons ineligible for employment, and salary increases. A major thrust of these revisions is to remove requirements that might be interpreted as discouraging employment of the residents of the areas and members of the groups served by a community action program by grantee and delegate agencies. Other revisions provide greater opportunity for grantee and delegate agencies to request approval to substitute local civil service or other merit system requirements for the policies and procedures set forth in this memorandum.

The general organization of the memorandum has been revised to clarify which personnel policies and procedures apply to each grantee and delegate

agency, and the form of the required personnel plan has been modified. The provision calling for submission to OEO of biographies of grantee staff directors and their deputies has been amended to include other grantee personnel.

The effective date of the revisions contained in this memorandum is the date set forth in its heading, above.

Invitation for Comment to OEO

Comments are invited on the revised policies and procedures contained in this memorandum. Where a particular local situation or interpretation of the policies is involved, the question should be raised with the appropriate OEO Regional Office. General comments on the policies and procedures should be addressed to the Director, Community Action Program, OEO, Washington, D. C. 20506.

PART A. STANDARDS GOVERNING THE SELECTION OF PERSONNEL FOR EMPLOYMENT IN OEO-ASSISTED PROGRAMS.

Every consideration should be given to providing employment opportunities to poor persons who have been denied the benefit of formal education and who are willing to learn to perform new functions. Each grantee and delegate agency shall make certain that its recruiting procedures afford adequate opportunity for the hiring and advancement of people to be served by the community action program. The attainment of a high level of education may be important to performance in certain positions. However, formal educational qualifications, unless required by State or local law, shall not be made a requirement for employment or advancement in either professional or non-professional capacities if a candidate has the ability to perform the duties of the position.

Each grantee and delegate agency is expected to employ only persons who can perform their duties with competence and integrity. In the case of professional, fiscal, and managerial personnel, recent conviction of a serious crime shall be considered strong evidence of lack of fitness for the job. Before a grantee or delegate agency employs in any such capacity, a person who has been convicted of a serious crime, its governing body shall conduct an investigation in accordance with fair standards and procedures and, if it finds that the prior conviction does not disqualify the person for the proposed position, shall promptly provide a written statement of its reasons to the appropriate OEO Regional Office.

In the case of other positions, including clerical and non-professional jobs, criminal records by themselves shall not constitute a basis for disqualification for employment, but local agencies shall require full disclosure of any such record by an applicant, and shall exercise prudent judgment in relation to the positions to be filled. The local agency must be prepared, where appropriate, to offer (or to ensure that other qualified agencies offer) supporting services to help in the rehabilitation of an employee having a prior conviction record.

Membership in the Communist Party or in any other organization whose objectives include the overthrow of the Government of the United States by force and violence is inconsistent with employment in a community action program.

PART B. POLICIES GOVERNING COMPENSATION

1. Salaries and wages. Employees shall be paid at a rate no lower than the Federal minimum wage, except in Puerto Rico and in those territories and possessions of the United States that have been exempted from this requirement. Subject to this minimum, the salary for each position supported by OEO funds or provided as contribution to the non-Federal share shall accord with prevailing local practice for comparable positions in local public and/or private non-profit agencies.

2. Salary increases.

   Periodic increases. A grantee or delegate agency may provide for periodic (step) increases that accord with prevailing practice in comparable local public and/or private non-profit agencies.

   For new employees. Any starting salary over $5000 which involves an increase of more than 20 percent or $2500, whichever is smaller, over an individual's previous salary must be approved by the OEO Regional Office. Sympathetic consideration will be given to requests for such approval that are based on discriminatory wage and other employment practices affecting an employee's work history.

   Promotions or Job Change. A promotion of an employee or a change in his title or position which involves a salary increase of more than 20 percent or $2500, whichever is smaller, within a single twelve-month period must be approved by the OEO Regional Office, unless the employee's new annual salary, after the promotion or change, is $5000 or less.

3. Employee benefits.

Vacations. Vacation policies shall be established in accord with prevailing practice in comparable public and/or private non-profit agencies. Employees shall not be allowed to take vacation time earned as a result of previous employment with an organization other than the grantee or delegate agency.

Sick leave. Sick leave shall be established in accord with prevailing practice in comparable local public and/or private non-profit agencies.

Overtime. Employees receiving an annual salary of $7,000 or more shall not be paid for overtime work, but may be granted compensatory time off at the option of the grantee or delegate agency. All other employees may be compensated for overtime work in excess of eight hours per day in accord with prevailing practice in comparable local public and/or private nonprofit agencies. All overtime and compensatory time must be approved by appropriate officials of the grantee or delegate agency and recorded in the accounting records.

Employee benefit plans. A grantee or delegate agency may participate in existing benefit plans or establish new plans which accord with prevailing practice in comparable local and/or private nonprofit agencies.

4. Interview expenses. A grantee (but not a delegate agency) may pay travel and per diem expenses to a candidate for the position of staff director or deputy staff director. Such payments must accord with the policies set forth in Section I.2c and I.3 of the Community Action Program Guide (Volume II).

5. Moving costs. A grantee (but not a delegate agency) may apply to the OEO Regional Office for permission to pay the actual costs of moving household goods, up to a maximum of $1000, for a person who is hired to be staff director or deputy staff director and who resides outside the community.

6. Waiver of PART B. A grantee or delegate agency that applies the full provisions of a local civil service or other merit system to OEO supported employees may request from the OEO Regional Office a waiver of the requirements in PART B of this memorandum and permission to apply the local civil service or merit system policies.

A college or university that will apply its customary personnel policies and procedures to all personnel employed in connection with an OEO grant may request from the OEO Regional Office a waiver of the requirements in PART B.

Each request for waiver shall indicate the comparable local policies and procedures that will be followed in lieu of OEO requirements.

PART C. CONDITIONS GOVERNING EMPLOYMENT.

1. Discrimination prohibited. No grantee or delegate agency shall discriminate in its hiring and personnel procedures against any applicant for employment or any employee because of race, creed, color, national origin, sex, or age. A related prohibition against discrimination in employment is also stated as a general condition of all grants under Titles II-A and III-B of the Economic Opportunity Act.

2. Prohibition against partisan political activity. Employment in a community action program may not be offered as a consideration or reward for the support or defeat of any political party or candidate for public office, nor may any person, as an employee, engage in partisan political activity.

3. Prohibition against acceptance of gifts and gratuities. Employees of grantee and delegate agencies are prohibited from accepting gifts, money, and gratuities from persons receiving benefits or services under the community action program or performing services under contract or otherwise in a position to benefit from an employee action.

4. Rules Governing Conflict of Interest and Nepotism. The following rules shall be observed with respect to persons whose employment is supported by OEO funds or by contribution to the non-Federal share:

   a. No person shall hold a job while he or a member of his immediate family serves on a board or committee of a grantee or delegate agency if that board or committee has authority to order personnel actions affecting his job.

   b. No person shall hold a job over which a member of his immediate family exercises supervisory authority.

c. No person shall hold a job while either he or a member of his immediate family serves on a board or committee which, either by rule or by practice, regularly nominates, recommends, or screens candidates for the agency or program by which he is employed. For purposes of this PART, a member of an immediate family shall include any of the following persons:

Husband	Wife
Father	Father-in-law
Mother	Mother-in-law
Brother	Brother-in-law
Sister	Sister-in-law
Son	Son-in-law
Daughter	Daughter-in-law

Grantee and delegate agencies not in compliance with these rules on the effective date of this memorandum may apply to the appropriate OEO Regional Office for a temporary waiver of the rule and permission to phase compliance over a period of time. Such a request shall include a plan for accomplishing the required compliance and a deadline for its completion.

5. Employee grievances. Employee grievances shall be given prompt and fair consideration. Grantee and delegate agencies shall make provision for review of personnel actions by the governing body or a committee appointed by the governing body in any case in which there is a claim of unfair treatment or of dismissal without cause.

PART D. REQUIRED DOCUMENTS AND RECORDS.

1. Publication of Personnel Policies. To provide for the consistent and equitable treatment of employees supported by OEO funds or by contributions to the non-Federal share and to insure that all such employees fully understand the terms and conditions of their employment, each grantee and delegate agency shall make available to its staff and to applicants for employment the following items of information. A copy of the information shall also be submitted to the appropriate OEO Regional Office.

a. A listing of each position or group of positions within the agency included as part of the total program cost (that is, supported by OEO funds or provided as contribution to the non-Federal share). In those cases where the responsibilties of a particular position are not clear from its title a general description shall be included. The listing shall also describe any special skills which may be required for a position (for example, a certain minimum typing speed or familiarity with another language).

b. A salary schedule listing the salary or salary range for each position or group of positions.

c. Agency rules governing vacations, sick leave, periodic increases, and other conditions of employment.

d. A description of any benefit plans which cover employees supported by OEO funds or by contributions to the non-Federal share, with details on agency and employee contributions to those plans.

e. Agency rules governing promotion, separation, resolution of grievances, and regulation of employee conduct.

NOTE: The above requirement applies to all grantee and delegate agencies including those for whom PART B has been waived.

Timetable. New grantee and delegate agencies shall publish this information and submit a copy to the OEO Regional Office within 120 days of the date of initial grant approval. Existing grantees shall publish this information and submit a copy to the OEO Regional Office no later than November 31, 1966. The agency is responsible for keeping the information current. It shall publish revisions and additions whenever necessary, furnishing a copy of such changes to the OEO Regional Office.

Where a grantee or delegate agency has already submitted the information required above to the OEO Regional Office in connection with the requirement for a personnel plan contained in CA Memo 23, it need not be resubmitted. The agency must, however, comply with the publication requirements of this section.

2. Maintenance of personnel records. Grantee and delegate agencies shall keep the following records for all employees supported by OEO funds or by contributions to the non-Federal share:

a. Personnel Actions. Appropriate records on all personnel actions including hiring, discharge, promotion, and discipline.

b. Salaries. Records on the salary received by each full-time employee in the position held immediately prior to employment with the grantee or delegate agency.

c. Time and attendance. Appropriate attendance records for all full-time and part-time employees.

PART E. SUBMISSION OF BIOGRAPHICAL INFORMATION ON PRINCIPAL PERSONNEL

1. Submission of Biography of Principal Personnel of Grantees. Each grantee shall submit to OEO biographical information for any individual selected or promoted to fill any of the following positions:

Staff director
Deputy staff director
Principal fiscal officer
Principal personnel officer

The following biographical information shall be included:

a. Name, title, address, place and date of birth, and citizenship.

b. Professional experience: briefly describe the principal positions held, with title, name of employer, and salaries received.

c. Educational experience: list all post-secondary educational institutions attended, and all degrees and honors received.

d. Affiliations: list all organizations (except religious organizations) of which the person has been a member during the previous 10 years, including a statement of any offices held in such organizations.

e. State whether or not the person has ever been charged by any law enforcement authority with the commission of a crime and, if so, the nature of the charge and its disposition.

Timetable. The biographical information shall be submitted to OEO within 7 days after appointment of a candidate to fill any of the positions described above. Where the person is already employed by the grantee at the time of application to OEO for financial assistance, the biographical information shall be submitted with the application.

2. Submission of Biography for Existing Employees. Biographical information, as described above, shall be submitted to the appropriate OEO Regional Office by each grantee for all personnel

currently employed in the positions designated in Section 1 above.

Timetable. Biographical information for existing employees shall be submitted to OEO within 45 days of the date of this memorandum. Where such information has previously been submitted to the Regional Office, it need not be resubmitted.

Theodore M. Berry
Director
Community Action Program

Appendix: Bibliography of OEO Instructions on Personnel Matters

CAP Guide, Vol. I, February, 1965.	Instructions for Applicants.
Part B, Section 8, p.18:	Selection of Personnel
Item 6.3.4, p.18:	Biographical Data on Staff Director
Item 7.B1.1, p.51:	Personnel Employed by the Applicant Agency
Item 7.B1.2, p.51:	Personnel Employed by Delegate Agency(ies)
General Condition 5,p.56:	Allowable travel expenditures
General Condition 19,p.58:	Labor standards
General Condition 22,p.58:	Discrimination in Employment Prohibited
General Condition 23,p.58:	Political Activity
General Condition 25,p.59:	Information on Staff Director
CAP Guide, Vol. II, June 1965.	Financial Instructions.
Part I, Section 2a,p.17:	Accounting for Personnel
Part I, Section 2c,p.17:	Allowable Travel Expenditures
Part I, Section 3b,p.19:	Allowable changes in the Approved Personnel Budget

Community Action Memo No. 1, April 1, 1965 How the New CAP Guide applies to previously approved CAP grants

Community Action Memo No. 4, June 30, 1965 Requirement for Salary Information

Community Action Memo No. 23, March 3, 1966 Personnel Policies and Procedures

COMMUNITY ACTION Memo

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COMMUNITY ACTION PROGRAM • OFFICE OF ECONOMIC OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

MEMORANDUM NO. 23–B

DATE: March 28, 1967

SUBJECT: Personnel Policies and Procedures—Additional (Supplements CA Memorandum No. 23–A)

Purpose of This Memorandum

This memorandum supplements *Community Action Memo No. 23–A* in order to implement Section 610–1 of the amended Economic Opportunity Act. This section sets forth new legislative requirements regarding (a) wage comparability; (b) reporting salaries of $10.000 or more; and (c) increases in compensation for new employees. It applies to all grants under Title II–A. In addition, although the statutory language does not specifically apply to Title III, OEO will require grantees or delegate agencies operating under Title III–B to comply with the same requirements.

PART A. WAGE COMPARABILITY

1. **Legislation.**

   a. *Section 610–1(a).* This section provides that: The Director shall take such actions as may be necessary to assure that persons employed in carrying out programs financed under part A of Title I or part A of Title II (except a person compensated as provided in section 602) shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to persons providing substantially comparable services, or in excess of the average rate of compensation paid to persons providing substantially comparable services in the area of a person's immediately preceding employment, whichever is higher or (2) less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938.

   b. *General Purpose.* The chief purpose of this provision is to assure that grantee salaries and wages are, in all cases, equitably established and comparable to the local community wage structure and economic circumstances.

   c. *Minimum Wage Requirement.* All OEO grantees and delegate agencies are required to pay employees at least the minimum wage regardless of local wage conditions. Puerto Rico and U. S. Territories are excepted from this requirement because of significantly lower wage and economic conditions.

   d. *Comparability Exceptions.* In some instances, an employee may be paid a salary which is higher than the local comparable wage. Certain employees may be paid at the average rate of compensation for persons providing substantially comparable services in the area of the employee's immediately preceding employment. This applies to employees who have been previously employed in a higher wage area than that of the grantee. The purpose of this provision is to make it possible for grantees in low wage areas to employ competent employees from higher wage areas. Grantees should exercise caution in using this standard as a basis for establishing salary comparability. If the employee involved leaves the employ of the grantee or delegate agency, the salary for that position or class of positions will have to be determined anew. Also, excessive use of this basis for determining comparability can result in serious inequities in the overall salary structure.

2. **Coverage.**

   a. *OEO Supported Positions.* Section 610–1(a) applies to all employees whose salaries are supported by OEO funds or whose salaries are counted as contribution to the non-federal share under Title II–A and Title III–B. That portion of an individual's salary which is not paid from grant funds or contributed as local share is not governed by the standard for wage comparability. Part-time employees are also covered by the comparability requirement.

   b. *Exceptions.* Experts and consultants who are independent contractors or who work for independent firms and who perform services on an intermittent or occasional basis are not covered by the comparability requirement.

3. **Responsibilities.**

   a. *Grantees.*

      (1) Determine wage and salary comparability in accordance with the requirements of this memorandum.

      (2) Prepare and sign comparability certifications for inclusion in applications for funding or refunding.

      (3) Maintain documentation of methods used to determine wage and salary comparability.

      (4) Assure that delegate agencies establish wage comparability systems and standards according to the guidelines in this memorandum.

   b. *State Technical Assistance Agencies.*

      (1) Provide general assistance to grantees on wage comparability determinations as requested.

      (2) Assist grantees in obtaining State data relevant to determining salary and wage comparability.

   c. *OEO Regional Offices.* Provide assistance as needed to grantees in carrying out the provisions of this memorandum.

4. **Established Civil Service/Merit Systems.**

   Some grantees or delegate agencies are part of long-established public or private agencies which apply a civil service or other merit system to OEO-supported employees. In these instances, all positions covered under such civil service or merit systems will be deemed comparable and no extensive organizational reviews, position analyses, or comparability determinations will be necessary—provided that these employees are filling positions or types of positions in existence before the agency or institution received an OEO grant and that the salary scale has not been changed as a result of the OEO grant.

   EXAMPLE: The Board of Education of Community "A" is a delegate agency for a remedial reading and tutorial program conducted in community school centers. The Board pays its remedial reading instructors in the public schools $5,500 per year; that rate will be accepted for remedial reading instructors in its community action program.

5. **Comparability Determination Procedures.**

   The following are suggested means for undertaking wage comparability determinations. Methods for establishing wage comparability will vary among grantee and delegate agencies, although every grantee and delegate agency should already be utilizing a rational system for determining appropriate salaries and wages.

   a. *Organizational Review.* Review organization plan and job descriptions to insure currency and direct relationship to missions and functions. Position descriptions should accurately portray the nature of jobs and the various positions should be clearly related to each other in a rational pattern. In other words, a review of the total personnel structure is a necessary first step in conducting wage surveys or position analyses. Larger agencies may already be utilizing a well-established job classification system.

   b. *"Bench-Mark" Job Identifications.* Identify "bench mark" jobs at several levels in the organization for which local comparability can be determined and in relationship to which compensation for other jobs may be set. Obviously, the salary of the Director will generally be a bench mark position in setting salary scales for lower level positions. Grantees are cautioned, however, not to use the Director's position or any other position as a bench mark if the incumbent's salary is not related to local wages, but rather to the area of his immediately preceding employment. At the low end employees to be compensated at the minimum wage rate will also be bench mark positions.

   c. *Local Source Data.* In most communities, several local sources are available for consultation in determining comparability.

      (1) *Published Wage Surveys.* A list of suggested sources of information on wage

rates, including wage survey reports published by the Bureau of Labor Statistics (BLS), is attached (Attachment A). The BLS survey reports will be particularly valuable in establishing wages for office, maintenance and custodial jobs and should be a prime source for information on these jobs in the 85 major metropolitan areas for which such material is available. The Bureau of Labor Statistics has agreed to furnish wage survey reports to OEO Regional Offices and State Technical Assistance Agencies on a continuing basis. Grantees should contact the appropriate State Technical Assistance Agency for assistance in obtaining information on wage survey reports prepared by the Bureau of Labor Statistics and other organizations. When published sources of salary data are used, the grantee should remember that the precise salary figure may not be an exact guide to the salary which should be paid, since adjustment may be needed because of the experience and expertise of the particular employee. A salary survey generally presents an average rate or range for a number of employees occupying a position; thus the entry rate for that position should generally be set lower, and the rate for an employee with long experience and considerable expertise may be higher.

(2) *Local State Employment Offices.* Local offices of the State Employment Service may have unpublished information on local wage scales.

(3) *Local Government.* Local city or county governments will have data on local public pay scales and may know of local wage surveys not obtainable elsewhere. In most instances, local public pay scales should be used as the standard for rates for teachers.

(4) *Other Local Agencies.* Other local agencies may employ persons in substantially comparable jobs. The grantee may wish to make an informal check with a few agencies which employ persons in positions comparable to those of the grantee. The grantee or delegate agency should not use this source, however, with respect to jobs on which information from the above sources is available or with respect to job categories in which persons are employed by many agencies.

d. *State Government Data.* If local data for some positions is not available from any of the above sources or if the only comparable jobs are in the State government, the grantee should look to Statewide sources. Some State Employment offices will have wage analysts, and State governments through their personnel departments will usually be able to provide the salary schedules for State employees. Statewide data from the list of sources in Attachment A may be helpful. Grantees are advised to ask their State Technical Assistance Agency for help in obtaining State-wide information.

e. *National Data.* If the grantee can discover neither local nor State data on a certain position or group of positions after exhausting the above sources, or if persons are required with such unusual skills that the labor area for the skill is nationwide, the grantee may then check national data to verify that the salary planned for that position is reasonable. However, any rate based on national comparability should be adjusted to relate to a bench mark position for which local comparability has been established, and this may require an adjustment in accordance with the local cost of living.

f. *Fringe Benefit Consideration.* Adjustments may be indicated if employees in comparable positions are paid fringe benefits which significantly exceed the benefits payable to grantee employees, or if the reverse is true. OEO recognizes, however, that information about fringe benefits paid to employees in comparable jobs may not be readily available and in such cases will not require that a detailed comparison be made. If the information is obtainable it should be considered when establishing comparability.

6. **Comparability Implementation Procedures.**

a. *Effective Date.* Grantees should start taking steps to achieve compliance with this memorandum as soon as it is received. After April 30, 1967, all applications for funding or refunding must include, in addition to the specific information required on the director's salary, a wage comparability certification.

b. *Comparability Certifications.* Grantees are to briefly certify that:

(1) The grantee followed the procedures outlined in this memorandum to review

its salary structure and establish comparability for all its positions.

(2) Documentation of the methods by which the grantee established comparability is available in the grantees files for review by audit and inspection personnel and personnel of the General Accounting Office.

c. *Submission Requirements.* A comparability certification must be submitted with every application involving new funds for salaries and wages. This certification should be attached to CAP Form 23 for each component. Grantees whose program year ends at such a time that the grantee will not be applying for refunding before June 30, 1967, must review its salary schedule and submit a comparability certification on or before July 1, 1967, stating that comparability was verified for each component.

d. *Salary Adjustments.* Any grantee which discovers a position for which the salary being paid is higher than the comparable rate must either pay the excess out of funds not obtained from the grant and not contributed as local share, or reduce the rate of salary paid at the time of next refunding or by August 1967, whichever is sooner.

e. *Grantee Documentation.* Grantee files should contain the following documentation:

(1) The procedure used to review the organization plan and position descriptions.

(2) An explanation of how "bench mark" positions were identified.

(3) An explanation of any procedures used to obtain State, local, or National data on non-bench mark positions and the way in which such positions are related to the bench mark positions.

(4) Copies of any certifications or back-up information—e.g. a statement by a local survey facility that certain positions are comparable to positions in the area, etc.

PART B. REPORTING SALARIES OF $10,000 OR MORE

1. **Legislation.**

Section 610–1(b) provides: Not later than sixty days after the close of the fiscal year 1967 and each fiscal year thereafter the Director shall prepare and submit to the President for submission to the Congress a list of the names of all officers or employees whose compensations is subject to the limitations set forth in subsection (a) of this section and who were receiving at the end of such fiscal year a salary of $10,000 or more per year, together with the amount of compensation paid to each such person and the amount of such compensation paid from funds advanced or granted pursuant to this act. No grant, contract or agreement shall be made under any of the provisions of this Act referred to in subsection (a) of this section which does not contain adequate provisions to assure the furnishing of information required by the preceding sentence.

2. **Procedures.**

In order to enable the Director to submit the required report to Congress within 60 days after the close of the fiscal year, it will be necessary for each grantee to submit not later than July 15 of each year, beginning July 15, 1967, a list of all employees who were earning at the rate of $10,000 or more on the prior June 30th. This list is to state both names and job titles. The information submitted must include the total amount of compensation paid to each such person and the amount paid from funds advanced or granted by the Office of Economic Opportunity. This information shall be sent to the appropriate Regional Office.

PART C. INCREASES IN COMPENSATION FOR NEW EMPLOYEES

1. **Legislation.**

Section 610–1(c) provides: No person whose compensation exceeds $6,000 per annum and is paid pursuant to any grant, contract, or agreement authorized under part of A Title I or part A of Title II (except a person compensated as provided in Section 602) shall be employed at a rate of compensation which exceeds by more than 20 percent the salary which he was receiving in his immediately preceding employment, but the Director may grant exceptions for specific cases. In determining salary in preceding employment for one regularly employed for a period of less than 12 months per year, the salary shall be adjusted to an annual basis.

2. **Policy.**

The language of this provision is very similar to that contained in *Community Action Memo No. 23–A*. Although the statute specifies OEO approval with respect to employees compensated at $6,000 or more, OEO is continuing to require OEO approval for employees compensated at $5,000 or more, as stated in *Community Action Memo No. 23–A*. Specifically, OEO Regional Office approval is required when a starting salary is $5,000 or more and it involves

an increase of more than 20 percent or $2,500, whichever is smaller, over an individual's immediately preceding salary. Approval will be granted only if there is substantial evidence that the increase would not make the employee's compensation exceed the appropriate wage determined in accordance with the comparability standard.

3. Procedure.

In order to facilitate the enforcement of this provision, the record required by *Community Action Memo No. 23–A* of the salary received by each full-time employee in the position he held immediately prior to employment with the grantee or delegate agency should henceforth include a notation to show how and by whom the information was verified, and the amount of the employee's salary when first hired by the grantee or delegate agency. Such a record must be kept for all full-time employees hired after March 31, 1967, and supported by OEO funds or by contributions to the non-federal share. The record should be available for audit and inspection and should accompany the employee's application or personnel folder.

THEODORE M. BERRY
Director
Community Action Program

Attachments:

A—BLS Survey Reports and Other Sources of Salaries for Selected Occupational Groups

B—Regional Offices of the Bureau of Labor Statistics

ATTACHMENT A

BLS Survey Reports and Other Sources of Salaries for Selected Occupational Groups

Types of Occupations	*Major Sources of Data*
Clerical occupations	Bureau of Labor Statistics: *Wages and Related Benefits, (Part I: 80 Metropolitan Areas,* 1963-64, and 1964-65).
Trade and labor occupations	Bureau of Labor Statistics: Same reports as listed above for clerical occupations. Contact the nearest Department of Defense installations for areas not covered by the above BLS survey reports.
Administrative occupations	BLS *National Survey of Professional, Administrative, Technical, and Clerical Pay, February-March 1966* (Bulletin No. 1535). BLS—*Salaries for Selected Occupations in Services for the Blind, January 1966* (Bulletin No. 1500). State, municipal, and county governments Salary surveys of occupations in local governments by various State universities. HEW, Division of State Merit Systems, *State Salary Ranges, July 1966.* Includes State salary ranges for administrative positions in grant-in-aid programs.
Accountant, auditor, attorney, buyer, and manager, offices services	BLS: *National Survey of Professional, Administrative, Technical, and Clerical Pay, February-March 1966* (Bulletin No. 1535). State, municipal, and county governments.
Hospital, health, medical occupations	BLS—Hospital Survey, July 1966 (Nationwide survey of selected occupations, separate data for 21 areas). BLS—*Survey of Nursing Homes and Related Facilities, April 1965* (Bulletin No. 1492) (Nationwide survey of selected occupations, with separate data by region and selected areas).

Types of Occupations	Major Sources of Data
	State, municipal, and county governments.
	Local private hospitals, nonprofit agencies, and professional associations or unions.
	Salary survey of occupations in local governments by various State universities.
	HEW, Division of State Merit Systems, *State Salary Ranges, July 1966.* Includes State salary ranges of medical and health positions in grant-in-aid programs.
Social service occupations	Municipal or county governments.
	BLS—*Salaries for Selected Occupations in Service for the Blind, January 1966* (Bulletin No. 1500).
	State, municipal, and county governments.
	Local nonprofit agencies, and professional associations or unions.
	Salary surveys of occupations in local governments by various State universities.
	HEW, Division of State Merit Systems, *State Salary Ranges, July 1966.* Includes State salary ranges for social welfare positions in grant-in-aid programs.
Recreation occupations	Municipal, or county governments, and local chapters of the National Recreation Association.

ATTACHMENT B

Regional Offices of the Bureau of Labor Statistics

Region I—New England
(Me., Vt., N. H., Mass., R. I., Conn.)
John F. Kennedy Federal Building
Government Center, Room 1603-A
Boston, Massachusetts 02203
TEL.: 223-6762

Region II—Middle Atlantic
(N. Y., Pa., N. J., Del., Md., D. C.)
341 Ninth Avenue
New York, New York 10001
TEL.: 971-5405

Region III—Southern
(Va., Okla., Tex., Ark., La., Tenn., Miss., Ala., Ga., N. C., S. C., Fla.)
1371 Peachtree Street, N. E.
Atlanta, Georgia 30309
TEL.: 526-5418

Region IV—North Central
(N. Dak., S. Dak., Nebr., Kans., Minn., Iowa, Mo., Wis., Ill., Ind.
219 South Dearborn Street
Chicago, Illinois 60604
TEL.: 353-7320

Region V—Western
(Wash., Ore., Idaho, Mont., Wyo., Calif., Nev., Utah, Colo., Ariz., N. Mex., Hawaii, Alaska)
450 Golden Gate Avenue
Box 36017
San Francisco, California 94012
TEL.: 556-4678

Region VI—East Central
(Mich., Ohio, Ky., W. Va.)
1365 Ontario Street
Cleveland, Ohio 44114
TEL.: 241-7900

ADDITIONAL POSITIONS

Mr. FLOOD. You are asking 2,502 jobs for 1971. That is an increase of 115. Will you tell us briefly why you think you need these additional jobs?

For the record, give us a series of paragraphs describing how these additional jobs will be used.

(The information follows:)

Increased positions fiscal year 1971

Headquarters:	
Program development	27
Health affairs	13
Legal services	3
Total	43
Regions:	
Operations	46
Health affairs	10
Legal services	16
Total	72
Grand total	115

HEALTH AFFAIRS

Headquarters, 13: 10 professionals, three clericals.

Ten medical officers to—(1) Meet the requirements of a greatly expanded comprehensive health services program and—(2) to assist in the development of community-based approaches to rehabilitation of drug addicts.

Regions, 10: 10 professionals, no clericals.

Ten medical officers for the expansion of the Agency's family planning assistance and information dissemination capabilities. Also to assist community-based alcoholism projects operated through CAA's and NHC's.

LEGAL SERVICES

Headquarters, three: three professionals, no clericals.

Planning Technical Assistance and Evaluation Division—3—(Two attorneys and one program analyst to improve our ability to deliver quality legal assistance to the poor through training, technical assistance and standardized evaluation.

Regions, 16: 13 professionals, three clericals.

BREAKDOWN BY REGION

Region	Attorneys	Clericals	Analyst
Boston	1		
New York City	1	1	1
Philadelphia			
Atlanta			1
Chicago	2	1	1
Dallas	1		
Kansas City			1
Denver			1
San Francisco	2	1	1
Seattle			
Total	7	3	6

To strengthen our ability to deliver quality legal services to the poor as well as to provide us with a monitoring and evaluation capability over the many local legal services programs.

PROGRAM DEVELOPMENT

Headquarters 27—Office of program development, 13: 10 professionals, three clerical.

Subbreak: Plans and Evaluation Division—3—All professionals (planning specialists and/or social scientists) Economic Development Division—5—(Two economists and two business analysts, plus one clerical.) Human Resources Division—2—(One manpower specialist and one clerical.) Community Development Division—3—(Two community development specialists and one clerical.)

Office of Special Programs, five: 4 Professionals, one clerical.

(One agency specialist, one rural specialist, two writers—to work on the volunteerism program and one clerical.)

Plans, research, and evaluation, nine: 7 professionals, two clericals.

Research Division—(Seven economists, economists, sociologists, psychologists and two clerical to conduct basic research on all phases of the poverty problem.)

OPERATIONS

Regions: 46—General assignments.

The bulk of the 46 positions in the operations area scheduled for regional office assignment are necessary to establish the capability to evaluate programs at the local level. The ability to execute onsite evaluations of local community action programs is an integral part of the new emphasis being placed on research and evaluation by the Office of Economic Opportunity.

FILLED POSITIONS

Mr. FLOOD. Of 2,387 positions which were authorized for 1970, how many were actually filled as of April 30, 1970? You tell us about your needs and you say you must do this, and so on. How many were actually filled in April 1970? You may be surprised yourself.

Mr. RUMSFELD. Sir, I keep fairly close track of it. We have consciously kept some vacancies because of the problem I described earlier—of earmarking. We don't know yet, with the fiscal year starting in a month, in what areas the funds are going to be. It makes a great deal of difference whether someone is hired to put the family planning in place or food programs as opposed to manpower or something else.

Mr. FLOOD. That may have merit, but we would like to have it supplied for the record.

Mr. RUMSFELD. We will do that.

Mr. CASSIDY. On May 18 there were 2,138 positions.

HEADQUARTERS VERSUS FIELD

Mr. FLOOD. How many of those positions, Director, are Washington and how many are in the field?

Mr. CASSIDY. 1,093 are in Washington, 1,045 are in the field.

DUPLICATION OF EFFORTS

Mr. FLOOD. We are now completing 3 months of hearings, in which we have gone through the budgets of the Departments of Labor, and

Health, Education, and Welfare item by item. We find that OEO and HEW are both studying and doing many of the same things. I am going to list some examples of what we think we have found. Then for the record will you, at some pain, reexamine each one of these programs or projects that we have already heard about here from HEW people sitting in the same chair you are sitting in, who pleaded for exactly the same things and have asked for money to fund them?

I suppose this would all come under the head of what we talked about earlier, of duplication. I will read them for you now and then be sure you don't do this casually.

Mr. RUMSFELD. Mr. Chairman, Dr. Wilson's office is involved in probably each one of those that you are going to list. I believe he has been in contact and very close work with each one, so we know we are operating in different areas.

Mr. FLOOD. I will read them for the record and the blood be upon your own head: Family planning, day care, alcoholism, narcotic addiction, nutrition, early childhood development, education of the disadvantaged, delivery of health services to the poor, income maintenance experiments. There is a long litany of many others.

Mr. RUMSFELD. Could I comment here? I think it's very important.

Mr. FLOOD. So do I.

Mr. RUMSFELD. You have just described the Office of Economic Opportunity.

Mr. FLOOD. I know that.

OEO ROLE DISTINCTION

Mr. RUMSFELD. There is nothing that we are involved in where there is not a different Federal department that has the principal jurisdiction for that activity. That is, in fact, why the Office of Economic Opportunity was created, because there was a decision made in the Congress that the basic departments that had jurisdiction over those program areas—whether it was manpower or health or education—were not in fact functioning in a way that was responsive to a certain segment of the society.

So this agency was created, not to duplicate but to attempt to develop programs that would, in fact, affect educating the poor. And Headstart was created. In health, family planning for the poor was created, so with each area we are involved in, there is a Federal department that is also involved in that activity but not in the way that this agency is.

Mr. FLOOD. That merely begs the question. The people who make these inquiries say, "If what you say is true, why don't the proper congressional committees insist that the people who are supposed to do these things do them properly instead of giving birth to OEO?"

Mr. RUMSFELD. That, I would submit, is a question that has been answered. That was attempted, apparently, and the Congress in its

wisdom made an agreement that the way to get those departments to function in a way that would be responsive to more people in the country was, in fact, to create OEO. That is why they have given delegations of power to it. The theory was that HEW could have created Headstart, the State local education authorities could have. They didn't. OEO did. It developed it. It operated it. It delegated it. Now HEW is running that program. It's operating exactly on the design that was developed.

The county health department could serve poor women with family planning services. Frankly, they haven't done as good a job in that as they could. One way to get them to do it is to develop family planning projects that do reach poor people, and at some point way down the road, when you are reaching the universal need, move those over to the county health department to operate.

The thing is working the way it's supposed to work.

Mr. FLOOD. You understand, we have asked this question before. We asked you when you were here before.

Mr. RUMSFELD. Yes.

Mr. FLOOD. We are asking it now and we will ask it again and again and again. A lot of people will ask us this question. You cannot just brush this off by saying OEO concentrates their efforts on the poor, because we had an array of witnesses here from HEW who insist that their purpose is to concentrate upon the disadvantaged. They use the word "disadvantaged" rather than "poor."

Mr. RUMSFELD. The reason they do is because the Congress passed a statute in education, for example, title 1 of ESEA which required that HEW provide money on the basis of the number of people who were disadvantaged in a given State. They are in fact doing that.

(The information follows:)

Day Care

The Office of Economic Opportunity Day Care program is a research program and does not duplicate day care activities of other Federal agencies. The OEO day care research program is designed to produce information relevant to the establishment of Federal day care policy and to guide the development of models that will point the way to good day care practice--particularly with a view to the expansion of Federally funded day care that is involved in the Family Assistance Plan. The principal day care activities of other agencies are operational in nature--particularly day care provided under the AFDC program, The Work Incentive (WIN) program, Concentrated Employment Program Day Care and day care programs provided under the Model Cities program. The Office of Child Development in HEW also conducts day care research programs--their total program will amount to $750 thousand in 1971. The OEO day care research program, which will total $20 million in 1971, is carefully coordinated with them.

Early Childhood Development

The principal early childhood development programs funded under the Economic Opportunity Act are Head Start, Follow Through, Parent and Child Centers and the previously mentioned day care research and development program. These programs are not duplicative of other Federal agency early childhood development programs.

a) Head Start is currently serving about 30% of the total number of poor children who need pre-school experiences, exclusive of those served by other Federal, State and local programs. The other major Federally

funded pre-school programs are conducted under the Elementary and Secondary Education Act. Head Start programs are not operated in neighborhoods served by ESEA pre-school programs.

b) Follow Through is a unique experimental program for children in kindergarten through grade three. It does not duplicate other Federal programs for early primary grade children which are primarily operational in nature.

c) Parent and Child Centers are a unique approach to enhancing the development of 0-3 year old children by working through parents. It does not duplicate other Federal programs for this age group.

Education of The Disadvantaged

The major Economic Opportunity Act programs concerned with education for the disadvantaged are in the early childhood and early primary grade area (Head Start, Parent and Child Centers, Day Care Research and Development, Follow Through) and are not duplicative of other Federally funded programs. Other education programs previously funded under the EOA, Upward Bound and Adult Basic Education, have been transferred to other agencies and are funded by them. The Office of Economic Opportunity is also undertaking adult education experimental activities. This effort is being conducted in connection with manpower development activities and is not duplicative of other agencies' programs.

Family Planning

The OEO Family Planning Program does not duplicate other Federal program and is unique in several ways:

(1) The nationwide network of Community Action Agencies is a proven mechanism for the effective development of local family planning services, involving broad community participation and support.

(2) OEO's experience in the implementation of outreach services adds a feature vital to the achievement of more extensive participation by poor persons.

(3) OEO-supported projects have won an unusually high degree of acceptability, because of the active participation of consumers in planning and operations and their special sensitivity to the conditions and problems of the poor.

(4) A significant portion of the OEO family planning program is directed to experimenting with and developing better methods of delivering family planning services.

In his Message to Congress on Population and Family Planning in July, 1969, President Nixon directed the Office of Economic Opportunity to further extend its family planning program to help achieve ~~our~~ our national goal of providing "adequate family planning services within the next five years to all those who want them but cannot afford them".

Delivery of Comprehensive Health Services to the Poor

The OEO's Comprehensive Health Services Program is unique among Federal efforts in that it is entirely focused on the development and demonstration of quality health services designed to meet the needs of low-income families. The program undertakes a variety of approaches to its goal, involving many different health and community groups in these new efforts. This program concentrated on the establishment of Neighborhood Health Centers in recent years. It is now undertaking new efforts concentrating on community-wide services, restructured hospital outpatient departments, rural projects and expanded group practices to better serve the poor.

The Office of Economic Opportunity effort has been closely coordinated with related programs of the Department of Health, Education and Welfare and other Federal agencies. Arrangements have been made for Medicaid and Medicare reimbursements. Joint projects with Children and Youth grants, Partnership for Health and Regional Medical Program projects and National Center for Health Services Research and Development research endeavors have been undertaken. Also cooperative projects with the Department of Housing and Urban Development, the Department of Commerce and the Department of Labor have been developed.

The Comprehensive Health Services Program has provided leadership and flexibility in initiating and testing a variety of new approaches. It is based on a broad legislative mandate to relate health services to other individual and community needs and has been focused on seeking better ways of achieving its vital objective.

NUTRITION SERVICES

OEO's Emergency Food and Medical Services Program is designed to facilitate the local operation of existing food programs to better meet the needs of the poor. Local projects emphasize the improved use of all available resources to overcome identified obstacles to the elimination of hunger and malnutrition.

Most funds are used to achieve maximum benefits from existing programs of the USDA. Outreach, transportation, education, improved certification methods and decentralization of facilities are examples of services supported with EFMS funds. Many local community action agencies have demonstrated outstanding leadership and ingenuity in identifying and organizing effective approaches to local situations.

The EFMS effort is planned and administered in close cooperation with USDA and HEW efforts. Continuing coordination is assured so that these efforts supplement and support each other.

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Narcotics and Addiction

The Office of Economic Opportunity Drug Rehabilitation Program does not duplicate other Federal efforts and is focused on the following key areas:

(1) Experimental programs concerned with high priority problem areas, e.g., adolescent programs and integrated employment-rehabilitation programs.

(2) Development of programs that improve patterns of delivery of service, especially programs that involve new resources and relationships (supplementing the community Mental Health Center model).

(3) Development of innovative service programs operated by community groups which are not eligible for support from other sources.

(4) Support of regional programs which do not fit into the service area restrictions of other agencies (especially National Institute of Mental Health and Housing and Urban Development), especially programs which can develop region-wide resources that individual programs could not themselves develop.

(5) Broader experimentation with new types of staff (such as ex-addicts) to provide clinical services to clients.

(6) Development of programs for small town and rural areas which can test models for wider implementation by other agencies, including state and local resources.

(7) Experimentation with new patterns of integrating services, especially the range of anti-poverty services, by developing creative relationships between rehabilitation programs and other OEO programs.

(8) Strengthening activities of community organizations which are particularly relevant to effective community-based rehabilitation programming.

(9) Extension of data and knowledge concerning specific problems of low-income addicts and drug abusers.

The Office of Economic Opportunity projects are pilot efforts to encourage and aid new undertakings. Once a program or component service has sufficiently demonstrated its effectiveness, long-term funding is arranged through other federal, state and local resources. OEO's activities in this area are planned and carried out in cooperation with staff of the National Institute of Mental Health (DHEW), The Law Enforcement Assistance Administration (Dept. of Justice), Model Cities (HUD) and the Division of Vocational Rehabilitation (DHEW).

Income Maintenance Experiments

Our income maintenance experiments in New Jersey and rural Iowa and rural North Carolina are similar to the activities proposed by HEW, although at the present time no other "experiment" is being conducted by any agency of the federal government other than the Office of Economic Opportunity. HEW is planning experiments in the same program area in Seattle, Washington and Gary, Indiana. The design structure of these experiments will overlap those of our New Jersey and rural experiments, although they cannot be said to duplicate these.

VOUCHER SYSTEM AND PERFORMANCE CONTRACTING

Mr. FLOOD. You have recently announced two very interesting experiments in education for the education of the disadvantaged. One involves what you call, and I quote one word, "voucher" system. The other involves, and I quote two words, what you call, "performance contracting." Suppose you give a summary of each of these experiments for the record. You don't have to do it now, but the record should show this. We would like an estimate of the cost for each of these two experiments and the duration of each.

Mr. RUMSFELD. Could I just comment on the performance contract very briefly?

Mr. FLOOD. Yes; surely.

Mr. RUMSFELD. Frankly, what it is, we have tended in society to measure our concern about education or our commitment to education on the basis of inputs. How many dollars have we appropriated or spent? How many classrooms have we built and how many teachers have we hired; not, in fact, measuring what the effect that has on education on an individual person.

The performance contract experiment is to go into place this September, 2 or 3 months from now. It will be completed in June and we will have some answers and some results. What we will be doing will be attempting, through the contracting process, to reward or pay under a contract, not on the basis of how many teachers were hired or how many classrooms were built, but how many individual students had their reading level increased by how many years from grade 1 to grade 3 and how many had their math increased and improved.

In other words, it's trying to find ways that Government can begin to pay for what is produced instead of what is put in at the beginning of the cycle. I don't know if it will work. I think it will. If it doesn't, we will say it doesn't. If it does, it could have some important implications for the Congress.

Mr. FLOOD. Expand on that for the record.

Mr. RUMSFELD. Fine.

(The information follows:)

PERFORMANCE CONTRACTING

The Office of Economic Opportunity performance contracting experiment in education will test the effects of schools contracting with firms to upgrade children's reading and mathematics levels. The contracts will be on a performance basis—firms will be paid according to the level of achievement reached by the pupils.

The experiment will test a variety of educational technologies and performance incentives. The educational technologies may involve teaching machines, specialized programs, and/or specialized teachers. The incentives will include those directed at entire school systems, individual teachers, individual students, and the contractors themselves. One of the purposes of the experiment is to determine which approaches seem to work best in different situations.

The experiment will include 24 school districts, from 12,000 to 17,000 students in grades 1–3 and 7–9 and will cost between $3.5 million and $5.5 million. Approximately six firms representing a variety of approaches will be chosen to participate. The total program and the different approaches will be evaluated by an independent contractor. The experiment will be conducted during school year 1970–71 although additional evaluation activities, followup experiments, and policy implication investigations may be conducted at later times.

EDUCATIONAL VOUCHERS

The Office of Economic Opportunity educational voucher experiment will be designed to answer the question of whether the education of most of the participating children would be improved if parents were given an opportunity to select from a range of educational opportunities rather than being limited to the education offered by the existing system. The experiment will seek to answer this question by providing parents in selected locations with educational vouchers. These vouchers would be exchanged for child educational services with schools, designated as eligible beforehand; the schools would then exchange the vouchers for cash.

The educational voucher experiment will test various hypotheses about the behavior of parents and about the reactions of public and private schools. It will test whether the following possible advantages to a voucher system actually occur:

(1) A voucher system could provide educational diversity and competition by generataing new schools to be supported by entitlements, by allowing existing private schools to compete for the enrollment of poor students, and by forcing the public schools to improve their educational product to compete effectively to retain or reattract students.

(2) Such a system could give poor parents a freedom and range of choice similar to that now available to upper income parents.

(3) It could enable parents, rather than educators, to make the primary decision about the kind of education their children should receive, and, in the process of making their decisions, develop attitudes and home environments more conducive to their children's education.

(4) It could be relatively inexpensive as compared to proposals for massive compensatory education or universal early childhood education.

A feasibility study of a major education voucher experiment has been completed and a planning study is now underway. The operational phase of the experiment will not start before the 1971–72 school year, will probably be conducted for about 5 years in one location, and cost from $5 million to $6 million a year.

EDUCATION AND POVERTY

Mr. FLOOD. You seem to be placing greater emphasis on research and development in education.

Do you think in the long run the solution to the problems of poverty lie in the education system? Are you going to solve poverty through the education system?

Mr. RUMSFELD. The things that affect a person's circumstances and whether they are poor or not are so varied that I would not want to suggest that there was a single answer. Obviously the economic health of the country is the principal thing that determines the number of people who are a part of the productive part of the society. If a person is ill, he is unable to function in society in a productive way. Therefore, if they are without other resources they are in fact poor.

A person with two children and x income could be described as not poor but that same person, through an absence of family planning services, who has seven children would in fact be described as poor. It's rather clear that there is a correlation between a person's educational background and his options in society to find some opportunity to be a part of the society.

Mr. FLOOD. But there is no panacea in education. There is indeed no panacea in education.

Mr. RUMSFELD. Indeed there is not.

VOCATIONAL EDUCATION

Mr. FLOOD. This is something in which this committee has expressed, as you know very well, great concern and of which the entire Nation seems to be becoming, we think, more and more aware.

Are you doing any studies of our vocational education system? If you are not, why aren't you, since you are so concerned about the poor? Isn't one of the most serious failings in our educational system the fact that it concentrates on preparing people for college, keeping up with the Joneses, rather than preparing them for useful employment?

Mr. RUMSFELD. That is my very strong point. I will ask Mr. Wilson's office to develop an OEO effort that would look at the state of vocational education and its potential. I am personally convinced that we are not receiving the benefits in the society from the vocational education system as it presently exists.

As far as any major effort, why don't you comment on it, Mr. Wilson?

Mr. FLOOD. You may say something now, Dr. Wilson, but Mr. Director and doctor, I can assure you of this, that we think this record should contain a very careful statement on this. You can tell us something about it now.

Mr. WILSON. Yes, sir. Mr. Chairman, we feel that vocational education needs to be evaluated to determine the impact it has on educating young people and getting them into the labor force. We want to see what types of jobs they obtain once they finish that program.

EVALUATION OF MANPOWER PROGRAMS

We now have underway a major evaluation of four large manpower programs—JOBS, Job Corps, Neighborhood Youth Corps, and MDTA institutional training. This is a 2-year evaluation, involving a sample of 10,000 participants.

Mr. FLOOD. When did it start?

Mr. WILSON. This project started this past fall. Last September we started collecting data. What we are doing, Mr. Chairman, is looking at the participants while in a training program and once they complete that training program we want to see what happens to them, what types of jobs they have, what type of income they earn, what their turnover rate is. We feel these are the quantifiable benefits of any manpower training program.

As it stands now, we are working with HEW to include the vocational education program in this evaluation. We think that we will get an agreement with HEW to include vocational education. We will examine participants in vocational education in the same way that we are looking at participants in the other four programs.

We feel this is a major piece of evaluation effort that will give us a lot of answers about the effectiveness of these programs.

Mr. FLOOD. This is one of your major projects, is it not, insofar as the public and the community are concerned?

Mr. WILSON. Yes, sir.

(The information follows:)

We now have two evaluations related to this subject, and as Mr. Rumsfeld said, we plan a broader examination of the issues.

We are doing a national survey of adult basic education programs as they relate to vocational education in an on-the-job setting. Basic skills in reading and math are usually a prerequisite for getting or holding a nonpoverty job. Our knowledge of what these programs and what they are accomplishing is inadequate. We are doing a national survey to see what designs for adult basic education in an on-the-job setting exist and get some first judgments on their relative effectiveness. From this we expect to develop models of types of programs which can then be implemented and tested more rigorously for effectiveness. We expect the results of this survey to be available within 9 months.

In addition we are doing a major longitudinal survey of five different manpower training programs, as mentioned by Dr. Wilson in the testimony. This is structured to give us information about the relative effectiveness of different kinds of vocational training, not just by name of program, but by the kind of training given to the enrollees. We will also examine the effects of various other factors, such as the nature of the trainees and the local labor market conditions in determining the effectiveness of these various kinds of training in actually getting these people into nonpoverty jobs.

We have consulted with HEW in connection with their plans to evaluate vocational education in a context similar to that of our longitudinal manpower study. (However, it now appears that HEW's vocational educational programs will not formally become a part of the OEO manpower training program evaluation.)

We are not now doing any studies of the vocational education in regular vocational schools, but as Mr. Rumsfeld said, we plan to look at the state of vocational education as a whole, especially, of course, in its relation to the problems of the poor.

NEW JERSEY INCOME MAINTENANCE EXPERIMENT

Mr. FLOOD. Tell us about the results to date of your income maintenance experiment in New Jersey. Why was New Jersey selected for this experiment?

How long do you intend to keep it up in New Jersey?

Do you plan, from what you found out up there, to have any more New Jersey experiments someplace else?

PRESIDENTIAL COMMITTEE

Mr. RUMSFELD. You mentioned the possible duplication of income maintenance experimentation earlier. The President became concerned about this and as a result created a Presidential committee that now has to approve any experiment that is done in Government on income maintenance.

Mr. FLOOD. Has the committee been named?

Mr. RUMSFELD. He appointed Dr. Wilson as chairman of it and has representation from HEW and Labor and other departments.

Mr. FLOOD. We would like the list of names of the committee.

Mr. RUMSFELD. He has a grip on this subject, as well as on the New Jersey income maintenance experiment which he will comment on now.

Mr. WILSON. Mr. Chairman, that committee has been working for the past 4 or 5 months.

(The information follows:)

MEMBERS OF THE COMMITTEE ON INCOME MAINTENANCE EXPERIMENTS

John O. Wilson—OEO Chairman.
Robert E. Patricelli—HEW.
Jerome M. Rosow—Labor.
Robert M. Ball—Social Security.
Paul H. O'Neill—BOB.

NEW JERSEY EXPERIMENT

Mr. FLOOD. What is the New Jersey experiment?

Mr. WILSON. The New Jersey experiment was initiated 2 years ago, and income transfers are being made to 1,359 families in the total experiment.

Mr. FLOOD. Income transfers from whom to whom?

Mr. WILSON. The income transfers are made from OEO funds to a family, a participant in the experiment.

A family can be under any one of the eight different plans we are testing in New Jersey. The plans have three different tax rates, in other words, rates at which we take away a dollar of transfer for an additional dollar of earnings.

Under the previous system, of course, the tax rate was 100 percent. Under the present welfare system the tax rate is 67 percent. For every dollar you get in earnings, you lose 67 percent of your transfer. In New Jersey we are testing a 30 percent, a 50 percent, and a 70 percent tax rate.

We have four different guaranteed levels of income: 50 percent of the poverty level, 75 percent, 100 percent, and 125 percent.

Mr. FLOOD. How long have you been at this?

Mr. WILSON. We have been at this for an average of 18 months.

Mr. FLOOD. What do you think about it?

Mr. WILSON. I think it's probably the most outstanding social science experiment from a policy planning viewpoint that has ever been conducted in this country. It so happens that it is the first large-scale social science experiment that has ever been undertaken. There is a very substantial group of social scientists in this country who feel the only way we are going to get relevant policy-oriented information is to conduct such experimentation.

(Additional information follows:)

The results of the New Jersey experiment can be best summarized by reference to the Office of Economic Opportunity publication "Preliminary Results ..... which I would like to insert into the record. Briefly noted, the most significant finding to date is that work effort of program beneficiaries has not declined relative to that of the control group which received no program benefit. It would therefore seem that work incentives may not be seriously affected by an income support program such as has been proposed under the President's Family Assistance Program.

The experiment was located in the metropolitan New Jersey area because a large percent of the poor population is concentrated in urban industrial cities, because of the interest and capability of Mathematica Inc., which is a co-participant in the experimental design and operates the field management and survey operations of the experiment, and because at the time the experiment was begun, New Jersey had no AFDC-UP program which greatly simplified the problem of program design. The experiment will continue for two more years. The Office of Economic Opportunity is conducting a rural oriented experiment as well, but that experiment is just now getting underway. We do not plan to conduct any additional experiments in this area, since HEW has assumed the responsibility of this type of action.

PRELIMINARY RESULTS OF THE NEW JERSEY GRADUATED WORK INCENTIVE EXPERIMENT

Conducted by

The Office of Economic Opportunity

February 18, 1970

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INTRODUCTION

The Office of Economic Opportunity in 1968 initiated an experimental project in New Jersey to measure the effects of a program that assures families a minimum income level in a manner designed to protect their incentive to work.

This experiment is being conducted by the University of Wisconsin, Institute for Research on Poverty in conjunction with MATHEMATICA, INC., a Princeton, N. J., research firm. One of the purposes is to study test families to determine the degree to which income maintenance payments increase or reduce work effort. The income maintenance payments are reduced as a family's other income rises, and the experiment is carefully designed to assure that the earning of income always profits rather than penalizes the beneficiary. The experiment, which is being financed by more than $5 million in grants, will be completed at the end of 1972.

The first significant data from the New Jersey project have now been analyzed. These data would be valuable under any circumstances, for their implications would suggest ways to reform our welfare system. But they have assumed particular importance in recent months because the operation of the New Jersey experiment in many ways is similar to the operation of the Family Assistance Program proposed by the President.

Two important differences between the New Jersey experiment and the Administration program, however, should be kept in mind in evaluating this data. First, the New Jersey experiment contains no requirement that participants accept work training or a job to receive benefits. Secondly, it does not provide the extensive day care facilities that are an integral part of the President's program.

The addition of these two provisions as proposed in the Family Assistance Program would be expected to have a positive effect on work incentive. Therefore, we can

assume that the New Jersey data give a conservative estimate of the trends that could be expected were all elements of the President's Family Assistance Program implemented.

The New Jersey data now available were gathered from August, 1968, through October, 1969, in Trenton, Paterson, and Passaic from 509 of the 1,359 participating families. They are based on the experiences of 364 families receiving various levels of support payments and a control group of 145 families not receiving payments. The control group is used for purposes of comparison with the experimental group, since their characteristics at the beginning of the experiment were similar to those of the experimental group. We can therefore tell whether the payments have had any effect at the end of the experiment by looking at any differences between the two groups.

CONCLUSIONS

This experiment was specifically designed to provide evidence about the effects such a program would have for the person it is designed to assist, give realistic cost estimates, and offer suggestions for implementation.

We believe that these preliminary data suggest that fears that a Family Assistance Program could result in extreme, unusual, or unanticipated responses are unfounded.

Furthermore, we believe these preliminary data from the New Jersey project indicate that a Family Assistance Program is practical. The data suggest that:

1. There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments.

2. Low income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit, and purchase more of such consumer goods as furniture and appliances.

3. The Family Assistance Program, excluding the Day Care Program and Work Training provisions, can be administered at an annual cost per family of between $72 and $96. Similar costs for the current welfare system run between $200 and $300 annually per family.

RESULTS

The data were analyzed for the purpose of gathering preliminary information on four questions (Chart I):

How is work incentive affected by supplementary assistance payments?

How does such assistance affect the spending behavior of the beneficiaries?

What are the effects of the higher income levels on family stability?

What are the estimated administrative costs of the proposed Family Assistance Program?

CHARACTERISTICS OF FAMILIES IN THE EXPERIMENT

Chart II reflects the characteristics of the families in the experimental group at the beginning of the project.

As this chart shows, the average test family had 5.8 members, nearly one-fourth had eight or more family members, and nearly 70 percent had children younger than 6. The average age of the male head of household was 35.6 years. About 36 percent of the families were white, another 36 percent were black, and the remainder were principally Spanish-speaking Puerto Ricans.

The majority of participants in the test group rented apartments from public and private landlords and the majority had less than a high school education. Sixty-three percent of the heads of household who were employed worked as skilled workers and 35 percent as unskilled laborers. All but 8 percent of the heads of household were employed and 66 percent of those who were employed usually worked full time. The average family income at the beginning of the experiment was $4,248 per year, and this income is being supplemented during the experiment by an average benefit of $1,100 per year per family.

CHART I

AREAS OF INFORMATION

A. WORK EFFORT

B. SPENDING BEHAVIOR

C. FAMILY STABILITY

D. ADMINISTRATIVE COSTS

CHART II

CHARACTERISTICS OF FAMILIES IN EXPERIMENT

Average family size is 5.8 persons

36	percent are Black
36	percent are White
28	percent are Spanish-speaking
81	percent did not graduate from high school
8.6	years is the median educational level
63	percent are skilled workers
35	percent are unskilled workers
92	percent are employed

Average family income	$ 4,248
Average level of benefits	$ 1,100

ALTERNATIVE WORK EFFORT BEHAVIOR

Chart III shows two alternative extremes of possible work effort behavior.

Line A shows the pattern that would be followed by a participant who reduced his work effort dollar for dollar as the supplementary benefits increased, until his work effort reached zero. Thus his total income remained the same, although he had completely stopped working. This is, of course, the maximum possible disincentive effect.

Line B shows the pattern that would be followed by a participant whose work effort remained constant. The payments had no effect on his incentive to work.

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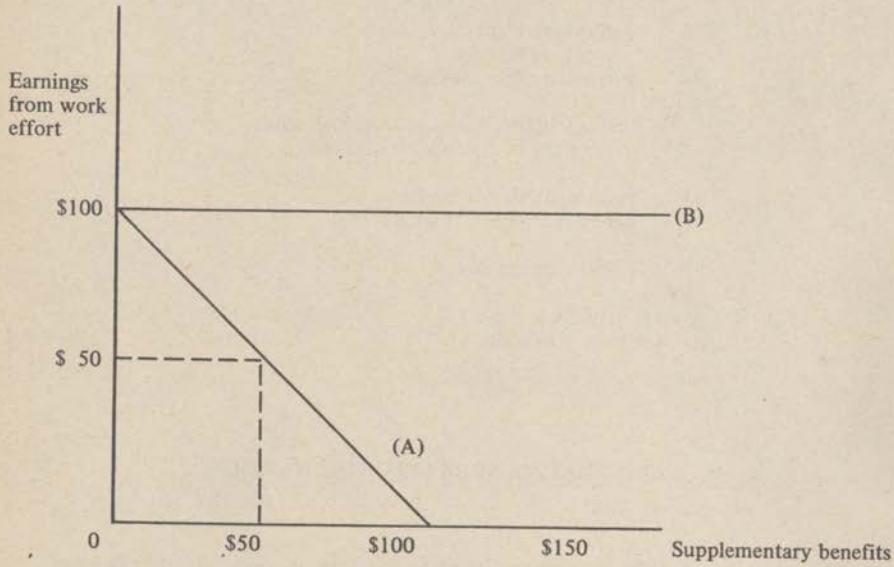
CHART III

ALTERNATIVE WORK EFFORT BEHAVIOR



ACTUAL WORK EFFORT BEHAVIOR

Chart IV indicates actual work effort on the part of the participants. On the basis of these data, we can say that work effort did not decline for the group analyzed, but rather that it followed a pattern close to Line B on Chart III. There is, in fact, a slight indication that the participants' overall work effort actually increased during the initial test period.

CHART IV

ACTUAL WORK EFFORT BEHAVIOR

	Control	Experimental
Percent of families whose:		
Earnings increased	43%	53%
Earnings did not change	26%	18%
Earnings declined	31%	29%

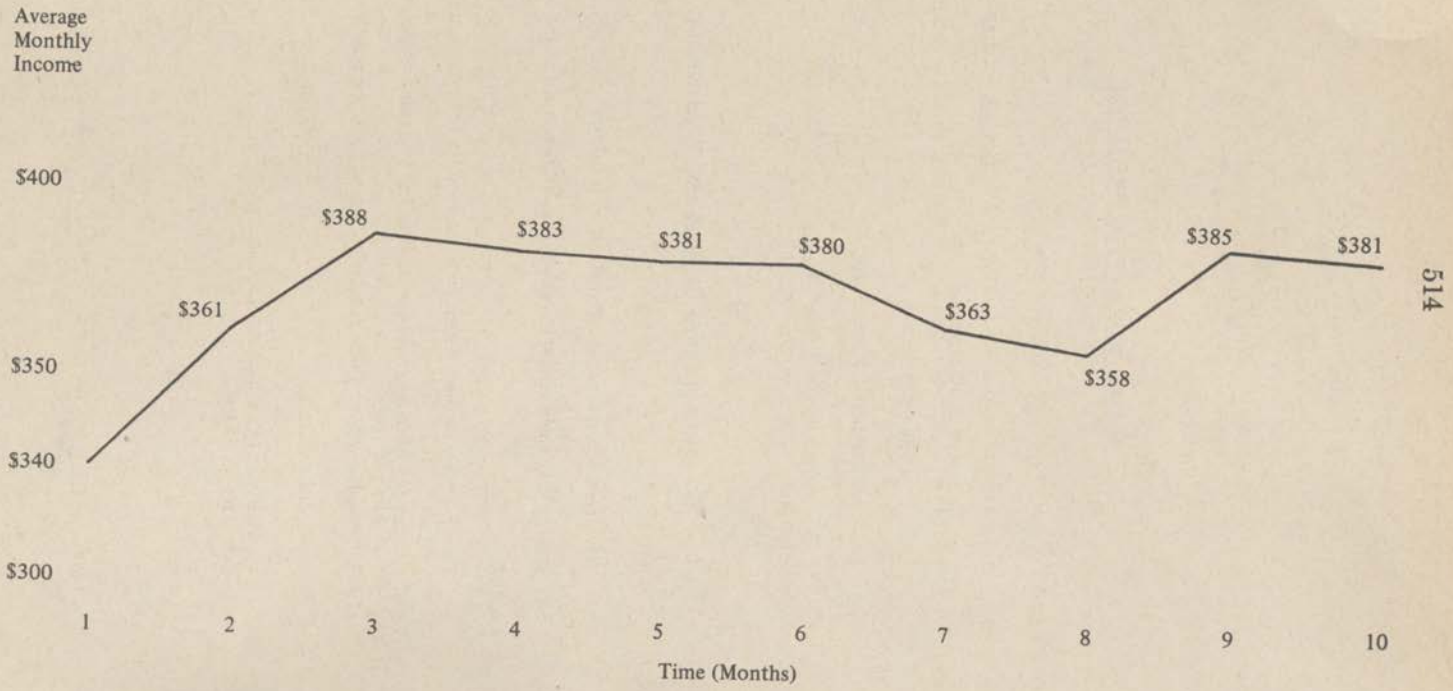
INCOME PATTERNS OF EXPERIMENTAL GROUP

The trend toward increased work effort is further apparent in Chart V, which shows a very slight rise in the average monthly income of the 364 test families.

Tne monthly income, which includes earnings as well as supplementary benefits, increased from an average of $340 at the beginning of the experiment to $381 during the tenth month, reaching a low of $358 and a high of $388.

CHART V

INCOME PATTERNS OF EXPERIMENTAL GROUP



ATTITUDES TOWARD WORK

In-depth interviews with participants indicate that the low-income individual is strongly motivated toward work.

As shown in Chart VI, the majority indicated that they aspire for a better job and are willing to move to another city or take training even if it meant a pay cut in order to get that better job. The majority also indicated that they are willing to work two jobs to support their families. Of all the factors influencing work choice, job security was ranked twice as high by participants as any other job factor, including wages, working conditions, or job interest.

These responses from the participants indicate that supplementary income assistance will not reduce their work effort.

CHART VI

ATTITUDES TOWARDS WORK

Aspire for a better job	65 percent
Would move to another city for a good job	56 percent
Would take training with pay cut to get better job	55 percent
Would work two jobs	60 percent
Job stability is twice as important as any other aspect of job	

LOW INCOME PEOPLE ARE STRONGLY WORK MOTIVATED.

CHANGES IN BORROWING BEHAVIOR

This raises the question: How do beneficiaries' behavior patterns change as their incomes increase? The answer: They seem to borrow less and to purchase more durable goods.

Chart VII shows that the experimental group borrowed less while receiving supplementary assistance payments than did the control group which, of course, received no supplementary assistance.

Only 40 percent of those in the experimental group increased their borrowing, compared to 53 percent of those in the control group. Meanwhile, 24 percent of those in the experimental group actually borrowed less, as compared to only 18 percent of the control group.

This could indicate that those in the experimental group are paying back loans to a greater degree and buying items on time less than their control counterparts who are not receiving payments.

CHART VII

CHANGES IN BORROWING BEHAVIOR

	Control	Experimental
Borrowing increased	53%	40%
No change in borrowing	29%	36%
Borrowing declined	18%	24%

MAJOR CONSUMER PURCHASES

Chart VIII indicates that the supplementary assistance payments not only helped the experimental group to borrow less, but also allowed those families to make some major purchases.

Twice as many families in the experimental group purchased furniture as did families in the control group, while purchases of television sets and other major appliances also increased in the experimental group.

The data indicate that furniture dominated purchases among younger families, while major appliances were the most frequent choice of older families.

CHART VIII

MAJOR CONSUMER PURCHASES

	Percent of families who purchased given items	
Purchases	Control	Experimental
Furniture	4.8	9.6
TV	9.7	12.2
Other major appliances	6.2	8.0
Other	10.3	10.7

FAMILY STABILITY

Another important question is whether an increase in income would decrease the divorce, separation, and desertion rate among families.

While the experiment was not designed to specifically address this question, data presented in Chart IX suggest that an increase of income of the levels examined in the experiment has little impact on family stability. The change in family composition in the New Jersey sample to date has been approximately the same in both the control and the experimental groups. Of the 364 families in the experimental group, only 54 changed in composition because of desertion, death, divorce, or separation. This evidence must be taken as extremely tentative since the causes of family instability clearly include more than income alone and the experiment has been underway for only a short time.

This finding of lack of change in family stability differs from information from the U.S. Bureau of Census shown in Chart X which reports that family stability increases significantly as income rises.

Clearly, we need further information on this question, information that may be provided during the remaining two years of the New Jersey experiment.

CHART IX

FAMILY STABILITY

	Control	Experimental
Husband present at start of program	92%	94%
Husband not present at start of program	8%	6%
Husband present at end of program	86%	85%
Husband not present at end of program	14%	15%

CHART X

FAMILY STABILITY BY INCOME LEVEL*

Family Income	Proportion of Stable Marriages Nonwhite	White
No income	39	58
$ 1 to $ 999	50	65
$ 1,000 to $ 2,999	56	74
$ 3,000 to $ 4,999	58	78
$ 5,000 to $ 6,999	63	81
$ 7,000 to $ 9,999	68	82
$10,000 and over	69	85

* Stable families refer to marriages in which men have been married only once and wife is present.

Source: U.S. Population Census, 1960, Marital Status, Table 6

ESTIMATED ADMINISTRATIVE COSTS

Estimated administrative costs of the proposed Family Assistance Program based on similar costs in the New Jersey experiment are reflected in Chart XI.

These costs are relatively low because the Family Assistance Program would be virtually self-administering. After an initial personal contact, approximately one-half of the beneficiaries can be expected to fill out and file their reporting forms with no additional help. An additional 30 to 40 percent can be expected to complete the necessary reporting following a second or third contact. The remainder will probably require regular supervision.

The estimated costs include the submission of monthly reports on family size, earnings, and other sources of income. The benefits could be adjusted each month with benefit payments made every two weeks.

The estimated total cost per family for this type of administration is $72 to $96 per year, exclusive of work training and day care costs. This figure compares to the estimated cost of $200 to $300 per family per year for the existing welfare system, also excluding the costs of training and services.

CHART XI

ESTIMATED ADMINISTRATIVE COSTS

Category	Annual Cost Per Family
1. Field Office Operations	$23.00 to $29.00
General Inquiries from Recipients	
Assistance in Filing Income Report Forms	
Follow-up on Address Changes	
Reports to the Central Office	
2. General Administration	$36.00 to $48.00
Payment Calculations	
Check Writing and Mailing	
Audit	
Appeals Procedures	
General Supervision and Program Review	
3. Supplies and Services	$13.00 to $19.00
Forms and Clerical Supplies	
Postage	
Computer Time	
Office Rentals and Equipment	
TOTAL ANNUAL COST PER FAMILY	$72.00 to $96.00

DESCRIPTION OF EXPERIMENT

These preliminary data are abstracted from one of two major experiments now being sponsored by the Office of Economic Opportunity in its effort to determine the effects of an income support system on work incentive.

These data are from the New Jersey urban experiment, which includes 1,359 families in Trenton, Passaic, Paterson, and Jersey City, New Jersey, and Scranton, Pennsylvania. All families in the urban experiment are headed by males between the ages of 20 and 58. Because knowledge of the effects of such support payments on other types of families is also important, the second experiment includes 835 rural families in Duplin County, North Carolina, and Pocahontas and Calhoun counties, Iowa. The rural experiment includes both male- and female-headed households and family heads who are older than 58. Both experiments are being directed by the University of Wisconsin Institute for Research on Poverty, which has subcontracted some of the work to MATHEMATICA, INC., a New Jersey research firm.

In both experiments, the income guarantee is scaled to reduce as other income rises, but to assure beneficiaries that the earning of income will always profit rather than penalize them. Two variables are applied to the income guarantee scale. The first variable increases the amount of income guarantee to 50, 75, 100, or 125 percent of the poverty line. For a family of four, this poverty line for the purposes of the experiments is $3,300 per year. The second variable reduces supplementary payments as other income rises. This amount is expressed as the equivalent to 30, 50, or 70 percent of other income.

Although the primary thrust of the experiments is to determine the effects of the supplementary payments on work incentive, secondary data also are being collected. For example, the interviews with families are designed to determine the effects of the supplementary income on birth rates, borrowing behavior, consumer purchases, school performance and social behavior of children in the test families, amounts spent for medical and dental care, leisure time activities, and family separation.

Another important aspect being studied is the effect of the payments on family mobility: Will increased income permit families to move to take advantage of better work opportunities? Thus, families in the experiment are followed throughout the three-year test period, even if they leave the original test areas.

OTHER INCOME MAINTENANCE EXPERIMENTS

Mr. FLOOD. Are you going to do it anyplace else?

Mr. WILSON. On the basis of what we have learned in New Jersey, we have initiated a rural experiment in Iowa and in North Carolina.

Mr. RUMSFELD. Which are rural as opposed to urban.

Mr. WILSON. Yes. HEW is contemplating two—one in Seattle, Wash., and a second in Gary, Ind.

I can speak to the interrelationships of all these in just a minute.

Mr. RUMSFELD. They are all different. There are no duplicates.

Mr. WILSON. They are structured in an income maintaince experiment package which avoids duplication of effort.

We are also contemplating two experiments in the education area—performance contracting and educational vouchers. We think that, based on the experience we gained in New Jersey, mounting a $5 million, 3-year social science experiment is a tremendous undertaking.

It takes a lot of expertise and knowledge just to manage one of these experiments. Academicians and researchers are not used to this. They are used to very small and individual projects. From the experience and knowledge we gained from New Jersey, we have the necessary tools to move into the education area.

Mr. FLOOD. That is a very difficult thing for the average citizen to understand.

Mr. WILSON. Yes, sir. I think from a policy point of view, we have to look in the direction of controlled experiments to get the hard quantitative information we need to make public policy decisions.

Mr. RUMSFELD. The hope is that when the Congress, the President, the Bureau of the Budget and the country are asking questions down the road about whether or not this is a good idea, whether or not this new program is a good idea, that this kind of experimentation will be able to help supply statistics makers with the answers to the kinds of questions they will be asking.

Previously, as all of us who have served in Congress or who have served in Government know, the tendency has been for a new Federal program to start based on a hope and the best information available.

What we are trying to do, and what others in Government are trying to do in other departments, is to improve the quality of that body of information so that the judgments can be more perfect.

COST OF NEW JERSEY EXPERIMENT

Mr. FLOOD. We would also like a statement as to the costs of this experiment. You are all excited about it and you are branching out into the different phases of it, depending on rural or urban conditions. What is the cost of the New Jersey project as of today? Let's stick to that first.

Mr. WILSON. I can give you the total estimated cost for the 3-year period right now. $5.4 million over a 3-year period is the total cost of the New Jersey experiment. For that $5.4 million, I hope we have been also to provide information that would prevent us from making a mistake like we did in medicare and medicaid. There we were asking the question: How much would it cost to implement a nationwide program

of such significant size? In the income maintenance area, when we were asked this question, we did have some hard data that said we could make a good cost estimate. We feel that is very valuable information.

LEGAL SERVICES AND VISTA

Mr. FLOOD. Recently we haven't heard as many complaints about your legal services program. We used to get them day by day. We haven't heard much about this, nor about VISTA. VISTA was also one of the operations that was hammered and hammered and hammered. We heard a lot of complaints about those two, especially.

How do you account for the fact that we haven't had anybody knocking on our door about legal services or VISTA? Have these programs now become respectable or have you made some major changes in them? What happened?

REORIENTATION OF VISTA PROGRAM

Mr. RUMSFELD. Mr. Chairman, we have made some major changes. The VISTA Program is in the process of being oriented toward impacting volunteers on specific problems that are of concern to this country, such as health, education and economic development.

We have a fine manager in that office, Mr. Bob Lane. He, in my judgment, is doing a good job. There are still going to be instances where a VISTA volunteer, just as an army private or a son or daughter of someone in Government, gets in trouble. That is life when you are dealing with people.

What we have done is help to bring about a sharper focus and better management of the VISTA program. I think it will benefit both the volunteers as well as the people that the volunteers are impacting on.

LEGAL SERVICES PROGRAM

Mr. Lenzner was brought in to head-up the legal services program. Terry is an old 29 at this point, having been in the job for about a year or something less than a year. He has strengthened the management of the office and improved the regulations and the guidelines and, I think, provided better administrative support.

Mr. FLOOD. Suppose he tells us something about it.

Mr. RUMSFELD. He can't brag about himself.

Mr. FLOOD. You know the story and why they brought you in. You know the whole problem. What about it?

Mr. LENZNER. I think, Congressman, one of the problems with our office was that there was not sufficient management and administrative staff to manage the program that had grown extensively over the last several years. The Director has now doubled the headquarters and regional staff, and that has made a substantial impact on the management in the field.

We also for the first time instituted a retrieval information system. We have for the first time a filing system which we can use to monitor and evaluate the programs. We are now in the process of implementing an evaluation program of completely new design which will eval-

uate each program on an annual basis. That has never been done before. I thing the impact of that on the programs has been substantial, too.

RELATIONSHIP WITH NATIONAL, STATE, AND LOCAL BAR ASSOCIATIONS

Mr. FLOOD. Have you ever talked to the local bar associations or the national bar associations about this?

Mr. RUMSFELD. We talked extensively to the president of the bar association. Their committee that is involved with this meets with me every 2 or 3 months and meets with Terry more frequently, I am sure. The local and the State bar are involved in practically every one of our programs.

I was going to add to what Terry said that I think one of the other things that has helped is that we have very aggressively tried to work with the Bar to help communicate throughout the country what the program is and how it's supposed to work and ask their help at the local level to help make it work well. They are in fact helping with it.

The cold, hard fact remains, however, that I get sued periodically. I know every time someone walks up with a document I don't like it. As long as there is a legal services program, and indeed there must be for it's a very important program—someone is going to get a suit brought against him. When he gets a suit brought against him it's irritating.

There will continue to be some problems around the country. In instances, if in any sense it's a bad management problem, we are tooled up, I think, to deal with it. If it's just the kind of irritation that results when I get sued, those are the kinds of things we can't deal with and I am sure Members of Congress will continue to receive complaints in that connection.

CRIMINAL CASES

Mr. FLOOD. Do you want to go into criminal law?

Mr. LENZNER. Mr. Chairman, I am torn by that question because I don't think that we are doing a satisfactory job right now in the civil area. When I read the recent Civil Rights Commission Report on the Mexican Americans, I can see that there are some substantial problems for representation in the criminal area of those people. As I say, I don't think we have reached the sophisticated stage in the legal services program where we are on top of and managing and representing people in the civil area adequately to this point.

NUMBER OF CASES HANDLED

Mr. RUMSFELD. Terry, by way of example, your program has 1,850 lawyers around the country, some 600 offices, and 260 projects. Out of a total need in the country for legal services for the poor, what percentage are you reaching right now with a budget of $55 million?

Mr. LENZNER. Mr. Chairman, we had individual files opened up on 600,000 cases in the last fiscal year, 1969, and I estimate that will be around 800,000 this year. We estimate that will reach about 20 percent of the potential client population just in the civil area.

STATE ECONOMIC OPPORTUNITY OFFICES

Mr. FLOOD. You are proposing to spend $14 million for what you call State economic opportunity offices in 1971. We would like to know how many such offices there are now and how many there will be in 1971.

Mr. RUMSFELD. There are 49 at the present time. Indiana does not have one. They are in the process of negotiating to get one. The District of Columbia does not have one. They are in the process of negotiating to get one. This would be two possible additions next year. Puerto Rico is negotiating to get one, which would be a third. There are one or two States where we are having some problems with respect to the way they are doing it. There is some thought we may have to defund them. So we could have an increase of three or a reduction of two.

Mr. FLOOD. How many people do you have employed in these offices?

Mr. CARLUCCI. Mr. Chairman, we would have to submit the total figure for the record. The size of the office runs from the State of Pennsylvania which has somewhere near 60 in their office, and the State of New Jersey which is also large, to those that run to only two or three. We are trying to bring each office up to a minimum staff of five.

(The information follows:)

As of last fall (latest survey) State economic opportunity offices employed 682 people and had 763 authorized positions.

RELATIONSHIP TO REGIONAL OFFICES

Mr. FLOOD. You told us, Mr. Director, about your regional offices. You are very pleased with your regional office operation. Are these State economic opportunity offices taking over some of the responsibility of your regional offices?

Mr. RUMSFELD. It's uneven. But we have been consciously trying to improve the relationships of our programs and the State governments because the State governments are so deeply involved in all of these problem areas.

We have proposals, somewhere between 10 and 20, from various States where they have proposed that they would assist us by operating or involving themselves in some of the activities that are currently performed by regional office employees.

Mr. FLOOD. Are you planning to turn more of the authority over to them?

Mr. RUMSFELD. If we can find a State that wants to do something and can do it as well as or better than we can, we would like to develop the relationships so that they will have that opportunity.

OKLAHOMA EXPERIMENT

Mr. FLOOD. Then will you tell us for the record about your experiment with the State of Oklahoma?

Mr. RUMSFELD. Yes, sir.

AFTERNOON SESSION

Mr. FLOOD. You were going to tell us a few words about the Oklahoma experiment.

Mr. RUMSFELD. Fine. Mr. Carlucci has charge of that and he has some material he can insert in the record, but you might want to comment orally also, Frank, on the status of it.

(The material follows:)

OKLAHOMA 2-YEAR DEMONSTRATION PROPOSAL

BACKGROUND

August:

Governor Bartlett discusses more active State role with Director Rumsfeld.

December:

Oklahoma submits proposal requesting field representative role.

January/February:

SW/OEO and Hq/OEO develop outline of functional relationships.

March:

Informal negotiations between State and regional office.
Briefing of Oklahoma congressional delegation and OEO's committee staffs.
Public briefing (March 13) of Oklahoma CAA executive directors and board Chairman.

April:

27th—Formal proposal submitted to OEO and CAA's for comment.
29th—Draft memo of agreement to CAA's by SW/OEO.

PURPOSE

Enhance State's capacity to mobilize State and private resources.
Be an advocate for the poor at the State level.

THROUGH

The State's participation in grant processing and coordination.

GOALS (AS STATED IN PROPOSAL)

A. Promote legislative change;
B. Promote a better understanding of poverty;
C. Promote the development of new and innovative antipoverty programs;
D. Promote a human rights program; and
E. Initiate greater mobilization of State resources—
Inventory State resources.
Develop joint efforts with private foundations.
Develop a career development program.
Secure increased in-kind contributions from State agencies.
Increased cash contribution from the State legislature.
Utilize State training and technical assistance resources.

APPLICATION

Project applies to all CAA's (24) and LPA's (3) in State:
Local initiative programs;
Emergency food and medical programs;
Family planning programs;
Senior opportunities and services; and
Youth programs.

Excludes:

VISTA, health centers, legal services, demonstration and special projects (Headquarters-administered grants).

PROCESS

1. Oklahoma/SEOO recommends annual funding plan for State:
By CAA, by program.
Consistent with National and regional guidance.
2. OEO reviews and approves plan.
3. SEOO conducts prereview: OEO participates.
4. SEOO issues letter of understanding to individual CAA's based on plane and prereview.
5. Grant requests submitted to and reviewed by SEOO: Copy to SW/OEO.
6. Packages sent to SW/OEO regional director for final review and signoff.
7. SEOO provides day-to-day service to grantees.

OEO retains authority to:
- Obligate funds.
- Review and approve funding plan.
- Participate in prereview.
- Evaluate Oklahoma CAA's annually.
- Recognize new CAA's and LPA's.
- Render legal decisions.
- Perform Federal audit and investigations.
- Suspend, terminate, or refuse to refund.
- Evaluate demonstration project.

COST

Existing SEOO	$150,000
This project adds	250,000
Total OEO	400,000
State contribution	90,000
Total	490,000
State—STAP	70,000

EVALUATION AND MONITORING

1. Self-evaluation by SEOO:
   Reports to SW/OEO.
2. Periodic monitoring visits by SW/OEO.
3. Formal evaluation by OEO headquarters to measure:
   (a) Increase in State contribution and involvement.
   (b) Effectiveness of grant coordination and processing.
   (c) Attitude of CAA's/poor to project.

COMPARISON TO AYRES–GREEN–QUIE SUBSTITUTE BILL

First option—SEOO:
- All grants through SEOO to OEO.
- Only Director, OEO, himself, can override.
- Burden on OEO to act contrary to SEOO.

Second option—State plan:
- Create State economic opportunity council.
- Present OEO with plan on how State would administer funds.
- OEO allocates funds to State.
- State administers grantees and distributes funds.

Mr. FLOOD. Yes; what about that?

Mr. RUMSFELD. It is not in place. It is due to go in place when? next week?

Mr. CARLUCCI. We have sent the proposal out for comment to the action agencies.

Mr. FLOOD. What is the nature of the experiment? Why did you pick Oklahoma?

Mr. RUMSFELD. No particular reason. They submitted a proposal that was good, is all. We didn't select them.

Mr. FLOOD. What is it?

Mr. RUMSFELD. It is an attempt to take some of the activities that are performed by a regional office employee——

Mr. FLOOD. By your regional office people?

Mr. RUMSFELD. Right; and have instead the State do that very same thing. We carefully drafted it so that the administrative and supportive-type work would be done by the State. The policy or statutory authority that the Director now has would be retained by the Office of Economic Opportunity. It basically is for the State of Oklahoma to take over some of the responsibilities of field workers who work with the local projects and grantees to assist them in their activities.

Mr. CARLUCCI. Basically, Mr. Chairman, they will process the grants for us up to the point of signing. The signoff will be done by our regional office. Our regional office will also have responsibility for terminations, designations, and evaluating the programs in the State, so it is kind of a shared-management effort. The proposal itself has been sent out for comment to the community action agencies in the State and the final comments are due in, I believe, tomorrow.

Mr. FLOOD. In the several States?

Mr. CARLUCCI. No; just in the State of Oklahoma. The comments are due in tomorrow, and from those we have seen so far most of the CCA's themselves are favoring the proposal. If any questions raised by the CAA's can be resolved, we would expect to go ahead with the proposal sometime early in June.

Mr. RUMSFELD. If it works well, the advantage is that with fewer Federal employees we will be able to do a better job in supporting the OEO activities in that State.

Mr. FLOOD. But you are asking for $14 million for these State operations.

Mr. RUMSFELD. Oh, a small portion of that would be for the Oklahoma plan. The $14 million is for our activities all over the country in State Economic Opportunity offices that already exist.

Mr. CARLUCCI. The Oklahoma plan will cost $250,000.

APPLICABILITY OF OKLAHOMA PLAN TO OTHER STATES

Mr. FLOOD. If you are successful with the Oklahoma experiment you will try to extend it to other States?

Mr. RUMSFELD. That is open. There were a good many in Congress the last time this legislation was considered who felt that the Office of Economic Opportunity programs should be turned over to the State for operation. There were a good many who disagreed with that. I happen to disagree. I don't think that each State has the same interest or capability or readiness to assume those responsibilities. There were other who felt that the States should have no voice, and that is basically the way these programs have operated. I also think that was wrong. I think it is important to get States involved and to get their resources focused on these problems and for that State to help us see that our programs do operate well. So what we are trying to find through a series of four or five different approaches is what are the things that the States can do as well or better than we can. Let's find a way to get those States that can do that and want to do it, doing

it, and where a State either doesn't want to do it or couldn't do a good job on it for one reason or another we will go ahead and function the way we presently are.

Down the road it may be that more States might be interested in this type of thing and if it works well it might be that many would but, for example, the State of Indiana doesn't even have a State economic opportunity office. It is not likely that a State that has demonstrated that they don't care to have such an office would be interested in taking over these responsibilities.

Mr. FLOOD. That is the only State that doesn't have one?

Mr. RUMSFELD. At the moment.

SPECIAL PROGRAMS FOR MIGRANTS AND SEASONAL FARMWORKERS

Mr. FLOOD. Now, you want to spend $35,500,000 in 1971 for special programs for migrants and seasonal farmworkers. Why do you single out this group for your very special attention since their numbers are declining every year? We have kept a very close eye on this question of migrant workers and seasonal farmworkers, and year after year we find the numbers are declining. Why would you pick out a declining group? Are you concerned primarily with improving the living conditions of migrant and seasonal farmworkers or are you trying to move them to other occupations?

Mr. RUMSFELD. The answer is that the Congress of the United States put a title in the Economic Opportunity Act that assigned to the agency responsibility for migrants and seasonal farmworkers. The agency has been involved in exactly as you have described, in attempting through high school equivalency, adult literacy, bilingual education for many Spanish-speaking Americans, to assist them in moving out of the migrant stream into employment in areas where they wish to live.

You are also correct, of course, that the number of migrants is being reduced with mechanization in the agricultural fields. On the other hand, the seasonal farmworker problem is not being reduced at the same pace, as I understand it, as are the number of migrants.

Mr. FLOOD. Yes, that is true. There is a difference between the two groups.

Mr. RUMSFELD. And I feel that the programs that the agency funds with respect to migrants and for seasonal farmworkers, and I might also add the Indian programs, are among some of the finest in the agency.

Mr. FLOOD. But you feel you have a legislative directive?

Mr. RUMSFELD. We have a title in our act that was specifically put in for this purpose and we are, I think, doing a good job of fulfilling the intent of Congress.

DAY CARE FACILITIES AND SERVICES

Mr. FLOOD. Everything we touch with you is a big deal, it seems. Here is another one. We have taken a lot of testimony on this from the HEW and the Labor people. Clearly, there is a serious shortage of day care facilities and services for children of working mothers at the present time, and if the President's proposed Family Assistance

Plan becomes law, as it passed the House—and we probably won't recognize it when it comes back from the Senate—but if and when it does, the shortage, of course, will become more and more apparent. You are proposing to put $20 million into an experimental day care program for 1971 and you say "* * * to assess and plan for adequate day care efforts in the United States."

We have heard from everybody else now. This is another "in" thing. If you want to get money around here now, you talk about family planning or day care.

Let me ask you again a group of questions. This is a bad habit of mine. As a trial lawyer I should know better, but here it is different. Will you explore the use of the private sector?

Mr. RUMSFELD. Yes.

Mr. FLOOD. Are you going to use the schools? Isn't there just as much a shortage of day care for children of so-called middle-class mothers as there is for children of what you call the poor? Are you again confining your experiment to the poor, and the ghettos? Mr. Michel is from Peoria. That is neither a ghetto nor a rural area. I am from Wilkes-Barre. Mr. Carlucci is from Hazleton. It is not rural or a ghetto, but nobody talks about us very much in these areas.

Are you thinking of providing education for these preschool children or is this just a baby-sitting operation? We had these educational television people in here. They impressed us very much. What about using educational television in day-care centers? What are you going to do? What are you thinking about doing in this experimental day-care program? Are you going to explore all of these questions I am throwing at you?

Mr. RUMSFELD. Our statute prohibits us from operating operational programs for people other than the poor. While our experimental and research and evaluation activities are focused toward people at the lower income levels, the results have implications, as you suggested, for everyone in society. If it is an educational approach or a health approach it clearly is information that is useful to the whole society, in direct answer to your question as to day care.

Mr. FLOOD. You have heard me on the floor, beating my breast, about distressed economic areas, the hard coalfields. The textile and shoe people come in there and saved our lives. Now we are widely diversified. We went from 19.5 percent 25 years ago down to about 4.5 percent, a diversified industry, no longer a single-industry economy. I have met thousands of women working in all sorts of factories. They don't consider themselves poor, but what about their kids?

Mr. RUMSFELD. The answer is that the Office of Economic Opportunity has no intention of operating a large day-care system. Our activities at the present time are focused in the research and developmental areas. In its simplest form we hope what we can do is avoid what happened in something like medicaid or in the health field where government has provided a great deal of money to purchase health services, but we have done too little in the society about the delivery on the supply side with the result being that the costs have gone up and a good deal of the money that the taxpayers have provided has been eaten up in increased costs in health.

DAY CARE UNDER FAMILY ASSISTANCE ACT

But if the family assistance system passed and the Government provided funds for day care and nobody in the society had, in fact, looked at the differing ways that it is desirable to deal with the supply side of day care, there is a danger that you could run the same kind of cost increases, so what the Office of Economic Opportunity is doing is, in cooperation with the Department of Health, Education, and Welfare, and the Department of Labor, proceeding to fund several models or approaches of how day care can be handled. At that point where it is operational it would probably be handled by someone other than OEO.

Mr. FLOOD. But your administration is all for the silent majority. The silent majority that you count on so much is pretty much involved, women and men, with day-care centers. Should they stop being silent, or what?

Mr. RUMSFELD. No, sir; I would say that the reason the family assistance system focused on day care for low-income people was because there was very strong——

Mr. FLOOD. I like that phrase. There is a good phrase. Low-income families. That is a nice phrase instead of "poor".

Mr. RUMSFELD. But the reason is because the taxpayers of the country and the Congress and the President are anxious to have every person who can work, working, and in many instances women with dependent children are not able to work unless there is some provision for day care. That is why the family assistance system, in addition to including the income transfer, included the other two elements, the work requirement plus the day-care provision.

Mr. FLOOD. That we know about. That we know about, and we passed the act in the House.

DAY CARE FOR LOW- TO MIDDLE-INCOME WORKING MOTHERS

Mr. RUMSFELD. But that is why the interest in day care for the low-income group.

Mr. FLOOD. All right; but now we have developed here in the last couple of years an interest in this low-income group who are not poor. Now, they don't make a lot of money at these jobs that I am talking about. The pay isn't very high. Most of them have unions, nationally organized labor unions, but the pay scales are low in some of these plants and they are not poor now but they have children. They may also be separated, or divorced, or they are widows. What do we do about day care there? Shouldn't you do some research and development on that, even though you have no jurisdiction for execution of it?

Mr. WILSON. The activities undertaken in day care will have implications not only for the poor, but also for the low-income. I can give you some examples of the activities we are undertaking to demonstrate what we are doing in these activities.

INCOME CEILINGS

Mr. FLOOD. In your talking and thinking when you people say low income would you go as high as $10,000? Is that low income? It certainly isn't in my district, but is that low income?

Mr. WILSON. No; I would say not.

Mr. RUMSFELD. What is the top trigger out in the family assistance?

Mr. WILSON. I don't know what the top is because it is structured on family size.

Mr. FLOOD. We would like to know. The definition is not clear.

(The information follows:)

Families with children are eligible to receive benefits under the President's family assistance program as passed by the House of Representatives according to a formula which varies by family size. Generally speaking a family of four would be eligible until income exceeded $3,920 per year. Those income limits would increase by $600 per year for every additional family member, and decrease by a corresponding amount for families of less than four persons.

Mr. WILSON. There are several ways you can get around the problem.

Mr. FLOOD. There is a geographic problem.

Mr. WILSON. Very definitely, but other than setting an economic definition of eligibility, say $3,700 for a family of four in an urban area, you can provide a pricing mechanism that people pay for day care in some proportion to their income. We want to look at this.

Mr. FLOOD. I get upset about this social worker or employee of your operation, or anybody's operation, or even the private sector stepping out of a Cadillac convertible with a raccoon coat and flat heels, with a law in her hand, a regulation, which says that at 75 bucks you are in and at $75.01 you are out—period. Don't you worry about that?

Mr. RUMSFELD. I do. Dr. Bryant can tell you some of the problems we have had with our health centers where, if a person's income is above a certain level, he is ineligible, or if he lives outside of a certain target area he is ineligible, and it creates hostilities. Those that don't get it get mad at those that do get it.

Mr. FLOOD. It creates hostilities with me. I don't like it, either.

Mr. RUMSFELD. I suppose they get mad at their Congressman, too.

Mr. FLOOD. Sure. What is the matter with that? I get mad at Flood, too, sometimes.

Mr. RUMSFELD. There is no question, that is a problem. Any time Government goes in and does something in one place, those that it is not doing it to wonder why not, and you can very definitely create some hostilities unless the thing is handled very, very carefully.

Mr. FLOOD. It is not a new problem.

Mr. RUMSFELD. No, sir.

Mr. FLOOD. I don't suggest I am thinking up something. Well, you do some thinking about it. Relieve me a little bit, will you? You think, too, about that?

Mr. RUMSFELD. Believe me, I am.

Mr. FLOOD. There is a head of steam building up on this.

TAX DEDUCTION FOR WORKING MOTHERS

Mr. CASEY. Mr. Chairman, I solicit your support a little bit. I have a bill to allow a tax deduction for working mothers for support of their children.

Mr. FLOOD. I know about that; yes. Yes; that is a weapon.

Well, of course, there are many more questions I could ask you but time won't allow that. Other members of this committee want a shot at you.

ALLEGATIONS OF WASTE IN OEO PROGRAMS

One final question. Occasionally we hear the statement made on the floor—not occasionally but often—that billions of dollars spent through the OEO have been largely wasted. They go to a jury on that. You wave your left arm, and so on. Billions have been wasted by OEO. They sneer at you, and so on. What do you say? Suppose you were sitting in the gallery and one of these members made this indictment? Of course, you couldn't say much from the gallery but what would you say, if you could, about that indictment, billions wasted?

Mr. RUMSFELD. Well, I guess I am not expert on the previous 4 years of the agency's life.

Mr. FLOOD. Yes, but we want to know about the previous 4 years. We want somebody to find out.

Mr. RUMSFELD. Well, there is no way to go back and reconstruct——

Mr. FLOOD. I am not trying to blame you for what happened 4 years ago, but you ought to inquire.

Mr. RUMSFELD. There is no way to go back and reconstruct what happened. There was a decision by the Congress.

Mr. FLOOD. This is going to affect your appropriation. Nobody is going to say, "Well, now you have only been there 1 year." Nobody is going to be as kind to you or to us as we are to you.

"Mr. Chairman, no longer than 4 or 5 years and billions have been wasted. Don't tell us it is a new administration. Somebody ought to know. Why don't you know, Flood?"

Mr. RUMSFELD. My answer to that would be we are asking for money for next year. We have, in fact, found places where dollars, in our judgment, were not being spent with the maximum impact on the poor and we have stopped it and we are stopping it every time we find it, and we are trying to see that the dollars we spend each day are spent in a way that will have the maximum effect, and all I can say is I don't believe there has been a great deal of money wasted during the past 12 months. I know there has been less wasted this month than there was the month before, and I am convinced that the procedures and the policies we have put into place will make the operations of this agency comparable to or better than other programs of a like nature.

RESULTS OF OEO EXPENDITURES

Mr. FLOOD. Put one of your bright young men on that subject for our record; and, two, on the other side of the coin tell us specifically what concrete results—if you don't like concrete—what kind of solid results does OEO have to show for its $9.7 billion in Federal appropriations since 1965? Now, spend a weekend on that for us, for the record, those two questions, both sides of the coin.

Mr. RUMSFELD. Yes.

(The information follows:)

You recall that the 1967 amendments to the Economic Opportunity Act authorized and directed the Comptroller General of the United States to make an investigation of programs and activities financed in whole or in part by the funds authorized under the Act. This investigation dealt with questions of efficiency and program achievement. It was submitted to the Congress on March 18, 1969, shortly before I was appointed Director of the Office. The GAO findings cover comprehensively the Agency's efforts and achievements during its first five years. Included in the report is an OEO response to GAO's summary findings. Any assessment of the report must draw judgements based on a careful comparison of the GAO findings and the OEO response.

Generally, GAO found that OEO's own efforts to evaluate agency achievements between 1965 and 1968 had been too unrelated to one another to provide useful national assessments. Against the background of this limitation, GAO did conclude that most of the manpower programs had experienced high and early dropout rates. From this GAO further concluded that many enrollees had received little actual help. In the case of health programs, GAO found that the scale of activity had fallen short of original plans, but that many poor persons had for the first time been provided with readily accessible medical care on a comprehensive basis. On education programs, GAO's conclusions were tentative in the case of Head Start because of the major evaluation then in progress. This study subsequently indicated that

Head Start children, particularly those in the summer component, had made relatively modest gains compared with their non-Head Start counterparts. The Upward Bound Program, since transferred to the Office of Education, was cited as having shown some results in helping poor students to overcome academic handicaps and motivational difficulties in order to prepare for college entrance. The Legal Services Program, according to GAO, had improved the plight of the poor by affording them legal information and educating them to their legal rights and responsibilities. VISTA proved difficult to evaluate in summary fashion because of the variety of functions performed by volunteers who often work alongside other OEO program personnel. Migrant programs were rated beneficial in helping migrant adults to improve their employment prospects and in preparing migrant children to enter elementary school. GAO observed that the Economic Opportunity Loan Program, administered by the Small Business Administration, could be improved by offering more assistance to borrowers and improving their managerial skills. The Economic Opportunity Loan Program for rural areas, administered by the Department of Agriculture, was found to have made only a limited contribution to bettering the income of most loan recipients.

GAO found a variety of problems in OEO administration prior to 1969. These dealt with the processes for selecting and counseling program participants, for supervising program staff, for job development and placement in employment programs, for following-up on the progress of

program participants, and for doing the record keeping and reporting needed to measure program performance.

Criticism of the Community Action Program prior to 1969 centered on the need to improve the staffing, management and planning capabilities of the local grantees. A good many OEO and grantee irregularities in the handling of funds were noted. GAO's recommendations for improvement endorsed President Nixon's transfer of a number of programs to other Federal agencies, and called for the clarification of program objectives and criteria, and for substantial improvements in program coordination, agency organization, and management procedures.

In its response to the 1969 GAO report, OEO found that many of the criticisms and recommendations had merit, and concurred that remedies were in order. It was noted that the report largely omitted OEO program accomplishments and thus lacked balance for the objective reader. Questions were raised also about the validity of the conclusions reached by GAO from the relatively small sample of the OEO programs studied in depth. Of particular concern to OEO was the need to make clearer the relationship between performance problems and the delays and uncertainties in the Congressional authorization and appropriation processes. To provide balance to the report, OEO submitted data concerning the actual number of new services established, the participants served, and the involvement of the poor in the direction or administration of local programs.

The best statistics available on OEO program performance from Fiscal Year 1965 through Fiscal Year 1970 are contained in the table below. These constitute the best assessment of the results achieved with the appropriations provided since 1965.

Other OEO exceptions taken to the GAO report dealt with matters of degree of GAO criticisms of program management.

Both GAO and OEO agreed on the number of persons who moved out of poverty between 1964 and 1968 -- downward from 34 million to 22 million or a reduction of 12 million persons. Of course, not all of this was attributed to Federal programs aimed at assisting the poor. Much of the reduction was attributed to the expansion of the national economy during those years.

When I was appointed OEO Director in May 1969, the GAO report had recently been issued. I relied heavily on its findings in working with the several task forces involved first in appraising and then later in restructuring the Office of Economic Opportunity. The OEO program results of the last year are not substantially different in statistical terms than those of earlier years. This is clear in the table below. However, what we have done in response to the GAO report and other studies and criticisms of the Agency, is to make definite changes in objectives, organization, and relationships.

These are not the kinds of actions which lead immediately to statistical changes. They do, however, aim at program improvements which are leading

to better solid results in the future. In many cases these results will accrue to the credit of other Federal agencies when we transfer or delegate promising programs to them for expansion. Last year, as you know, we transferred or delegated the major manpower programs to the Department of Labor, and the popular Head Start and Follow-Through programs to DHEW. In other cases the private sector will adopt program ideas developed under our leadership and expand them into new services for the poor. We would like to be judged not just by what we produce under our own label. What really counts is how well we succeed in influencing other organizations and institutions to find or adopt new and better ways to open up a full range of economic and social opportunities to all of our citizens. Part of the job is to test, usually at low cost, ideas which may prove to be very bad. But this is far better than plunging prematurely into major operating programs merely because of enthusiasm over a new gimmick.

The new emphasis in the Office of Economic Opportunity on research and program development is the clearest example of our concern with finding and testing new approaches to problems that can be picked up and applied by other organizations better equipped for large-scale program operations. Our Fiscal Year 1971 budget request for these functions is 60 percent greater than Fiscal Year 1970. Community Development Corporations, experimental day care programs, an ombudsman system, adult basic education

at work locations, and private and public sector employment measures, are major program development projects for Fiscal Year 1971.

In the research and evaluation area we will be concentrating on the policy implications of the Family Assistance Program, the developmental problems of young children, the impact on the size and composition of the poverty population of major economic policy and land-use pattern changes, remedial math and reading for disadvantaged school children, and on new ways of giving parents a greater choice of sources of education for their children.

Those field programs that we still operate are also being reoriented to emphasize development. We are realigning the Community Action Agencies with their original purpose of finding new ways to help the poor. These agencies will be evaluated intensively during Fiscal Year 1971. They will be offered financial incentives to find and utilize private resources and other public resources to help finance programs aiding the poor. Our Health and Legal Services programs will be emphasizing more strongly the search for ways to improve their services to the poor. VISTA will be shifting from providing general assistance to low income areas to delivering specific services. More VISTA volunteers will be recruited who have special skills in such fields as health and education.

To improve intergovernmental involvement in the poverty program we are placing special emphasis on the hitherto largely neglected potential

of state government. In Fiscal Year 1971 we will continue to fund the state-directed Community Development Corporations initiated in 1970, and to encourage the states to become more directly involved in other efforts to assist the poor. The states will now play more active roles in evaluating grant requests, in monitoring programs, and in assisting local Community Action Agencies to improve their performance.

Inside the Office of Economic Opportunity we have progressed well beyond the reorganizing and streamlining action started in August 1969. Recently we created two new offices to focus particular attention on needs within the poverty population -- a human rights division within the General Counsel's office to measure how well our programs reinforce human rights activities and to formulate agency policy in that area, and an Office of Special Programs to help focus Federal programs on the special needs of the elderly, youthful, and rural poor.

We have also cleaned up procedural shortcomings. Our grant consideration process has been revamped to prevent conflicts of interest and to eliminate deficiencies in the review and monitoring of grants and contracts. An increased effort also has been made to reduce other administrative costs.

Again, these are not the results which show up immediately in the program statistics. They are the kinds of results, though, that have much to do with improving the quality as well as the quantity of human benefits behind the statistical counts.

Office of Economic Opportunity

Schedule of Funded Units for Fiscal Years

1965 Through 1970

	Funded Units	1965	1966	1967	1968	1969	1970 (Estimate)
Office of Economic Opportunity							
Neighborhood Services Systems	Persons Served	a/	a/	a/	3,100,000a/	3,100,000	3,100,000
Community Action Youth Programs	Youths Served	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Community Action Operations	CAA's	b/	b/	b/	1,185b/	1,035	1,003
Training and Technical Assistance	Man Years of Effort	53	844	1,391	1,482	1,906	1,680
	CAA's	c/	c/	c/	1,185c/	1,035	1,003
State Economic Opportunity Offices	States	50	50	49	49	49	50
Legal Services	Projects	-	130	250	250	267	267
	Lawyersd/	-	N/A	1,800	1,800	1,800	1,800
	Cases	-	200,000	300,000	475,000	610,000	800,000
Senior Opportunities and Services	Projects	-	-	-	100	217	217
	Persons	-	-	-	-	670,000	700,000
Housing							
Housing Development Corporations	Projects	-	8	8	24	35	35
Housing Services	Projects	-	-	-	-	105	105

N/A Not available.
a/ Built up to a level of 3.1 m persons served from FY 1965 through FY 1968.
b/ Buildup during early years to a peak number of CAA's in FY 1968. Consolidation in subsequent years decreased number.
c/ Buildup during early years to a peak number of CAA's in FY 1968.
d/ Does not include 350 Reginald Weber Smith Fellows.

	Funded Units	1965	1966	1967	1968	1969	1970 (Estimate)
Emergency Food & Medical Services	Projects	e/	e/	e/	e/	400	575
	Counties	-	-	N/A	255	1,000	1,400
	Persons	-	-	85,000	500,000	1,000,000	1,800,000
Comprehensive Health Services	Capacity of Approved Projects	f/	f/	890,000	1,010,000	1,055,000	1,200,000
Family Planning	"	0	f/	g/	230,000	300,000	440,000
Alcoholic Counseling & Recovery	"	g/	g/	g/	g/	g/	20,000
Drug Rehabilitation	"	0	0	8,000	8,000	8,000	10,000 i/
Migrants and Seasonal Farmworkers	No. of People Served	100,000	100,000	106,800	212,600	265,300	284,000
VISTA	No. of Volunteers End of Year	1,000	3,592	4,257	5,032	6,030	6,150
	Man Years	150 i/	1,500 i/	3,717	4,275	4,523	5,083
Department of Labor							
Job Opportunities in the Business Sector	Enrollees	-	-	-	3,000	37,000	29,000
Concentrated Employment Program	"	-	-	k/	42,000	93,000	104,000

e/ Food assistance program; not formally designated as EF&MS program.
f/ Included in Research and Pilot programs.
g/ Included in Local Initiative.
h/ Reflects conversion of summer programs to higher cost per child full year program.
i/ Reflects the total level of projects initiated with OEO support. As noted in the FY 1971 justification book, page 164, however, not all of the original projects will require OEO funding in FY 1970.
j/ Estimated.
k/ Program was initially funded late in the fiscal year, therefore there are no enrollees in that year.

	Funded Units	1965	1966	1967	1968	1969	1970 (Estimate)
Public Service Careers [l]	Enrollees	-	-	1,000	4,000	4,000	18,000
Neighborhood Youth Corps [m]	"	180,000	486,000	564,000	617,000	577,000	554,000
Operation Mainstream	"	-	8,000	11,000	13,000	11,000	11,000
Job Corps	"	12,000	47,000	71,000	65,000	70,000	50,000
Department of Health, Education, and Welfare							
Head Start	Children	561,000	733,000	681,300	693,900	663,600	488,500 [h]
Follow Through	Children	-	-	-	13,000	35,000	62,000
Work Experience and Training	Enrollees	16,000	83,000	72,000	46,000	5,000	[n]
Foster Grandparents	Persons	-	1,000	3,000	1,000	5,000	[o]
Upward Bound	Student Spaces	[f]	20,000	23,000	24,000	23,000	[p]
Adult Basic Education	Participants	38,000	110,000	[q]			
Work Study	Students	115,000	275,000	[r]			
Department of Agriculture							
Rural Loans							
Individual	New loans	11,104	17,073	16,453	12,121	4,958	2,200
Cooperative	New Loans	83	391	382	357	223	40

[l] Includes New Careers program.
[m] Includes In-school, Out-of-school, and Summer components.
[n] Responsibilities for the program transferred to Work Incentive Program (WIN) under the Social Security Act.
[o] Program transferred to the Older Americans Act.
[p] Program transferred to the Higher Education Act.
[q] Program transferred to Elementary and Secondary Education Act.
[r] Program transferred to the Higher Education Act.

AMOUNTS BUDGETED FOR EVALUATION

Mr. FLOOD. I would like a table similar to the one on page 62 in last year's hearings. Show the amounts in your budget for evaluation for 1969, 1970, and 1971. Now, that is a word that is beginning to rasp here a little bit. Everybody is now evaluating. This new Administration is evaluating evaluators. They are really going overboard on evaluation. The bureaus are evaluating each other. We are beginning to watch that one with a jaundiced eye.

(The table follows:)

Estimated Obligations for Types I & II Evaluation, Fiscal Years 1969-71
(Dollars in Thousands)

	Fiscal 1969	Fiscal 1970	Fiscal 1971
OEO			
Office of Planning, Research, and Evaluation (National evaluation of the overall impact of all programs (Head Start, Neighborhood Health Centers, Family Planning, Job Corps, NYC, JOBS, Legal Services, CAP, etc.))	$ 2,384	$ 5,515	$ 5,650
Office of Program Development (demonstration projects)	1,161	2,671	4,000
Office of Health Affairs (Neighborhood Health Centers, Family Planning, Emergency Food, Addiction, and Mental Health)	145	320	465
Subtotals	$ 3,690	$ 8,506	$10,115
Delegate Programs			
Job Corps (Department of Labor)	$ 1,417	$ 1,800	$ 1,880
Work and Training programs (Department of Labor (NYC, New Careers, JOBS, Operation Mainstream, CEP))	1,900	2,800	2,800
Head Start (HEW)	2,000	2,500	2,500
Follow Through (HEW)	2,400	4,400	4,500
Totals	$11,407	$20,006	$21,795

NOTE: The above table includes all funds for evaluation of the overall impact and effectiveness of various anti-poverty programs (Type I) and of the relative effectiveness of different strategies, approaches and techniques used by these programs (Type II). Last year's table included funds for selected evaluations of the effectiveness and efficiency of individual operating projects (Type III). Such evaluations are a routine part of federal project management and funds for them are omitted from this table.

June 8, 1970

ADMINISTRATION AND EXECUTIVE DIRECTION EXPENSES

Mr. FLOOD. And update that very good table on page 62 of last year's hearings to show the cost of administration and executive direction for 1969, 1970, and 1971.

(The table follows:)

ADMINISTRATION AND PROGRAM DIRECTION COSTS
(in thousands of dollars)

Program	Fiscal Year 1969 actual 1/	1970 est.	1971 est.
OEO Direct Programs			
Headquarters	(33,300)	(24,400)	(24,700)
Research and Evaluation	3,600	3,600	4,300
Community Action Operations	3,100	3,100	3,200
Health and Nutrition	1,900	2,300	2,800
Legal Services	1,000	1,100	1,100
Special Impact	900	900	1,100
Migrants	1,400	1,400	1,500
VISTA	3,700	4,000	3,400
Job Corps 2/	8,400	--	--
Head Start 2/	1,300	--	--
General Support	8,000	8,000	7,300
Regional Office	(25,900)	(24,600)	(27,300)
Community Action Operations	11,700	11,800	13,200
Legal Services	800	800	1,300
VISTA	3,700	4,000	4,100
Job Corps 2/	3,000	--	--
Head Start 2/	1,800	--	--
General Support	4,900	8,000	8,700
Subtotal, Direct Program	59,200	49,000	52,000
Delegated Programs			
Department of Labor Programs	(12,100)	(23,700)	(24,600)
Headquarters	5,800	12,700	13,100
Field	6,300	11,000	11,500
Department of Health, Education and Welfare	(1,600)	(4,900)	(6,600)
Headquarters	1,400	2,600	3,100
Field	200	2,300	3,500
Department of Agriculture	(3,000)	(3,500)	(4,500)
Headquarters	200	200	200
Field	2,800	3,300	4,300
Subtotal, Delegated Programs	16,700	32,100	35,700
Total OEO	75,900	81,100	87,700

1/ Adjusted for comparability with 1970 and 1971 estimates.
2/ Delegated in fiscal years 1970 and 1971.

Mr. FLOOD. Mr. Michel?

MISSION OF OEO

Mr. MICHEL. Thank you, Mr. Chairman. First, I want to commend you, Mr. Rumsfeld, for your presentation today. It is quite obvious after a year in office that you do have a firm hold on your own shop which we couldn't expect you to have had last year when you testified. I must say that your presentation here today gives me a little bit different perspective on the whole operation of the Office of Economic Opportunity. In your responses to several of the questions posed by the Chairman that would tend to indicate that there is a duplication by your office, your response has been something like, "But the reason we have had OEO set up is to meet this very problem which hasn't been met heretofore by the Department of Labor, Department of Health, Education, and Welfare, Department of Agriculture," and so forth, when we have had a number of ongoing programs and they haven't been targeted into the spots that you feel your shop has really got the responsibility for.

I would be willing to wager, and you said it much better than I did, that there aren't 25 Members in the House that have the kind of grasp of this program as you enunciated it earlier in your exchange with the Chairman.

Mr. RUMSFELD. I am afraid that is true.

Mr. MICHEL. I got a completely different view today than I had a year ago. I must confess when I see, for example, in your OEO testimony a subheading of "Emergency Food and Medical Services," or "Family Planning," "Drug Rehabilitation," "Alcoholic Rehabilitation," "Comprehensive Health Services," I can hardly believe it isn't the Department of HEW justification you are talking about.

Mr. RUMSFELD. Yes.

Mr. MICHEL. And so I do have a different view. Let me ask you now some specific questions, if I might about, first, some of the points you make in your testimony here and going through them in chronological order.

BREAKDOWN OF 1971 BUDGET REQUEST

First, might I ask is there a smaller version of this chart, a miniature, that we can have for the record?

Mr. CASSIDY. Right here, sir, I have handouts.

Mr. MICHEL. Mr. Chairman, we haven't really discussed the chart that they brought along but I have been glancing at it from time to time, and find it very revealing. I wonder if we might have that in the record. I have a problem drawing all this together, as I have indicated in some of the prior hearings.

Mr. FLOOD. You are suggesting if this is a copy that I hold in my hand, then you want it inserted in the record?

Mr. MICHEL. I think we ought to have this placed in the record at this point because it surely shows in very concise form this division of responsibility vis-a-vis your shop and the Department of Labor, Department of HEW, and Agriculture.

Mr. FLOOD. All right.

(The information follows:)

OFFICE OF ECONOMIC OPPORTUNITY
1971 APPROPRIATION REQUEST

	1969	1970	1971
TOTAL APPROPRIATION	$1,944.9	$1,948.0	$2,080.2
I. Office of Economic Opportunity	648.0	785.4	865.2
A. Research, Pilot Progs. & Eval.	38.9	75.6	118.3
1. Research & Evaluation	35.3	67.6	94.0
2. Day Care R&D	---	4.4	20.0
3. Program Direction	3.6	3.6	4.3
B. Community Action Operations	379.7	382.1	384.6
Authorized under Sec. 221 EOA. 1. Mission Performance	59.5	60.0	60.0
2. Community Programming	83.3	87.0	87.0
3. Neighborhood Service Systems	108.9	107.0	105.0
4. Youth Development	33.5	32.0	30.0
5. CAA Administration	40.9	42.9	42.0
6. Senior Opportunities	6.4	6.8	7.8
7. Training & Tech. Assistance	25.5	22.5	22.4
8. State Economic Opport. Offices	6.9	9.0	14.0
9. Program Direction	14.8	14.9	16.4
C. Health and Nutrition	93.4	155.2	176.8
1. Family Planning	13.8	16.6	24.0
2. Emergency Food & Medical	23.2	48.8	33.0
3. Narcotics Rehabilitation	2.2	4.5	3.0
4. Comprehensive Health	52.3	74.0	110.0
5. Alcoholic Counseling & Recovery	---	9.0	4.0
6. Program Direction	1.9	2.3	2.8
D. Legal Services	47.2	53.8	63.4
1. Operations	45.4	51.9	61.0
2. Program Direction	1.8	1.9	2.4
E. Special Impact	14.3	36.8	32.1
1. Operations	13.4	35.9	31.0
2. Program Direction	.9	.9	1.1
F. Migrants	28.8	30.9	35.5
1. Operations	27.4	29.5	34.0
2. Program Direction	1.4	1.4	1.5
G. VISTA	32.8	35.0	38.5
1. Operations	25.4	27.0	31.0
2. Program Direction	7.4	8.0	7.5
H. General Support	12.9	16.0	16.0

	1969	1970	1971
II. DOL	$ 875.4	$ 753.9	$ 802.0
A. Job Corps	278.4	170.2	180.0
B. School and Summer Youth Programs	189.5	183.9	208.9
1. In-School	49.0	62.4	62.4
2. Summer	140.5	121.5	146.5
C. Comprehensive Employment	398.9	399.8	413.1
1. Concentrated Employment	83.0	149.4	123.0
2. Public Service Careers	18.5	47.0	96.6
3. Out-of-School Youth	123.7	98.0	134.2
4. Mainstream	41.0	41.0	41.0
5. JOBS	111.3	47.0	0
6. Support	21.4	17.4	18.3
D. Special Impact-Industry Incent.	8.6	---	---
III. DHEW	415.2	399.3	408.0
A. Head Start	333.9	326.0	339.0
1. Operations	NA	321.9	333.2
2. Program Direction	NA	4.1	5.8
B. Head Start Follow Through	32.0	70.3	69.0
1. Operations	NA	69.5	68.2
2. Program Direction	NA	.8	.8
C. Work Experience	6.4	---	---
D. Foster Grandparents	9.1	---	---
E. National Summer Youth	3.0	3.0	---
F. Upward Bound	30.8	---	---
IV. Agriculture	6.0	9.4	5.0
A. Rural Loan-Fund	3.0	5.9	.5
B. Rural Loans-Program Direction	3.0	3.5	4.5
V. Transfers	.3	---	---

Mr. RUMSFELD. I would like, if I may, to make a comment on this. This represents the Economic Opportunity Act activities. As you suggested, these are the ones that are in the Office of Economic Opportunity, and these are the ones that are delegated to Labor, HEW, and Agriculture. We have broken down ours by research and evaluation, by the community action category, and then health, legal services. Special impact is the title I–D part of our act which is economic development. Those are the economic development special impact grants that are put out around the country, both in urban and rural areas; then our migrants title and VISTA.

EARMARKED FUNDS FOR ALCOHOLISM AND NARCOTIC ADDICTION

Mr. MICHEL. Before you go any further, let me go back because I think there was only one item there that disturbed me a little bit, and it has to do with item No. 5 under "C", alcoholic counseling and recovery, where you show in 1970 $9 million, and in 1971 $4 million, at the very time you are telling us in prior testimony that the program is being beefed up. Now, it may be, because of the lateness of the bill in 1970 and carryovers, that that is kind of a distorted figure but would you explain that one specifically for me, because I think that one is about the only one that, to me, shows you in a bad light figurewise.

Mr. RUMSFELD. Narcotics also?

Mr. MICHEL. Right.

Mr. RUMSFELD. There is a drop there. Emergency food would be a drop.

Mr. MICHEL. Right.

Mr. RUMSFELD. The reason for those is the fact that, for example, in alcohol we had zero to speak of in fiscal year 1969. In 1970 an earmark was put on it, requiring a substantial sum of money which we were not tooled up to spend intelligently. Rather than try to spend it all on 1-year grants, what we did was fund as many grants as we could get together that were in good shape on a 2-year cycle. That means they need not be refunded this year, so while it looks like we are going down we, in fact, are still going up, going up from zero, these being 2-year grants, and this would be a level or continued increase. The exact same thing is true with the drug program, narcotics here, where we had an earmark at a high level. Instead of trying to put out a lot of half-decent things we tried to put out some good ones, funded them for 2 years, and will be adding some additional ones in the narcotics area next year. It will actually be an increase, a rather steady increase, but it was the earmark that warped not only the presentation but, in fact, our allocation of resources within the agency.

EMERGENCY FOOD AND MEDICAL PROGRAM

Emergency food and medical is a unique problem to some extent. We were at this level in 1969.

Mr. MICHEL. Which, for the record, was $23.2 million in 1969?

Mr. RUMSFELD. Right. The earmark went up to $48.8 million. I quite honestly do not know if we will put all of that out by the end of the year. We are trying.

Tom, are you still confident or hopeful?

Dr. BRYANT. I am confident.

Mr. RUMSFELD. Dr. Bryant is confident, but it is going to be difficult and we feel that that is a more digestible amount in fiscal year 1971. Also, during the interim, the Congress has acted on a portion of the President's requests with respect to food and hunger, and loosened the requirements in the community distribution and food stamp programs which should relieve some of the burden on OEO because OEO has been doing some of the gap-filling which will be taken care of automatically by the changes the Congress is making in the food program.

Mr. MICHEL. To use that one as an example, emergency food and medical, is that an earmarked item?

Mr. RUMSFELD. That is. These are not.

Mr. MICHEL. Since it shows in 1970 at a level of $48.8 million and at a level in the 1971 budget of $33 million, how can you have that much of a reduction with an earmark when the overall figure in 1971 exceeds 1970?

Mr. RUMSFELD. That is what we are hoping this committee and the Congress will provide us. This is not the earmarked figure. If we presented the earmarked figure the $48.8 million would go up to what, Tom?

Mr. PLISSNER. $49.9 million.

Mr. RUMSFELD. Up to $49.8 million.

Mr. MICHEL. And it would be in direct proportion, of course, to the increased overall figure of 1971 over 1970?

Mr. RUMSFELD. Right.

Mr. MICHEL. But the chairman has asked you before, has he not, to supply for the record what these figures would be, with specific earmarks?

Mr. RUMSFELD. Right. That would be a difficult thing. For example, we would like to spend that level. With the earmarks on we would have to spend $16 million that would have to be taken out of other programs and twisted around.

Mr. MICHEL. Now maybe you would like to go on. I interrupted you there after you had completed a runthrough of your operation.

Mr. RUMSFELD. These are presented this way simply so that tomorrow when the other departments are in discussing their parts their budgets will be clear.

Mr. MICHEL. Why don't I just defer any discussion of that until an appropriate time when the witnesses testifying on those subjects will be here.

Mr. RUMSFELD. Good.

RESEARCH, DEVELOPMENT, AND EVALUATION OF DAY CARE CENTERS

Mr. MICHEL. On that first item of the $39.6 million targeted for day care centers; as the chairman indicated, that is a popular item and we are talking about it in a number of areas. Is this the only spot now where research, development and evaluation of day care centers is going to be carried on in the Government?

Mr. WILSON. Mr. Congressman, OEO has a substantial program in the day care area. We are coordinating with the Office of Child Development and, in fact, have a combined research package worked out with them.

Mr. MICHEL. Do you know offhand what their budget figure is for this item?

Mr. WILSON. No, I do not.

Mr. MICHEL. Would you, so that we might have it in the record all at one place, supply that figure for the record?

Mr. WILSON. Yes, sir.

(The information follows:)

The Office of Child Development day care research, demonstration and evaluation budget in 1971 will total $750 thousand.

Mr. PLISSNER. I would like to suggest for the record you quoted a figure of $39.6 million from Mr. Rumsfeld's statement as being the figure for day care. The $39.6 million represents all the new R. & D. projects. The day care portion is only about $7.5 million, in a $20 million overall program.

Mr. MICHEL. All right. And what is that $13 million difference, then, in child care?

Mr. PLISSNER. That is a continuation of the research already under way this year.

Mr. MICHEL. Is this research done by project grant to day care centers?

Mr. WILSON. I could briefly describe, if you are interested, what we are doing in this area or provide it for the record.

Mr. MICHEL. In the interest of time, provide it for the record.

Mr. WILSON. Yes, sir.

(The information follows:)

The Office of Economic Opportunity day care research program is designed to produce information relevant to the establishment of Federal day care policy and to guide the development of models that will point the way to good day care practice.

The research program, in 1970, is intended to produce information relevant to formulating policies on day care through:

(a) A national survey of existing day care.

(b) A survey of the state of the art in day care with emphasis on child development.

(c) Support of the development of materials for the use of day care operators.

(d) Creation of a policy studies group to perform analyses on problems such as facilities, staff training, financing, methods of service delivery and the role of the private sector.

(e) A study of state and local licensing requirements.

(f) Identifying, evaluating and disseminating information on 20–30 current and good examples of day care.

(g) Support of a major expansion of day care in Vermont in connection with expanded manpower training as a pretest of these important elements of the Family Assistance Program.

In 1971, the program will move to develop information disseminating activities including:

(a) Two major experiments in medium sized cities to examine the impact of a major increase in day care in a city and the manner in which the expansion and utilization of day care is affected by different means of financing.

(b) Establishment of a number of demonstration centers intended to show how day care services can be delivered in different locales, under a variety of auspices. These centers will complement the ones chosen earlier for evaluation and dissemination.

(c) Establishment of a clearinghouse to utilize imaginative techniques to get good current practice into the hands of new project operators and to disseminate the results of research and analysis findings.

(d) Establishment of a network of experimental or developmental day care centers intended to carefully explore the impact of various day care models on children and their families.

(e) Experimentation with day care in an income maintenance setting to carefully quantify the impact day care might have on reducing welfare dependency.

Mr. MICHEL. We do have a task force on this subject. Just for our additional information I would like to see specifically what we are doing here so far as your shop is concerned.

STATE ECONOMIC OPPORTUNITY OFFICES

Now, on the additional $4 million to expand the capability of State Economic Opportunity offices, is that $4 million over and above what basic figure for fiscal year 1970?

Mr. CARLUCCI. $9 million this year.

Mr. PLISSNER. $9 million is the amount of money in the 1970 budget which we estimate will take about $10 million to refund in 1971. The $4 million increase we refer to is the money that would be used for new things to be started next year.

Mr. MICHEL. Again, you are in a situation of too much to digest in 1970 and carried over in 1971, and it is reflected in a lower figure here, actually?

Mr. RUMSFELD. No, there is not a lower figure. The State Economic Opportunity offices go from, in 1969, $6.9 million, in 1970, $9 million, and in 1971, $14 million. That is a very normal progression.

Mr. CARLUCCI. If I may comment on that, Mr. Congressman, that represents increased staff capability, for the most part, for the State Economic Opportunity offices.

Mr. MICHEL. Do all States have an economic opportunity office?

Mr. RUMSFELD. Just Indiana does not at the moment, and we are working on that. They want one and submitted a proposal, I believe.

Mr. CARLUCCI. That is right. A District of Columbia one is now being funded.

Mr. RUMSFELD. There are two others being worked on. The District of Columbia wants one, and Puerto Rico. But it is a valuable thing, I think, to have that mechanism at the State level working with the State government. The individuals are appointed by the Governor. The office works with the Governor of Office of Economic Opportunity and human resource programs in the State.

EMERGENCY FOOD AND MEDICAL SERVICES PROGRAM

Mr. MICHEL. Now, on this $7,300,000 that will be used to provide ancillary services and additional development activities designed to improve the delivery of services to the poor in the Emergency Food and Medical Services program, what are we talking about here, specifically?

Mr. RUMSFELD. Dr. Bryant.

Dr. BRYANT. I think, to go back to what the Director said earlier about the substantial reforms that are being made now, being considered by the Congress in the Food Stamp Act and in the food program and in the commodity distribution program, all of which are operated by the Department of Agriculture, what we will do with

OEO dollars, in the main, is to fill local gaps, and I think maybe a word that is helpful is as we move into implementing the reforms of the food stamp program and in the commodity distribution program, we will need a certain amount of facilitation at the local level.

Mr. MICHEL. Before we go any further, let me tell you several of us here serve on the Agriculture Subcommittee on Appropriations.

Mr. FLOOD. Three men on this subcommittee are on the Agriculture subcommittee, Mr. Hull, Mr. Natcher, and Mr. Michel himself, so be careful.

Mr. MICHEL. Last week we just marked up our Agriculture appropriation bill with a billion and a quarter dollars in there for food stamps. That is, of course, just a big ballooning from the current program. Some $600 million we are not even spending yet, and next year they are talking about something at the level of $2 billion. Now, the general impression we get is that we are getting to the people and it is getting the visibility. My question is, why you are asking for some here to implement or see that that program really gets revved up, and all the time we are appropriating more money.

Do you suppose by next year when we are at $2.5 billion you are going to double yours? It would seem to me that it ought to be wiped out entirely because it will be so obvious to everybody that "Look, all you have to do is ask for it" and we are going to provide it.

I have, with tongue in cheek, testified in favor of free food stamps, something I thought I would never do in my life, but I did. But I still have a hard time digesting this figure here. It isn't well enough known yet.

Mr. RUMSFELD. We proposed in the emergency food program to go from $23 million last year to, as I recall, about $30 million. Then the earmark was put on and the Congress required us to go up to $48 million. We want to go down to $33 million, and if the earmark stays on we are going to be required to go up to $49 million, and all I can say is we are with you.

Mr. MICHEL. I am glad to hear that, which makes a real good, hard argument then against an earmark on this specific item, at least.

Mr. RUMSFELD. I think so.

MEDICAL SERVICES

Mr. MICHEL. How about in the medical services? What are we talking about?

Dr. BRYANT. We are only talking about medical services directly related to hunger and malnutrition, not in the broad sense. Actually, so far as dollars that we spend in that program, a very small percentage, probably less than 10 percent, is really devoted to what could be termed "medical activities." We have discovered some children that were badly malnourished, requiring emergency hospitalization and treatment—these kinds of things that do occur, but do not require a very large expenditure of dollars.

FAMILY PLANNING

Mr. MICHEL. And in the family planning area your interest is only in delivery of that service and has nothing to do with research?

Mr. RUMSFELD. We are spending no money on such things as development of the technology of family planning at all. We are not in that business.

PEORIA FAMILY PLANNING PROJECT

Mr. MICHEL. This reminds me that in my home community of Peoria we had a family planning project this past year where we had local contribution that was made up in services of nurses. Our Public Health doctor, who was a proponent, died of a heart attack, and I am not so sure that his successor has the same view toward making that local contribution. As a result we are on the brink of losing what we might normally receive from the Federal Government in assistance to continue that program of family planning.

Now, would your shop be in any position at all to come to the rescue there, or how do you operate in this kind of situation?

Dr. BRYANT. I think we would be in a position, and we certainly would try to help you, but I don't think we are going to have to because that has been called to our attention by the local Community Action agency there, and they are concerned and I think the problem is going to be resolved at HEW. That is the last information I had, which is a week or 10 days old.

Mr. MICHEL. In a situation like that, what is the percentage of local contribution? I know my wife and a number of others have gone out on a private solicitation thing to raise the money.

Dr. BRYANT. It varies from 10 to 25, but I think that it is somewhere in the neighborhood of 20 or 25 percent.

Mr. RUMSFELD. Of which a portion can be in kind.

Mr. MICHEL. Right; but the "in kind" has come about through the good influence of an individual who had the ability to do that and, of course, if the personalities change and you can't get it that way, you have to try and go another route. That is where our problem has been.

RESEARCH ON FAMILY PLANNING

Mr. PLISSNER. In further response to the question you asked on research and family planning, let me provide a little amplification. We have used our research authority for research not into family planning techniques but, rather, on delivery systems.

Mr. MICHEL. Research on the delivery.

Mr. PLISSNER. That is right.

Dr. BRYANT. There is nobody with a magic answer as to how to best reach the target group.

Mr. RUMSFELD. My point is we were not in the business of manufacturing loops.

Mr. MICHEL. Your answer was responsive to the question but I am happy to have it amplified, because there would, I suspect, have to be some research involved in actually getting it to the specific people we are talking about.

SERVICES TO MOTHERS IN HOSPITALS AT TIME OF CHILDBIRTH

The other question on that item had to do with this phrase in your testimony which says: "Included will be projects offering services to

mothers in hospitals at the time of child birth." Why would that be included in family planning?

Mr. RUMSFELD. Part of the problem is both in urban and rural areas but particularly rural areas, where it is so hard to get to people, to get them in contact with the delivery of that particular service. One of the best times to reach a person is when they are physically in a hospital, have had a baby, and are interested possibly in planning the remainder of their family, so you have a much easier way to give people the option of voluntarily adopting those services, if that is their wish.

DRUG REHABILITATION

Mr. MICHEL. Drug rehabilitation is at $2 million to help provide continuing development of new experimental projects initiated in 1970. Have we had any discussion in the record here of what we have found out to date? You say continuation from 1970.

Mr. RUMSFELD. Practically nothing. The agency had not been in the drug and narcotics to any great extent. In the last fiscal year, the one we are presently in, the Congress put in a new title and provision in drug and alcoholism. The bill was passed and the money provided late in the fiscal year. Dr. Bryant and others have been working to put these in place, but some of the ones that we are talking about continuing for the prospective fiscal year have not even today been put in place, but will be during the last 30 days of the fiscal year.

Mr. MICHEL. Do you follow or take any lead from NIMH on this? Are you going in two distinct directions?

Dr. BRYANT. No. They are recognized as the agency that could be expected to have great professional expertise in dealing with the problem and in that sense we do take their lead. We have done it very concretely. We have recruited one of their psychiatrists to come over and help us. At any rate we do work very closely with them. I think they and we also realize that the whole problem of drug abuse is a very bad one and a very severe one. We are particularly good it seems to me at OEO, at being able to get to the grassroots community on this issue of drug abuse. They tend to, as described for the family planning program, go through traditional health institutions as indeed they would be expected to. They handle most of their drug programs through the community mental health program, a very viable program which is able to bring to bear a lot of professional expertise and talent. If you can combine that approach with our approach—grassroots through community organizations, heavy use of ex-addicts and people who are from the community where the addicts are concentrated—I think it makes a lot of sense.

Mr. RUMSFELD. Again just so it is absolutely clear, the Office of Economic Opportunity is not involved in either the narcotics or the alcoholism program in any of the medical technology research, just as we are not in family planning. We are involved in the delivery and the out reach of getting the individuals, for example, alcoholism problem on an Indian reservation. The community would work with the individuals and attempt to develop job opportunities. So when we are talking about research, we are not talking about NIMH type research.

MIGRANT AND SEASONAL FARMWORKERS

Mr. MICHEL. I have one question on the migrant and farmworkers, because as the chairman indicated, it is a declining group of workers and we are also getting a number of requests from other departments and agencies for programs directed at them. It spills over into the agricultural appropriation bill also. I think testimony shows that there are several hundred thousand fewer migrant agricultural workers this year as against the year before, simply by our closing the door, for example, to some of the Mexican labor. Of course in some areas it has actually given us pretty much of a problem.

When you say that you have $3 million as part of a long-range program towards developing more "Permanent and better-paying job opportunities for these people"——

Mr. RUMSFELD. Out of the migrant stream.

EMPHASIS ON GETTING PEOPLE OUT OF MIGRANT STREAM

Mr. MICHEL. Out of the migrant stream? Well, the question is raised do we really want to do that. I still happen to think we need a reservoir of migrant workers in this country to take care of some of the agricultural commodities that have to be grown, harvested, to feed people. While I want to see them properly fed, housed, and provided with medical care, I would hate to see us in the position of wiping out the last vestige of migrant workers. You just can't recruit the type of workers you need to harvest the corps.

In many areas our technology is sufficient—necessity is the mother of invention and we have produced the machines—but on some of these crops we have found out through research that they can't be machine harvested without ruining the crop, whatever it might be.

Mr. RUMSFELD. Our migrant programs are involved in housing, health, and in a variety of the types of things you are talking about. There is no great magnet to take people out of the migrant stream. Conversely the magnet is there, and the thing that is moving them out is the fact that there are fewer jobs because of automation.

Mr. MICHEL. I am glad to hear that response, because I think it would distress some to feel that the emphasis was on getting them out of the migrant worker stream, and into other productive jobs, when as a matter of fact we are going to have to have them for a good many years to come and we have an obligation and responsibility to do what is right for those we have. It is a manpower resource, in my opinion, that is absolutely essential.

Mr. PLISSNER. Mr. Michel, we proceed pretty much with the acknowledgement that they are leaving, as you yourself have said. When they do leave, they turn up again with problems for the cities, very frequently, or in small towns. Theirs are very difficult problems because they are about as ill-prepared to do anything other than what they have been doing as any group of people we can think of, and so a good part of our efforts acknowledge the fact that they are going to be leaving, and that through programs like high school equivalency programs, basic education programs, skill training programs——

Mr. RUMSFELD. And language.

Mr. PLISSNER (continuing). And language. At least when they do decide to leave, for economic reasons probably, they will be better able to handle themselves in their new environments.

VISTA

Mr. MICHEL. Turning to VISTA, the $2 million increase in 1971, you say, Mr. Rumsfeld, "It will enable VISTA to support about 5,000 volunteers and refine and improve the program" et cetera, et cetera. How does this figure compare to a year or so ago? How many volunteers did we have a year ago or 2 years ago? Is that program on the decline or is it increasing?

Mr. RUMSFELD. Page 212 of the justification book indicates that there are a number of ways to measure it. One is how many volunteers on board at any given time, but I think a more accurate way is the total number of volunteer man-years.

In 1969 the figure was 4,500; in 1970 it was 5,000; in 1971 it is projected at 5,200. The average number of volunteers in the field is probably even a more accurate way, which goes from 4,100 to 4,700 to 4,900.

PRODUCTIVE CHANNELING OF CAMPUS FRUSTRATIONS

Mr. MICHEL. Is there any concerted effort on the college campus within the last year to put into productive constructive effort, say, through VISTA, some of these frustrations we see manifested on college campuses today?

Mr. RUMSFELD. There has been a major portion of the recruiting effort by VISTA over the period of its life on college campuses. There is no question in my mind but that it is desirable for all of us in Government and out of Government to try and find ways to channel the enthusiasm, ability, brainpower, and concern of young people into activities that will permit them to be productive, useful, and impact on problems that society is concerned about.

We have spent the bulk of the time, since our last visit before this committee, trying to see that the VISTA operation is oriented in a way that it can in fact be both helpful to the individual volunteer and the people that they are there to assist. I would not say that we have done yet as good a recruiting job as I would like to see, and as I would anticipate we will be able to do in the coming 6 months.

MIGRANT AND SEASONAL FARMWORKER SERVICES

Mr. RUMSFELD. Mr. Congressman, on page 74 there is a breakdown of how the migrant money is to be spent in 1971. The bulk of it is in such things as high school equivalency, $3.8 million; other educational opportunity improvement, $14 million; housing and enterprise development, $2.7 million; in-stream migrant services, $5 million. That compares with the reemployment and adjustment assistance, which I think you were referring to, of $4.3 million, so it is pretty well balanced out it seems to me, out of the total of $36 million.

Mr. MICHEL. Those figures are well and good. As I recall, however, we have approximately 400,000 migratory workers in this country. Are you talking about services available to more than just migratory

workers here, because if you aren't we are talking about some pretty astronomical figures per individual migratory worker.

Mr. RUMSFELD. Yes, indeed. Under the statute we have responsibility for both migrant workers and seasonal farmworkers, and the estimate is that in addition to the 416,000 migrant workers, that the other seasonal farmworkers include some 3,484,000 seasonal farmworkers, whose pattern of life is very different from the migrant.

Mr. MICHEL. Do you have any idea how they calculate those seasonal workers?

Mr. CARLUCCI. The average length of employment of the seasonal farmworker is 129 days.

Mr. MICHEL. Of course I suspect that since that figure is so high, you may be including all the members of the family in the computation.

Mr. CARLUCCI. Yes, it does.

Mr. PLISSNER. Sir, the figure represents about one-sixth of the total poverty population.

Mr. MICHEL. Does that square?

Mr. PLISSNER. Yes, sir.

Mr. RUMSFELD. $4 million out of $22 million.

NEW JERSEY EXPERIMENT

Mr. MICHEL. Incidentally, going back to that experiment in New Jersey, that was the one that was limited to families headed by men, was it not?

Mr. WILSON. Yes, sir; this experiment includes only male-headed families.

Mr. MICHEL. And one of the significant findings of that preliminary report was that cost of administration was considerably less.

Mr. WILSON. Substantially less. We were able to simulate what we thought it would cost to administer the family assistance plan. We estimated that administration alone, exclusive of day care and work training component, would cost between $72 and $96 per family as compared to $200 to $300 under the present welfare system, also exclusive of special services and——

Mr. MICHEL. But it didn't really have any effect upon changing the mobility factor.

Mr. WILSON. It was not our design to pick up the mobility factor. We are looking at mobility specifically in Iowa and North Carolina, which extends to both female-headed and male-headed families.

IMPACT OF CONGRESSIONAL EARMARKING

Mr. MICHEL. Do we have everything now in the record that we need with respect to this problem of earmarking, because you know, Mr. Rumsfeld, when we had the 1970 bill under consideration I did my very best to knock out the earmarking provision, and we were not able to hold our ground.

We have had considerable discussion about it, and I would hope that these tables, which you will submit, will very pointedly show what the problem is.

Mr. RUMSFELD. It is a hard thing to explain, because the best we can do on a table is to take a hypothetical situation, and that is altered by the time the earmark is imposed during the year, how difficult it is for us. It is altered by the question as to whether or not there is a cut below that the earmarks are put on or not, and if so, how deep, and it is also altered by virtue of the fact that there are three or four departments and agencies involved in this appropriation, and so what our hypothetical does is take a percentage prorated cut out of each one—which may or may not be how it is actually decided by the Bureau of the Budget, or by whoever is involved.

The nice thing is if someone could tell us what the earmark was before it happened, then you could sit down and go through the actual exercise you would go through as to where you would take your cuts. Then you could show people what it would do. But until you know what the specifications are, and when it arrives, and whether or not there is a cut, there is no way to show which programs are going to suffer as a result of that, and which programs are going to have an excess as a result of it.

In answer to your question, we have done the best we can. I question whether it is going to show people where the pain would really occur, because there are an infinite number of hypotheticals you could put out. Is this fairly accurate? Mr. Plissner is the one who works them out for me and I drive him up the wall saying, "what about this."

REPROGRAMING FLEXIBILITY

Mr. MICHEL. But don't you have a degree of flexibility of transferring from one item to another of no more than 10 percent, or more than 30 percent?

Mr. RUMSFELD. You have some reprograming authority, but one of the problems is there was an absolute minimum. You see, in our agency we have something like $785 million to work with in fiscal year 1970. They put a minimum figure on the community action operations, which represents well over half of our program, so there was not only a maximum, and that meant that the biggest chunk of money you couldn't touch at all, and therefore all the other programs had to pay.

You had no reprograming authority beyond that minimum, which was what our budget level was, which meant you had no flexibility at all, just as we have no flexibility with respect to food, as you can see. If there is that great a disparity between what we intend to do and what we presented to this committee last year, and there is no relationship whatsoever between that and the figures that the earmarks were put on——

EMERGENCY SCHOOL ASSISTANCE

Mr. MICHEL. Several days ago there were spokesmen from the administration who came up to see several members of the committee, including our full committee chairman. and ranking members, about the President's proposal to funnel some half billion dollars into speeding up desegregation of the schools. In order to get that program under way, they would like to start with $150 million quickly, but searching

around for a vehicle under which we could do it lawfully, legally, and still get the job done.

As I recall, out of that $150 million request, $100 million was to be funneled through your shop.

Mr. RUMSFELD. That is right. If the earmarks remain on, that can't be done. The constraints in our statute, as it now exists, absent some relief, would create such a warped situation with respect to other congressional requirements, such as the States you put it in, the even balance nationally, and so forth.

Mr. MICHEL. So the only way it works through your shop would be if there is accompanying language which sets out the $100 million for a specific allocation to the Office of Education, I suppose?

Mr. RUMSFELD. What would happen would be that we have an authorization level that is much higher than our appropriation. They would come in with an appropriation request, as you were briefed, that would be under our authorization, but above what our past appropriation was for the present year.

The money would go then to the Office of Economic Opportunity. Through that title I would delegate it to the Secretary of HEW, and he would proceed then to administer the school desegregation funds in conformance with the statute as passed by the Congress, but the earmarks would have to be reduced. They would have to be altered, or else we would be in violation of our statute, because money would be coming through that pipeline.

Mr. PLISSNER. Other than the earmarking provisions, our authorization is applicable for the purposes that the administration is requesting. Only the earmarking prevents the use of OEO authority.

Mr. MICHEL. And that is one of the reasons, I understand, why it was devised that way, because of the broad scope or sweep of your authority in your enabling legislation; is that correct?

Mr. RUMSFELD. Right. Because our agency has jurisdiction all the way across the domestic spectrum, and because the individuals in desegregating districts are in many instances poor, it is perfectly consistent with our statute. It would enable the administration of that program to touch those activities that seem to be needed, whether it is tutoring or planning or school assistance of different types. There is a good deal of flexibility.

Mr. MICHEL. That is all, Mr. Chairman. Thank you.

Mr. FLOOD. Mr. Casey?

TRANSFER OF FUNDING TO ADMINISTERING AGENCIES

Mr. CASEY. Thank you, Mr. Chairman. Mr. Rumsfield, since 60 percent of this request for funds is going to the three agencies you have listed there, the three departments, how long are you going to keep these in your budget? I know you have been transferring things, letting loose some things after you have developed them, as you say.

Mr. RUMSFELD. The programs funded here, which total $802 million, would be transferred to the Department of Labor, and would no longer come through our budget at that point when the Congress passed the Manpower Training Act, which is pending before the House Education and Labor Committee and the Senate committees. The ad-

ministration has taken the position on the proposed legislation; it does recommend that the funds for these programs no longer come through the Economic Opportunity Act.

Mr. CASEY. You have them for the same reason that you just mentioned, that the funds for the desegregation of schools would come through your shop.

Mr. RUMSFELD. No, sir.

Mr. CASEY. Because of the latitude that you have?

Mr. RUMSFELD. No. These were passed by Congress and started this way. When the Congress passed the Economic Opportunity Act, they said they wanted the money to come through that act and be administered by Labor. Most of these programs have been administered by Labor from the beginning; some of them have. Some have been put over, like the Job Corps. This was the basic intent in the way the statute was designed. It has absolutely nothing to do with the desegregation thing.

PROGRAM DIRECTION

Mr. CASEY. While you are up there at the chart, on most of these you have program direction listed under each. What is the program direction? What does that mean?

Mr. RUMSFELD. Do you want to comment on that?

Mr. CASSIDY. Basically that is the salaries and expenses. It pays for the salaries and related expenses of the Federal employees in each of the various programs.

RURAL LOAN FUND

Mr. CASEY. Under the Department of Agriculture here, you have the rural loan fund. You are asking for a half million dollars, and $4.5 million to give it direction, is that right?

Mr. RUMSFELD. I can explain that.

Mr. CASEY. It doesn't look good, so maybe you had better explain it.

Mr. RUMSFELD. It doesn't. The rural loan program is a program that was started by the Office of Economic Opportunity, and has been since its initiation, administered by the Farmers Home Administration. It is not a dollar outlay program. What it is is it is a revolving loan fund, and each year a request is made under the Economic Opportunity Act, to add some money and replenish that loan fund. The loan fund at the present time is what? Around $90 million, as I understand it, and it is put out in small loans to people, essentially in rural areas, and has, I think, been a very interesting and rather successful program. It does look strange, and the reason it takes that many people is because the Farmers Home Administration needs it.

Mr. CASEY. In the loan fund you are asking for a half million dollars to add to the fund.

Mr. WILSON. That is right.

Mr. RUMSFELD. Is that all we are asking this year?

Mr. WILSON. That is the total.

Mr. RUMSFELD. Oh, yes, $4.5 million is to replenish the fund, and add to the $90 million fund.

Mr. WILSON. No; it is the other way around.

Mr. CASEY. According to your chart half a million dollars is to add to the fund and $4.5 million is to administer the $90 million fund.

Mr. RUMSFELD. That is correct.

Mr. CASEY. Which is a revolving fund?

Mr. RUMSFELD. Yes, sir, and in further answer to your other question, there are no plans at the present time to take these out of the Economic Opportunity Act. I mean periodically the Congress makes those decisions. Periodically the administration does. But the only one there has been a decision on is this, which is a big chunk, as you can see.

Mr. MICHEL. Mr. Casey, would you yield at that point?

Mr. CASEY. Certainly.

INCREASE IN OVERHEAD

Mr. MICHEL. If that is a revolving fund, and you are asking for only a half million dollars to add to a roughly $90 million revolving fund, there is this small increase. Why do you need a whole $1 million increase in program direction, which is about a 30-percent increase?

Mr. RUMSFELD. Mr. Hjornevik has been working on this and he can correct me if I am wrong. What happened is that there has been a good deal of discussion as to whether that program was functioning in a way that was really responsive to the potential borrower.

There was a period of time during this year when the loans were not being made at the rate that they had been made previously, so the use of the loan fund dropped some.

However, the management of it continued. I mean the people were there. You can't let them out. The overhead of running a big loan fund like that is in place, and that is a constant, whereas the rate at which you make your loans is something that varies. Is that correct?

Mr. HJORNEVIK. Correct. One of the problems with the loan program has been the degree to which the loan officer of the Farmers Home Administration have been able to work with these people. The Farmers Home Administration as you know, has basic agricultural legislation authority to lend money to low income people. We are talking about people below the level that they would normally lend money to. There is a problem of working with them on finance planning, household planning, and the kinds of little economic activities that they get involved in—buying a truck to do a little logging and make a little money. The average individual loan runs around $1,500 to $2,000.

A $90 million loan fund is a tremendous volume of paper in monthly payments. We have been trying to work with Farmers Home Administration to make the loans more effective, by increasing staff time put in on working with these very difficult cases.

Mr. MICHEL. Thank you.

MORE CONTRACTS OPEN FOR COMPETITIVE BIDDING

Mr. CASEY. Earlier, you mentioned that you are letting more contracts on competitive bidding. What types of contracts are you letting now in competitive bidding that were not let before?

Mr. RUMSFELD. This is Mr. Hjornevik, the deputy director.

Mr. HJORNEVIK. Generally, in the area of training, and technical assistance, for example, we have just legislated the idea that where we are buying a service (as opposed to supporting a grantee who in turn is giving a service to the poor) it would by definition be through contracts.

In the past, a number have been done by grant. To my mind this creates the wrong psychological environment between the Government and someone who is supposed to be doing a service for the Government. A grant carries with it a connotation of giving money away, and a contract carries with it a connotation of product for pay.

TRAINING PROGRAMS

Mr. CASEY. For example, you have in the past, the agency has, used some corporation for a training program. Do you do that now by competitive bidding?

Mr. HJORNEVIK. Yes, sir.

Mr. CASEY. Whereas before you did what?

Mr. HJORNEVIK. There are two kinds of things, whether you do it by grant or contract, and whether you do it by sole source selection or by competitive selection. We have increased substantially the amount of competitive selection.

Mr. RUMSFELD. We have done both. We have moved a number of things from the grant approach to the contract approach, and within the contract aproach we have moved a number from the sole source to the competitive.

Mr. HJORNEVIK. It is a matter of going back to the marketplace periodically.

HEAD START PROGRAM

Mr. CASEY. Your headstart program, how is that generally operated? Is it operated under a contract with someone, or is it operated through your community action programs or how?

Mr. RUMSFELD. That is one of the programs that is going to be discussed tomorrow, because it is operated by the Department of Health, Education, and Welfare, but the answer is that it is a grant going normally through a community action agency, frequently run by a school district of some sort in a given area.

DAY CARE CENTERS

Mr. CASEY. Day care centers are handled the same way?

Mr. RUMSFELD. We don't have any substantial activity in day care except in the research area. There are some community action agencies that through local initiative funds, meaning grant funds, have in fact a day care activity, and the ones we do have are by grant, but there are very few.

VISTA PROGRAMS

Mr. CASEY. How about your VISTA programs?

Mr. RUMSFELD. The VISTA program is one of the things that Mr. Hjornevik was referring to. We are moving more from grants to contracts, and more from sole source to competitive bids in the various

types of supportive things that relate to the VISTA program. As far as the VISTA volunteer goes, that is a stipend. It is not a grant or a contract in a true sense.

LIMITATIONS ON POLITICAL ACTIVITY

Mr. CASEY. Mr. Rumsfeld, you have laid down some pretty strict rules on political activity of people in the OEO. I think you passed around the notice that you sent out. Do these affect your contractor employees too?

Mr. RUMSFELD. This is Mr. Donald Lowitz, the general counsel of the agency, who has been rewriting many of our regulations.

Mr. LOWITZ. They affect the grantees and the delegate agencies to a certain extent, and on occasion some contractors. We are in the process of revising them in the way that we hope will broaden the coverage, in instances where the people involved are spending a substantial amount of their time on OEO related activities.

Mr. RUMSFELD. To pin it down, if the Office of Economic Opportunity, just like the Department of Defense, entered into a contract with General Electric, or a contract with the University of Texas, and an individual was working on that contract say 50 to 100 percent of their time, they would not be under the Hatch Act, as would be a civil service employee. The likelihood, if people operating under Government contracts, whether DOD or OEO, were put under the Hatch Act, is that a great many people would not undertake to work on such contracts.

What we have been doing is trying to really plow new ground here, because I feel strongly about this. I don't believe that the taxpayers' dollar should be used to influence elections. I think it is wrong, and it is unhealthy in any country, that is based on the system that ours is. Yet if there is a schoolteacher working in a local school district, who is getting her money through Federal title I, society seems to feel she has her own private right to live her own life on nights and weekends and the same thing with the General Electric or University of Texas employee. We have exercised the maximum amount of control over this problem that we can with grantees, which is great, and we have tried to move into the contract area but frankly have not moved very far.

INCIDENT IN HOUSTON

Mr. CASEY. Of course I think you are familiar with the incident recently in Houston, where they used one of the Government pool cars in passing out leaflets.

Mr. RUMSFELD. I think we terminated that.

Mr. CASEY. I understand one of the men has been discharged.

Mr. RUMSFELD. I think we discharged one.

Mr. CARLUCCI. Action has been taken.

Mr. CASEY. And of course those same two were at the Manned Spacecraft Center when the President was there, leading a group of vociferous dissenters.

Mr. RUMSFELD. Yes. Mr. Congressman, if you or other Congressmen can give me examples or specifics on instances like that, as you know I am anxious to see that we can——

Mr. CASEY. Of course, the President was there on Saturday and I guess they were there on their own time at that time.

Mr. RUMSFELD. There is still a problem with the VISTA volunteer. They are prohibited, and we can discharge them, terminate them, and we do when we know that they have violated the agreement that they enter into when they join VISTA.

Mr. CASEY. I think you have made a much better presentation this year than you did last, making clear what your objective and your responsibility is.

Mr. RUMSFELD. Thank you.

Mr. CASEY. I don't believe I have any more questions, Mr. Chairman.

Mr. FLOOD. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

ASSESSMENT OF COMMUNITY ACTION AGENCIES

Mr. Rumsfeld, beginning on page 125 of last year's hearings, you inserted a table at my request showing the assessment of the overall effectiveness of the community action agencies across the country. Of the 1,009 agencies rated, 3 percent were judged unsatisfactory, unlikely to improve, and 31 percent were rated unsatisfactory.

First, were those which were unlikely to improve dropped from your programs?

Mr. RUMSFELD. First of all, let me say something about this assessment, Mr. Congressman. The state of the art in evaluating a thing such as a community action agency, which is a very difficult thing to describe, just for a start is still very primitive. I am not criticizing this assessment, but I am saying it is something less than perfect. It does, however, as you suggest give us a good place to begin looking, and Mr. Carlucci has been looking. I guess that category 4 shows 35 community action agencies that were rated unsatisfactory and unlikely to improve. I think my testimony indicated that we have terminated or refused to refund about 30 or 32 community action agencies.

My guess is that if we compared the ones that were on this list with the ones that we have terminated, that they would be different in some respects, that some of the ones from category 3 were probably terminated, and some of the ones from 4 probably weren't, the reason being that once you get into the thing and start trying to terminate one, in some instances you just move right ahead and terminate it. It is bad and everyone agrees.

In some instances a city says—

You are right, it is bad, and we take responsibility for it. We will exercise the Green amendment and start a new one, because we are concerned about these problems, and we are concerned about the people in this city, and we are concerned that if this is terminated, and nothing is put in its place, that we will have serious problems in the city, with unemployment and with the needs and problems of the poor.

In some instances the old one is really gone but there is a new one in its place but it doesn't show because something did take its place. Is that roughly what has happened, Frank?

Mr. CARLUCCI. That has happened in a number of cases. The largest case where that happened is in Santa Clara County, where they are getting a new one going. In fact we have done a correlation. We are in the process of doing a correlation study with this factor assessment.

Mr. RUMSFELD. Is that right?

Mr. CARLUCCI. You are absolutely right, Don, that there is not the kind of exact correlation one might expect, and this does reveal a weakness in our evaluation system, and we are indeed trying to get a more objective and meaningful evaluation system in place, and we hope to by the end of this year.

Mr. RUMSFELD. I found the same thing in the VISTA projects. There are about 509 VISTA projects, and the evaluation that was made available to me when I came on board indicated possibly in the neighborhood of 110 or 115 were unsatisfactory. We have started systematically looking through those and we are starting to terminate as many as we feel cannot be made satisfactory or useful. We found with some the answer is OK, terminate it, but we will redesign one that will be useful, and that is fine from our standpoint.

Mr. SHRIVER. Could you update that table for the record?

RESULTS OF ASSESSMENT

Mr. RUMSFELD. We couldn't update that table, but we could give you a table that indicates the number that have been closed or have changed makeup as a result of our actions, the number of community action agencies.

Mr. CARLUCCI. I have that here.

(The information follows:)

DEFUNDING REPORT/STATISTICAL ANALYSIS OF CAAS AS OF MAY 1, 1970

Attached are the April report on the CAA defunding actions taken by the respective regional offices thus far in fiscal year 1970 and the updated statistical analysis report on CAA's.

Presently, there are 39 defunding actions which either have been finalized or are still pending final action; in addition, seven CAA's have been retained after the regional offices had initially announced their intentions to defund them, and one CAA has been reduced to limited purpose agency (LPA) status (see last page of defunding report). Following is a summary of the "final" and "pending" categories:

Final:		Pending:	
M	20	M	2
R	10	R	4
T	1	T	1
W	1	W	0
Total	32	Total	7

Note: At this time there are 1,008 CAA's; 945 are regionally funded and 63 are headquarters funded.

CAA DEFUNDINGS IN FISCAL YEAR 1970

CG No.	Region, name, city, State	Merger	Refusal to refund	Termination	Withdrawal of designation
	REGION I				
1169	Training, Education, & Manpower, Inc., Milford, Conn			X	
[1] 1095	Western Metropolitan Boston Regional Opportunity Council, Inc., Waltham, Mass.		X		
	REGION II				
[1] 0239	New Rochelle Community Action Agency, New Rochelle, N.Y	X			
[1] 1022	White Plains Community Action Program, Inc., White Plains, N.Y	X			
[1] 1077	Port Chester Citizens Anti-Poverty Association, Inc., Port Chester, N.Y	X			
0141	Community & Neighborhood Development Organization, Inc. (CAN-DO), Jersey City, N.J		X		
	REGION III				
[1] 0393	Clay County Development Corp., Clay, W. Va	X			
[1] 2068	Somerset County Community Action Committee, Inc., Princess Anne, Md		X		
[1] 0748	Summers County Economic Opportunity Association, Hinton, W. Va			X	
	REGION IV				
[1] 3199	Sylvania-Screven County Community Action Authority, Sylvania, Ga	X			
[1] 3058	Dougherty County Resources Development Association, Inc., Albany, Ga		X		
[1] 3383	Economic Opportunity Commission for Wilson County & Lebanon, Inc., Lebanon, Tenn		X		
3062	Tri-County Area 22, Inc., Greenville, Ala		X		
[1] 3223	Newberry-Saluda Community Actions, Inc., Newberry, S.C		X		
[1] 0922	Hiwassee Community Council, Inc., Athens, Tenn	X			
2277	Purchase Area Economic Opportunity Council, Paducah, Ky		X		
0750	Kershaw County Office of Economic Opportunity Camden, S.C	X			
3181	Sumter County Economic Opportunity Corp. Sumter, S.C	X			
	REGION V				
[1] 4162	D.G.M. Community Action Committee, Inc., Odon, Ind		X		
	REGION VI				
[1] 5085	Floridana Economic Development Association, Inc., Amite, La		X		
[1] 5530	Guadalupe County Community Action Agency, Inc., Santa Rosa, N. Mex	X			
[1] 5071	Economic Opportunities Development Corp. of Atascosa, Karnes, & Wilson Counties, Tex., Kenedy, Tex		X		
[1] 5051	Otero County Community Action Agency, Alamogordo, N. Mex			X	
[1] 5010	Pontotoc County Community Action Foundation, Inc., Ada, Okla	X			
[1] 5065	Marshall County Development Foundation, Inc. Madill, Okla	X			
[1] 5068	Atoka County Community Action Foundation, Inc., Atoka, Okla.	X			
[1] 5082	Bryan County Community Action Foundation, Inc., Durant, Okla.	X			
[1] 5089	Murray County Community Action Foundation, Inc., Sulphur, Okla.	X			
[1] 5117	Coal County Economic Development Foundation, Inc., Coalgate, Okla.	X			
[1] 5544	Carter County Community Action Foundation, Inc., Ardmore, Okla.	X			
[1] 555 4	Johnston County Community Action Foundation, Inc., Tishomingo, Okla.				
5328	Big Ben Community Action Committee, Inc., Marfa, Tex.		X		
	REGION VII				
[1] 6138	SOLO Community Action Association, Inc., Rock Rapids, Iowa		X		

See footnote at end of table.

CAA DEFUNDING IN FISCAL YEAR 1970—Continued

CG No.	Region, name, city, State	Merger	Refusal to refund	Termination	Withdrawal of designation
	REGION VIII				
	None				
	REGION IX				
[1] 0305	Economic Opportunity Commission of Santa Clara County, Inc., San Jose, Calif.		X		
[1] 7003	Coconino County Community Action Agency, Flagstaff, Ariz.	X			
[1] 7004	Mohave County Community Action Agency, Inc., Kingman, Ariz.	X			
[1] 7054	Navajo County Development Council, Inc., Holbrook, Ariz.	X			
[1] 7055	Apache County Community Action, Inc., St. Johns, Ariz.	X			
[1] 7074	Yavapai County Economic Opportunity Council, Inc., Clarkdale, Ariz.	X			
	REGION X				
	None				

[1] Final.

The regional offices decided to reverse their initial intentions to defund the following CAA's:

2157—CHARGE, Inc. (R), New Castle, Pa.
0157—New Opportunities for Waterbury, Inc. (R), Waterbury, Conn.
0590—Yonkers Community Action Program, Inc. (R), Yonkers, N.Y.
7179—North Coast Opportunities, Inc. (R), Lakeport, Calif.
6163—Mesa County Community Action Council, Inc. (R), Grand Junction, Colo.
6341—Mid-Nebraska Community Action Program, Inc. (R), Kearney, Nebr.
5209—Economic Opportunities Advancement Corporation of Robertson County (R), Hearne, Tex.

The regional offices have decided to reduce the following CAA's to LPA status:

6059—Mount Powell Economic Council Corporation (R), Anaconda, Mont.

State	CAA's	Jurisdictional type: Single county	Multi-county	Less than a county	City	Urban	Rural
Region I:							
Connecticut	13	2	1	4	6	12	1
Maine	16	9	1	6	0	5	11
Massachusetts	24	3	1	12	8	22	2
New Hampshire	7	2	3	1	1	4	3
Rhode Island	8	1	1	2	4	8	0
Vermont	5	0	5	0	0	0	5
Subtotal	73	17	12	25	19	51	22
Region II:							
New Jersey	25	6	3	7	9	23	2
New York	44	28	4	10	2	23	21
Virgin Islands	1	0	1	0	0	0	1
Puerto Rico	2	1	1	0	0	1	1
Subtotal	72	35	9	17	11	47	25
Region III:							
Delaware	2	1	1	0	0	1	1
District of Columbia	1	1	0	0	0	1	0
Maryland	15	12	3	0	0	5	10
Pennsylvania	37	22	9	5	1	22	15
Virginia	28	15	13	0	0	9	19
West Virginia	15	8	7	0	0	2	13
Subtotal	98	59	33	5	1	40	58

State	CAA's	Jurisdictional type: Single county	Multi-a county	Less than county	City	Urban	Rural
Region IV:							
Alabama	24	9	14	1	0	8	16
Florida	24	15	3	6	0	14	10
Georgia	23	4	19	0	0	7	16
Kentucky	23	4	19	0	0	3	20
Mississippi	18	10	8	0	0	6	12
North Carolina	39	19	20	0	0	8	31
South Carolina	22	8	14	0	0	3	19
Tennessee	29	14	15	0	0	5	24
Subtotal	202	83	112	7	0	54	148
Region V:							
Illinois	25	11	11	1	2	15	10
Indiana	23	11	11	1	0	12	11
Michigan	31	10	18	2	1	16	15
Minnesota	29	1	25	2	1	6	23
Ohio	49	23	21	5	0	25	24
Wisconsin	17	3	9	5	0	8	9
Subtotal	174	59	95	16	4	82	92
Region VI:							
Arkansas	19	9	10	0		5	14
Louisiana	30	27	3	0	0	11	19
New Mexico	12	3	3	6	0	6	6
Oklahoma	25	10	15	0	0	11	14
Texas	52	35	17	0	0	32	20
Subtotal	138	84	48	6	0	65	73
Region VII:							
Iowa	18	0	18	0	0	9	9
Kansas	7	3	4	0	0	6	1
Missouri	18	0	18	0	0	5	13
Nebraska	10	2	8	0	0	3	7
Subtotal	53	5	48	0	0	23	30
Region VIII:							
Colorado	13	9	4	0	0	7	6
Montana	8	2	4	2	0	6	2
North Dakota	1	1	0	0	0	1	0
South Dakota	4	1	3	0	0	1	3
Utah	6	3	2	1	0	5	1
Wyoming	3	1	2	0	0	2	1
Subtotal	35	17	15	3	0	22	13
Region IX:							
Arizona	6	0	3	2	1	3	3
California	41	23	2	13	3	31	10
Guam	1	1	0	0	0	0	1
Hawaii	4	2	0	2	0	1	3
Nevada	3	0	1	2	0	2	1
Trust territory	6	6	0	0	0	0	6
Subtotal	61	32	6	19	4	37	24
Region X:							
Alaska	2	0	1	0	1	1	1
Idaho	5	1	4	0	0	3	2
Oregon	12	5	6	1	0	5	7
Washington	20	7	7	6	0	11	9
Subtotal	39	13	18	7	1	20	19
Total	945	404	396	105	40	441	504

OPPORTUNITY FUNDING PROGRAM

Mr. SHRIVER. Will you describe the opportunity funding program which you started in 1970?

Mr. RUMSFELD. It has not been started. It has been announced, and it is an exceedingly complicated legal thing to actually put in place,

and the work is going forward. Mr. Lowitz is handling it. I would like to submit for the record the material, the proposal on it, because I do think it is a very interesting experiment.

What it is in effect is a recognition that the society has in many instances tried to find ways to get community groups to develop economically, and it is tough business, it really is. Economic development is a complicated business. It is particularly complicated for community groups. Some are doing an excellent job.

The Opportunity Funding Corporation is an attempt to work at it from the other side. It as much as says that on many of these institutions, financial institutions in the country are working pretty well for most of the country. Are there ways that we can attempt to gain information so that we can provide the Congress, the President and the country such things as loss experience or information that will provide answers to the kinds of questions that the Congress needs and the President needs to make proposal.

For example, there is a lot of talk right now about putting more money in banks that are in poverty areas, feeling that this would increase their lending capabilities, and that this would provide greater resources, not just to poverty areas but rural areas, areas that need economic development. We are looking at such things as what might be done to do that, and does that in fact result in a desirable effect. If it does, one thing that could be done, for example, might be to increase the Federal Deposit Insurance on some banks or more banks, because today lenders, or people with funds, major corporations, government, are concerned about putting more than $20,000 in a bank. Well, if it is desirable to do it, and if the loss ratio is low, and it would not be a substantial expense to Government to increase the Federal Deposit Insurance rate, that might be interesting to know.

There are other ways of leveraging money which this group will undertake. In short it is an attempt to form a small experimental corporation, which will undertake a series of experiments, and ask questions and get answers. It is not an operational program. It is not designed to serve the poor but rather it is designed to learn.

ECONOMIC DEVELOPMENT

Mr. SHRIVER. Is anything being done by your agency or any place else in Government to bring the minority groups into the mainstream of working capital for their businesses?

Mr. RUMSFELD. We have a variety of things going on. In addition to the Opportunity Funding Corporation, which does that very thing in some of its experiments, or will, we have the item up here "Special impact," which is title 1 of our act, which is in all of the economic development area. The purpose of those funds is to fund activities, frequently minorities, black, brown, also Indian, also white, for the purpose of enabling them to develop a corporate activity that then starts economic enterprises. At the present time there is something between 15 to 20 funded around the country under that title. I would like to add one other thing, Mr. Congressman.

There are also a number of other things that are very close to economic development. We have, for example, in our migrant programs, and some Indian programs, some adult literacy programs that

have a housing connection and a job relationship connection which come very close to economic development. It is involved with the building of houses as part of their job training and part of the adult literacy training activity. We have some other things, for example. We have an incentive program in Frank Carlucci's office for our Indian community action agencies, where economic development incentives are provided. I, for example, was out in New Mexico and Arizona a while back and saw a rock quarry funded through one of these Indian incentive grants, where the Indians had started a rock quarry company.

They are selling to the State government and to other people in the area the materials that they have actually mined and developed as a result of this incentive. Now that also would be described as economic development, but there are a whole host of things, depending on how you define the words, that this agency is involved in, and some very interesting things.

Cooperatives come very close to economic development. On the Zuni Reservation I saw a cooperative that had enabled the Indians to make their high quality jewelry during the year and not have to sell it at a very low price of the tourist season but rather, through the cooperative, be able to sell it to the cooperative to receive funds and then sell it during the tourist season and make considerably more money.

There are programs in West Virginia where economic development activities of this agency have been funded where women are now making these patch skirts and selling them in New York stores and in Washington stores as a result of cooperatives. There is a whole host of things in the economic development area.

PAYMENTS FOR IN-PATIENT CARE

Mr. SHRIVER. Regarding the administration of the Comprehensive Health Services program, the GAO issued a report last December recommending that OEO define the circumstances under which the centers may finance the costs of hospitalization with OEO funds. Have you done that?

Mr. RUMSFELD. Dr. Bryant?

Mr. SHRIVER. What is the situation?

Dr. BRYANT. We have never had the intention of paying for in-patient care. The law doesn't prohibit it, but it has never been our intention.

There has been a very serious problem where we have some of these demonstrations of neighborhood health centers in urban communities and we will serve only a portion of the population in the urban community. Many of the poor people in the urban community are used to getting their care and have no place to turn to for their care other than a large public hospital or a large community hospital.

We have a lot of community concern about our inability to pay for in-patient care.

What we do is this: In policy regulations that we issue, we say we don't want to use our dollars to pay for in-patient care because there is a strong chance they can get funds from medicare and medicaid. Those are the Federal programs designed for that purpose, to pay for in-patient care.

What we are finding is we get more and more local pressure to use some of our dollars to influence medicaid and medicare. We have had discussions with our projects, since the GAO report, in an attempt to narrow the conditions under which OEO dollars could be used to pay for in-patient care.

I am satisfied that we do not spend a very significant amount for in-patient care, but the local pressures are intense for us to do it.

STATE ECONOMIC OPPORTUNITY OFFICE GUIDELINES

Mr. SHRIVER. In March of this year you issued guidelines regarding the role of the State Economic Opportunity offices in your program. One of these guidelines calls for more coordinated and efficient use of the Federal personnel of the OEO regional offices and the State offices. Would you explain how this will be accomplished?

Mr. RUMSFELD. Mr. Carlucci.

Mr. CARLUCCI. Frequently the States have field representatives who help to monitor the Community Action Agency. In the past a lot of their activities and their visits have not been coordinated with the regional office of OEO, the visits of the representatives to the regional field offices of the OEO and vice versa. We are trying to work with the States through our regional offices to set up a coordinated system whereby the State will know when a field representative from our office is coming into the region, and he will be able to program his field representatives in such a way the two do not duplicate or conflict.

In some cases, in one or two States, they have decided to do it in teams, to go in together to the Community Action Agency in their monitoring function. This will vary from State to State.

REFERENCE FOR INNOVATIVE PROPOSALS TO INFLUENCE INSTITUTIONAL CHANGE

Mr. SHRIVER. Another one of those State office's guidelines states that preference will be given for innovative proposals which would influence institutional change to benefit the poor and which will not require continuous OEO support. Would you explain that further?

Mr. RUMSFELD. One example may be some States are now starting to pass State legislation for such things as an ombudsman. It's our hope that we can be helpful to States in getting into the business. It's our hope further that we will not, by so doing, create a mortgage in perpetuity for the Office of Economic Opportunity.

So Mr. Carlucci has included in his guidelines a very strong suggestion that we want them to do things but we want them to give even their legislative problems. Some legislatures don't meet except every other year and so forth. We would want them to make plans to pick up that mortgage down the road.

Mr. CARLUCCI. That is correct. One of the areas I think the States have been relatively weak in, I think it's fair to say, is in resource mobilization. We are trying to encourage the States, through these programs, to put additional funds into assisting the poor.

OMBUDSMAN SYSTEM

Mr. SHRIVER. The ombudsman system is designed to give all persons, but especially the poor, assistance in dealing with complaints concerning county, State or Federal governments. Is this a Federal position?

Mr. RUMSFELD. No. There is no Federal ombudsman and no federally funded Federal position for an ombudsman.

Where a State has indicated a desire to get involved—such as Illinois very recently has gotten involved with consumer problems representing the poor and the nonpoor, or an ombudsman activity—were in some cases involved in helping to fund it. But they are not Federal employees. They are State.

FUNDS FOR RURAL AREAS

Mr. SHRIVER. On page 83 of the justifications you say 8.2 million persons, more than one-third of the Nation's poor, were living in rural areas. What percentage of your other Federal poverty programs that you listed in your justifications were in totally rural areas in fiscal 1971?

Mr. RUMSFELD. A few pages back from there, page 86, indicates that the Office of Economic Opportunity activities for the rural poor have gone from 29 percent in fiscal 1969 to 30 percent in fiscal 1970 up to 31 percent in fiscal 1971. We are pretty close. We are getting there. It's a lot harder to do it in the rural areas. The administrative and economic base is so much weaker in the rural areas it has taken the agency a number of years. They started fast in urban areas, but we are starting to catch up.

NEW PROGRAMS FOR RURAL AREAS

Mr. REID. Would you add to the record the new programs which have been added with respect to rural areas?

Mr. RUMSFELD. I would be happy to.

(The information follows:)

NEW RURAL PROJECTS IN FISCAL YEAR 1970

Comprehensive health services.—San Diego, Calif.; Hinds County, Miss.; Chapel Hill, N.C.; Beaufort and Jasper Counties, S.C.

Family planning.—Florida—Statewide project; Penobscot County, Maine; North Carolina—Statewide project; San Saba, Tex.; Texas Migrant project; Virginia—Statewide project.

Drug rehabilitation.—*Vermont*—Statewide project.

Legal services.—In fiscal year 1970, the Office of Legal Services will fund a "Comprehensive Appalachian Development Program." It will operate in a considerable portion of the Appalachian region, where there are currently few OEO-funded legal services programs. The three-pronged effort will develop a comprehensive approach to the legal problems of the poor in the region, especially in terms of legal representation, training, research on legal solutions to problems of the region and community education.

Emergency food and medical services.—A significant number of the 400 existing EFMS programs serve rural populations. In addition to continuing the support of these programs, in fiscal year 1970, EFMS will be spending an additional $18.8 million for programs primarily of a rural nature in an additional 150 to 200 counties.

Mrs. Reid. Last year you did indicate that additional emphasis needed to be placed in this area.

Mr. Rumsfeld. Yes. I can summarize very quickly. My guess is that the bulk of the increase percentagewise and dollarwise has been in Indian programs, migrant programs and health programs. In other words, we have not started any new rural CAPS, so I know it's not there.

TRANSFER OF NEIGHBORHOOD HEALTH CENTERS TO HEW

Mr. Shriver. When do you expect to transfer the rest of the 49 neighborhood health centers to the Department of Health, Education, and Welfare?

Mr. Rumsfeld. We don't at the moment. What we decided to do was that 10 or 12 seemed to be fairly operational, so the Office of Economic Opportunity is involved in developing some new rural models and some out-patient activities in urban areas. The Department of Health, Education, and Welfare will pick up the mortgage on about eight, 10 or 12 of the existing centers. We have no plans for transferring the remainder at the moment. Some of them are very experimental and developmental. They seem to be operating quite well.

HUMAN RIGHTS DIVISION

Mr. Shriver. You have a new Human Rights Division which has been created within the general counsel's office.

Mr. Rumsfeld. Right.

Mr. Shriver. Was this need not being met?

Mr. Rumsfeld. They already had a Civil Rights office. What we did was change the name. We are trying to make it more effective. I must say it's an exceedingly difficult thing to do. The numbers of people that would be required to see that a Federal agency, it's contractors and its grantees function in a way that was fully consistent with the statute and yet was beyond that, even creative in attempting to see that these barriers were broken down, is incredible. You want such a fantastic number of people, really, to do the kind of job I would like to see done, and we just don't have them.

We have a gentleman who is heading up that office, Mr. Frank Kent. He and his associates are working with Mr. Hjornevik and Mr. Lowits and others in the agency to try to get the other offices in the agency to function in a way that is really responsive to their very difficult problem in this country.

OFFICE FOR SPECIAL PROGRAMS

Mr. Shriver. You have an Office for Special Programs. Is that a new office?

Mr. Rumsfeld. It is. What happened was we organized the agency. You can organize an agency on the basis of urban or rural or by age, young, middle or old or by race, black, brown or white, or by category, like education, manpower, health.

We didn't. We organized on the basis of function, region and evaluation, program development, both for the purpose of learning about

how to develop programs and how to serve the poor and then the Office of Operations, which is to deliver out.

The problem we ran into was that if you do it this way you don't really get a good grip on what you are doing in rural areas or what you are doing for older persons or youth or other segments.

We have a very fine man to head up that office, Mr. Abrahams, who used to work in the Congress. He has responsibility to see that all of these offices address themselves to the problems of rural affairs, as our statute requires, and to the problems of older people, as our statute requires, and so forth.

It's a kind of management tool to see that the right kinds of things are being done in research, in evaluation, in program development and in operations.

Mr. SHRIVER. I want to commend you for your testimony. It was convincing.

Mr. FLOOD. Mrs. Reid.

Mrs. REID. Thank you, Mr. Chairman.

FREEDOM OF CHOICE SCHOOL SYSTEM

Mr. Rumsfeld, a recent report by UPI stated that the Office of Economic Opportunity wants to try to have a freedom-of-choice school system which would make it possible for the poor to shop for schools and to rear their children at Government expense. Would you comment on that?

Mr. RUMSFELD. I am sure there was such an article. If I were writing that article I wouldn't say it that way. I would say the Office of Economic Opportunity funded a planning grant so that they could come in with a proposal on how our agency could, if we wished, conduct an experiment which would utilize the individualization of choice, which is different from freedom of choice, which is kind of a hot button road in the South, for all or a portion of education for some children.

We have not funded the experiment. We are studying it. We intend to fund it. There are a whole lot of questions that have to be resolved before we do it.

For example, the way we presently get money down to the poor is through title 1 of ESEA. There are a variety of reports that question exactly how well that money is getting down in terms of improving the education level of the individuals.

So you begin looking for different ways to do it. One way to do it may be to take, for example, the GI bill of rights concept, which gave to the veteran the money where he then could purchase at his option what he would use it for within certain constraints.

EDUCATIONAL VOUCHERS

It is possible we might fund, for example, a voucher experiment or an educational entitlement experiment, where in several school districts we would allow people below a certain income level to use a voucher to purchase some remedial or tutoring support compensatory

type education, which is very different from the way the article would lead you to believe, where they might just go out and shop for schools. There are a variety of options within there.

We have a copy of the report that came in. It's an interesting one. It forces the issues up very well. There are some very tough questions in it. This is another thing that is in Mr. Wilson's bailiwick. Did I describe that correctly?

Mr. WILSON. Yes.

Mrs. REID. When do you expect studies to be finished?

Mr. WILSON. We have the preliminary report now, which basically discusses the alternative forms of educational vouchers. The report also addresses the hard issues of segregation, church versus state, and what the nature of the vouchers might be.

We are going one step further now; we are talking to various school systems to determine whether they could participate in an experiment. But we are not committing ourselves. Planning the details of the experimental operation probably will take all of next year. If we go ahead and fund the experiment, we would actually put it in operation in the fall of 1971.

Mr. RUMSFELD. I would like to introduce Mr. Marvin Feldman, who is head of our Office of Program Development. He and John Wilson head up the two offices that are involved in the experimental or developmental type activity as opposed to the actual operational activities. He has been involved in the voucher program, too.

CONTROL OF LOCAL COMMUNITY ACTION AGENCIES

Mrs. REID. I received a recent complaint from my district in which it was stated that the local office was expending time and money in setting up a welfare rights organization. Just what controls are being maintained in order to stop manipulation and militancy among the local antipoverty groups?

Mr. RUMSFELD. There are several places that it is controlled. It's controlled by the statute which prohibits certain things. Certain things are prohibited by our regulations. The next control point that the agency has is during the refunding cycle where on an annual basis we are given an opportunity to review what they have done, assess its impact on the problems of the poor and what their work program was—if it's good, refund; if it's not good, don't refund.

Mrs. REID. Who decides that?

Mr. RUMSFELD. Mr. Carlucci's office on the refundings and Mr. Lowitz's office on the enforcement of the statutes and the regulations. The basic check, however, is the fact that these agencies are local agencies. At any time the community doesn't like the way they are running, the local officials can take them over and make them run.

The second check is that they have on their boards of directors people from the community, public officials, one-third, and one-third people from private groups like the League of Women Voters or something, and one-third representatives of the poor. The boards of directors have the power to hire and fire staff. The boards of directors are not Federal people. They are private business, labor, and so forth.

That is where the control has to be—in that local community action agency. It's not a Federal tool. It's a grantee that is funded by the Federal Government. We have some control. But the basic control is through that board of directors. We can give you the names of the people, for example, on that board of directors. Those are the people who have the obligation, just as in a private corporation, to guide and direct that community action agency.

There would be no way in the world we could second-guess every act of every employee of all 1,063 community action agencies around the country. Plus, we have a basic problem that we are not dealing with Little Lord Fauntelroys. These agencies generally are created in areas where people are poor, one would hope. When people are poor you have all the problems of society where people are poor—whether dope, illness, antisocial attitudes, and militancy. Once they start operating in that community, inevitably they are going to be where the problems in society are. Whether they are directly involved in those problems or not, they frequently are tragically involved—someone who was married to someone who worked or someone who was in a program of some kind. That is to be expected.

I think it is not the OEO that created these problems in the country. They are there. The community action agencies are trying to deal with them and, as they do, they inevitably become entwined to some extent. It's a very tough job, being the executive director of a community action agency today or a board member, to know what kind of counseling and direction guidance they should take.

Mrs. Reid. What about a situation where an individual in a key position would be directly involved in college campus disorders?

Mr. Rumfeld. The board could fire them summarily.

Mrs. Reid. Would you prevent funds from going to such an agency?

Mr. Rumsfeld. If they violated a statute or regulation we can do something. If they don't and it's just bad judgment by the board, if they are really doing something that is terrible but not illegal or against the regulations, then when the grant review time comes up we have to look at it and say what is the agency doing? Is it doing a good job or isn't it? What kinds of relationships can we develop with them so they will develop a better package and not have those kinds of problems. There would be no way to operate in poor areas and have all those problems eliminated. I just know it.

POLITICAL ACTIVITY

Mr. Shriver. You were speaking a little while ago of VISTA, in answer to Mr. Casey's question on political activity.

Mr. Rumsfeld. VISTA's we can terminate like that if they break a regulation.

Mr. Shriver. Suppose somebody is working in an OEO financed legal aid society. There is nothing you can do?

Mr. Rumsfeld. Yes, sir, indeed. If they get involved in political activity they are done. That is our statute. It is clear on that. That is one

of those things that fits in our statute. We have gone beyond the statute with our regulation. Our regulation is even more stringent than the statute.

Mr. LOWITZ. The problem is because, they not being Government employees, we don't have as direct control over their activities. In addition to the rules and regulations we have in the statute, we have embarked on an active campaign of trying to put within the boards of directors that run these various activities a sense of responsibility and an attempt to have them monitor their own activities, which is the most direct way and the most effective way of keeping in line any of the activities that may be objectionable. That is a somewhat less fast and more long-run approach but probably ultimately more effective.

I would say that overall we have had good results in doing this. In a given instance, if an activity is engaged in which is improper under our regulations or the statute, then we do take the action that we have available.

REGULATIONS PERTAINING TO CAMPUS DISORDERS

Mrs. REID. Would the regulations include a situation such as I described—someone who was involved in a college campus disorder, someone involved in militant activity?

Mr. RUMSFELD. I would have to look at the fact pattern and the relationship of the individual to whatever our grantee might be in that college. If you would like, Carol Khosrovi would take a look at it.

Mrs. REID. Have you had any such cases arise and would you document them?

Mr. CARLUCCI. College campuses are not a problem. We have regulations which I can put in the record if you would like, on unlawful disturbances, rioting and civil disturbances, restrictions on political activities and employee partcipation in direct action which I think cover the kinds of subjects that you have raised.

(The information follows:)

OFFICE OF ECONOMIC OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

CAP

Type of Issuance	Number
OEO INSTRUCTION	6907-3
Subject: Employee Participation in Direct Action	Date: December 14, 1968
	Office of Primary Responsibility: C/O/P
Supersedes	Distribution: M, N, S (L.I.)

Transmitted by CAP Announcement 68-16

REFERENCES: 1. Economic Opportunity Act of 1964, amended, part of Section 213(a):

"And each community action agency shall adopt for itself and other agencies using funds or exercising authority for which it is responsible, rules designed...to define employee duties of advocacy on behalf of the poor in an appropriate manner which will in any case preclude employees from participating, in connection with the performance of their duties, in any form of picketing, protest, or other direct action which is in violation of law."

2. Section 213(b):

"The Director shall prescribe rules or regulations to supplement subsection (a), which shall be binding on all agencies carrying on community action program activities with financial assistance under this title."

3. Section 613:

"No individual employed or assigned by any community action agency or other agency assisted under this Act shall, pursuant to or during the performance of services rendered in connection with any program or activity conducted or assisted under this Act by such community action agency or other such agency, plan, initiate, participate in, or otherwise aid or assist in the conduct of any unlawful demonstration, rioting, or civil disturbance."

4. OEO Instruction 6907-2, "Limitation with Respect to Unlawful Demonstrations, Rioting and Civil Disturbances."

5. CA Memo 66, "Policy Guidance on Lobbying Activities"

6. OEO Instruction 6907-1, "Restrictions on Political Activities"

OEO Inst. 6907-3 December 14, 1968

APPLICABILITY: This Instruction applies to all full-time and part-time employees and volunteers of grantees and delegate agencies while engaged in carrying out a program financially assisted under the provisions of Title II or III-B of the Economic Opportunity Act of 1964, as amended.

DEFINITION: Direct Action. A group activity designed to communicate collective grievances and to request decision or remedial action - e.g. picketing, parades or marches, sit-ins, rallies or assemblies.

(NOTE: The above is a definition of all direct action, including forms of direct action which are legal and are permissible under this Instruction.)

1. POLICY

One of the premises of the Community Action Program is that poverty can be overcome as the poor gain the capability to play an effective role in the community processes which so vitally affect them. Maximum feasible participation of the poor is both a mandate of the Economic Opportunity Act and a focal point of OEO policy. The community action agency's duties of advocacy on behalf of the poor stem from those factors.

In the course of carrying out their advocacy responsibilities, community action agencies may sometimes determine that the best available (or the only apparent) means for self-help involvement of the poor lead to such direct action activities as peaceful and lawful assembly to obtain redress of grievances from those believed capable of alleviating them.

However, to recognize the legitimacy and importance of direct action is not to say that any and all direct action activities, under all circumstances, are either appropriate or desirable. Thus, employees and volunteers of community action agencies and other Title II and III-B grantees and delegate agencies are prohibited, in connection with the performance of their duties, from participating in, planning, or otherwise assisting in any unlawful picketing or protest or other form of direct action which is unlawful. Community action grantees and delegate agencies have the responsibility of preventing such illegal actions on the part of their staff. Toleration by agency officials of such behavior may be considered cause for suspending or terminating the grant.

The rules set forth in this Instruction are not intended to represent a redirection of the Community Action Program or a change in its mission. It is very difficult to establish general rules which clearly distinguish between legal and illegal forms of direct action or which determine the extent and limits of an individual's responsibility when participating in a group activity during which some illegal acts are committed. The rules of this Instruction are a general guide, but each agency will have to interpret the rules with good judgment and enforce them fairly and with full knowledge of the facts. Agencies should avoid an interpretation which in any way restricts constitutionally-protected activities or an individual's constitutional rights. Grantees and delegate agencies may consult the appropriate OEO Regional or Headquarters office for advice as to whether a certain activity would be permissible under this Instruction. It is the primary responsibility of the local agency, however, to enforce this Instruction in a manner which prevents illegal direct action but which also insures that community action, which encompasses a variety of legal direct action, is not stifled.

2. PERMISSIBLE DIRECT ACTION

Lawful direct action is permissible, and often necessary, as an intermediate step in promoting institutional changes that can lead to permanent improvements in the community's efforts to eliminate the causes and consequences of poverty.

Community action personnel must seek to channel feelings of frustration among the poor into constructive efforts that will improve their conditions without encouraging illegal or destructive actions. Community action agencies may play an effective role by bringing the needs, concerns and grievances of the poor to the attention of responsible public and private officials or groups.

Such forms of direct action as a public rally to demonstrate for the adoption of a more stringent housing code, picketing in support of sewage facilities in a poor neighborhood, or publicizing a selective buying campaign against merchants who discriminate may sometimes be necessary. However, such direct action must meet the following tests of permissibility in order for a community action employee or volunteer to participate while in performance of his duties:

a. It must not be forbidden under paragraph 3 below.

b. It must be directly related to the program objectives of the grantee or delegate agency.

c. It must have been planned as a result of a decision by a neighborhood or other representative group or by program beneficiaries, not solely by staff workers. Direct action activities are a legitimate part of community action only to the extent that they represent a genuine expression of the needs, desires, and formulated demands of the neighborhood itself, determined in a democratic fashion after consideration of the ends to be achieved and of the advantages and disadvantages of the various alternative courses of action. In this process, program staff members can provide assistance and information but must not seek to impose their own views.

3. UNALLOWABLE DIRECT ACTION

No employee or volunteer engaged in carrying out the program of an agency financially assisted under Title II or III-B shall, while in performance of his duties:

a. Plan, participate in, or provide assistance to others in carrying out any form of direct action which is in violation of Federal, State, or local law or an outstanding injunction of any Federal, State or local court.

b. Plan, participate in, or provide assistance to others in carrying out any form of direct action which is designed with the intent to involve physical violence, destruction of property, or physical injury to persons. On the contrary, local agency staff should affirmatively do what they can to prevent such activities and to discourage any direct action that is violent in manner or purpose or is calculated to incite civil disorders.

c. Commit any actions in connection with riots, political activity, or lobbying which are prohibited by CA Memo 66 or OEO Instructions 6907-1 or 6907-2.

Any employee who participates in a form of direct action which as planned and initially carried out is legal and permissible under Section 2 above, but during which some illegal acts are committed by individuals, is responsible only for his individual actions.

4. DISTINCTION BETWEEN STAFF ACTIONS AND PRIVATE ACTIONS OF EMPLOYEES

Whether in a particular instance an employee may be considered to be acting in his capacity as a private citizen, and therefore to be generally exempt from the above limitations, depends less on the question of whether the person is formally on duty (i.e., whether the unlawful direct action takes place during his regular working hours), than on the question of the employee's relationship to the group which is engaged in the activity. Where this relationship is such that the participants or the public might reasonably conclude that he is acting as an employee (for example, because as part of his job he has been working with the participating group, or in the neighborhood with which they are identified), he should consider himself subject to the above restrictions on involvement in illegal direct action; and any doubt should be resolved in this direction. This is so regardless of the time at which the event occurs, or whether the employee is, as a formal matter, on or off duty. It follows that no employee may avoid the limitations by simply taking leave time, or relying upon the fact that a given activity occurs in the evening or on a weekend.

Although volunteers are not included in the above discussion, they must take reasonable precautions against identifying their off-duty activities with a grantee or delegate agency.

5. RESPONSIBILITIES OF COMMUNITY ACTION AGENCIES

Section 213(a) requires each community action agency to adopt rules for itself and its delegate agencies which define staff responsibilities in regard to advocacy on behalf of the poor in such a way as to prohibit participation in unlawful direct action. This requirement will be considered to be met by the agency's adoption of the provisions of this Instruction and by making these rules available to all employees in writing.

If, however, the agency wishes to adopt its own rules it may do so, providing that the provisions of this Instruction are included in those rules and that none of these provisions are contradicted by the agency's additional rules.

In either case, the agency must specifically inform employees and volunteers of the provisions contained in such rules and of the possible sanctions for noncompliance.

6. ENFORCEMENT

The initial and primary responsibility for enforcement of this Instruction in connection with projects assisted under Title II and III-B is with the local grantees and delegate agencies responsible for those projects. Each such agency will be expected to investigate and to take appropriate action in response to any specific information which comes to its attention concerning possible violation of the requirements of this Instruction. Any personnel actions against employees resulting from such investigation are subject to the grievance procedures required under CA Memorandum 23-A affording the employee a prompt and fair consideration of his grievance.

Each grantee or delegate agency shall promptly inform the OEO Regional or appropriate grant approval office of any allegation charging a person within its jurisdiction with violating the provisions of this Instruction, indicating the action that the agency is taking regarding the matter.

Theodore M. Berry
Director
Community Action Program

OFFICE OF ECONOMIC OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

CAP

Type of Issuance	Number
OEO INSTRUCTION	6907-2
Subject	**Date**
LIMITATION WITH RESPECT TO UNLAWFUL DEMONSTRATIONS, RIOTING AND CIVIL DISTURBANCES	October 31, 1968
	Office of Primary Responsibility C/O/P
Supersedes CA Memo 79, Part E	**Distribution** M, N, S (L.I.)

Transmitted by
CAP Announcement 68-13

REFERENCES: 1. Economic Opportunity Act of 1964, as amended, Section 613:

"No individual employed or assigned by any community action agency or other agency assisted under this Act shall, pursuant to or during the performance of services rendered in connection with any program or activity conducted or assisted under this Act by such community action agency or such other agency, plan, initiate, participate in, or otherwise aid or assist in the conduct of any unlawful demonstration, rioting, or civil disturbance."

2. Report of the National Advisory Commission on Civil Disorders

3. OEO Instruction 6907-3, "Employee Participation in Direct Action"

4. Community Action Memorandum No. 65.

APPLICABILITY: Sec. 613 applies to all full-time and part-time employees and volunteers engaged in carrying out the program of any organization financially assisted under the Economic Opportunity Act of 1964, as amended.

1. POLICY

Each grantee and delegate agency is required to take appropriate steps to insure that financial assistance under the Economic Opportunity Act is not employed to aid or assist in the conduct of any unlawful demonstration, rioting, or civil disturbance. In particular, each agency must take such action as is appropriate in the light of local circumstances to insure that persons employed in connection with assisted programs, as well as volunteers, do not use their position in the program to plan, initiate, participate in, or otherwise aid or assist in the conduct of any unlawful demonstration, rioting or civil disturbance. Toleration on the part of agency officials of such behavior by their employees may be considered cause for suspending or terminating the grant.

Rioting and similar violence are wholly inconsistent with the goals of community action. Not only do they undercut the effort to bring the poor into the mainstream of community life, but the harm they do falls most heavily on the poor.

Community action agencies and other CAP grantees have additional responsibilities, however, beyond insuring that no one uses the program to foster violence. Because of its important role as a link between the poor and the public and private agencies which can help solve some of the problems of poverty, a community action agency or other CAP grantee has an important role (1) in developing grievance-response mechanisms between residents of poor neighborhoods and local government agencies and other institutions, and (2) if violence should occur or be threatened, in opening channels of communication between the disaffected elements and the community leadership. The report of the National Advisory Commission on Civil Disorders cited several examples of constructive counter-riot measures undertaken by community action agencies. In addition the Commission highlighted the significance of efforts to involve the poor through "maximum feasible participation" in program development and administration and in community decision-making as effective measures to counter the causes and symptoms of riots.

OEO Instruction 6907-3, "Employee Participation in Direct Action," will discuss lawful demonstrations and other types of direct action in which CAP grantees may engage.

2. ENFORCEMENT

The initial and primary responsibility for enforcement of this Instruction rests with local grantees and delegate agencies. Such agencies shall--

(1) Take all feasible measures to prevent the employment in their programs of persons who are likely to use their positions as agency employees to promote violence or unlawful disorder. This shall not be construed to prohibit automatically the hiring of persons with prior criminal records. Policies governing the hiring and rehabilitation of persons with prior conviction records are found in Community Action Memo 23-A.

(2) Terminate any employee, or discontinue using the services of any volunteer, who the agency determines, on the basis of substantial and material evidence, has been using his position with the agency to promote violence or disorder. Such personnel actions are subject to the grievance procedures required under CA Memorandum 23-A affording the employee a prompt and fair consideration of his grievance.

October 31, 1968 OEO INST. 6907-2

3. REMINDER CONCERNING ANTI-RIOT PROVISION IN THE ECONOMIC OPPORTUNITY AMENDMENTS OF 1966

Section 1201 of the Economic Opportunity Amendments of 1966 provides that no funds appropriated for the fiscal year 1967 could be used "to provide payments, assistance, or services, in any form, with respect to any individual who is convicted, in any Federal, State, or local court of competent jurisdiction, of inciting, promoting, or carrying on a riot, or any group activity resulting in material damage to property or injury to persons, found to be in violation of Federal, State, or local law designed to protect persons or property in the community concerned." This law continues to apply to the use of all funds granted during the fiscal year 1967 (July 1, 1966 to June 30, 1967). See Community Action Memo 65. Note that it bars benefits to, as well as employment of, persons convicted of certain crimes in connection with riots and group disorders.

Theodore M. Berry
Director
Community Action Program

OFFICE OF ECONOMIC OPPORTUNITY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

CAP

Type of Issuance	Number
OEO INSTRUCTION	6907-1
Subject	**Date**
Restrictions on Political Activities	September 6, 1968
	Office of Primary Responsibility
	C/O/P
Supersedes	**Distribution**
CA Memo 50-A	M,N,S(L.I.)

Transmitted by
CAP Announcement 68-9

REFERENCES: Economic Opportunity Act of 1964, as amended:

Section 213(a)
Section 213(b)
Section 602(n)
Section 603(a)
Section 603(b)

The text of the appropriate parts of these Sections is provided in Appendix A to this Instruction.

APPLICABILITY: Programs which are (1) financially assisted under Titles II or III-B of the Economic Opportunity Act, (2) financially assisted under Title I-D of the Economic Opportunity Act and administered by OEO.

Different sections of this Instruction apply to different categories of grantees. Furthermore, some restrictions apply only to employees or to certain classes of employees, while other restrictions also apply to board members, volunteers, trainees and enrollees. The applicability of the different sections of this Instruction to various classes of programs and persons is presented graphically in Appendix B as well as summarized at the beginning of each section.

DEFINITION: Public agency. For the purposes of this Instruction, a public agency means the executive or legislative branch of a State, municipality, or other political subdivision of a State, or an agency or department thereof.

EFFECTIVE DATE: This Instruction is effective immediately.

1. POLICY

Grantee and delegate agencies must administer OEO-assisted programs in a politically nonpartisan manner, and must avoid actions which can reasonably be construed as intended to favor one political party over another or to influence the outcome of any election for public or party office. The use of program funds, the provision of services and the assignment of personnel must not result in the identification of the program with any partisan political activity or with any nonpartisan political activity which is

designed to further the election or defeat of a candidate for public or party office. In addition, grantee and delegate agencies may not use program funds, the provision of services, or the assignment of personnel in connection with voter registration activity or with transporting voters or potential voters to the polls.

Anti-poverty programs are, in many communities, live political issues and will often include activities which may become the subject of political controversy. Grantee and delegate agencies may, of course, undertake activities dealing with issues related to their basic program responsibilities. In carrying out the basic mission and goals of community action, grantee and delegate agencies may actively engage in campaigns connected with constitutional amendments, referenda, municipal ordinances, law reform and lawful attempts to influence government officials to respond to the grievances of the poor. Grantee and delegate agencies need not avoid such activities merely because partisan officials or candidates for public office may take or have taken positions with respect to the issue. Agency officials must, however, deal with questions which have become a subject of political controversy on their merits and not in terms of whether they are supported or opposed by a particular party or candidate.

Except as provided in this Instruction, employees of grantees and delegate agencies are free to engage in various kinds of political activities during their off-duty hours and in their private capacities. A broad range of participation in nonpartisan elections (e.g. nonpartisan school board elections) is permitted. In addition, a broad range of off-duty partisan activity is permitted for employees of private delegate agencies and private single-purpose grantees. All employees are expected, however, to avoid to the greatest extent possible any identification of their off-duty activities with the OEO-supported program.

2. REQUIREMENT THAT COMMUNITY ACTION AGENCIES ADOPT RULES

Section 213(a) of the Economic Opportunity Act requires each community action agency (CAA) to adopt rules designed to assure that its programs and programs of its delegate agencies are conducted in a manner which is free from any taint of partisan political bias. This requirement will be considered to be met by the agency's adoption of the provisions of this Instruction and by making these rules available to all employees in writing.

If, however, the agency wishes to adopt its own rules it may do so, providing that the provisions of this Instruction are included in those rules and that none of these provisions are contradicted by the agency's additional rules.

3. SUMMARY OF KINDS OF RESTRICTIONS ON POLITICAL ACTIVITIES

Sections 4 and 5 of this Instruction contain categories of restrictions applied to community action programs by the 1967 Amendments to the Economic Opportunity Act and by Chapter 15, Title 5, of the United States Code (formerly known as the Hatch Act).

Section 4 contains restrictions on the use of program funds, the provision of services, and the assignment of agency personnel in a manner which identifies the program with partisan political activity, nonpartisan activity associated with a candidate or faction in an election for public office, voter registration activity, and the transportation of voters to the polls. These restrictions are, in a broad sense, designed to prohibit the use of OEO funds for certain purposes. They apply to personnel of all grantee and delegate agencies, public and private. Insofar as the individual employee is concerned, however, these restrictions deal only with what he does as an employee.

Section 5 includes additional restrictions on the partisan political activities of employees of all community action agencies and of public agencies which are grantees or delegate agencies. These restrictions do not apply to private single-purpose grantees or private delegate agencies. The restrictions cover employees regardless of whether they are on duty at the time they engage in the prohibited activities.

The chart in Appendix B summarizes the applicability of the restrictions of Sections 4 and 5.

4. RESTRICTIONS ON THE USE OF PROGRAM FUNDS, THE PROVISION OF SERVICES AND THE EMPLOYMENT AND ASSIGNMENT OF PERSONNEL

a. Prohibited Political Activity. The following restrictions apply to all employees of grantee and delegate agencies as well as to volunteers, trainees and members of governing or administering boards and advisory committees.* These individuals may not -

(1) Use their official position, authority, or influence with the agency for the purpose of interfering with or affecting the result of an election or a nomination for a party or public office.

*Restrictions 1 and 2 are imposed on employees of all grantee and delegate agencies except certain educational or research organizations [see Section 5(a)(3)] by Section 603(a) of the Economic Opportunity Act and Chapter 15, Title 5, of the United States Code (formerly known as the Hatch Act). They are extended to employees of other OEO-supported agencies and to board and committee members and volunteers by OEO in order to implement the provisions of Section 603(b) of the Economic Opportunity Act. Restrictions 3-6 implement the provisions of Section 603(b) and Section 213 of the Economic Opportunity Act.

(2) Directly or indirectly coerce, attempt to coerce, command or advise an employee or any other person who is subject to these restrictions to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency or person for political purposes.

(3) Use program funds for any partisan political purposes or to influence any election for public or party office.

(4) Permit the use of equipment or premises purchased or leased with program funds for any partisan political purpose or to influence the outcome of any election for public or party office. This restriction applies only to facilities when under the control of the grantee or delegate agency. For example, if an agency leases a facility during certain hours only, the landlord may of course use the facility as he wishes during other hours.

(5) Discriminate, or threaten or promise discrimination, against or in favor of any employee or beneficiary of the program, or any potential employee or beneficiary, because of his political affiliations or beliefs, or require any applicant, employee or beneficiary to disclose his political affiliation.

(6) Offer any person employment, promotion or benefits under the program as a reward for the support or defeat of any political party or candidate for public or party office, or threaten or create disadvantage in employment or deprivation of benefits as a penalty for such support, except that such a person may be deprived of employment or subject to lesser penalties for engaging in activities which are forbidden by this memorandum.

b. Candidates' Meetings. Candidates' meetings, even if all rival candidates for one or more public offices appear, shall not be sponsored or conducted with program funds or facilities. Such meetings are, however, often conducted by neutral and nonpartisan groups such as the League of Women Voters or local civic associations.

c. Voter Registration and Transportation Activity. Employees of grantee and delegate agencies, including volunteers and trainees, may not, while carrying out the program of their agencies, engage in voter registration activity or in transporting voters or prospective voters to the polls.

This restriction applies to the use of program funds, agency facilities or equipment, as well as to the provision of services and the assignment of personnel. All persons may participate in nonpartisan voter registration during their off-duty hours, so long as they avoid identification of such off-duty activities with the OEO-supported program.

A grantee or delegate agency may properly conduct a citizenship education program which includes, as part of the curriculum, information about the mechanics and function of voter registration. Such a program may be valuable in educating the poor as to the legitimate and constructive roles they as citizens may play in local community life and in the American democratic process. However, the program must be informational and not designed to solicit registration. Furthermore, program funds may not be used in any way to aid registration campaigns. Door-to-door solicitations and mass mailing campaigns, for example, may not be undertaken or supported with program funds.

5. STATUTORY RESTRICTIONS ON POLITICAL ACTIVITIES OF CAA EMPLOYEES AND EMPLOYEES OF PUBLIC GRANTEES AND DELEGATE AGENCIES

a. Persons to Whom This Section Applies. The restrictions contained in this Section are imposed by Chapter 15, Title 5 of the U.S. Code and Section 603(a) of the Economic Opportunity Act. They generally apply to all CAA employees and all employees of public grantees and public delegate agencies who perform duties in connection with an OEO-assisted program or any other Federally-assisted program administered by that agency. Employees of private single-purpose agencies or private delegate agencies are not covered by these restrictions.

(1) Volunteers, Trainees and Enrollees.

Volunteer workers are not covered by this Section. Trainees and enrollees shall be deemed employees for the purpose of this Section only if they are engaged in on-the-job training for a position as an employee of a grantee or delegate agency.

(2) Board Members. Board members are not covered by this Section.

(3) Principal Employment Rule. In case of an employee who holds more than one job, whether he is subject to the restrictions of this Section depends on which job is his principal one--that is, if the job on which he spends the majority of his work time and from which he derives the majority of his earned income is covered by this Instruction, then he is covered.

(4) Employees on Leave Still Covered. The statutory restrictions apply to employees even though they are on leave, with or without pay. The prohibitions are lifted only when the employment is terminated. However, if an employee is on terminal leave, he is not subject to the restrictions during the period for which he has received a lump-sum leave payment.

(5) Exemption of Employees of Educational and Research Organizations. An individual is not subject to the statutory restrictions of this part if his principal employment is with an educational institution, establishment, agency, or system supported in whole or in part by State or local public funds or by a recognized religious, philanthropic, or cultural organization. Thus, employees of private schools and colleges supported by such organizations, as well as all public schools and colleges, are exempt from coverage, even if these institutions are grantees or delegate agencies financed under the Economic Opportunity Act. (A Community Action Agency is not considered to be an exempt educational or research institution.)

b. Prohibited Use of Influence or Attempt to Coerce. Persons covered by this Section are prohibited from:

(1) Using their official position, authority or influence with the agency for the purpose of interfering with or affecting the result of an election or a nomination for a party or public office.

(2) Directly or indirectly coercing or attempting to coerce, command or advise an employee or any other person who is subject to these restrictions to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency or person for political purposes.

c. Prohibited Activities. Persons covered by this Section are prohibited from taking an active part in partisan political campaigns. Such persons may not engage in partisan political activities, including but not limited to the following:*

(1) Becoming a candidate for nomination or election to a political office or to a party office.

(2) Serving on or for any political committee, party, or other similar organization, or serving as a delegate or alternate to a political caucus or convention.

*Further information on activities prohibited by Chapter 15, Title 5 of the U.S. Code may be obtained from the Office of the General Counsel, United States Civil Service Commission, Washington, D.C. 20415.

(3) Soliciting or handling political contributions.

(4) Soliciting the sale of or selling political fund-raising tickets.

(5) Serving as an officer of a political club, as a member or an officer of any of its committees, or being active in organizing it.

(6) Assisting in preparations for, organizing, or conducting a political meeting or rally. Attendance at a political rally or meeting is permissible.

(7) Engaging in activity at the polls at primary, regular, or special elections such as soliciting votes or passing out literature.

(8) Acting as recorder, checker, watcher, or challenger for any party or candidate in an election.

(9) Writing for publication or publishing any letter or article soliciting votes in favor of or against any candidate or party.

(10) Distributing political campaign literature or material.

(11) Initiating or circulating political petitions, including nomination petitions.

(12) Soliciting support for a candidate or party.

d. Permitted Political Activities. A person covered by this Section may:

(1) Register and vote as he chooses.

(2) Express his opinions on political subjects and candidates.

(3) Be a member of a party or political club, although he may not hold office or otherwise be active in party affairs.

(4) Make voluntary contributions of money to a political campaign or party.

(5) Participate in educational efforts related to issues and to the political process so long as this is done in a politically neutral manner.

(6) Attend political meetings and rallies.

(7) Wear a political badge or button.

(8) Display a political sticker on his private automobile.

(9) Engage in nonpartisan political activity. There is no prohibition on political management or political campaigning in connection with (1) nonpartisan elections, which are defined as those in which none of the candidates represents the Democratic or Republican party or any other party which ran a candidate for President in the preceding presidential election, or (2) questions not specifically identified with a national or state political party, such as constitutional amendments, referenda, approval of municipal ordinances, and similar matters. In addition, if a state election law provides for nonpartisan election for a particular local office or class of local offices, the campaign for that office qualifies for the exception. For example, elections for local school boards and other local boards or offices are frequently run on a nonpartisan basis.

6. ADDITIONAL PRECAUTIONS

As explained in Section 5, employees of all community action agencies and of public delegate and single-purpose agencies are prohibited from engaging in partisan political management or partisan political campaigns while off-duty. However, the Economic Opportunity Act does not prohibit these employees from engaging in off-duty nonpartisan political activities and does not prohibit employees of private delegate and single-purpose agencies from engaging in either partisan or nonpartisan political activities while off-duty. In the spirit of the most recent legislation, however, all employees should avoid activity which will identify their agencies with political campaigns associated with electing candidates to public or party office. Directors and deputy directors of grantee and delegate agencies and neighborhood and outreach workers have the most substantial contacts with the community and are likely to be regarded as spokesmen for their agencies. Therefore, these persons must be particularly careful not to involve or identify the OEO-assisted program with the campaign of any individual for public or party office.

All grantee and delegate agencies must inform their employees about these precautions.

7. ENFORCEMENT

a. Reporting Possible Violations

(1) Hatch Act Violations. When a grantee or delegate agency has reason to believe that an employee has engaged in partisan political activity prohibited by the statutory provisions of Chapter 15, Title 5 of the U.S. Code(Section 4(a)(1) and (2) and Section 5 of this Instruction), it shall report the matter to the United States Civil Service Commission, Office of the General Counsel, Washington, D.C. 20415.

(2) Non-Hatch Act Violations. Information concerning possible violations of other provisions of this Instruction shall be reported either in writing or orally by the grantee or delegate agency to the OEO Regional Office of Inspection or to the OEO Office of Inspection in Washington, D.C.

If the grantee or delegate agency is uncertain as to whether an activity violates the statutory provisions of Chapter 15, Title 5 of the U.S. Code administered by the Civil Service Commission, the information may be submitted to the OEO Office of the General Counsel in Washington, D.C. The OEO General Counsel will refer information concerning possible violations of Chapter 15, Title 5 of the U.S. Code to the Civil Service Commission for consideration where appropriate.

The grantee or delegate agency may in addition make such preliminary inquiry as may be necessary to verify the facts concerning the reported violation and initiate appropriate action to prevent a continuation or recurrence of the prohibited activity.

b. OEO Action to Prevent Continuation or Repetition of Violations

(1) When OEO receives information concerning possible violation of the restrictions of this Instruction it may --

(a) conduct an investigation to ascertain the facts and, in appropriate cases, undertake informal discussions with the grantee or delegate agency concerned in order to agree upon means for preventing continuation or repetition of the violation, and

(b) refer the matter, with or without investigation, to the Office of the General Counsel of the Civil Service Commission for consideration.

(2) If OEO concludes, after discussions with the local agency concerned, that appropriate action will not be taken by the grantee, OEO may then issue an order to the grantee directing it to take such action as may be necessary to prevent continuation or repetition of the violation.

If the grantee fails to comply with such an order issued by OEO, OEO may, on an emergency basis, summarily suspend assistance in whole or in part, or it may proceed to suspend or terminate assistance pursuant to Part 1009 of Chapter X, Title 45 of the Code of Federal Regulations. A grantee whose financial assistance has been summarily suspended under this provision may at any time request informal discussions with OEO officials and present evidence that no further violation is occurring and may also request OEO to hold a full hearing in accordance with the regulations cited above.

In no event shall OEO terminate assistance to an agency without the agency being afforded the right to a full and fair hearing.

c. Enforcement Action by the Civil Service Commission.

OEO may refer any specific information of apparent violation of the non-Hatch Act restrictions set forth in this Instruction to the General Counsel of the Civil Service Commission for investigation and determination. The General Counsel of the Commission may conduct an investigation and inform OEO and the grantee or delegate agency involved of his findings of fact and the corrective action recommended. If the corrective action recommended is directed against an employee of a grantee or delegate agency, the General Counsel of the Commission shall also inform the employee involved of his findings of fact and recommendation. In formulating his findings of fact and the corrective action recommended, the General Counsel of the Commission may request information from and solicit the views of OEO.

Within fifteen days after receipt of the report of the General Counsel of the Commission, the grantee or delegate agency shall either comply fully with the Commission's recommendations or request the Commission to hold a hearing. If the Commission recommends the dismissal or suspension of an employee, he may also request a hearing. The Commission shall give notice of the time and place of the hearing at which the agency or the affected employee is entitled to appear in person, or by or with counsel. The agency or employee and the counsel for the Commission are responsible for securing the attendance of their respective witnesses. There is no power of subpoena in these cases.

The hearing shall be before an examiner designated by the Commission. Testimony shall be under oath or affirmation and the parties may introduce affidavits and other documentary evidence. Unless the parties agree to a summary of the testimony, the hearing will be reported stenographically. The hearing examiner shall report his findings of facts and recommendations of sanctions to the Director of OEO.

The Director of OEO may reject, modify or affirm the recommendations of the hearing examiner. If he accepts any part of the recommendations, he shall issue an order to the agency directing it to comply with those sanctions he has accepted. If the local agency refuses to comply within five days after receiving this order, the Director may suspend or terminate assistance to the agency pursuant to Part 1009 of Chapter X, Title 45 of the Code of Federal Regulations. However, if the Director of OEO affirms a recommendation of the hearing examiner that assistance to a local agency be suspended or terminated, OEO shall not hold an additional hearing. In such instances, the hearing held before the examiner designated by the Civil Service Commission shall be regarded as satisfying the requirements of Part 1009 of Chapter X, Title 45 of the Code of Federal Regulations.

In any hearing held by OEO pursuant to Part 1009, an issue of fact previously determined by a hearing examiner designated by the Commission shall be deemed conclusively determined and shall not be relitigated.

The sanctions which the General Counsel of the Commission or a Commission-designated hearing examiner may recommend include, but are not limited to, the following:

(a) full or partial termination or suspension of assistance.

(b) changes in the administration of the grantee's or delegate agency's program or activities.

(c) an order to an agency directing the dismissal, suspension, transfer or reprimand of an employee or other person engaged in carrying out the agency's program.

Theodore M. Berry
Director
Community Action Program

OEO Inst. 6907-1

APPENDIX A

Excerpts from the Economic Opportunity Act

SEC. 213(a): "Each community action agency shall observe, and shall (as appropriate) require or encourage other agencies participating in a community action program to observe, standards of organization, management and administration which will assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the title and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias...." "Each community action agency shall establish or adopt rules to carry out this section...."

SEC. 213(b): "The Director shall prescribe rules or regulations to supplement subsection (a), which shall be binding on all agencies carrying on community action program activities with financial assistance under this title."

SEC. 602(n): "In addition to the authority conferred upon him by other sections of this Act, the Director is authorized, in carrying out his functions under this Act, to establish such policies, standards, criteria, and procedures, prescribe such rules and regulations...and generally perform such functions and take such steps as he may deem to be necessary or appropriate to carry out the provisions of this Act."

SEC. 603(a): "For purposes of chapter 15 of Title 5 of the United States Code any overall community action agency which assumes responsibility for planning, developing, and coordinating community-wide anti-poverty programs and receives assistance under this Act shall be deemed to be a State or local agency; and for purposes of clauses (1) and (2) of section 1502(a) of such title any agency receiving assistance under this Act (other than part C of title I) shall be deemed to be a State or local agency."

SEC. 603(b): "Programs assisted under this Act shall not be carried on in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with (1) any partisan or nonpartisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. The Director, after consultation with the Civil Service Commission, shall issue rules and regulations to provide for the enforcement of this section, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis."

OEO Inst. 6907-1

APPENDIX B

CHECKLIST OF APPLICABILITY OF RESTRICTIONS

(An "X" designates the restrictions which do apply)

TYPE OF AGENCY AND PERSONS	Applicable Section of OEO Instruction 6907-1			
	Section 4			
	4(a)	4(b)	4(c)	Section 5
CAAs				
Programs & program funds	X	X	X	
Employees	X[4]		X	X
Board members[1]	X			
Volunteers	X		X	
Trainees and enrollees	X		X	X[2]
Private grantees and private delegate agencies other than CAAs				
Programs and program funds	X	X	X	
Employees	X[4]		X	
Board members[1]	X			
Volunteers	X		X	
Trainees and enrollees	X		X	
Public grantees and public delegate agencies other than CAAs				
Programs and program funds	X	X	X	
Employees	X[4]		X	X[3]
Board members[1]	X			
Volunteers	X		X	
Trainees and enrollees	X		X	X[2]

[1] Members of governing or administering boards or advisory committees
[2] Only applies to persons in on-the-job training for positions with the agency
[3] Except for employees of exempt educational and research organizations
[4] Except that employees of exempt educational and research organizations are not covered by Section 4(a)(1) and (2).

Mr. LOWITZ. Another means that we have here is through our audit procedures of disallowing any moneys that are used in furtherance of any of these improper activities.

COORDINATION WITH OFFICE OF VOLUNTARY ACTION

Mrs. REID. Have you taken any action to coordinate plans with the Office of Voluntary Action?

Mr. RUMSFELD. Yes. One of the programs that they started, a student coordinator program, they have asked us to take over, and we have. We have worked with them. One of Mr. Al Abrahams' responsibilities is to look at all of our programs to see the extent to which they could be or should be designed in a way to encourage the use of volunteers as opposed to the typical Government approach, which is to design a closed circle and not really encourage or even provide for the opportunity to use the volunteers.

Mr. Abraham is working with the people in the other program offices as well as the Office of Voluntary Affairs.

Mrs. REID. I would think this could be an area of tremendous expansion.

Mr. RUMSFELD. Right.

CITY DAY CARE MODEL

Mrs. REID. I understand experiments with the City Day Care Model are proposed. How would you do this—through grants to individuals or through existing agencies?

Mr. RUMSFELD. Again, anything we do in this area to speak of on a sizable scale will be experimental, and they will be controlled. There very likely will be a variety of different models. We have as a matter of fact, a very thick, rather comprehensive day care proposal which I don't think you want in the record, but it explains all the different approaches being used to look at.

ECONOMIC BOYCOTTS

Mrs. REID. I understand that earlier this year there were reports that OEO money was being used in connection with the boycott of a grocery store in Des Moines, Iowa, and some action was taken by OEO in that case. Just what steps can you take to prevent such occurrences from happening in the future?

Mr. RUMSFELD. I don't know that I could answer any differently than I have with respect to almost whatever problem—the links of control I have described. The case of an economic boycott, for example, that is such a basic tool in society.

My daughter Valerie is walking to school so she won't be riding on a bus that pollutes the air at the moment. That is an economic boycott. I can remember when I was a young man I got my first credit card with a prominent oil company because they encouraged their people to go into Government and work in politics. I admired that. That is economic action.

These are things that are going on all over the country, particularly in the black community, but also in the brown community, to

influence and bring about a greater responsiveness of private business in a community. There is practically nothing you can do about that, whether people shop or ride buses or these kinds of things. I think, frankly, this is something society is going to see a lot more of.

Mrs. REID. Do you know in this particular case just what action was taken?

Mr. LOWITZ. I think you are referring to Evanston, Ill.

Mrs. REID. No. I have the clipping here.

Mr. LOWITZ. I can check it out.

Mr. RUMSFELD. I will have Mr. Lowitz put something in the record as to what we did with respect to that.

Mr. CARLUCCI. Is this the Greater Opportunities, Inc., of Des Moines?

Mrs. REID. Yes.

Mr. CARLUCCI. The executive director of that agency has just been suspended by the agency's board of directors.

Mr. RUMSFELD. There is an example where the board took action, possibly for this reason, possibly for something else.

Mr. CARLUCCI. The reason is very specific. The board was concerned about Mr. Brown being a leader among the more militant factions in the area. This was the reason they took action, because he apparently was engaged in some kind of militant activities, because of his lack of candor with the board and his mistreatment of employees. The board did take action in this case.

Mr. RUMSFELD. Let me clarify something. When I said I think this is something society is going to be seeing a lot more of, I didn't mean in OEO programs. I meant generally. It's something that is happening in the country.

COMMUNITY PROGRESS, INC.

Mrs. REID. I brought up earlier the fact that this man in Community Progress, Inc., had had his salary increased four times. I have this news release on it. He went from $8,000 up to $22,500. It tells the progress of the raises. However, at the end of the article it does say that the salary has a $15,000 limit set by the U.S. Office of Economic Opportunity and the increases were reportedly paid out of Ford Foundation funds.

Mr. RUMSFELD. We can't affect that. If some outside organization goes in and supplements their pay, there is nothing that can be done about that.

Mrs. REID. I did want to clarify this.

Mr. RUMSFELD. I am glad you did.

Mrs. REID. I have several other questions, but I think you have answered them throughout the day. I think you have answered them very well, and I want to commend you on your statement.

Mr. RUMSFELD. Thank you very much.

Mrs. REID. Thank you, Mr. Chairman.

FEDERAL OUTLAYS FOR THE POOR

Mr. SHRIVER. Mr. Chairman, I would like to ask one more question. On page 12 of the justifications you have a table showing the total Federal outlays for the poor by categories for fiscal year 1971, includ-

ing the total dollars and the percentages of the overall efforts represented by each category. There are many tables in these justifications, but I don't believe any of them show the "new directions" of this administration as well as an expansion of this category table to show the same information for each fiscal year, starting with fiscal year 1968. Would you do that for the record?

Mr. RUMSFELD. Yes.

Mr. FLOOD. Thank you, Mr. Rumsfeld.

(The information follows:)

FEDERAL OUTLAYS BENEFITING THE POOR BY CATEGORIES, FISCAL YEARS 1968 THROUGH 1971

[Dollar amounts in billions]

	Fiscal year—							
	1968		1969		1970		1971	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Employment	$1.2	5.5	$1.4	5.3	$1.5	5.1	$2.0	6.1
Economic development	.1	.5	.1	.4	.3	1.0	.5	1.5
Education	2.0	9.1	2.0	7.7	2.1	7.1	2.5	7.6
Early childhood development	.4	1.8	.4	1.5	.4	1.4	.4	1.2
Health	4.2	19.2	5.3	20.2	5.8	19.6	6.4	19.4
Other community assistance	.5	2.3	.5	1.9	.7	2.4	.8	2.4
Income assistance	12.4	56.6	15.1	57.7	17.1	57.7	17.8	53.9
Other maintenance assistance	1.1	5.0	1.4	5.3	1.7	5.7	2.6	7.9
Other							.01	.03
Total	21.9	100.0	26.2	100.0	29.6	100.0	33.0	100.0

WEDNESDAY, May 27, 1970.

WORK AND TRAINING PROGRAMS

WITNESSES

ARNOLD R. WEBER, ASSISTANT SECRETARY OF LABOR FOR MANPOWER
ROBERT J. BROWN, ASSOCIATE MANPOWER ADMINISTRATOR FOR U.S. TRAINING AND EMPLOYMENT SERVICE
RICHARD E. MILLER, ASSOCIATE MANPOWER ADMINISTRATOR FOR FINANCIAL AND MANAGEMENT SYSTEMS
HERBERT A. MEYER, CHIEF, DIVISION OF BUDGET PLANNING AND DEVELOPMENT, MANPOWER ADMINISTRATION
WILLIAM MIRENGOFF, ACTING DIRECTOR OF JOB CORPS
WESLEY L. HJORNEVIK, DEPUTY DIRECTOR, OFFICE OF ECONOMIC OPPORTUNITY

Mr. FLOOD. We now have the Economic Opportunity Act programs which are administered by the Manpower Administration of the Department of Labor. The presentation will be made by Mr. Arnold R. Weber, Assistant Secretary for Manpower.

INTRODUCTION OF SUPPORTING WITNESSES

You have someone with you, Mr. Weber?

Mr. WEBER. Yes. I have on my left Mr. Wesley Hjornevik, Deputy Director of the Office of Economic Opportunity.

Mr. John Wilson is Assistant Director in charge of policy planning.

On my right, Mr. Richard Miller, head of the Office of Financial and Management Systems of the Manpower Administration in the Department of Labor.

The back bench here is: Mr. Robert Brown, Director of the U.S. Training and Employment Service of the Department of Labor.

On his right is Mr. William Mirengoff, Acting Director of the Job Corps, and on his right, Mr. Herbert A. Meyer, who is also with the Office of Financial and Management Systems.

BIOGRAPHICAL SKETCHES OF PRINCIPAL WITNESSES

Mr. FLOOD. Mr. Secretary, we have your biographical sketch, but since this is OEO I think we should put your biographical sketch in again, as well as those of your associates.

(Biographical sketches follows:)

ARNOLD R. WEBER

Arnold R. Weber, Assistant Secretary of Labor for Manpower, U.S. Department of Labor.

Mr. Weber was born in New York City, September 20, 1929. He holds a Bachelor of Arts degree and a Master of Arts degree from the University of Illinois, and a Doctorate in Economics from the Massachusetts Institute of Technology.

From 1955 until his appointment as Assistant Secretary for Manpower, Mr. Weber served on the faculties of the Massachusetts Institute of Technology, the University of Chicago, and Stanford University.

He has served as an arbitrator on the labor panel of the American Arbitration Association. In addition, he has been a consultant to numerous committees and organizations concerned with various issues in the labor-management field. Included among these were the Armour Automation Fund Committee, the President's Advisory Committee on Labor-Management Policy, and the Organization for Economic Co-operation and Development. He was vice-chairman of the Federal Task Force on Improving the Employment Service during 1965–1966, and was chairman of the Research Advisory Committee of the United States Employment Service during 1966–1967.

Mr. Weber, in addition to his broad range of academic and professional experience, is a former apprentice electrician.

From 1952 to 1954, during the Korean Conflict, Mr. Weber served in the U.S. Coast Guard.

He is married and the father of three children.

ROBERT J. BROWN

Robert J. Brown, Associate Manpower Administrator for the United States Training and Employment Service, U.S. Department of Labor.

Robert J. Brown was appointed to his present position in October 1968 after serving as Assistant Manpower Administrator for Programs since November 1966.

The U.S. Training and Employment Service is responsible for the recruitment, placement, counseling, and follow-up of the Federal/State employment security operations as well as the administration of the manpower training programs

authorized by the Economic Opportunity Act and the Manpower Development and Training Act.

Before joining the Department, he served in various State positions. He served as Commissioner, Minnesota Department of Employment Security (1965–66); Deputy Commissioner, Minnesota Department of Conservation (1963–65) after serving as that Department's Personnel Officer (1957–1963); and as a writer in the Department of Conservation (1955).

Prior to his State employment, Mr. Brown held several positions with Local 41 of the United Auto Workers, including that of President (1951–52), and education representative for Minnesota CIO (1952–53).

Born September 10, 1929, in Seattle, Washington, he holds a Social Arts degree from the University of Minnesota. He is married and the father of eight children. He presently resides in Rockville, Md., with his family.

WILLIAM MIRENGOFF

William Mirengoff, Acting Director, Job Corps, U.S. Department of Labor.

Mr. Mirengoff, a career civil servant since 1940, has been with the Department of Labor since 1946. During this time, he has served as Deputy Director, Office of Manpower Policy, Evaluation, and Research (1964–69); Deputy Assistant Director for Policy and Planning in the Office of Manpower, Automation and Training (1962–1964); and Assistant Deputy Director of the Bureau of Employment Security. He assumed his present position in late 1969.

In his various capacities, Mr. Mirengoff's responsibilities have been diversified. They have included the development of plans, programs, and policies for skill development and training and evaluation and research functions for the Department of Labor under the Manpower Development and Training, Area Redevelopment, and Trade Expansion Acts.

Mr. Mirengoff is a native of Salem, Mass. He was born on Christmas Day, 1914. He received his B.A. in Economics from Brooklyn College and his M.A. from American University in Washington. He is married and the father of a son and a daughter. He and his family reside in Silver Spring, Md.

Mr. FLOOD. How do you wish to proceed?

PREPARED STATEMENT

Mr. WEBER. I have a formal statement which I wish to submit for the record.

Mr. FLOOD. Very well.

(Prepared statement follows:)

Mr. Chairman and Members of the Committee, I am pleased to appear before you today on the fiscal year 1971 appropriation estimate for Economic Opportunity Act Manpower programs delegated to the Department of Labor by Office of Economic Opportunity. The Department administers those programs authorized in Title I, Parts A, B, and E of the Economic Opportunity Act of 1964, as amended. The fiscal year 1971 request for these programs totals $802.0 million, an increase of $48.1 million over the 1970 level of $753.9 million. The major increases are in the Neighborhood Youth Corps Out-of-School and Summer Programs and the Public Service Careers Program.

The 1971 manpower program request included in the overall OEO request and on which I shall focus my statement specifically, underlines the Department's commitment to providing the manpower needs of the Nation's poor and disadvantaged. The reaffirmation of our commitment to eliminating poverty and reducing unemployment and underemployment comes at a time when our foreign and domestic priorities are being widely debated.

Our 1971 plans include several program and funding improvements and a special effort to provide work experience for manpower program trainees in the event of a short-term economic downturn in an area labor market. We will also expand our efforts directed toward utilizing public sector job resources as well as those in the private sector. All our efforts will be geared to providing an effective and comprehensive array of manpower services to meet the training and employment needs of the poor and disadvantaged.

Public Service Careers Program

The Public Service Careers Program, initiated in 1970 and patterned in part after the private sector Job Opportunities in the Business Sector program, will attempt to expand employment opportunities for the disadvantaged in local, State and Federal government agencies. Enrollees will be employed from the start of the program and will have permanent employment guaranteed at the end of the training period. The program will offer entry-level and upgrading training and supportive services including orientation, remedial education, child care and transportation assistance.

Though several manpower programs provide training and related services to disadvantaged, unemployed, underemployed, and technologically displaced persons, none has been able to take full advantage of the increased growth of employment opportunities in the public sector.

The public sector since World War II has been one of the fastest growing in the economy. Since 1946, total employment opportunities in all sectors have increased an average of 68%. However, employment opportunities in the public sector have risen by 118%, the bulk of this growth occurring in State and local governments. In comparison, growth in the private sector has increased only 60% in this period.

Many factors restrict the flow of disadvantaged persons into public jobs. A major barrier is the persistence of outdated civil service regulations. Another major barrier at the local level of government is the narrow financial limits within which most counties and municipalities operate. Few local governments have the money or the capability for recruiting the poor or unskilled and providing them with relevant work experience

leading to self-supporting careers. In response to these problems, the Public Service Careers Program was created, based upon the concept of combining local and State initiative with Federal resources.

The Public Service Careers Program is comprised of five plans, each of which deals with a specific approach to improving the opportunities for disadvantaged persons to gain career employment in the public service.

-- Plan A provides fund and technical assistance to State, county and local governments to facilitate the hiring of disadvantaged persons and the upgrading of current employees. The agency is reimbursed for the extradordinary costs involved in providing training and supportive services necessary to employment maintenance. Each trainee becomes a full-time employee of an agency and receives all benefits and privileges given to other full-time employees.

-- Plan B is similar to Plan A except that Public Service Careers funds are coupled with Federal grant-in-aid funds. That is, agencies receiving Federal grants for water pollution control, for example, will be encouraged to incorporate a Public Service Careers project with the Federal grant.

-- Plan C continues the current New Careers Program funded from Economic Opportunity Act funds which has concentrated on the critically short supply of trained sub-professional personnel in the health, welfare services, and education occupations.

-- Plan D is an effort to privide entry-level positions and

upgrading training in the Federal service to disadvantaged workers in cooperation with the United States Civil Service Commission. All training, including both on-the-job and classroom, focuses on upward mobility. This plan also provides upgrading training to low-level Federal employees. A primary goal is to expand the number of disadvantaged persons hired as work-trainees through the Worker Trainee Supplement examination. An additional area of concentration is the institution of new Federal apprenticeship recruitment methods and a review of the present apprenticeship system.

-- Plan E will provide short-term subsidized employment opportunities, through the Supplemental Training and Employment Program, to manpower program trainees or those who have recently completed such program and who are displaced from or unable to find a job because of sudden increase in unemployment in the labor market of the area. Participants will be placed for a 90-day period, with the option of one additional 90-day period if area labor market conditions do not improve.

The 1971 Public Service Careers Program will be jointly funded with Economic Opportunity Act and Manpower Development and Training Act funds at a level of $132.0 million. The Economic Opportunity Act appropriation will provide 62,300 training opportunities at a federal cost of $96.6 million. The Manpower Development and Training will provide 24,600 training opportunities with $35.4 million. This represents a net increase of $36.0 million over the 1970 total program level of $96.0 million.

Concentrated Employment Program

The 1971 Concentrated Employment Program will continue to operate in the 82 urban and rural areas. Concentrated Employment Program guidelines issued in fiscal year 1970, required an employability plan for each entrollee, provided a simplified contracting procedure, initiated an improved information reporting system in which managers would report progress against predetermined goals, and established clear lines of responsibility between prime sponsors and sub-contractors. The purpose of these guidelines was to direct the Concentrated Employment Program more effectively to a jobs strategy and to institute higher quality management in conducting operations. The program offers a total range of manpower and related supportive services, from basic education to health services, to disadvantaged residents of designated target areas.

Economic Opportunity Act funds being requested for this program in 1971 total $123.0 million and will provide for 97,200 training opportunities. The Manpower Development and Training Act funds will provide $76.0 million and 59,800 training opportunities.

Job Opportunities in the Business Sector Program

No Economic Opportunity Act funds are requested for the 1971 Job Opportunities in the Business Sector Program. The program will be funded completely from the Manpower Development and Training Act appropriation at a level of $240.0 million for 80,000 training opportunities. Therefore, this program represents a decrease in our 1971 budget estimates.

A total of $134.2 million is requested for the 1971 Out-of-School Program, an increase of $36.2 million over fiscal year 1970. The redesign of the Out-of-School Program, introduced in fiscal year 1970 to focus the program on youth 16-17 years old, is expected to be fully implemented in approximately half of the Out-of-School projects, most of them urban. In addition, several multi-sponsor planning grants were made to help develop a new design especially to meet the needs of disadvantaged rural youth.

The new design will move away from the standardized national project design to the development of individual training plans for each Out-of-School enrollee at the local level. Emphasis will be placed upon remedial education and employment-related training activities.

Summer Program

In order to maintain the Summer Program near the overall 1970 funding level, we are requesting $146.5 million for the 1971 Summer Program, a decrease of $1.4 million from the 1970 level of $147.9 million. We are proposing that the 1971 Summer Program be completely funded from the Economic Opportunity Act appropriation.

The 1971 request will provide 310,400 training opportunities, 21,200 fewer training opportunities than in the 1970 overall program, which included both Economic Opportunity Act and Manpower Development and Training Act funds. The decrease will result mostly from an increase in the Summer unit cost when the Federal minimum wage increases to $1.60 per hour in 1971.

Job Corps

A net increase of $9.8 million from $170.2 million in 1970 to $180.0 million in 1971 is requested for the Job Corps Program. The increase will result primarily from increased enrollee capacity and man-years over the 1970 level and full-year refunding of several contracts last funded in late fiscal year 1969. Most of the 1971 Job Corps decrease will be associated with GSA assumption of maintenance and security responsibilities for centers closed in 1969 and with non-recurring capital improvement expenses.

In the 1971 Job Corps Program, major emphasis on the new Residential Manpower and Support Centers opened in 1970 will be continued. By the end of 1971 these 30 new centers should be operating in a steady-state situation.

In-School and Operation Mainstream

We are requesting funds to maintain the In-School and Operation Mainstream programs at their 1970 funding levels. The In-School funding level was $62.4 million and Operation Mainstream, $41.0 million.

Administration

A total of $18.3 million is requested for program administration in 1971. This request reflects an increase of $900 thousand over the 1970 level. All of the increase will be needed to cover mandatory cost increases, including pay increases, within-grades and Federal Telecommunications System services.

Summary

In summary, our request of $802.0 million for fiscal year 1971

Economic Opportunity Act manpower programs will provide approximately 647,000 training opportunities, an increase of 51,000 training opportunities over fiscal year 1970.

Mr. Chairman, this concludes my statement. I thank you for this opportunity to meet again with your Committee. I shall be happy to try to answer any questions you or the Members of the Committee may have.

SUMMARY OF PREPARED STATEMENT

Mr. WEBER. I will briefly summarize it.

Mr. FLOOD. Very well.

Mr. WEBER. I am appearing here——

Mr. FLOOD. You do it well. The evil of this business of submitting a statement and then having a summary to save time, is that the summaries often take twice as long as it would have taken to read the whole statement. But you do not do that.

Mr. WEBER. Thank you.

Mr. FLOOD. You know we have seen the statement.

Mr. WEBER. Yes, sir.

I am appearing here in support of OEO's budget request, particularly with respect to those funds authorized under title I (B) of the Economic Opportunity Act.

As you know from our appearance here in connection with the Department of Labor's request, we have an overall manpower program and the manpower program is funded from different sources. So, in part, this presentation this morning will parallel the presentation I made 2 weeks ago in the sense that many of the programs that we discussed at that time are also relevant within the framework of title I (B), since they are funded from both sources.

OBJECTIVES OF BUDGET REQUEST

When I appeared 2 weeks ago, I indicated that our budget request in the manpower area reflected four major objectives.

Mr. FLOOD. At that time you were appearing in support of the Department of Labor budget?

Mr. WEBER. Yes, sir.

I indicated that our budget request reflected four major objectives and I think these four major objectives are equally relevant with reference to our request under EOA. I would like to briefly restate them.

One, the budget, we think, will help us achieve better administration and program management.

Two, it gives emphasis to those programs that hold the greatest prospect of employability and jobs as contrasted to income transfer.

Three, the budget seeks to maintain the level of funding of those programs that are in a state of modification or change, particularly the CEP program and the Job Corps.

Four, our budget request, we think, provides a mix of services that is effectively related to changing economic conditions.

INCREASE IN UNEMPLOYMENT

As you know, the economy has been characterized by a significant increase in unemployment over the last quarter. We think that our manpower program should be responsive to these changes.

Mr. FLOOD. Would you state for the record the unemployment percentage as of today?

Mr. WEBER. The latest figure we have is the April figure. At that time the national unemployment rate was 4.8 percent.

As I indicated, I think our request is consonant with these objectives.

In terms of the specifics of our request, this is best addressed by a recitation of the particular programs or program items which are funded out of EOA), title I (B).

PUBLIC SERVICE CAREERS PROGRAMS

First, the public service careers program is a program that we initiated only recently and aims at moving the JOBS concept, that is "hire first, then train," into the public sector so that we can tap the large range of opportunities that exist in this sector, which constitutes 16 percent of the labor force and, two, where demand for employment and for jobseekers tends to be relatively insensitive across the business cycle. That is, even though there is some decline in labor demand in the labor market as a whole, the demand is generally sustained on the part of governmental units at all levels.

We are funding from both MDTA and EOA sources, and it calls for $132 million for this program. From EOA we are requesting $96.6 million. This constitutes an increase of $49.6 million over the funding that was provided by EOA in fiscal 1970. The increase in the aggregate request is $36 million. So what we have are two levels of figures that reflect the aggregate funding levels and the different sources.

CONCENTRATED EMPLOYMENT PROGRAM

Secondly, there is the concentrated employment program, also funded out of both MDTA and EOA.

As I indicated to you last week, we now have in place 82 CEP projects in 81 different communities.

Mr. FLOOD. I have one in Wilkes-Barre, in my district, run by the former Mayor Frank Slattery. It is a most effective execution of the intent and purpose of this program. I have been there. I went through the whole thing and am very much impressed by it.

Mr. WEBER. I am glad to hear that.

Mr. FLOOD. That is a couple of months ago.

Mr. WEBER. Frankly, it has been our judgment that the performance of the CEP's nationwide has been subject to considerable variation.

Mr. FLOOD. Yes, I know about that.

Mr. WEBER. For this reason we instituted over the last 6 months what we consider to be improved administrative standards and fiscal controls. They now are in place in all but 10 or so of the CEP's.

Mr. FLOOD. You ought to have somebody drop into that Wilkes-Barre plant and see their offices and administrative arrangements.

How in the world they got their hands on this building—I saw the figures and the way they operate it—is a mystery to me, but they did.

This man, Slattery, was responsible. It is right smack in the public square. They have the whole building. It is quite a plant.

Mr. WEBER. Very good.

In my case, our request for CEP overall in 1971 is the same as 1970. That is $199 million.

With respect to EOA, there is a drop of $26.4 million in our request

to a level of $123 million, the balance to come from MDTA.

Mr. FLOOD. What is MDTA?

Mr. WEBER. Manpower Development and Training Act. The specific authority there is title II.

Mr. FLOOD. Title II of what?

Mr. WEBER. Of the Manpower Development and Training Act.

NEIGHBORHOOD YOUTH CORPS

The third major program item in our request involves that group of programs associated with the Neighborhood Youth Corps.

As you know, Mr. Chairman, there are three components of that. The summer program, which provides work experience and income for young people during the summer; the out-of-school program, which is aimed at school dropouts, and the in-school program, which is aimed at those who are presently in school, but where there is some substantial probability that without financial aid and employment, they would drop out of school.

With respect to each of these programs, in the summer program we are requesting $146.5 million. This is approximately the same amount that we have in total for the program this year, but it represents an increase of $25 million in the EOA account and at the same time we reduced our request from the Manpower Development and Training Act by a similar amount.

That amount under MDTA was put in, in the Senate, in an amendment proposed by Senator Javits.

We think for budgetary purposes the total amount should be under the I(B) authority.

With respect to the out-of-school program, we have increased our request over 1970 by $36.2 million to $134.2 million.

This reflects several factors. First, an expansion of opportunities from approximately 32,000 training opportunities to approximately 39,000 training opportunities.

Second, we redesigned the program to provide for more intensive training and employment services. This has resulted in an increase in unit costs up to something like $3,400, as contrasted with the present level, which is approximately $3,000. This reflects our judgment that the overall performance of program can be improved. If you give a kid training and remedial education, instead of just providing him with a job sweeping a floor or working in some low-level position in a hospital or other public facility, you will help him make that adjustment to the labor market.

On the other hand, you will create incentives to go back to school.

With respect to the in-school program, our request is the same as it was last year—$62.4 million. I might note we have something called a Neighborhood Youth Corps program. We have had these three components, which have generally operated as discreet components.

ESTABLISHMENT OF NEIGHBORHOOD YOUTH CORPS

Mr. FLOOD. What is the Neighborhood Youth Corps? When was it born? How was it born? Just what, in the midst of all this maze of things that you do, what does it do?

How was it established, how does a community get it? How is the personnel appointed and determined?

Mr. WEBER. The Neighborhood Youth Corps, I believe, began in 1964 with the passage of the Economic Opportunity Act. The authority was title I(B), which provided for work and training programs, particularly aimed at disadvantaged youth.

As I indicated earlier, it aims at providing income during the summer for those disadvantaged young people who are out of school; the out-of-school component aims at providing support and work experience which will, on the one hand, create incentives for them to return to school and, on the other hand, for those who do not return to school provide for a constructive transition to the labor market.

REACHING POTENTIAL APPLICANTS

Mr. FLOOD. Well, the disadvantaged youth that you are trying to reach are usually very short on communications, news media, press, and what not.

How do they know that the Neighborhood Youth Corps exists? What do they have to do, go down to some building, stand in line with their hat in their hand?

That type of disadvantaged youth does not like that kind of thing. The very idea of walking down to an office with glass doors, brass doorknobs, in you walk, you are a disadvantaged youth. I know them. We have a lot of them. They walk in and do not like it. It is too clinical.

It goes against the grain or is contrary to the experiences of the very youth you are trying to serve. It is all right for you to go in there, but here is a kid who is disadvantaged, apparently, going into an office downtown, a very impressive building, fancy place. This kid has never been in a place like that in his life.

In the first place, how does he know where it is anyhow? How does he know it exists, what it is for?

Then when he does find out, with old, beat-up clothes, the disadvantaged youth has to go down there. What about this?

Mr. WEBER. We hope those facilities they use are not too fancy.

Secondly, the sponsors of these programs are community action agencies for the greater part. Under the in-school program it might be the public school system.

Both of these institutions, particularly the CAA's, have a special rapport with the disadvantaged community and have communication links whereby they get the word out. We have never really had a problem of getting sufficient applicants. Our problem has been having more applicants than we have resources.

Also, where appropriate we would use so-called outreach, that is, people going out into the community and making known to prospective applicants the availability of this sort of program.

So it has worked pretty well. I must say after 5 years, 6 years in existence, a lot of these kids now know more about these sorts of opportunities in their communities than I do. They get pretty savvy, because it has provided constructive support to them in many instances.

SELECTION OF DIRECTOR

Mr. FLOOD. All right. Here is an office at 14 South Main Street. There is a director. Directors are very important guys, no matter what you are directing. He has an office, a secretary, a great big room, with nine desks. You know the setup, exhibit A.

Now who finds this director and names him? Who decides what he is paid and how much he is paid?

Mr. WEBER. It is my understanding, and Mr. Brown can verify it, he is selected by the community action agency director, confirmed by their board and we would have to approve him. The salary would be determined by the CAA and we would have to approve the salary.

As I think Mr. Carlucci indicated yesterday in the course of discussion on another issue, the maximum to be paid is $15,000 with waivers granted in a few extenuating circumstances. Is that right?

Mr. BROWN. That is exactly right.

Mr. FLOOD. We hear many directors of organizations like this, organizations similar to this, are out-of-town people. We would think above all things you would want somebody who is local to be the director, for very, very, very obvious reasons. Instead of that, we are advised that you go shopping around the countryside for someone that you dust off and bring in from some far distant place and you put him in a chair to handle disadvantaged youth in a town he knows not more about than your grandmother.

What about that?

Mr. WEBER. Clearly the policy, and this is incorporated in the whole concept of CAA, is to use local people.

I dare say in the overwhelming number of circumstances the NYC directors are locals. Now there are certain situations, Los Angeles comes to mind, where you really have a big program, involving millions of dollars, supervision of hundreds of work sites, large payrolls. They will try to get a local, but if they cannot get a local they will do what any organization does, they will expand the range of their search and perhaps bring in somebody from south of town.

Mr. FLOOD. Then the record of your outfit in this case is not mere lipservice to a good rule, but they actually execute it?

Mr. WEBER. That is my understanding, yes, with the exception of some of these cases like Los Angeles and New York.

JOB CORPS

The next item I would like to make reference to, Mr. Chairman, is the Job Corps. This reflects a different authority, that is title I(A) as contrasted to title I(B).

As you know, the Job Corps has its own legislative authority. We are asking for $180 million, which is an increase of $9.8 million over the amount for 1970. This will be used for several purposes, one to expand enrollee capacity from 21,700 to 25,640.

EMPLOYMENT OF OUT-OF-TOWNERS

Mr. FLOOD. May I interrupt, since you have the Deputy Director from OEO here, and while it is not pertinent to your immediate hearing this morning, that same statement that I made with reference to

the Neighborhood Youth Corps people, insofar as the employment of out-of-towners, applies to the entire OEO structure.

I have had Members of Congress come to me with newspaper clippings showing the list of names of the personnel in city A, with their salaries, and they have marked off with a check—this is a Member of Congress, born and raised in that town, been there for a number of years—and he tells me that these following people that are checked he never heard of, does not know, and nobody else in the town ever heard of or knows. They are brought in from out of town, frequently a number of them in one office. This "ain't" good.

Have you heard that?

Mr. HJORNEVIK. No, sir.

Mr. FLOOD. You what?

Mr. HJORNEVIK. I have not heard it in that way.

Mr. FLOOD. You have not? Well, you are hearing it now.

Mr. HJORNEVIK. As a matter of fact, my impression was that by far the largest number of CAA employees are local residents. The local board which consists of representatives of the poor, the business community, and local governments make these hiring decisions.

Mr. FLOOD. That leaves us cold.

The protests that I am bringing to you come from Members of Congress who show me printed lists and say that the "following checked-off people" they never heard of and do not know and they have investigated and checked and find out that these people are from out of town. This is more widespread than you think it is.

If you do not think it is, you had better take a look. You have some very unhappy members.

Mr. HJORNEVIK. Again the basic policy of community action agencies is to work with people from the local communities.

Mr. FLOOD. I am sure of that. It could not be more logical or sensible. I am sure that is what you direct.

Mr. HJORNEVIK. And they make the hiring decisions. Generally speaking, they are biased very strongly in the direction of hiring local people.

Mr. MICHEL. Are you saying that if we have complaints from Members about this kind of thing happening, that they go back to their local community and say "Doggone it, I am getting complaints about it, but you do the hiring."

We should direct our inquiries to local committees who are really making these decisions.

Mr. HJORNEVIK. They operate as a policy body much like a school board in a school system.

Mr. FLOOD. You have been in business quite a while now and you might, as a result of what I am saying to you, bring to the attention of the local boards as of now that this is the problem.

Mr. HJORNEVIK. Yes, sir.

Mr. FLOOD. And point out to them what your regulations are and if in the course of a few years or months they have forgotten about this, remind them.

Mr. HJORNEVIK. Yes, sir.

Mr. FLOOD. In some places they apparently need it.

Mr. HJORNEVIK. Mr. Chairman, I would like to ask to be excused for a few minutes to support Secretary Veneman in the other body.

Assistant Director Wilson will be here in my absence. I will be back as quickly as I can.

Mr. FLOOD. Fine.

Mr. HJORNEVIK. Thank you.

JOB CORPS

Mr. WEBER. Mr. Chairman, I was making reference to our request for the Job Corps. I indicated that we are asking for $180 million, constituting an increase of $9.8 million over fiscal 1970.

In part, this goes to financing expansion of enrollment capacity associated with the establishment of new residential manpower centers and the expansion of some of the existing centers.

Beyond that, I think it is important to note that at the end of 1969 when we went through this rather painful adjustment of capacity and closed down 59 of the existing centers, that permitted us to carry forward something like $32 million. That was used to fund some of the centers in 1970. Obviously we do not have this carried forward. So part of this is reflected in the increased request.

OPERATION MAINSTREAM

The last two program items relevant to our request under EOA include operation mainstream, which is a program to provide work experience and job opportunities primarily to persons in rural areas and in large proportion older persons.

We are maintaining our request at $41 million.

Mr. FLOOD. If you have a mainstream operation, you must have an office, I suppose.

Mr. WEBER. Yes, sir.

Mr. FLOOD. A man cannot work out of his hat.

Does he have a separate building from the CEP, across the street? Is he in the CEP office?

Where is the mainstream? Do you have four or five offices in one town?

Mr. WEBER. No. It will vary. It depends on who the sponsor is.

If the sponsor is the CAA, which is the situation in many cases, mainstream will be one component in the overall CAA operation, with offices I assume in the CAA headquarters.

Mr. FLOOD. What is the CAA?

Mr. WEBER. Community Action Agency.

In many other cases the sponsor of operation mainstream is the National Farmers Union. I guess they have around $5 million of mainstream money, and particularly out in some rural areas, they will have a separate office.

GREEN THUMB PROGRAM

Mr. FLOOD. Does the green thumb program come under mainstream?

Mr. WEBER. Yes, sir. That is the National Farmers Union Program, the green thumb program.

As a matter of fact, I recently had the privilege of being entertained by the Green Thumb Fiddlers, which was a group of musicians from Arkansas.

Mr. FLOOD. What is the green thumb program?

Mr. WEBER. The green thumb program is a program run by the National Farmers Union, whereby they provide work experience and job opportunities for older people, over 55 years old, in rural areas. They engage primarily in activities such as community beautification, painting benches, keeping roadsides clean and what have you. The green thumb itself is limited to males. I am pleased to say there is now a women's auxiliary, the green light program.

Mr. FLOOD. We have heard many good things about the green thumb program from Members of Congress who speak to us about these things, and just generally.

Mr. WEBER. We just refunded them, as a matter of fact.

Mr. FLOOD. Within a week?

JOBS

Mr. WEBER. Yes. The last program item is the JOBS program. As you know, our total request for JOBS and OJT, or on-the-job training, is $260 million. That, in fiscal 1971, we hope, will be funded entirely out of the Manpower Development and Training Act account. Therefore, we are asking for nothing for JOBS out of the Economic Opportunity Act account. I bring that to your attention to indicate that that constitutes a reduction of approximately $47 million which came out of the 1–B account in 1970.

For program administration we are requesting $18.3 million constituting an increase of $900,000 which, in its entirety, goes to cover mandatory items.

In summary, with respect to those programs that the Department of Labor operates on a delegated basis from OEO we are asking for $802 million for fiscal year 1971 and this constitutes an increase of $48.1 million.

CONSOLIDATION OF FUNDING

Finally, I might note that as we have gone through these hearings, both MDTA and EOA and the work incentive program under the social security amendment, all of us have commented on the complexity of the funding arrangements and the diffusion of authority and responsibility that is associated with the existing arrangements. I would merely mention that the administration has introduced the Manpower Training Act and the effect of the Manpower Training Act, as far as this committee's work would be concerned, would be to consolidate the funding sources and accounts to make your job easier and, we think, our job considerably easier.

That completes my statement, sir.

SPLIT FUNDING OF MANPOWER PROGRAMS

Mr. NATCHER. Mr. Weber, you appeared before the subcommittee quite recently in connection with the 1971 budget estimates for the Labor Department. At that time we discussed among other manpower programs the public service careers program and the concentrated employment program. I don't plan to go into them further at this time, even though both programs are partially funded in the OEO budget. I will only state again for the record that the subcommittee is still quite puzzled by this split funding. We don't really understand, for example, why there should be $123 million for the concentrated

employment program in the OEO budget and $76 million for the same program in the Labor Department budget, even though you have explained it several times.

NEIGHBORHOOD YOUTH CORPS

You seem to be holding the Neighborhood Youth Corps in-school and summer program to the current level, but you are expanding out-of-school programs substantially. Why, Mr. Weber?

Mr. WEBER. We are expanding the Neighborhood Youth Corps out-of-school program because of the redesign that we instituted.

In 1969, the funding level for Neighborhood Youth Corps out-of-school was approximately $124 million. We reduced this in our request for 1970 for two reasons. One, we wanted to free up some resources to start the new public service careers program.

Secondly, we thought the Neighborhood Youth Corps out-of-school program required an intensive evaluation in terms of its performance. We carried out that evaluation very carefully over the last year and plan to implement the redesign which we think will improve its performance. We have put that redesign in place in 50 large cities, or we are in the process of doing so. One of the consequences of that redesign is to increase the unit cost.

I might note that the increase in unit cost arises from an increase in training services rather than stipends, or training allowances. We now feel that we are in a position to build up again on the basis of this new design. So, for that reason, we are requesting an increase of approximately $36 million to move it ahead within the new framework.

RESULTS OF IN-SCHOOL AND SUMMER PROGRAMS

Mr. NATCHER. As we understand it, the objective of the in-school and summer programs is to encourage high school-age youth to stay in school while providing them with part-time employment. Have you concluded, Mr. Weber, that the programs have been unsuccessful in achieving that objective?

Mr. WEBER. No, we have not concluded that as unsuccessful. The indication that we have is that it has been successful, although the magnitude of the success, in all frankness, has not been clearly identified. The problem, of course, is one of establishing control groups. That is, taking a group of young people with the same characteristics of the Neighborhood Youth Corps enrollee and seeing what happens to their performance. For example, do those who have Neighborhood Youth Corps support show a better record of staying in school than those who don't have that sort of support?

Mr. NATCHER. Mr. Weber, has this prevented dropouts?

Mr. WEBER. Yes. What I am saying is, the exact magnitude, whether 10 percent, 20 percent of them or 30 percent, in all candor, can't be specifically identified.

Mr. NATCHER. Is it fair to say that the in-school and summer programs are student aid rather than vocatitonal training programs?

Mr. WEBER. I would distinguish between the summer program and the in-school program. I would say the summer program is more student aid. We are taking steps within the range of latitude we have to increase the remedial education services that are provided by Neighbor-

hood Youth Corps summer. For example, we ventured into an arrangement with HEW, the Office of Education, whereby 20,000 Neighborhood Youth Corps enrollees will be used to tutor other students who have educational deficiencies.

I would say the in-school program—although it certainly has strong elements of student aid—also aims—much like the cooperative work education program—at providing the enrollees with useful work experiences which you can say are supportive of training.

PRIVATE EMPLOYERS MAY NOT PARTICIPATE

Mr. NATCHER. Are private employers allowed to participate in these programs?

Mr. WEBER. No, sir.

Mr. NATCHER. Why not?

Mr. WEBER. Well, the general notion is that the Federal Government is providing wages for that and the Federal Government should not subsidize wages in private industry. This would give an unfair competitive advantage to those private employers who were the recipients of such aid as contrasted to other private employers.

ALLOCATION OF APPLICANTS AMONG DIFFERENT PROGRAMS

Mr. NATCHER. You are now operating the out-of-school program as well as at least three different kinds of Job Corps centers, all for unemployed youth in roughly the same age group, 14 to 21, Mr. Weber. Who makes the decision as to which one of the programs best meets the needs of an individual youth?

Mr. WEBER. This is an important problem and a problem to which we have given a great deal of attention. It is to try to insure that a young person who needs help gets the right kind of help.

We have addressed this problem at the level of the local employment service office so if the young person comes in, you can make an assessment of his capabilities and his deficiencies in terms of employment; decide who needs the residential service and refer him to the Job Corps; decide who needs the financial aid and refer him to one of the Neighborhood Youth Corps-type programs.

We have a long way to go on this. We are working on it. To the extent that we centralize responsibilities for this whole process of allocation of clients among different programs and centralize this responsibility in one agency, the employment service, as a referral agency, we hope to ameliorate this problem.

I might say in passing, and for the record, that the aggregate resources and enrollment opportunities associated with all these programs are still considerably less than the universal needs of young people who need some sort of training and employment services.

CRITERIA FOR DETERMINING APPROPRIATE PROGRAM

Mr. NATCHER. What are the criteria for determining whether to put a boy or girl into (1) the out-of-school program, (2) a Job Corps conservation center, (3) a Job Corps regional center, or (4) a Job Corps residential manpower and support center?

Mr. WEBER. Let me make a pass at that and my remarks can be augmented by Mr. Mirengoff, who is Director of the Job Corps.

A young person comes in and chances are he will be referred to the out-of-school program. If, in the judgment of the counsellor or the person with whom he deals he has deficiencies that will impair his capacity to perform in the labor market, or if there is some probability that with a little additional support and remedial services he will go back to school, he will be referred to the Neighborhood Youth Corps out-of-school program.

The judgment would be made there that the young man has deficiencies, but his living situation is such that he can progress satisfactorily in a learning situation.

Now if, in the judgment of the counsellor, or interviewer, his home situation and his living environment is not conducive to learning, either in terms of basic education or training, he will be shifted to the other route—and that will be the Job Corps center route.

TYPES OF JOB CORPS CENTERS

Now, with respect to the three types of Job Corps centers—we sort of have a branch here—the conservation centers generally aim at handling those kids who have special educational deficiencies and their strong point, among others, is that they have a very intensive program of basic education. So, presumably, they pick up those kids.

We thought they were short on training and most of the kids, in addition to basic education, engaged in activities which had very few links to the labor market such as timber-topping, building firebreaks and what-have-you. The basic movement of the Conservation Center would be in terms of severe educational deficiencies.

The Residential Manpower Center would involve those enrollees, would involve educational deficiencies in addition to training deficiencies, but the idea would be to try to get a young man into a Residential Manpower Center where he aims at getting the job and pursuing his economic career within the labor market that is served by that center. If there is a Residential Manpower Center in Atlanta, you would, to the maximum extent possible, try to move people who need residential services in the Atlanta area and who have the intention of working and living in Atlanta, into those centers.

Now, the Regional Centers—and remember, we are in transition now—they first take the kids from those areas where there are no Residential Manpower Centers. So that if somebody from Boston needs residential services, he might end up in Breckenridge, in Kentucky, or Atterbury, in Indiana. He would go there and get the same type of services that he would otherwise get in a Residential Manpower Center.

In addition, the Regional Centers clearly serve the rural areas and, indeed, a large proportion of the kids who go to the Regional Centers come from rural areas where you can't have any expectation that adequate training services would be offered because of the limitation on scale of operations, because of population considerations.

Now, Bill, would you like to add anything?

Mr. MIRENGOFF. That is precisely correct.

RESIDENTIAL MANPOWER AND SUPPORT CENTERS

Mr. FLOOD. You say you are initiating this new type of Jobs Corps Center and you call it "The Residential Manpower and Support Center."

Mr. WEBER. Yes.

Mr. FLOOD. Are they actually in operation yet? If they are, how many are there and where are they?

Mr. WEBER. We have five——

Mr. FLOOD. And who operates them?

Mr. WEBER. Five of the centers are presently in operation.

Mr. FLOOD. We would like to know where they are.

Mr. WEBER. Camp Kilmer, Phoenix, Atlanta, Honolulu, and Portland.

Mr. FLOOD. Who runs them?

Mr. WEBER. Various agencies run them.

Mr. FLOOD. By contract?

Mr. WEBER. They are by contract. The one in Portland is run by Vocational Education. The one in Atlanta is run by a private contractor. The one in New Jersey is run by the State Department of Education. The one in Hawaii is also run by a State agency. We are starting and have contracted for new centers in Cincinnati, in Tulsa, in El Paso, in St. Louis, in Detroit, and in San Francisco. We have a mix of contractors in all cases.

Mr. FLOOD. Now, we would like the names of the contractors if they are by contract, the name and address of whoever runs these five centers.

(The information follows:)

JOB CORPS PROGRAM

NAMES AND ADDRESSES OF CONTRACTORS FOR RESIDENTIAL MANPOWER AND SUPPORT CENTERS CURRENTLY IN OPERATION (FIVE CENTERS)

Center, Contractor, and Address

New Jersey (capacity 350), State of New Jersey Department of Education, Edison, N.J. 08817.

Atlanta (capacity 350), Thiokol Chemical Corp., 239 Lake Avenue NW., Atlanta, Ga. 30314.

Phoenix (capacity 350), Packard-Bell Electronics Corp., 518 South Third Street, Phoenix, Ariz. 85004.

Hawaii (capacity 250), State of Hawaii, Department of Labor and Industrial Relations, P.O. Box 7638, Honolulu, Oahu, Hawaii.

Portland (capacity 225), Multnomah County School Board, 1022 South Salmon Street, Portland, Oreg. 97205.

LOCATIONS OF PRESENT AND PLANNED JOB CORPS CENTERS

Mr. FLOOD. For the record give us a list of the locations of the 55 Job Corps centers in operation in 1970 and also the 21 additional centers you plan for 1971. We want a list of those.

Mr. WEBER. Yes, sir.

(The list follows:)

JOBS CORPS PROGRAM CENTERS IN OPERATION IN FISCAL YEAR 1970

Conservation Centers

Department of Agriculture

Heber, Ariz.
Cass, Ark.
Ouachita, Ark.
Cottonwood, Idaho
Golconda, Ill.
Branchville, Ind.
Pine Knot, Ky.
Anaconda, Mont.
Trapper Creek, Mont.
Pine Ridge, Nebr.
Arrowood, N.C.
Schenck, N.C.
Angell, Oreg.
Timber Lake, Oreg.
Wolf Creek, Oreg.
Boxelder, S.C.
Jacobs Creek, Tenn.
Flatwoods, Va.
Curlew, Wash.
Blackwell, Wis.

Department of Interior

Collbran, Colo.
Marsing, Idaho
Great Onyx, Ky.
Mingo, Mo.
Oconaluftee, N.C.
Treasure Lake, Okla.
Weber Basin, Utah
Columbia Basin, Wash.
Fort Simcoe, Wash.
Harpers Ferry, W. Va.

Men's Urban Centers

Clearfield Utah—Thiokol Chemical Corp.
Gary, Tex.—Texas Educational Foundation
Atterbury, Ind.—Westinghouse Learning Corp.
Breckinridge, Ky.—Graflex, Inc.

State Related Centers

Arecibo, P.R.—Commonwealth of Puerto Rico
Rio Grande, P.R.—Commonwealth of Puerto Rico

Women's Urban Centers

Keystone, Pa.—Radio Corp. of America
Charleston, W. Va.—Packard-Bell
Excelsior Springs, Mo.—Training Corp of America
McKinney, Tex.—Texas Education Foundation
Guthrie, Okla.—Philco-Ford Corp.
Los Angeles, Calif.—YWCA of Los Angeles
Jersey City, N.J.—YWCA of New Jersey
Cleveland Ohio—Alpha Kappa Alpha Sorority
Tongue Point, Oreg.—University of Oregon
Albuquerque, N. Mex.—Packard-Bell
New York, N.Y.—YWCA (National)
Blue Ridge, Va.—Brunswick Corp. CRD

Residential Manpower and Support Centers

Atlanta, Ga.—Thiokol Chemical Corp.
Phoenix, Ariz.—Packard-Bell Electronics Corp.
Honolulu, Hawaii—State of Hawaii, Department of Labor and Industrial Relations
Portland, Oreg.—Multnomah County School Board
Edison, N.J.—State of New Jersey, Department of Education

To be activated in June:

Washington, D.C.—Training Corp. of America
San Francisco, Calif.—NESCOA-INNS, Inc.

Total, fiscal year 1970: 55 centers.

ADDITIONAL CENTERS TO BE ACTIVATED IN FISCAL YEAR 1971

Residential Manpower and Support Centers

Boston, Mass.
Fort Totten, N.Y.
Pittsburgh, Pa.
Baltimore, Md.
Huntington, W. Va.
Richmond, Va.
Milwaukee, Wis.
Detroit, Mich.
Chicago, Ill.
Cincinnati, Ohio
Tulsa, Okla.
El Paso, Tex.
St. Louis, Mo.— General Learning Corp.
Oakland, Calif.
Minneapolis, Minn.
Davenport, Iowa
Norfolk, Va.
Hartford, Conn.
Rochester, N.Y.
Wilmington, Del.
Jacksonville, Fla.
Total, fiscal year 1971 new centers: 21.

FUTURE OF JOB CORPS

Mr. WEBER. I might say, Mr. Chairman, you have expressed concern on several occasions about the future of the Job Corps and what we are doing, and it might be interesting to note that consistently over this fiscal year we have been operating near 100 percent of capacity or, as at the present time, 103 percent of capacity.

Mr. FLOOD. You know why I am concerned. In the early days of this administration we heard and read all sorts of dire things that were going to happen to the Job Corps. During the campaign we heard this. So now, in comes a new administration and immediately we think of these statements or rumors, whatever they were, about the Job Corps. Then we saw a more or less restructuring of the Job Corps. With or without good reasons, it was done. That causes some concern.

Now, you say you have restructured but you are proceeding as you have testified.

JOB CORPS DROPOUT RATE

Now, what about the dropout rate in the Job Corps?

Mr. WEBER. Mr. Mirengoff could talk on that specifically. Let me make a general comment.

Mr. FLOOD. Male and female.

Mr. WEBER. Yes, sir.

There has been some slight improvement in the dropout rate in the old centers. In the new centers there has been a significant improvement.

Mr. MIRENGOFF. That is about the size of it. The dropout rate in the old centers, or existing centers, was running about 32 percent, and the dropout experience in the new centers is about one-half of that.

One of our hypotheses at the new centers—a center which takes young people from the community will have a lower dropout rate and prove to be——

Mr. FLOOD. What is the dropout rate now under the new operation of the old centers?

Mr. MIRENGOFF. To be quite candid, it isn't much different from what it was.

RESIDENTIAL VOCATIONAL SCHOOLS

Mr. FLOOD. This question has nothing to do with the budget presentation before us, but you might be able to give us some help.

The Vocational Education Act authorizes creation of federally financed residential vocational schools. So far none of these have been funded, but there are indications that the Senate may add funds to the Office of Education appropriation bill which was passed by this House several weeks ago for this very purpose.

What do you think about the idea of the residential vocational school?

Mr. WEBER. I think that the idea——

Mr. FLOOD. We expect this to come back to us.

Mr. WEBER. I am trying to be informative but prudent at the same time, Mr. Chairman. I think the idea of residential vocational schools is a good one. We think that one of the problems is that it is a very high-cost program, as you know. It is high cost for the Job Corps; it is going to be high cost if it is run under this authority. You should provide those services to those people who need residential services as contrasted with just training services.

We also think that in carrying this forth there should be emphasis on the disadvantaged. We also think there should be strong efforts at coordination with other manpower programs. This is a continuing programmatic and bureaucratic problem that we have with HEW and they have with us. That is, we run programs in the health area, for example, and so do they. Well, let's make sure that we are complementing each other rather than duplicating each other. So there would clearly be an issue in moving these residential vocational centers forward of saying, "How are they going to relate to what we are doing in the Job Corps now?"

My general judgment is that it is a good idea, but like everything else, you know, there are a lot of good ideas in broad detail, in broad concept. You have to develop them in specific detail and one of our major needs and goals is to make sure that we integrate what we do in that program with what other people are doing in other programs.

GREEN THUMB PROGRAM

Mr. FLOOD. I have observed this Green Thumb program in my district, as I mentioned a few minutes ago. It is a very popular program and certainly has done a lot of good for the community and for the men who are on the job. I understand there are a great many requests for this program in the various states; Kansas, Iowa, Texas, and a number of others besides Pennsylvania.

I also understand you just released some additional money; about $20 million. Is there any chance for some of this money being used to expand the Green Thumb program?

Mr. WEBER. That facts as I understand them—you are talking about title I–E, which was put in the EOA Authorization Act and provided for parallel but different programs, and was earmarked in the amount of $20 million. That involved Operations Mainstream and the New Careers programs.

The actual amount involved for Mainstream would be $10 million and $10 million for new careers.

We have not yet identified the money that we are going to use because, as you will recall, the authorization act came at the same time that we had already submitted our budget. The OEO staff and the Department of Labor staff are now in the process of discussion and consultation as how we will earmark and where the funds are going to come from.

It is getting close to the end of the fiscal year and within this very narrow time limit we are trying to do as much planning as we can. We have sent a directive to our regional manpower administrators, asking them to develop new projects which can be funded once we go through this bureaucratic process of identifying where the money is going to come from.

There is a possibility of expanding Green Thumb. On the other hand, one of the general objectives of our manpower program is to try and roll with the economic punch.

As I indicated, we all recognize there has been some significant increase in unemployment. We have asked our regional manpower administrators, in developing new projects, to be particularly sensitive to the needs of those communities—like Wichita, for example; places in southern California; Michigan, where there has been a significant rise in unemployment, and try to use the new component of Operation Mainstream in a way consistent with the general philosophy of Mainstream but which will also have a countercyclical effect in terms of helping us to bridge this period when the economy is going through its cooling.

This is another objective we want to serve and at this point it is still an open question concerning what we can do with respect to an expansion of Green Thumb.

At the same time, there have been some allegations that were made that we were considering a retrenchment of Green Thumb. There is no truth to those allegations. In fact, what we did, we extended Green Thumb for 6 months so the contract would expire at the same time that Green Light—the female equivalent—expired, and now we can get them on the same funding cycle.

PROGRAMS FOR OLDER PEOPLE

Mr. FLOOD. You are making some progress in getting jobs for older people through such programs as Green Thumb by coupling it with on-the-job training programs. I understand there have been over 500 Green Thumbers placed in jobs in the past year. You certainly are to be commended for that and we hope this will be carried out for more older workers.

How much money could be used for older worker Mainstream programs, especially when tied in with on-the-job training?

Mr. WEBER. Of course, our budget request is $41 million and that reflects the administration's judgment of the amount of support that should go to this component. However, I think it should also be mentioned that Operation Mainstream isn't the only program through which we serve older workers. I suppose it depends on how you define them. As we all go through life, we tend to keep increasing that age when we become an older worker, but many of our programs—MDTA, institutional training, the concentrated employment program, to a lesser extent the JOBS program, also aim at serving the older worker and I think it would be a mistake to identify the interest of the older worker exclusively with Operation Mainstream.

One of the problems of Operation Mainstream is that although you have placed 500 in jobs, you have to keep in mind that the total enrollment is somewhere in excess of 12,000 and that Operation Mainstream provides income and constructive activity but it provides darned little training and darned little effort to get some of these people into jobs that have a continuing basis.

Our guidelines under Operation Mainstream provide for a maximum 2-year enrollment, which is reasonable. One day somebody gets on this and if they are on forever thereafter, they deny an opportunity to other people.

Our services to older workers cut across all our programs, in other words, and are not merely restricted to Mainstream.

SPLIT FUNDING

Mr. MICHEL. Mr. Weber, tell me one more time, why do we have to have these several programs jointly funded?

Mr. WEBER. Well, in part it is the nature of the program and it is in part the utilization of different funding sources.

For example, it was my understanding that when the JOBS program was started that there was a legal opinion that it was questionable that you could fund it exclusively from the Manpower Development and Training Act because it wasn't clear that that would provide sufficient legislative authority. So they had to reach for the legislative authority in EOA 1–B, and then combine the two. In the concentrated employment program, the idea there——

Mr. MICHEL. Before you move on, the JOBS program is all funded now in Labor, is that correct?

Mr. WEBER. That is right. We have moved in that direction; in the concentrated employment program, that was a concentrated administrative action superimposed on a lot of different programs. We had a lot of categorical programs already in place there: NYC, mainstream, institutional training. And the idea was to establish some sort of administrative and programmatic adherence for the program. Instead of having eight different sponsors, have one sponsor. It sort of grew that way and then you put a cap on it. The money that comes from MDTA is used—in large measure—for the institutional training component of the CEP program.

The EOA 1–B money is used for some of the work experience and other components which MDTA wouldn't particularly support.

This gets us into other bureaucratic relationships where it is MDTA money used for institutional training and we also have to bring HEW into the picture. So it becomes a kind of three-sided pool game with OEO, the Department of Labor and HEW.

CONSOLIDATION OF FUNDING

Mr. MICHEL. Would it be better to just fund it all under MDTA?

Mr. WEBER. It would be more efficient, we think, if we funded it all under a single authority and that is what the administration has proposed in its Manpower Training Act.

As you know, the Manpower Training Act has a lot of components to it, but certainly one of the most salutary components would be the fact that it consolidated all these funding sources.

Mr. MICHEL. But this takes new legislative authority.

Mr. WEBER. Yes, sir.

Well, you would in effect have to repeal certain parts of MDTA, title 2 particularly, and EOA 1–B. As you know, MDTA was passed in 1962 and it was aimed primarily at the person who had a labor force attachment and a history of occupational activities and was unemployed. Really, the hero of the situation was the victim of technological change.

EOA, of course, has put exclusive emphasis on the disadvantaged. We think our manpower programs should have the capacity to serve all these groups. That is why we are pulling from these two authorities.

Mr. MICHEL. Drawing upon your earlier testimony—perhaps the first time you appeared before the committee—your overall view was there was such a tremendous proliferation that one of your missions was going to be, as best you could, to try to bring them together. I think this committee would take the position that the more efficient operation you can devise, the better, and the more economically we can run these programs, the better. That is what we are here for, to see how many dollars we can save. I don't know that we are saving too many, but we can at least try to keep these expenditures within reasonable bounds.

TARGET AGE GROUPS

Would you place in the record at this point a table showing in chronological order, the programs that are aimed at the younger people, first, the middle-aged, and then as you go on up the ladder, mainstream, or whatever it is?

Mr. WEBER. All right.

Mr. MICHEL. The amount requested for each category and the number of trainees in that particular category. It can be shown on one page at one spot in the record, and we can tell our colleagues on the floor when we debate this bill what we are doing by way of training in all these different categories and what type of program.

Mr. WEBER. Right.

(The information follows:)

U.S. DEPARTMENT OF LABOR FISCAL YEAR 1971 ECONOMIC OPPORTUNITY ACT PROGRAMS BY AGE GROUP, NUMBER OF TRAINING OPPORTUNITIES, AND AMOUNT REQUESTED

[Dollars amounts in millions]

Program	Age group—					
	14 to 21		22 to 44		45 and older	
	Training opportunities	Amount requested	Training opportunities	Amount requested	Training opportunities	Amount requested
Concentrated employment program	35,000	$44.3	50,500	$64.0	11,700	$14.7
Job Corps	25,640	180.0				
In-school	100,000	62.4				
Summer	310,400	146.5				
Out-of-school	38,900	134.2				
Operation Mainstream	250	.8	7,300	23.4	5,250	16.8
Public service careers	4,350	6.8	50,450	78.2	7,500	11.6

NYC SUMMER PROGRAMS

Mr. MICHEL. This summer program, is that limited strictly to summer training?

Mr. WEBER. Yes, sir.

Mr. MICHEL. Is there a beginning and a cutoff date?

Mr. BROWN. There is a specific cutoff date which is the period of time during summer vacation.

Mr. MICHEL. The bulk of this money goes for training of workers? How many people?

Mr. WEBER. 310,400. The money amount is the same, but most of these kids work for public firms and they are now being covered by the minimum wage.

Mr. MICHEL. I note in your testimony that the reason for the reduction, with the same dollar amount, is attributed to the requirement to meet minimum wage legislation that we passed several years ago.

Mr. WEBER. There is a lot of mischief done because of some lack of understanding of what we mean by a "slot," which is a sort of a basic thing. A standard slot, for purposes of summer NYC will give the kid a work opportunity for 10 weeks, 26 hours a week, at $1.45 per hour and next year it will be $1.60.

There has been some statement that the administration has reduced its amount for summer NYC this year as contrasted to last year.

Well, that is exactly wrong. What happened last year and—you know, we are trying to give a more honest shake here—is, the original base appropriation was $121 million. There was a reprograming and then a supplemental which brought it up to $148.5 million. We didn't get that money until the middle of the summer, and there are several problems with that. One, you couldn't use it effectively, because you have to develop the worksites, have the staff and what-have-you.

Second, you could have more slots, or more bodies on board because it was now a 40-percent slot. Most of those were only used for 4 weeks. So the actual number of people you could have brought on with the $121 million plus the supplement coming in the middle of the summer was about 393,000, but of that approximately 45,000 were only in 4-week slots.

This year we have $147.9 million at the very beginning, and we got our allocations the earliest it has ever been done with respect to the NYC Summer Program. So all of the slots are 10 weeks, 26 hours, $1.45 slots. So in a sense we are taking flak because our planning was better and Congress acted in a more timely way to give us the money. I think that should be clarified for the record, Mr. Michel.

Mr. MICHEL. I appreciate your explaining that. I had several questions which have now already been answered in that presentation.

ADMINISTRATION OF SUMMER PROGRAMS

What amount is involved in administration of its summer program?

Mr. BROWN. A very small amount. It is about 8 percent.

Mr. MICHEL. The people involved in the administration of the summer program, are they working at this all during the course of the year?

Mr. WEBER. No.

Mr. MICHEL. Where do they come from?

Mr. BROWN. Many of the in-school people become summer sponsors.

Mr. WEBER. This is desirable because it permits them to maintain stability of staff on a year-round basis because the in-school program obviously only operates during the school year.

CIVIL SERVICE REGULATIONS

Mr. MICHEL. In the public service careers program you say in your testimony that "a major barrier is the persistence of outdated civil service regulations." You are not here talking about Federal civil service?

Mr. WEBER. To some extent Federal civil service as well as other public personnel systems.

Mr. MICHEL. I can see that as possibly being a problem out in the States conceivably, but that has never really been a bar to the employment of blacks, for example, in the District of Columbia. As a matter of fact, it is an attraction for many who come to the District because of the opportunity afforded in the Federal civil service.

Mr. WEBER. Well, independent of considerations of race—let me give you a couple of examples—to become an apprentice in the Bureau of Engraving or in the Navy Yard, you have to take a formal apprenticeship test. A test to get in, and presumably this test screens in and screens out. It tends to screen out those who have had deficiencies in basic education and—I don't like to use the term, but it is part of the coined words these days—cultural deficiencies.

There have been several experiments that have been run with the Bureau of Engraving and the Navy Department whereby you give them an entirely different sort of apprenticeship test. It is verbal. Before they take it, they go through a programed learning sequence to build up competence in basic math and other things.

We find a large proportion of those who failed the formal tests originally—which are required in this case by regulations—pass the test when they go through this educational process.

Similarly, at the grade level 1 to 4 you still have to take a formal test. Well, the Civil Service Commission, in conjunction with the

Department and other agencies in the executive branch, has experimented with something called a WTS or work trainee supplement, which is also a verbal approach, assessing a person's aptitude and screening him. Using this approach, many people who otherwise were denied the opportunity were given the opportunity to be hired and performed well on the job.

The Civil Service system, as it operates within the Federal Government, also obviously acts to deny the full range of opportunities to certain persons who for some reason or other are disadvantaged.

The notion that a lot of blacks are employed by the District of Columbia in the lower grades of the Federal Government leads to the clear inference that you are getting those Negro persons who are the most qualified, with the highest educational level.

You will remember, Congressman Michel, this old statement that there are more Negro college graduates employed in the Atlanta Post Office than in most businesses. I am sure that is not true today, but there was probably some element of broad truth to that 10 years ago.

JOB CORPS TRAINEES

Mr. MICHEL. How many more individuals will there be in the Job Corps in 1971 than in 1970?

Mr. WEBER. The training opportunities will increase by 3,940, and that will involve approximately 7,000 more individuals.

Mr. MICHEL. You have an increase of $9.8 million for Job Corps?

Mr. WEBER. Yes, sir.

Mr. MICHEL. Is that attributed in some measure to increased costs, or because of increased number of trainees?

Mr. WEBER. Well, it is both, and another factor; obviously, there are increased costs, particularly in the rehabilitation and capital improvement area. For example, when we get a facility and we have to rehabilitate it, to turn it into one of the new centers, everybody knows that building construction costs have been going up at an astounding rate, 14 to 16 percent a year, and that is reflected in our bids and estimates.

Also what happened, as I indicated, I think before you came in, when we closed down the 59 centers in 1969 that freed up about $32 million which we then used as carryforward for funds in existing centers such as the Gary Center, which is our biggest one down in Texas, which cost $14 million. We don't have that carry forward, so the increment——

COST PER TRAINEE

Mr. MICHEL. What do you calculate is the cost for a trainee in Job Corps?

Mr. WEBER. The operating cost, which is the cost defined in the statute, is $6,248 per trainee.

Mr. MICHEL. This discounts, of course, a start-up cost?

Mr. WEBER. Yes. These are operating costs which would be variable.

Mr. MICHEL. Is that a good figure?

Mr. WEBER. Do you mean do we have confidence in it or is it good?

Mr. MICHEL. I will ask you both. Do you have confidence is that figure, first?

Mr. WEBER. We have confidence in that. I am sure a clever accountant could find matters of definition.

Mr. FLOOD. And a clever Congressman like Congressman Michel.

Mr. WEBER. The statutory limit that is set up under title 1–A is $6,900 so we are under it by $652.

Mr. MICHEL. Looking into your crystal ball, can we do any better than that a year or two from now, or what will prospects be—because of inflation and increasing costs?

Mr. WEBER. Without getting myself on a limb, I would hope that we can do better for two reasons: One, during some part of the fiscal year the Job Corps is still suffering from the trauma of the shutdown of 59 centers and movement over to the Labor Department and, you know, these things reflect themselves in inefficiency and under-utilization of capacity. Well, that is over.

When we took the Job Corps over, we were operating at 91 percent of capacity. We are now at 103 percent of capacity and that will serve, of course, to reduce unit costs.

Secondly, we will have gone through, we hope, most of the startup stages in the new centers and that should also shake down because at the beginning, when you begin a center, obviously you are going to have higher unit costs.

The fellow who starts an oil refinery that costs $10 million, how much does that first barrel of oil cost? We will be pulling that down and I would hope that, obviously there will be these other pressures on cost over which we have no control but I think we are doing reasonably well now.

JOB CORPS PLACEMENT RATES

Mr. MICHEL. The chairman asked you about the dropout rate and I would like to ask you if you have any figures on the placement rates? Those who successfully negotiate the hurdles and then get on board; that is the real objective.

Mr. WEBER. We have detailed placement rate figures and we can provide them for the record.

(The information follows:)

JOB CORPS PROGRAMS, FISCAL YEAR 1970 PLACEMENT DATA

FISCAL YEAR 1970 PLACEMENTS—COMPLETERS AND NONCOMPLETERS

	Number	Percent
Total	26,924	100.0
Total placed	21,395	79.5
Jobs	17,240	64.0
School	2,709	10.1
Military	1,446	5.4

A study of 2,553 program completers October–February fiscal year 1970, percent trained and the wage of those in jobs related to their training is as follows:

Type of training	Percent trained	Wages of those in jobs related to training
Total	100.0	$2.13
1. Subprofessional	4.7	2.01
2. Clerical and sales	17.4	1.99
3. Service	2.5	1.74
4. Forestry, farming, gardening	1.1	1.86
5. Food services	7.5	1.87
6. Automotive and machinery repair	14.5	2.14
7. Construction trades	11.2	2.59
8. Electrical and appliance repair	.6	2.28
9. Industrial production	19.1	2.34
10. Transportation	1.9	2.18
11. Health occupation	18.3	1.86
12. Miscellaneous	2.2	1.86

Of those completing their program 68.6 percent were employed in occupations for which they were trained.

Mr. WEBER. There has been some improvement where the average placements or placement rates before we took it over were something like 64 percent and it is now something like 68 percent overall. That 4 percent is pretty good and reflects several things: There is more occupational training in the conservation centers. We have programs with unions or will have them in 20 or 22 of the centers, where they did not exist before.

Secondly, we are trying to do a better job in relating what goes on in the conservation camps where you are taking a kid and sending him to Trappers' Creek, Mont., and he might come from New York—a better job of relating the employment service operations back in his home community.

Also, the placement rate in the new centers is significantly higher. Admittedly we have limited experience.

Mr. MIRENGOFF. They are running over 80 percent.

PROMISING CAREER FIELDS

Mr. MICHEL. In what fields would most of these movements be from Job Corps Centers into occupations?

Mr. WEBER. The large ones are automotive, construction——

Mr. MICHEL. Automotive repair?

Mr. WEBER. Automotive repairmen, tuneup men, bodywork.

Mr. MICHEL. There is a growing demand for that.

Mr. WEBER. In construction, where we have contracts with five of the construction unions to provide through their own resources training, they give these young men union cards and put them on union jobs. Bricklayers, operating engineers, painters, plasterers.

Another very large area is the clerical area for women—typing, secretary, bookkeeping activities.

A third very large one is the culinary arts. Another important one one would be general machine-shop work, health occupations, both nurses aide and licensed practical nurses.

I guess those, though, are the major ones.

Mr. MICHEL. You might expand in the record.

Mr. WEBER. I would like for the record to indicate that in two of our centers we now have programs whereby they are training people for positions in the employment service. We feel we have to do our best. This will also help to get disadvantaged persons in jobs.

CHARACTERISTIC OF JOB CORPS TRAINEES

Mr. MICHEL. What percentage of Job Corps trainees would be black?

Mr. MIRENGOFF. About 60 percent.

Mr. FLOOD. What about the female Job Corps Centers?

Mr. MIRENGOFF. It is almost 30 percent.

Mr. MICHEL. Almost 30 percent black?

Mr. MIRENGOFF. No. Of all the Corps members, almost 30 percent are women. Among all our Corpsmen, about 65 percent are black.

Mr. FLOOD. In a Job Corps Center for women on the average, what percent are black?

Mr. MIRENGOFF. About 60 percent.

Mr. MICHEL. Are there any returning veterans going to Job Corps Centers?

Mr. MIRENGOFF. Not many returning veterans, but there are quite a few Job Corps members who previously could not qualify for the armed services who after going to the Job Corps do qualify. Between 9 and 13 percent of our Job Corps terminees enter the armed services.

Mr. MICHEL. I think that is all, Mr. Chairman.

Mr. FLOOD. Mr. Natcher.

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

KEYSTONE WOMEN'S JOB CORPS CENTER

Mr. FLOOD. I might add once again I have no hesitation in referring you to the Keystone Center in Keystone, Pa., which I have visited frequently and which is widely accepted and supported by the community. We think it is an excellent example of how a women's Job Corps Center should be operated for the purposes you have in mind.

Mr. Shriver?

GREEN THUMB

Mr. SHRIVER. You are requesting $41 million for Operation Mainstream, which is aimed toward disadvantaged older citizens in rural areas. How much of this request will be used for the Green Thumb program sponsored by the Farmers union? How does this compare with the 1970 Green Thumb program? How much control do you have over where the Farmers union initiates these projects?

Mr. WEBER. The national Green Thumb project is funded, at present, at the rate of $5.2 million per year. This is the amount of the combined funds of the Green Thumb and Green Light components of the national Green Thumb contract. At this point, with fiscal year 1971 funds at the same level as fiscal year 1970, there are no plans to increase the funding level of fiscal year 1970 contracts. However, the fiscal year 1971 proposal for Green Thumb has not been received and

no final determination has been made. The Department of Labor contracts with the National Farmers Union for operation of Green Thumb. The Department reviews the National Farmers Union proposal each time it is renewed and approves its plan of operation before signing a new contract. We have not in the past questioned the areas selected by the National Farmers Union for program operation but believe that we are free to do so.

PUBLIC SERVICE CAREERS

Mr. SHRIVER. Under the Public Service Careers (PSC) program you say enrollees will be employed from the start of the program and will have permanent employment guaranteed at the end of the training period. How can you guarantee "permanent employment" under any circumstances?

Mr. WEBER. The employment is considered permanent since enrollees are hired into permanent budgeted positions in public agencies at the start of enrollment in PSC.

Mr. SHRIVER. Under plan E of this Public Careers program, you will provide "short-term" subsidized employment to trainees or recent trainees who can't find jobs or who have lost their jobs because of increased unemployment. Would you explain this further, and tell us what happens to these people after the two 90-day periods of subsidized employment?

Mr. WEBER. The Supplemental Training and Employment Program (STEP) has been established to provide short-term, meaningful, work experience in the public and private nonprofit sectors of the economy for Department of Labor manpower program trainees or recent graduates of such programs who are displaced from employment or unable to secure a job because of a short-term downturn in the economy of the area. Such work experience is meant to provide a temporary source of income as well as enhance a participant's future employability in an attempt to fulfill the Department of Labor's commitment to assist these individuals. The STEP program will be directed at areas experiencing sudden increases in unemployment levels. STEP is not directed at correcting situations of chronic or long-term unemployment. If it appears that the economy will not adjust by the time STEP enrollees complete their maximum period of participation, it will be necessary for the Department of Labor to recast the program design.

NYC OUT-OF-SCHOOL PROGRAM

Mr. SHRIVER. Would you explain the local administrative details of the out-of-school program for disadvantaged rural youth?

Mr. WEBER. The sponsor of an NYC out-of-school program is usually a local governmental agency or CAA. The sponsor arranges for work stations, supportive services and training within its own agency or by agreement with other agencies. The arrangements and services are specified in a contract with the Department of Labor, which provides for reimbursement to the sponsor for his costs except that at least 10 percent of total cost must be contributed by the community. The sponsor is permitted to request funds in anticipation of costs. Costs in rural projects average about 65 percent for enrollee wages and fringe benefits and 35 percent for all other costs.

REDUCTION IN NYC SUMMER PROGRAM

Mr. SHRIVER. On page 6 of your statement you mention the effects on the summer program of the increase in the minimum wage to $1.60 per hour. Would you tell us more about that, especially where most of the 21,200 fewer training opportunities for this reason will occur?

Mr. WEBER. The decrease of 21,200 fewer training opportunities for the fiscal year 1971 NYC summer program will be spread proportionately among the States by decreasing the allocations for next year to about 93.5 percent of this year's level.

Mr. SHRIVER. That is all, Mr. Chairman.

Mr. FLOOD. Thank you very much.

Mr. WEBER. Thank you, Mr. Chairman.

WEDNESDAY, MAY 27, 1970.

HEADSTART AND FOLLOWTHROUGH

WITNESSES

JULE M. SUGARMAN, ACTING DIRECTOR, OFFICE OF CHILD DEVELOPMENT
RICHARD E. ORTON, ASSOCIATE DIRECTOR, OFFICE OF CHILD DEVELOPMENT
ROBERT L. EGBERT, DIRECTOR, FOLLOWTHROUGH PROGRAM
JOHN O. WILSON, ASSISTANT DIRECTOR, OEO

Mr. FLOOD. Now we have Headstart and Followthrough.

The presentation will be made by Mr. Jule Sugarman, the acting director of the office of child development.

BIOGRAPHICAL SKETCH OF PRINCIPLE WITNESSES

We have here a biographical sketch of Mr. Sugarman which we will place in the record.

(The biographical sketches follow:)

BIOGRAPHICAL SKETCH

Name: Jule M. Sugarman. Position: acting director, Office of Child Development, acting chief, Children's Bureau.

Birthplace and date: Cincinnati, Ohio, September 23, 1927.

Education: Western Reserve University, Cleveland, Ohio; American University, Washington, D.C., A.B. 1950; Major: political science, undergraduate study, public administration, graduate study.

Experience: Office of Child Development acting director since June 4, 1969; Children's Bureau, acting chief since March 1, 1969, associate chief, March 1968–February 1969; Office of Economic Opportunity: 1964–68, associate director, Project Headstart, deputy associate director, community action programs; U.S. Department of State: 1962–64, served in Bureau of Inter-American Affairs as chief, Budget and Management Planning, and then as deputy executive director; U.S. Bureau of Prisons: 1959–62, budget and management officer; U.S. Bureau of the Budget: 1957–59; U.S. Civil Service Commission: 1952–57.

Personal: Military Service, U.S. Army, 1946–48; wife: Sheila; Children: Chris (10); Maryanne (9); Jason (6); James (5).

BIOGRAPHICAL SKETCH OF RICHARD E. ORTON

Richard E. Orton is the associate director of the Office of Child Development in charge of Project Headstart, Department of Health, Education, and Welfare. Prior to his appointment as director of Headstart on October 12, 1968, Mr. Orton served first as staff director of the program from 1965 and then as acting director following the departure of Jule M. Sugarman to the Children's Bureau in HEW in the spring of 1969.

Project Headstart is a nationwide effort to provide young children of the poor with a high quality program designed to meet the comprehensive health, education, and welfare needs of these children and their families.

Mr. Orton was born April 6, 1925, in LaCrosse, Wis. He received his A.B. from Loras College, magna cum laude, with an economics major. He earned his masters degree in history from the University of Colorado and did additional graduate work at the University of Wisconsin.

He began his Government career with the Civil Service Commission in 1952 as a trainee. He transferred to Headquarters Air Force in 1955, and 1 year later returned to the Civil Service Commission as assistant chief of the Commission's examining division in Cincinnati, Ohio. In 1960, he became the Director of Personnel for the Bureau of the Budget. In 1961, he became an examiner for the Bureau working with that portion of the President's budget covering the Post Office Department. This led to an appointment in October 1962 with the Post Office Department in the Deputy Postmaster General's Office, in charge of the Department's management analysis program. He later served as Deputy Assistant Postmaster General for Personnel, Post Office Department, from April 1963 to November 1965, when he assumed his duties with Project Headstart.

Mr. Orton is married to Shirley Johnson, and has two daughters: Ellen Jean and Mary Claire. They reside at 2106 North Ohio Street, Arlington, Va.

Mr. SUGARMAN. I have with me Mr. Richard Orton, Associate Director, and also representing the Department, Dr. Robert Egbert, in charge of the follow through program.

Mr. FLOOD. We will insert Mr. Orton's biographical sketch as well. You have a prepared statement. How do you wish to proceed?

GENERAL STATEMENT ON HEADSTART

Mr. SUGARMAN. I would like to submit it for the record and highlight some of the principal statements.

(The statement follows:)

STATEMENT BY JULE M. SUGARMAN

Mr. Chairman, members of the committee, I am pleased to appear before this committee on behalf of the proposed fiscal year 1971 budget for the Headstart program of the Office of Child Development, Department of Health, Education, and Welfare. The proposed budget includes $339 million for operating the Headstart program.

The budget request essentially continues with some variations the level of program authorized in fiscal year 1970. It encompasses a wide range of what might be called the normal developmental activities in full year and summer Headstart, a special program of planned variation which has as its objective an attempt to find out which experimental programs are most successful with different subgroups of the Headstart population, and the parent and child centers. It does not call for any growth in the number of children served in the regular operating Headstart program.

Of the total amount requested for Headstart, $307.2 million will be used to make grants for operating full year and summer programs and $20.5 million for technical assistance, training and evaluation activities. In addition, the Office of Economic Opportunity has included funds in its budget for early childhood research activities. The remaining request of $11.3 million is needed to provide operational funds for the parent and child center program and program direction.

I am pleased to report to this committee that the transition of the Headstart program from the Office of Economic Opportunity to the Department of Health, Education, and Welfare has been largely completed. Our regional offices are fully operational and have been performing the total job of making Head-

start grants since January 1. These grants are being made, with very few exceptions, on time. The Office of Economic Opportunity has been most cooperative during this period. It is that spirit of cooperation between the two agencies that has permitted Headstart to go through this difficult period without skipping a beat.

Since the move of the program to the Department of Health, Education, and Welfare from the Office of Economic Opportunity, we have undertaken to coordinate Headstart with other early childhood programs in the Department of Health, Education, and Welfare. Similarly, the Department is beginning to mobilize its other health, education, and social services programs in support of Headstart. I am especially pleased to say that research activities of the National Institute of Mental Health, the National Institute of Child Health and Human Development, and the Office of Education, as well as the Children's Bureau and the Office of Economic Opportunity, are cooperatively working together in an unprecedented way to develop the kind of knowledge and information which will make possible further improvements in the Headstart program.

During the past year we implemented eight planned variation experimental programs in certain communities which also have follow through programs. Children entering these experimental communities will be assured a continuous special program which extends from the time they enter the Headstart program through the completion of the third grade. All of these curricular approaches are attempting to find educational strategies best suited to a preschool program for children from low-income families. We are attempting to evaluate these curricula on both a short- and long-term basis in order to obtain information about relative effectiveness. The enrollment in this program will increase from 7,500 in fiscal year 1970 to 10,500 in fiscal year 1971.

In 1971, Headstart will continue to provide a comprehensive preschool program for poor children. One of our principal thrusts in the coming year will be to improve local program quality. We are going to install a monitoring system which will give us information on how well local programs are operating, and also give us a firmer base for deciding needed policy changes. This system will be implemented in 150 Headstart programs during fiscal year 1971.

In addition to expanding the experimental program effort, we plan to expand the coverage on one of our more successful training components. Headstart supplementary training provided during fiscal year 1970, college level course work in child development and related fields to approximately 7,000 employees of local Headstart programs. Most of the employees are nonprofessional employees who come from the poverty neighborhoods. This program has proven to be not only popular with local employees and institutions of higher education, but it has, in our judgment, raised the quality level of the local programs. In order to provide a manpower pool, for possible future child development manpower needs, we propose to extend this training to 1,000 additional persons in the next fiscal year.

In conclusion, I am happy to report that there continues to be a high level of national interest in programs for young children. I am convinced that this interest can be sustained by a continuing emphasis on our part in quality programs. This interest we intend to maintain.

HIGHLIGHTS OF PREPARED STATEMENT

Mr. SUGARMAN. Mr. Chairman and members of the committee, the budget proposed is for $339 million, an increase over the approved level of $326 million in fiscal year 1970. The budget is essentially a hold-the-line budget. It does not propose any increases in the numbers of children served and in fact the numbers of children served will actually decrease because some communities will elect to convert their summer program dollars into full-year programs.

We will be expanding our efforts in the experimental program area. We do this by asking existing programs to adopt existing experimental models for them to try rather than funding whole new programs for this purpose.

We will also be doing some additional work on the parent and child center programs, many of which were only in the primary stage

in the prior year and will be moving into an operational stage this year.

There is an increase in money for career development and technical assistance. However, that really represents the same program level as in fiscal 1970, in that in fiscal 1969 we advance funded some of our fiscal 1970 activities.

I think those are the highlights of the increase, Mr. Chairman. There are no substantial changes in program policy since we appeared before the committee late last year. I think that we will simply stop here and ask if there are questions from the committee.

RELATIONSHIP BETWEEN HEADSTART AND DAY-CARE CENTERS

Mr. FLOOD. How do Headstart and day care fit together? For example, are Headstart centers used to provide day care for preschool age children of mothers who are in the work incentive program, the so-called WIN program?

Mr. SUGARMAN. They are in some cases. About one-third of the children in full year Headstart programs are in day care, that is, full day Headstart. Some of those would be children of the parents in the WIN program.

Also in some cases the State Welfare Agency has elected to purchase spaces in Headstart programs for WIN recipients. There is that kind of coordination.

Mr. FLOOD. Will these Headstart centers provide day-care for children under the Family Assistance Act?

Mr. SUGARMAN. We expect they will. When I testified before the Ways and Means Committee I was asked this same question and said yes, we expected them to be a heavy provider of day-care services.

COST PER CHILD

Mr. FLOOD. How does the average full year cost per child of Headstart compare with the average cost per child of what we call a group day-care center?

Mr. SUGARMAN. There are two kinds of day care basically. One is group day care where you have 15 or more children in groups, and family day care where you have 4 or 5 children in somebody's own home.

The group cost is very comparable to Headstart and in fact we use the same standards for both programs. These are the Federal interagency day care requirements.

REDUCTION IN CHILDREN SERVED

Mr. FLOOD. On page 272 of your justifications, you show an increase of $14,700,000 for 1971. That is for operation of full year Headstart centers. But you show a reduction of 3,000 in the number of children. How do you explain that?

Mr. SUGARMAN. It is essentially due to increased costs. The average cost per child, unit cost in full year, is going from $988 to $1,060. This is an increase of 7.3 percent. This is based on our experience actually in fiscal 1969 and thus far in fiscal 1970.

Most of it is attributable to salary increases since our salaries relate very closely to school system salaries.

CAREER DEVELOPMENT AND TECHNICAL ASSISTANCE

Mr. FLOOD. You are asking for $18 million for 1971 for what you call "Career Development and Technical Assistance." What is that?

Mr. SUGARMAN. This is for training of staff in local programs.

Mr. FLOOD. This is staff training?

Mr. SUGARMAN. Yes, sir.

QUALIFICATIONS OF HEADSTART STAFF

Mr. FLOOD. What kind of education and experience do the staff of a Headstart center have? Do you have any qualifications? If you do, what are they?

Mr. SUGERMAN. About 65 percent of the Headstart staff are what we call nonprofessionals. These would be people who do not necessarily have at the time they are initially employed any formal education or formal training but who come as, let us say, teacher aides or health aides or parent aides.

These people, once they enter into employment, are given extensive training. That is what the $18 million is used for. They can progress to higher levels.

We also have a number of professional people, people who are formally trained as child development people, pediatricians, nurses, and social workers. We are trying very hard to develop a career ladder system so the individual who comes in without much in the way of formal preparation can rise up the ladder and take on more responsible jobs.

One of the things we are proudest of is that there are over 7,000 people going to college while they work in Headstart and who are acquiring credits toward an academic degree, usually an associated arts degree.

RATIO OF STAFF TO CHILDREN

Mr. FLOOD. This is a problem that goes through the entire spectrum of education.

What is the average ratio of staff to children in the Headstart center and how many children do you have in the average center?

Mr. SUGARMAN. A typical class, and most of the figures are related to class size, is between 15 and 20 children, and typically you will have one paid professional and one nonprofessional.

Mr. FLOOD. That is a good ratio?

Mr. SUGARMAN. Yes, it is. I think it has been one of the distinctive things about Headstart.

Mr. FLOOD. How many children do you average in a center?

Mr. SUGARMAN. About 60.

PARENT AND CHILD CARE CENTERS

Mr. FLOOD. You are supporting 29 parent and child care centers. What is the purpose of those centers?

Mr. SUGARMAN. This is an experimental program which we share with OEO. There are 36 such centers. Seven of them are administered by OEO and 29 by us.

Mr. FLOOD. Do you think they can develop into more than 36?

Mr. SUGARMAN. I expect so if they work out well. It is an experimental effort.

Mr. FLOOD. What is the experiment?

Mr. SUGARMAN. To see what we can do for families with children under 3 years of age. We are working with very young children.

Mr. FLOOD. Parents and child?

Mr. SUGARMAN. Both.

Mr. FLOOD. They both attend the center?

Mr. SUGARMAN. Yes.

Mr. FLOOD. And the staff works with both?

Mr. SUGARMAN. Yes, and older members of the family as well, brothers and sisters.

Mr. FLOOD. Mrs. Reid?

EVALUATION

Mrs. REID. How much of the $20.5 million for "Technical assistance, training and evaluation activities" will be spent on evaluation?

Mr. SUGARMAN. Of the $20.5 million for "Technical assistance, training evaluation activities," $18 million will be used for technical assistance and training of the local Headstart staff and $2.5 million will be spent on evaluation of our total Headstart effort.

PARENT INVOLVEMENT AND PARTICIPATION

Mrs. REID. What success have you had in developing parent involvement and participation in Headstart programs?

Mr. SUGARMAN. Our degree of success on this very important component of the program has been mixed. Local Headstart programs have involved parents in a variety of ways: To enhance and carry on the educational benefits to the children in the classroom and at home; in programs for parents that increase their knowledge and skills as wage earners and concerned members of the community; and in parent group committees where they participate in program planning, policy and decision making. In general it is found that a high degree of parent participation in local programs is consistent with the overall effectiveness of those programs. Moreover, the increased confidence, sense of dignity and self-worth which parents acquire through their role in the Headstart program is reflected in the children themselves, who derive a positive self-image and pattern for success which influences their future learning efforts. Some communities have achieved a high degree of success; others need improvement. This has been one of the principal goals of the Headstart program—bringing parents, professionals, and the total community together in a common concern for all aspects of the child's development.

PLANNED VARIATION EXPERIMENTAL PROGRAM

Mrs. REID. In what communities have the planned variation experimental programs been implemented? Do you plan to establish these programs in additional communities?

Mr. SUGARMAN. Planned variation experimental programs have been implemented in the following 15 communities: Tuskegee, Ala.; Oraibi, Ariz.; Wilmington, Del.; Jacksonville and Okaloosa, Fla.; Walker County, Ga.; Duluth, Minn.; Tupelo, Miss.; Central Ozarks,

East St. Louis, and Portageville, Mo.; Johnson County, N.C.; Lakewood, N.J.; Chattanooga, Tenn., and Morgan School, Washington, D.C. This number will be increased to 30 communities in fiscal year 1971. The additional communities will be Jonesboro, Ark.; Fresno, Calif.; Boulder and Greeley, Colo.; Mounds, Ill.; Lincoln, Nebr.; Paterson, N.J.; East Las Vegas, N. Mex.; Buffalo and Elmira, N.Y.; Houston, Tex.; Salt Lake City, Utah; Burtington, Vt.; and Seattle and Tacoma, Wash.

FOLLOWTHROUGH

Mr. FLOOD. The presentation for the Followthrough program will be made by Mr. Egbert.

BIOGRAPHICAL SKETCH OF MR. ROBERT L. EGBERT

I see we have a biographical sketch of Mr. Egbert. We will put it in the record at this point.

(The biographical sketch follows:)

RÉSUMÉ

Robert L. Egbert, Director, Followthrough program. Born: Tetonia, Idaho, October 17, 1923. Education: Utah State University, B.S. 1947, M.S. 1948; Cornell University, Ph. D. 1949. Experience: Director, Followthrough program, 1967 to present; chairman, Graduate Education Department, Brigham Young University, 1963–67; social scientist, Systems Development Corporation, 1961–63; professor of educational psychology, Brigham Young University, 1955–61; senior research scientist, Human Resources Research Office, 1952–55; assistant professor, Utah State University, 1950–52; research associate, New York State Education Department, 1949–50. Publications: Numerous journal articles and technical publications in education and educational psychoolgy.

GENERAL STATEMENT ON FOLLOWTHROUGH

Mr. FLOOD. I see you have a prepared statement. How do you wish to proceed?

Mr. EGBERT. I would like to submit my prepared statement for the record.

Mr. FLOOD. Very well. We will do that and you may comment on it.

(The statement follows:)

The Followthrough program is designed to sustain and to supplement the gains made by children from Headstart or similar preschool programs. Each new Followthrough project normally begins with children entering kindergarten or first grade and adds one grade level each year, allowing previous participants to continue in the program, until they complete the third grade. The Followthrough fiscal year 1971 budget request of $69 million will permit maintaining this vertical progression. It will also permit addition of a very few new projects.

The Followthrough program, which involves deliberate variation of program approach, represents a unique attempt to unite educational theory and practice in its attempt to gain more information about how poor children can be served most effectively. That is, Followthrough has undertaken a nationwide program (1) to implement and study the effectiveness of a number of different innovative approaches to working with young children and their families in a variety of cultural and environmental settings; and (2) to develop and study various methods of implementing these innovative approaches in the Nation's public schools. Underlying and determining the direction of this study are, of course, the legislative requirements to be found in section 222(a)(2) of the Economic Opportunity Act as amended, that Followthrough provide "* * * comprehensive health, nutritional, education, social and other services * * * and * * * direct participation of parents * * * in the development, conduct, and overall program direction at the local level."

A central feature of Followthrough's program of deliberate variation of program approach is the requirement that each participating community select one from a number of different approaches that have been developed for working with children from low-income families and work closely with an institution known as a program sponsor in the development of that approach.

The several approaches reflect basic theoretical positions held by the sponsors and range from the very structured, highly cognitive instructional approach of Siegfried Engelmann at the University of Illinois to the much less structured "child centered" approach of Bank Street College of Education; from the parent education approach of Ira Gordon at the University of Florida to the "parent control" approach of Kenneth Haskins at the Morgan Community School in Washington, D.C.

It should be emphasized that sponsorship means much more than the provision of expert advice, because community and sponsor together assume a joint commitment to a comprehensive program by which the approach will be implemented. The notion of sponsorship was developed, in part, because we wanted to study approaches which were not only different from one another but had been developed on the basis of some theoretically consistent rationale. In addition, however, we were aware that nominally innovative programs, such as Followthrough projects were supposed to be, tended all too often to follow the line of least resistance. Thus the use of sponsors is introduced both to insure meaningful diversity, and also to provide a continuing stimulus for each community to progress in a coherently defined direction.

Of special importance is Followthrough's emphasis on parent involvement. Followthrough requires that each project have a policy advisory committee with parents making up half of the membership. Some parents also serve in the classroom as paid volunteers or observers; some develop educational and community services; and others have returned to school under encouragement from the local project.

In school year 1970–71, approximately 60,100 children will be enrolled in approximately 160 Followthrough projects—with at least one project in each of the 50 States, Puerto Rico, and the District of Columbia. Current estimates of enrollment by grade level are: kindergarten, 15,100; first grade, 22,200; second grade 15,500; and third grade, 7,300.

SUMMARY OF BUDGET REQUEST

Mr. EGBERT. Very briefly, the Followthrough budget request for fiscal year 1971 is $69 million. This amount will permit continuation of the Followthrough program with each of the projects currently functioning, including addition of children behind those now in the program. Followthrough is a program that runs from kindergarten through third grade. We typically begin a project with one grade-level in a community and then add a grade each year.

The $69 million will permit adding a grade in those communities that do not already have grades K through 3. It will permit the addition of a very few new communities in fiscal year 1971. We think the program is going well. I have no particular additional comments to make.

EXPERIMENTAL PROGRAM

Mr. FLOOD. Followthrough, of course, is an experimental program?

Mr. EGBERT. Yes, sir.

Mr. FLOOD. We understand the purpose is to find better methods of educating children from disadvantaged families and that you are currently testing some 19 different approaches to the problem.

When do you think you will find out whether any of the experiments will be successful?

Mr. EGBERT. I would think that within another year or two we will have a very good indication as to some overall success of the program.

The children who started in Followthrough this year constitute what we consider to be the first really stable group. In other words, this is the first year in which the sponsors have had rather fully developed programs in local communities.

Mr. FLOOD. Do you think by the time you come back next year to tell us about it you will have, I hope, some evidence of success?

Mr. EGBERT. I would feel more comfortable 2 years from now.

Mr. FLOOD. Not one? You said one. You would be more comfortable in two. Could you tell us what you think in 1 year?

Mr. EGBERT. We can begin to talk about possible success in one.

MEASURING SUCCESS

Mr. FLOOD. How are you going to tell whether it is successful? How are you going to measure that?

Mr. EGBERT. We will be using information gathered on the achievement of children on standardized achievement tests as well as on measures of noncognitive performance.

Mr. FLOOD. What kind?

Mr. EGBERT. Measures other than typical achievement tests, measures relating to the perception they have of themselves, how they feel about themselves as individuals, whether they feel that they have a significant future in life. We will also be securing information from parents, from teachers, aides, and from local administrators in the program.

Mr. FLOOD. What if none of these numerous approaches turn out to be successful?

Mr. EGBERT. If none of them turn out to be successful, we shall simply report we have not succeeded in producing desired gains.

ADDITIONAL FISCAL YEAR 1970 FUNDING

Mr. FLOOD. You received $4,300,000 more than you requested for 1970 as a result of the ear-marking of provisions in the 1969 EOA amendments. What are you going to do with those additional funds? Can they be used wisely?

Mr. EGBERT. We think that we are using the money wisely. We are spending a good deal of it in experimental summer programs. There is considerable evidence to suggest that children from disadvantaged backgrounds compare relatively well in relation to middle-class children in gains made during the school year but over the summertime, whereas middle-class children maintain their rate of gain; children from disadvantaged backgrounds tend not to maintain this rate of gain. As a result we are beginning this year to operate some summer programs which we feel in 2 or 3 years should permit us to report—based on Followthrough experience—whether indeed summer programs are important for disadvantaged children.

Mr. FLOOD. We will wait anxiously for your report.

Mrs. Reid?

FOLLOWTHROUGH PROJECTS

Mrs. REID. How many Followthrough projects are now in existence? In what communities are they located?

Mr. EGBERT. In school year 1969–70, Followthrough had projects in 148 communities with classes in 465 schools. These communities were located in 49 States, the District of Columbia, and Puerto Rico.

An additional 11 communities, including one in the 50th State, have been invited (on the recommendation of State education and economic opportunity officials) to join the program in school year 1970–71.

POLICY ADVISORY COMMITTEE

Mrs. Reid. What part does the Policy Advisory Committee play in the Followthrough project? Whom do they advise—the teachers or school administration?

Mr. Egbert. Half the members of every local Policy Advisory Committee must be parents of Follow Through children. This committee serves in a strong advisory capacity both in the planning and operation of the local project. It helps select the instructional approach as well as the project director, participates actively in establishing budget priorities (e.g., to devote more money to health care rather than field trips); and advises the project director and school administration throughout the school year on classroom and other activities that parents feel their children should experience as part of their educational and social development.

SIMILAR PROGRAMS

Mrs. Reid. Don't we have projects similar to Follow Through funded in other education programs such as the Elementary and Secondary Education Act?

Dr. Egbert. In some respects, any community that adopts an innovative instructional approach, provides for the involvement of parents in their children's education, and offers the health, dental, nutrition, and other services that help children learn is operating a Follow Through type program, regardless of the source of funding.

What Follow Through offers is an opportunity for local communities to have access to all the resources of a national program that is structured both as a service program for the immediate benefit of poor children and as a research and development effort that should tell us much over the next few years about what really works with these children.

For example, communities can select a program approach from among 20 of the most promising developed by colleges, universities, and other educational research centers. Once selected, these institutions become responsible for teacher training, curriculum materials, monitoring techniques, and other components needed to make and keep the approach operational in the classroom.

Participating communities can become part of a nationwide evaluation of the effectiveness of these various approaches. Through the national Follow Through office, they have access to many of the Nation's outstanding consultants in such fields as curriculum development, individualized instruction, psychology, and anthropology. State Follow Through technical-assistance grants enable them to conduct joint teacher-training workshops with other communities. In many areas, Follow Through's supplmentary training program helps parents working as classroom aides to upgrade their own skills through college courses that can lead to a degree.

With the exception of the Headstart preschool program, I know of no other educational program for young children that offers such a broad range of resources to communities and, at the same time, has a built-in research and development design that should make a real contribution to the body of knowledge about how children learn.

Mr. FLOOD. Thank you very much.

WEDNESDAY, MAY 27, 1970.

RURAL ECONOMIC OPPORTUNITY LOAN PROGRAM

WITNESSES

JOSEPH C. DOHERTY, SPECIAL ASSISTANT TO THE ADMINISTRATOR, FARMERS HOME ADMINISTRATION

WESLEY L. HJORNEVIK, DEPUTY DIRECTOR, OFFICE OF ECONOMIC OPPORTUNITY

WILLIAM A. PLISSNER, CHIEF, PROGRAM ANALYSIS DIVISION, OFFICE OF PLANNING, RESEARCH AND EVALUATION, OFFICE OF ECONOMIC OPPORTUNITY

Mr. FLOOD. Now we have the Department of Agriculture and the presentation will be made by Joseph C. Doherty, the special assistant to the Administrator of the Farmers Home Administration.

BIOGRAPHICAL SKETCH OF MR. JOSEPH C. DOHERTY

We have a biography of Mr. Doherty which we will insert in the record at this point.

Joseph C. Doherty is special assistant to the Administrator of the Farmers Home Administration for Economic Opportunity programs.

Mr. Doherty was born in 1924 in Pittsburgh, Pa. He received a degree in social science from Duquesne University, Pittsburgh, in 1948 and has done graduate study in economics, political science, and regional planning at Columbia University, the New School for Social Research (New York), and George Washington University. During World War II, he served in the U.S. Army (Infantry) in Europe. Following the war he was an administrative officer in the U.S. Air Force Reserve.

He has been a university instructor, a member of the Executive Secretariat, U.S. Economic Cooperation Administration, and Information and Reports Officer of the U.S. Interdepartmental Committee for the Rural Development Program. The committee was made up of Under Secretaries of five departments and the Small Business Administration. He also served as staff assistant on Rural Programs to the President's Task Force on Poverty.

Mr. Doherty has been special assistant to the Administrator of the Farmers Home Administration since 1965.

Mr. FLOOD. Do you have anybody with you, Mr. Doherty, that you would like to introduce?

Mr. DOHERTY. No, sir, I do not.

Mr. FLOOD. We know them?

Mr. DOHERTY. Yes, sir.

Mr. FLOOD. I see you have a statement. How do you wish to proceed?

Mr. DOHERTY. I would like to read the pertinent parts of the statement.

General Statement

Mr. Chairman and members of the committee, since the beginning of the Economic Opportunity Program in 1964, the Farmers Home Administration has had the responsibility for making loans to low-income rural people and to cooperatives serving them under title III (A) of the Economic Opportunity Act.

FHA is a part of the Department of Agriculture, has approximately 1,700 county offices serving all rural areas of the Nation and Puerto Rico and administers a supervised credit program that provides loans for a variety of rural development purposes, including farming, community facilities and housing. The Economic Opportunity Loan Program is one segment of the total FHA responsibility.

Between December 30, 1964 and May 15, 1970, 62,640 Economic Opportunity loans were made to individual borrowers for $105,319,400 and 1,476 loans were made to cooperatives for $19,995,470. About 20 percent of the number of loans to individuals were subsequent loans, i.e., they were made to borrowers who previously received an Economic Opportunity loan.

Economic Opportunity loans have a number of important features not available through other FHA lending activities. They permit lower income farmers who may not be eligible for assistance under regular FHA farm ownership programs to purchase small parcels of land or to refinance real estate debts. The repayment period is longer than with comparable FHA loans. Economic Opportunity loans enable FHA to extend credit for the first time to low-income borrowers who don't operate farms but have no other source of financing to start up a small rural business or trade. They finance cooperatives that serve mainly poor families in rural communities. And the interest rate of 4⅛ percent on Economic Opportunity loans also is less than for FHA farm-operating and real estate loans. This represents an important saving for low-income borrowers over the term of the loan.

Revolving Loan Fund

The act also established a revolving-loan fund. Appropriations for Economic Opportunity loans are transferred to the fund, and repayments made by borrowers are returned to the fund and are available for relending.

The actual amount of funds available to make loans in any year is determined by the amount of appropriations and by loan repayments.

This financing mechanism is an extremely important aspect of the title III (A) program. From the beginning of the program through June 30, 1969, approximately $40 million had been repaid by Economic Opportunity borrowers in principal and interest. The repayments have gone back into the revolving-loan fund for relending to other borrowers and for payment of interest to the Treasury on the capital borrowings for the fund.

Therefore, the Economic Opportunity Loan Program is in part self-sustaining, with a sizable proportion of the program being financed through repayments of borrowers.

CASELOAD

On January 1, 1970, 38,100 individual borrowers and 1,152 cooperatives were making use of Economic Opportunity rural loan credit. Approximately $85 million in loan funds was outstanding at that time.

Providing adequate management and supervision for this sizable caseload is probably the most critical program issue at the present time. Direct supervision of borrowers is a basic development factor in all FHA-administered programs. It is crucial in the Economic Opportunity program, where borrowers have limited management capacity.

During most of the current fiscal year 1970 loan program operations were suspended, except for a few cases of essential subsequent loans, to give both the Office of Economic Opportunity and FHA an opportunity to assess major problem areas and to establish some new directions for future program operations. On March 27 FHA, with OEO's concurrence, resumed making initial loans to eligible low-income borrowers and cooperatives. During fiscal year 1970 to May 15, a total of 930 individual and 40 cooperative loans were made for obligations of $1,378,600.

BUDGET REQUEST

In fiscal 1971, $5 million in new Budget authority is requested for the program. Of this amount, $500,000 will be combined with the amounts expected to be available in the Economic Opportunity revolving fund, permitting a loan level of $14 million.

These amounts are derived from carryover from previous years plus, the collections that we expect this year of approximately $7.5 million.

ADMINISTRATION, SUPERVISION, AND TECHNICAL ASSISTANCE

Of the new budget authority $4.5 million is requested for administration, supervision, and technical assistance. Nearly 40,000 borrowers, both individual and cooperative, will make up the Economic Opportunity loan caseload at the beginning of fiscal year 1971.

Mr. FLOOD. Is this an impressive number, 40,000?

Mr. DOHERTY. We think it is impressive. It is down somewhat from previous years.

As I mentioned, however, in 1970 we had that long period when we were not making loans, so our caseload dropped off. But we think 40,000 is quite a number of borrowers to supervise because, as you know, we try to provide intensive supervision, in addition to the credit, for all of our borrowers in FHA.

It requires a considerable number of man-hours to do this. Supervision is particularly important with the Economic Opportunity borrowers who need management assistance as much as they need credit.

INNOVATIVE PROGRAM DIRECTION

In addition, innovative program direction will be required of FHA to administer a flexible program adapted to changing conditions in low-income rural areas and to mount a more concentrated effort.

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The new leadership in OEO is placing greater emphasis on demonstration-type programs in fiscal 1971. FHA has been meeting with OEO on the new program directions. Stated in broad terms, the two agencies will test whether a concentration of loans in a small number of primarily low-income counties will produce a multiplier effect flowing from a more complete coverage of need for assistance in the selected areas. By concentrating in selected areas, FHA also should be able to focus more administrative resources on the loan program.

In addition, the Economic Opportunity loan program will be available in all counties; however, we make this concentrated effort in certain areas. Borrowers would continue to receive new loans, counseling and, when appropriate, subsequent loans.

The projected loan level in fiscal year 1971 of $14 million will permit FHA to provide additional resources to present borrowers, to make loans to new applicants with potential for making a success of their enterprise, and (in combination with other OEO funds) to demonstrate innovative approaches to assisting low-income rural families through supervised credit.

That is the end of my statement, Mr. Chairman. I am open to any questions you might have.

Mr. NATCHER. Thank you, Mr. Doherty.

CHANGES RELATED TO PROGRAM ASSESSMENT

We understand that you have been reviewing this program rather intensively during the past year and that you are planning to make some changes in it.

What are the changes to be, Mr. Doherty?

Mr. DOHERTY. I would say there are three principal changes. First, we will make the program available throughout the country, but on a less emphasized basis. We will, however, concentrate the program intensively in a selected number of areas, the total number of which we have not decided upon as yet.

We will intensify the program in these counties. Second, we will try to enter into certain innovative relationships with OEO. For example, where special impact funds might be used in combination with rural loans.

We might concentrate grant funds to develop cooperatives serving very low-income people, and perhaps supplement loan money with grant money from OEO, thus providing a more balanced program and taking the financial pressure off some of these extremely low-income organizations being funded, the pressure to repay a rather sizable loan.

Third, we are trying to innovate new ways of providing supervision so that we can meet what has been recognized—and this has been testified to previously—meet this problem of helping cooperative organizations and individual borrowers that need a great deal of supervision, a great deal of intensive work on their management, marketing and production so they have a chance of making a success of the loan.

These would be some of the innovative approaches we would use, Mr. Chairman.

NUMBER AND DOLLAR VALUE OF OUTSTANDING LOANS

Mr. NATCHER. What is the total number and dollar value of outstanding loans?

Mr. DOHERTY. As I testified earlier, Mr. Chairman, on January 1st we had a total of 8,000 individual borrowers and 1,152 cooperatives on the rolls, as we say, and approximately $85 million in loan funds outstanding. We had repayments of $40 million in principal and interest through June 30, 1969.

HIGH COST OF ADMINISTRATION, SUPERVISION, AND TECHNICAL ASSISTANCE

Mr. NATCHER. You are requesting $4.5 million for administration, supervision, and technical assistance for 1971. Is this not rather high, Mr. Doherty, in view of the fact that you plan to make only $14 million in new loans?

Mr. DOHERTY. We plan to make $14 million in new loans. However, I think we have to recognize that we also have 40,000 borrowers on the rolls that have to be supervised. When you combine the fact that we have to provide intensive supervision of the borrowers on the rolls, in addition we will make $14 million worth of new loans and we will enter into these innovative activities that require personnel time. For planning and development, in order to structure them effectively, we do not consider this to be a very high amount.

TECHNICAL ASSISTANCE

Mr. NATCHER. After the loan is made, what technical assistance and supervision do you provide? After the loan is made now, Mr. Doherty?

Mr. DOHERTY. FHA provides a variety of technical assistance to the borrowers. We work with them on production, on the enterprise that we are financing. If it is a farm enterprise, we work on the production and marketing aspects. We try to visit them at least once a month. We should visit them more often to discuss the problems they may be having with the enterprise.

We help them buy capital items. We give them advice on maintaining the items.

We also work with the family. We try to advise the family on such problems as finding off-farm work or where to find medical assistance in the community. These are very low-income people. Many of them are isolated people, living outside the more populous communities.

FHA tries to work not only with the family in terms of their enterprise development, but also in terms of the many problems they may have. We feel, for example, that we have been quite successful in guiding some of the family members in the direction of off-farm work. With many of the low-income borrowers we are working with in the Economic Opportunity program you have to do this. You have to combine several different approaches to the total economic and what I might term the social problems facing them. In many cases you cannot do it all with a small enterprise. You have to combine improvement in their farming with part-time employment so they can put together enough income sources to have a decent living.

LUZERNE COUNTY, PA., PROJECT

Mr. FLOOD. My community action group in Luzerne County of my district asked to meet with me last weekend when I was home.

There were about 25 or 30 who came with the supervisor of the office assigned to this particular project. They are preparing, from the synopsis that I saw, a very elaborate, obviously well-planned or studied, thought-out application. I have seen many of them.

This has to do with the operations of this program, not necessarily your particular thing but in the rural areas, having to do with education, medical services, a whole series of things devoted especially to the surrounding rural areas.

I would take for granted that this would, at some point, touch upon you. If they do, this will be submitted in due course, if it is approved by the local board of directors of the OEO through the proper channels. If and when you are made aware of this, I wish you would give some attention to it because I listened at some length to a very impressive presentation, plea, made on behalf of this kind of program. It will undoubtedly touch you some place.

You feel now that you have answered that part of the question, the last part, dealing with your followthrough and technical assistance?

Mr DOHERTY. It is what we call supervision. We feel this is a very critical part of the Farmers Home Administration operation.

Congressman Michel understands this very well from his work on the Agriculture Subcommittee.

Mr. FLOOD. As you know, Mr. Michel is on the Appropriations Subcommittee for the Department of Agriculture, and I think this would be a good time to turn this over to Mr. Michel.

Mr. MICHEL. Thank you, Mr. Chairman.

I have several questions.

GEOGRAPHIC DISTRIBUTION

Where, principally, are these loans being made? Are they made in all 50 States?

Mr. DOHERTY. They are made in all 50 States at the present time.

In fiscal 1969, for approximately 8 months FHA did concentrate them more intensively in the lowest income rural counties, mainly concentrated in the South. However, this did not make a great deal of change in the total program direction because of the nature of the problem, this is where the low-income farmers mainly are, in the South, and in Puerto Rico. All of the programs are available in Puerto Rico. So the concentration has been in the southeast mainly and Puerto Rico.

Mr. MICHEL. Do you have any repeats, individuals who have borrowed at one time, paid off the loan and come back the second time, since the inception of this program?

Mr. DOHERTY. Very few, because the program has not been running long enough.

Let me point out that we have made to a number of borrowers—close to 15 percent in 1969—other types of FHA loans. In other words, they will be receiving an OEO loan for a small enterprise and then get a small housing loan, for example.

Mr. MICHEL. Now what rate of interest do these FHA loans pay? What rate of interest prevails?

Mr. DOHERTY. Four and one-eighth percent.

Mr. MICHEL. Four and one-eighth?

Mr. DOHERTY. Yes.

Mr. MICHEL. As distinguished from the regular Farmers Home Administration loans of 5 percent?

Mr. DOHERTY. Yes.

LOANS TO COOPERATIVES

Mr. MICHEL. These loans to cooperatives, are these old cooperatives or are some of them new?

Mr. DOHERTY. They are almost entirely new. Many of them have been organized by Community Action Agencies and by our own people to serve the extremly low-income group of rural people.

There have been a few older cooperatives, however, which have had a sizable number of low-income families and therefore could meet our eligibility requirements and did not require loans. We have made a few of those. Mainly they are new cooperatives, and mainly they are what we call small machinery cooperatives. These cooperatives will have five, six, seven small farmers who have gotten together and formed a cooperative to purchase a cottonpicker or a shelling machine. They could not afford the machinery individually, so they get together and buy it as a cooperative.

Mr. MICHEL. Roughly 19 to 20 percent of the funds are going for cooperative loans, are they not?

Mr. DOHERTY. That is approximately correct; yes, sir. We would expect to increase that proportion in 1971 under some innovative approaches.

Mr. MICHEL. Have any of these cooperatives been established down in Puerto Rico?

Mr. DOHERTY. Yes, sir.

Mr. MICHEL. Here again, I assume that these loans for cooperatives are predominantly in the Southern or Southeastern part of the United States.

Mr. DOHERTY. Yes.

Mr. MICHEL. That is all.

Mr. FLOOD. Mr. Hull is also a member of the Appropriations Subcommittee for the Department of Agriculture.

Mr. Hull?

SMALL FARMING OPERATIONS

Mr. HULL. Do these people have farms?

Mr. DOHERTY. We are able under the Economic Opportunity loan programs to make loans both to farmers and to low-income people who are not on farms but are in rural areas.

Mr. HULL. What type of farms or farming?

Mr. DOHERTY. All types of farming. We have made loans to very small cotton producers, to livestock raisers, to fruit and vegetable growers.

NONAGRICULTURAL ACTIVITIES

I have to emphasize these are very small operations. On a percentage basis, approximately 42 percent of the loans have gone to people in the rural areas who do not farm, but who have used them for small nonagricultural enterprises, such as——

Mr. HULL. They would not be in the agriculture area then?

Mr. DOHERTY. They would be in the smaller towns and in the open country, providing services for some of the farmers or for the people in the smaller towns.

You see, FHA can make loans in towns of up to 5,500 population or less.

Mr. FLOOD. 5,500; that is within the actual jurisdiction of that municipality?

Mr. DOHERTY. It would be an incorporated place of less than 5,500 population, but it has to be less than 5,500 population.

Mr. FLOOD. Or less?

Mr. DOHERTY. That is right, and outside of the major metropolitan areas.

Mr. FLOOD. The applicant would have to live within that jurisdiction—that incorporated entity?

Mr. DOHERTY. He could live in the open country in an unincorporated entity or in the incorporated entity of less than 5,500.

Mr. FLOOD. What is the advantage of living in the incorporated entity as against living in the outside area?

I draw a circle here. Now this is the incorporated community A. Anybody living within there may file for a $3,500 loan. Now, suppose there is somebody immediately adjacent and contiguous but not within the incorporated area; say a hop, skip, and jump outside?

Mr. DOHERTY. If they were low-income, they would be eligible to apply for a loan.

Mr. HULL. How low do they have to be?

Mr. DOHERTY. There is no lower limit. The limit is the 5,500 population and above. Those are the areas we cannot work in because they are considered to be more urban-oriented.

DETERMINATION OF LOW-INCOME ELIGIBILITY

Mr. FLOOD. Is there an income ceiling?

Mr. DOHERTY. No, sir. We use as the general guidelines for our supervisors the so-called poverty threshold guides that OEO puts out. You are familiar with those relating to the amount of yearly income, to the number of children. We put these guidelines out for our supervisors as guides only.

Mr. FLOOD. At this point in the record, under your testimony will you insert what the yardstick of OEO is that you use for your purposes, even though we have had it two or three times?

Mr. DOHERTY. We can insert that, and the definitions we use to back it up.

Mr. FLOOD. Yes.

Mr. DOHERTY. Very well.

(The information follows:)

Guidelines Used by the Farmers Home Administration in Processing Applications for Rural Loans Made by the FHA Under Provisions of Title III (A) of the Economic Opportunity Act

EXCERPTS FROM PERTINENT FHA INSTRUCTIONS

1. Economic Opportunity loans to farmers for agricultural and nonagricultural enterprises:

A low-income farm family means an established farm family with limited assets whose income from all sources is insufficient to: Provide the family with basic needs for a minimum level of living in their community; pay necessary farm and other operating expenses; and meet required payments on their farm and other essential income-producing property.

The definition of an established farm family as used herein is a family that is farm oriented, has a farm background, has under lease or owns, or will have under lease or will own at the time of loan approval what is recognized as a farm in the community, and is producing at least a portion of their subsistence needs from crops or livestock.

2. Economic Opportunity loans to nonfarm rural families for nonagricultural enterprises:

A rural family is one whose permanent place of residence is in the open country or in any place of less than 5,500 population which is not a part of an urban area. It shall not include a family which: Lives in a closely settled area (where the principal land use and occupancy is residential or commercial) surrounding, adjacent to, or growing out of a town, village, or place of more than 5,500 population or lives in a subdivision of substantial size which is being developed in a rural area, unless a large proportion of the residents will obtain most of their income from employment in the surrounding rural area.

A low-income rural family means a family with limited assets whose income now and recently from all sources is and was insufficient to provide the family with basic needs for a minimum level of living in their community, pay necessary business or other operating expenses, and meet required payments on their essential income-producing property.

3. Economic Opportunity loans to cooperative associations:

"Cooperative association" means an incorporated or unincorporated association serving a local area (1) which is authorized to furnish essential processing, purchasing, and marketing services, supplies, or facilities to farmers and other rural residents; (2) whose members are allowed only one vote per member; (3) which is not less than two-thirds owned by low-income rural families; (4) whose members are limited to those who will avail themselves of the services and facilities furnished by the association; (5) which operates for the mutual benefit of its members; (6) whose services and facilities are furnished predominantly to low-income rural families; and (7) which is precluded from distributing more than 20 percent of its net margins or savings by way of patronage refunds or similar payments, when it is delinquent in the payment of any indebtedness owed to FHA, or when any required reserves are not being maintained.

To be eligible for a loan the applicant must be a cooperative association as defined above. A cooperative association may be one properly organized or one in process of being organized; be an association in which not less than two-thirds of the members reside in the rural community where the association operates: be unable to obtain financing from private or cooperative sources or other Federal, State, or local programs upon terms and conditions the applicant could reasonably be expected to fulfill; and plan to have sufficient income after the loan is made to meet operating and other expenses, make necessary capital purchases and replacement, and meet payments on all debts including the loan, and maintain necessary reserves.

The definition of "low-income" and "rural" as used in the instructions for Economic Opportunity cooperative loans is the same as that for Economic Opportunity loans to individuals, as set forth above.

EXCERPTS FROM FHA ADMINISTRATION LETTERS THAT FURTHER DEFINE THE FOREGOING POLICIES:

Loans will be made only to families who are diligently trying to help themselves and who will have reasonable prospects for success if the loan is made. Loans will not be made to families with large amounts of assets, high-gross in-

comes, or large net worths, even though they may meet other eligibility requirements. Loans will be made only where (1) the enterprises to be financed are feasible and adapted to and needed in the area, and (2) there is a reasonable reliable market for the product or services involved.

The Office of Economic Opportunity requires the use of uniform income guidelines for all OEO programs where family income is used to determine program eligibility. The amount of income available for family living purposes is used as one of the guidelines to consider in determining the eligibility of individual famlies for Economic Opportunity loan assistance and determining that the required ratio of the membership of a cooperative association receiving an Economic Opportunity loan is in the low-income category.

The average family is considered to be living in poverty when the amount of income available for family living does not exceed the amount shown. These guidelines are to be used with good judgment in accordance with other provisions as set forth above.

Farm families		Nonfarm families	
Number persons in family	Income available for family living	Number persons in family	Income available for family living
1	$1,500	1	$1,800
2	2,000	2	2,400
3	2,500	3	3,000
4	3,000	4	3,600
5	3,500	5	4,200
6	4,000	6	4,800
7	4,500	7	5,400
8	5,000	8	6,000
9	5,500	9	6,600
10	6,000	10	7,200
11	6,500	11	7,800
12	7,000	12	8,400
13	7,500	13	9,000

Note: For families with more than 13 members, add $600 for each additional member in a nonfarm family and $500 for each additional member in a farm family.

Mr. DOHERTY. So there will not be any misunderstanding, the population limit of the towns that we work in is simply a method Congress has established to assure that FHA will remain a service agency for rural America.

Mr. HULL. Are the towns part of it, small towns?

Mr. DOHERTY. Yes, sir.

Mr. HULL. They are, in order words, in cahoots?

Mr. DOHERTY. If the town has a population of less than 5,500 people, the individuals in that town in the low-income group are eligible to apply for a loan. Now, the towns can go down to the smallest incorporated place as well as open country areas where most of the farmers live. But when the town is over 5,500 population, that is when we stop because we then consider it to be an urban area.

LOANS MADE FOR SMALL ENTERPRISES ONLY

Mr. FLOOD. What is the purpose and intent of the loan? For what purpose can it be used? Now I am within the proper jurisdiction of 5,500, and I want a $3,500 loan. What can I use it for? To buy a Cadillac?

Mr. DOHERTY. No, sir. You have to come into the Farmers Home Administration Office and present a request to finance an enterprise that is going to lead to an increase in your income. It cannot be for

consumer goods. It must be used for a purpose that increases the capacity of the borrower to earn money. So consequently——

Mr. FLOOD. In the field in which he is now earning money or in an additional field?

Mr. DOHERTY. He must have experience in the enterprise. As an obvious example, we are not taking a woodcutter and putting him into the fishing business, unless he previously had experience as a fisherman.

Economic opportunity loans—we are financing virtually every kind of small enterprise that contributes to the economy of these areas. They are financing fishing, retail businesses, wood-cutting, trucking, small machinist operations, carpentry, small contractors, if they have had experience and can use the money to, say, buy a truck and hire an additional employee and go into a small business.

POPULAR SUPPORT FOR PROGRAM

Mr. FLOOD. What does organized labor say about this, if anything?

Mr. DOHERTY. We have never had any comments one way or the other, sir.

Mr. FLOOD. What do any or all of the large, better-known, recognized farmers' organizations or farm organizations say about it?

Mr. DOHERTY. I believe the Farmers Union supports the programs. I believe the Grange supports the program.

Mr. FLOOD. Do you not know?

Mr. DOHERTY. We need to——

Mr. FLOOD. Should you not know?

Mr. DOHERTY. We would need to go back to the origins of the OEO program to get their views as they were presented on the record. At the present time we have had no critical comments from any of these organizations. We have had no statements of criticism, to my knowledge.

Mr. FLOOD. Nobody is against it?

Mr. DOHERTY. Originally there was general support for it by the farm organizations.

GEOGRAPHIC QUALIFICATIONS FOR A LOAN

Mr. FLOOD. If the applicant lives in a community of 5,500 and he asks for a loan from you for $3,500 for this enterprise, must that enterprise be within the incorporated area?

Mr. DOHERTY. No, sir, it does not necessarily need to be in the incorporated area.

For example, he could live there and be starting up a trucking business and we gave him an opportunity to go into business for himself to serve the general area.

Mr. FLOOD. Suppose he lives in town *A*, State *B*, and he qualifies for your loan for $3,500 in this town of 5,500. Now he is a woodcutter, but he wants to engage in woodcutting in State *X*, which is 2,000 miles away.

Mr. DOHERTY. He would have to operate his enterprise within the general region in which he lived. We would not make him a loan out of a county office in State *A* so he could go over to State *B* and operate

an enterprise. If he went into State *B* and he qualified for a loan, we would make the loan, other things being equal, from our county office in that State.

Mr. FLOOD. If he is in county *X*, could he go into county *Y*, a contiguous county?

Mr. DOHERTY. If his enterprise requires it.

Mr. FLOOD. You have no rigid rule one way or the other? You use the rule of reason?

Mr. DOHERTY. We use the rule of reason except that we do not make a loan to an individual to start an enterprise over at the other end of the State or in another State.

RURAL LOANS MADE IN MISSOURI

Mr. HULL. Do we have any in Missouri?

Mr. DOHERTY. Oh, yes.

Mr. HULL. Whereabouts?

Mr. DOHERTY. Throughout the rural areas of the State.

Mr. HULL. Northwest Missouri?

Mr. DOHERTY. Yes. I can insert in the record the number of loans we have made in Missouri from the beginning.

Mr. HULL. If you would, I would appreciate it.

Mr. DOHERTY. Yes, sir.

(The information follows:)

ECONOMIC OPPORTUNITY RURAL LOANS MADE IN MISSOURI AND IN THE 6TH CONGRESSIONAL DISTRICT OF MISSOURI BETWEEN JAN. 1, 1964, AND JUNE 30, 1969

	Number	Amount
State of Missouri:		
Cooperative	15	$43,850
Individual	1,402	2,241,881
6th Congressional District of Missouri:		
Cooperative	5	12,660
Individual	245	431,129

Mr. DOHERTY. Missouri has had quite a substantial amount of OEO loans.

Mr. HULL. Particularly Northwest Missouri?

Mr. DOHERTY. Yes.

We feel the nonfarm loans not only help many of the individual borrowers, but also contributes to the general economy of some of these small rural areas.

RURAL LOANS MADE IN PENNSYLVANIA AND TEXAS

Mr. FLOOD. Now Mr. Hull has forced me to say that I would like the same information about the northeastern part of Pennsylvania, and before he has a chance to say anything for that part of Texas which is adjacent and contiguous to Houston in Mr. Casey's district.

(The information follows:)

ECONOMIC OPPORTUNITY RURAL LOANS MADE IN PENNSYLVANIA AND IN THE 11TH CONGRESSIONAL DISTRICT OF PENNSYLVANIA BETWEEN JAN. 1, 1964, AND JUNE 30, 1969

	Number	Amount
State of Pennsylvania:		
Cooperative	1	$35,000
Individual	868	1,646,588
11th Congressional District of Pennsylvania:		
Cooperative	0	0
Individual	58	107,720

ECONOMIC OPPORTUNITY RURAL LOANS MADE IN TEXAS AND IN 16 COUNTIES[1] BETWEEN JAN. 1, 1964, AND JUNE 30, 1969

State of Texas:		
Cooperative	51	$1,315,670
Individual	3,058	5,438,420
16 selected counties:		
Cooperative	4	4,700
Individual	314	552,135

[1] Matagorda, Wharton, Colorado Fayette, Washington, Austin, Fort Bend, Brazoria, Chambers, Galveston, Harris, Montgomery, Grimes Walkcr, Sad Jacinto, Liberty.

Mr. FLOOD. I take it that anyone else who wants the same kind of information can readily obtain it from your office.

Mr. DOHERTY. Yes, sir.

Mr. HULL. No more questions.

Mr. FLOOD. Mr. Casey?

Mr. CASEY. No questions.

Mr. FLOOD. Thank you very much.

Justification of the Budget Estimates

Office of Economic Opportunity

ECONOMIC OPPORTUNITY PROGRAM

Amounts Available for Obligation

	1970	1971
Appropriation	$1,948,000,000	$2,080,200,000
Transfers to:		
Economic Opportunity Loan Fund	5,600,000	500,000
Total	$1,942,100,000	$2,079,700,000

Office of Economic Opportunity

Economic Opportunity Program

Table of Estimates and Appropriations

	Estimate to Bureau of Budget	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1965	$ 947,500,000	$ 947,500,000	$ 750,000,000	$ 861,550 000	$ 800,000,000
1966	2,339,400,000	1,500,000,000	1,500,000,000	$1,510,000,000	$1,500,000,000
1967	3,389,900,000	1,750,000,000	1,562,500,000	1,662,500,000	1,612,500,000
Suppl.	75,000,000	75,000,000	(1)	75,000,000	75,000,000
1968	2,500,000,000	2,060,000,000	1,612,500,000	1,980,000,000	1,778,000,000
1969	2,180,000,000 (2)	2,180,000,000	1,873,000,000	2,088,000,000	1,948,000,000
1970	3,075,000,000	2,048,000,000	1,948,000,000 (3)	1,948,000,000 (3)	1,948,000,000
1971	2,516,000,000	2,080,200,000			

(1) Not Considered.
(2) Revised from $2,400,000,000 after Congressional enactment of a $2,180,000,000 authorization for fiscal year 1969.
(3) This is the amount agreed upon in the House-Senate Conference Committee, and the amount subsequently enacted. Prior appropriation legislation was vetoed.

Office of Economic Opportunity
Economic Opportunity Programs

Obligations by Activity
(dollars in millions)

	Fiscal Year 1970		Fiscal Year 1971	
	Positions	Obligations	Positions	Obligations
Office of Economic Opportunity				
Community Action Programs	1,147	$ 703.5	1,301	$ 775.2
Migrant Workers' Programs	69	30.9	70	35.5
VISTA	392	35.0	361	38.5
General Direction & Admin.	779	16.0	770	16.0
Subtotal, OEO	2,387	785.4	2,502	865.2
Department of Labor				
Job Corps	2,545	170.2	2,545	180.0
School & Summer Programs	809	183.9	809	208.9
Comprehensive Employment Programs		399.8		413.1
Subtotal, Dept. of Labor	3,354	753.9	3,354	802.0
Department of Health, Education and Welfare				
Head Start	326	326.0	326	339.0
Head Start Follow Through		70.3		69.0
Summer Sports Program		3.0		
Subtotal, HEW	326	399.3	326	408.0
Department of Agriculture				
Rural Loan Program	350	9.4	350	5.0
Total	6,417	$1,948.0	6,532	$2,080.2

ECONOMIC OPPORTUNITY PROGRAM

Obligations by Object
OEO PROGRAM ACCOUNTS

		1969 Actual	1970 Estimate	1971 Estimate
	Personnel compensation:			
11.1	Permanent positions	$ 32,599,000	$ 29,215,000	$ 31,849,000
11.3	Positions other than permanent	1,463,000	2,733,000	2,637,000
11.5	Other personnel compensation	853,000	1,000,000	1,000,000
11.8	Special personal service payments a/.....	43,106,000	15,300,000	16,500,000
	Total personnel compensation	78,021,000	48,248,000	51,986,000
12.0	Personnel benefits	3,979,000	2,770,000	2,980,000
21.0	Travel & transportation of persons	12,761,000	7,717,000	9,047,000
22.0	Transportation of things	173,000	140,000	199,000
23.0	Rents, communications, and utilities	4,244,000	2,666,000	3,481,000
24.0	Printing and reproduction	1,916,000	1,122,000	1,393,000
25.1	Other Services	195,548,000	101,268,000	129,986,000
25.2	Services of other agencies ...	12,631,000	7,517,000	9,760,000
26.0	Supplies and materials	893,000	421,000	497,000
31.0	Equipment	2,494,000	1,403,000	1,791,000
32.0	Lands and structures	2,587,000	1,543,000	2,007,000
41.0	Grants, subsidies, and contributions	910,309,000	610,485,000	651,948,000
42.0	Insurance claims & indemnities .	163,000	100,000	125,000
	Total obligations, OEO Program Accounts	1,225,719,000	785,400,000	865,200,000

a/ FY 1969 includes payments to Job Corps enrollees and Vista volunteers. FY 1970 and FY 1971 include payments to Vista volunteers only.

Office of Economic Opportunity

ECONOMIC OPPORTUNITY PROGRAM

Obligations by Object
ALLOCATION ACCOUNTS

		1969 Actual	1970 Estimate	1971 Estimate
	Personnel compensation:			
11.1	Permanent positions	$ 39,009,000	$ 36,347,000	$ 37,809,000
11.3	Positions other than permanent	4,188,000	2,390,000	2,136,000
11.5	Other personnel compensation	2,321,000	878,000	845,000
11.8	Special personal service payments a/	---	19,897,000	22,551,000
	Total personnel compensation	45,518,000	59,512,000	63,341,000
12.0	Personnel benefits	3,774,000	3,190,000	3,343,000
21.0	Travel & transportation of persons	2,471,000	7,232,000	8,123,000
22.0	Transportation of things	2,072,000	835,000	831,000
23.0	Rent, communications, and utilities	3,680,000	3,191,000	3,137,000
24.0	Printing and reproduction	211,000	878,000	785,000
25.1	Other Services	26,496,000	107,162,000	124,810,000
25.2	Services of other agencies	2,170,000	6,606,000	5,961,000
26.0	Supplies and materials	18,281,000	8,767,000	8,165,000
31.0	Equipment	1,538,000	2,098,000	1,382,000
32.0	Lands and structures	483,000	2,499,000	1,195,000
41.0	Grants, subsidies, and contributions	609,218,000	955,070,000	993,762,000
42.0	Insurance claims and indemnities	9,000	106,000	106,000
95.0	Quarters and subsistence charges	-54,000	-446,000	-441,000
		715,867,000	1,156,700,000	1,214,500,000

a/ FY 1970 and FY 1971 include payments to Job Corps enrollees. In FY 1969 these payments are included in Schedule-Obligations by Object-OEO Program Accounts.

ECONOMIC OPPORTUNITY LOAN FUND
(Dollars in thousands)

Total Revolving Fund	FY 1970	FY 1971
Carryover from past fiscal year.....	-$ 4,846	$16,517
Annual loan level 1/.....	+ 4,500	14,000
Principal repayments	- 10,500	9,100
Carryover to next fiscal year	+ 16,517	10,398
Interest income and other revenue 2/..	- 3,630	2,791
Interest and other expense 2/.....	+ 3,859	4,510
NOA	$ 5,900	$ 500

1/ Obligations
2/ Accrual basis

Office of Economic Opportunity
Economic Opportunity Programs

PERSONNEL SUMMARY

	1969 Actual	1970 Actual	1971 Estimate
OFFICE OF ECONOMIC OPPORTUNITY			
Total number of permanent positions	2,856	2,387	2,502
Full time equivalent of all other positions	152	270	260
Average number of all employees	3,088	2,545	2,712
Average GS grade	9.8	9.9	9.9
Average GS salary	11,103	12,842	12,982
ALLOCATION ACCOUNTS			
Total number of permanent positions	3,429	4 030	4,030
Full time equivalent of all other positions	698	234	234
Average number of all employees	4,510	3,972	4,021
Average GS grade	8.5	9.2	9.2
Average GS salary	9,462	10,889	10,912

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OFFICE OF ECONOMIC OPPORTUNITY

Research, Development, and Evaluation

Summary of Changes

1970 Estimate	$ 75,600,000
1971 Estimate	118,300,000
Total Change	+$ 42,700,000

Increases:	
Day Care	$ 15,550,000
Research, Development and Demonstration	15,880,000
Evaluation	10,570,000
Program Administration	700,000
Net Change	+$ 42,700,000

Explanation of Changes

Each program will be treated separately on subsequent pages.

Day Care

Research and Development

Summary of Changes

1970 Estimate	$ 4,450,000
1971 Estimate	20,000,000
Total Change	+$15,550,000

Explanation of Changes

In FY 1970 the Office of Economic Opportunity Day Care program will fund a number of studies to survey the existing field, feasibility studies for developmental projects and planning grants for several demonstrations to test different administrative and funding mechanisms. In FY 1971 the operational costs of the developmental projects and demonstrations will be funded. A comprehensive evaluation of the program and extensive dissemination activities will be also funded.

Research, Development and Demonstration

Research, Development and Evaluation

Summary of Changes

1970 Estimate	$56,970,000
1971 Estimate	72,850,000
Total Change	+$15,880,000

Explanation of Changes

The change in this activity is primarily due to the planned increase in developmental and demonstration projects. In FY 1971 programs involving early childhood development, expansion of individual choice, strengthening state and local institutions and other areas.

Title II Evaluation
Research, Development and Evaluation

Summary of Changes

1970 Estimate	$10,580,000
1971 Estimate	21,150,000
Total Change	+$10,570,000

Explanation of Changes

The change in this activity is primarily due to the planned increase in Type II evaluation, particularly those involving new research, development and demonstration programs in FY 1971.

Research, Development, Demonstration and Evaluation
Program Administration

Summary of Changes

1970 Estimate	$3,600,000
1971 Estimate	4,300,000
Total Change	+$ 700,000

Explanation of Changes

The change in this activity is due chiefly to an increase of 27 man-years of effort in those Headquarters organizations charged with the responsibility for administering the research, development, demonstration and evaluation activities of the agency. The overall funding increase, as well as the growth in the diversity and number of projects in FY 1971 requires more administrative effort.

Health and Nutrition Programs

Summary of Changes

1970 Estimate	$155,200,000
1971 Estimate	176,800,000
Total Change	+$ 21,600,000
Increases:	
Family Planning	$ 7,400,000
Comprehensive Health Services	66,000,000
Program Administration	500,000
	$ 73,900,000
Decreases:	
Emergency Food and Medical Services	$ 15,800,000
Drug Rehabilitation	1,500,000
Alcoholic Counseling and Recovery	5,000,000
Comprehensive Health Services	30,000,000
	52,300,000
Net Change	+$ 21,600,000

Explanation of Changes

Each program will be treated separately on subsequent pages.

Family Planning

Summary of Changes

1970 Estimate	$16,600,000
1971 Estimate	24,000,000
Total Change	+$ 7,400,000

Explanation of Changes

As indicated in the Family Planning justification (pages 158-160), a total of $22 million is being spent for this program in fiscal 1970, including $5.4 million of research and pilot funds. The net increase of $2 million will be used for further development of improved ways to deliver family planning services, such as hospital-based projects offering services to women at the time of childbirth.

Comprehensive Health Services

Summary of Changes

1970 Estimate	$ 74,000,000
1971 Estimate	110,000,000
Total Change	+$ 36,000,000
Increase:	
Comprehensive Health Services	+$ 66,000,000
Decrease:	
Comprehensive Health Services	-$ 30,000,000
Net Change	+$ 36,000,000

Explanation of Changes

The $30 million decrease reflects a planned transfer of about 15 ongoing projects to the Department of Health, Education, and Welfare. The net increase of $36 million will be used to develop new approaches to delivery of comprehensive health care. New projects will include prepayment systems, models especially suited to rural settings, restructuring of hospital outpatient departments, and comprehensive care designed on a community-wide basis.

Health and Nutrition-Program Administration

Summary of Changes

1970 Estimate	$2,300,000
1971 Estimate	2,800,000
Total Change	+$ 500,000

Explanation of Changes

The estimate for Program Administration in the Health and Nutrition Programs increases $500,000 in FY 1971. All of this increase is due to additional man-years of effort, from 112 man-years in FY 1970 to 137 man-years in FY 1971.

Emergency Food and Medical Services

Summary of Changes

1970 Estimate	$48,800,000
1971 Estimate	33,000,000
Total Change	-$15,800,000

Explanation of Changes

New projects in FY 1970 will not need refunding in FY 1971. New CAA project emphasis is on ancillary services and local reforms to implement Food Stamps. More focused research and development on carefully selected areas is planned.

Drug Rehabilitation

Summary of Changes

1970 Estimate	$4,500,000
1971 Estimate	3,000,000
Total Change	-$1,500,000

Explanation of Changes

Although the request for 1971 is below the 1970 allocation, the program level will not be reduced in the budget year. Significant new efforts are being developed to deal with addiction problems, but program growth is being phased over both 1970 and 1971. Some of the new projects being initiated in 1970 will not require refunding until 1972; another reason for the decrease in dollars is that several ongoing narcotics rehabilitation projects are being extended by the Office of Economic Opportunity for the last time in 1970.

Alcoholic Counseling and Recovery

Summary of Changes

1970 Estimate	$9,000,000
1971 Estimate	4,000,000
Total Change	-$5,000,000

Explanation of Changes

Although the request is below the 1970 allocation, the program level will not be reduced in 1971. The new projects being developed represent a great expansion over past Office of Economic Opportunity activities concerned with alcoholism, but program growth is being phased over both 1970 and 1971. Of the $9 million in 1970 funds, at least $5 million is being used for projects which will not require refunding until 1972. The $4 million request will support continued development of some projects initiated in 1970, and also new efforts in a number of areas.

Legal Services Program

Summary of Changes

1970 Estimate	$53,800,000
1971 Estimate	63,400,000
Total Change	+$ 9,600,000

Increases:

Program Operations	9,100,000
Program Administration	500,000
Net Increase	$ 9,600,000

Explanation of Changes

Each program will be treated separately on subsequent pages.

Legal Services - Program Operations

Summary of Changes

1970 Estimate	$51,900,000
1971 Estimated NOA	$61,000,000
Total Change	+$ 9,100,000

Explanation of Changes

The $9,100,000 requested increase for Legal Services will permit program operation of training and technical assistance and evaluation functions: refunding of FY 1970 programs funded at the end of FY 1969 to establish new thrust; maintenance and stabilization of existing programs, and improvement of evaluation, reporting, and management of Legal Services programs.

Legal Services - Program Administration

Summary of Changes

FY 1970 Estimate	$1,900,000
FY 1971 Estimate	2,400,000
Total Change	+$ 500,000

Explanation of Changes

The change in Program Administration is due chiefly to an approved staff increase of 27 man-years of effort in this program, most of which will be in the ten regional offices.

Community Action Operations Program

Summary of Changes

1970 Estimate	$382,100,000
1971 Estimate	384,600,000
Total Change	+$ 2,500,000

Increases:

State Government Economic Opportunity Offices	$ 5,000,000
Senior Opportunities and Services	1,000,000
Program Administration	1,500,000
Total Increases	$ 7,500,000

Decreases:

Neighborhood Service Systems	$ 2,000,000
Youth Development Programs	2,000,000
Community Action Agency Administration	900,000
Training and Technical Assistance	100,000
	5,000,000

Net Change +$ 2,500,000

Explanation of Changes

Each program will be treated separately on subsequent pages.

State Government Economic Opportunity Offices

Summary of Changes

1970 Estimate	$ 9,000,000
1971 Estimate	14,000,000
Total Change	+$ 5,000,000

Explanation of Changes

The increase of $5 million is necessary to increase the capability of the State Economic Opportunity Offices to meet their expanding role. Fifteen new Special Technical Assistance Program projects and ten additional Planning Development Program projects are planned. Funds will be available for selective staff and salary increases and for in service training. Additional program funds will be needed to provide seed money for SEOO catalytic activities and to build upon the results of demonstrations mounted in FY 1970.

Senior Opportunities and Services

Summary of Changes

1970 Estimate	$6,800,000
1971 Estimate	7,800,000
Total Change	+$1,000,000

Explanation of Changes

The $1 million increase will be used to mount new projects in rural areas, where the local resource service base is very inadequate, and to perform rural outreach and referral through replication of Project FIND and Senior Service Centers.

Community Action Operations-Program Administration

Summary of Changes

1970 Estimate	$14,900,000
1971 Estimate	16,400,000
Total Change	+$ 1,500,000

Explanation of Changes

The Program Administration requirements for the Community Action Operations Program are estimated at $16.4 million. This is an increase of $1,500,000 from the previous year. The principal reason for this increase is the addition of approximately 77 man-years of effort in the regional offices. This upward adjustment in administrative resources is caused by the expansion from seven to ten regions, with the new regions fully operational in FY 1971.

Neighborhood Service Systems

Summary of Changes

1970 Estimate	$107,000,000
1971 Estimate	105,000,000
Total Change	-$ 2,000,000

Explanation of Changes

The number of neighborhood service systems is expected to remain constant in 1971, but improved management and additional external technical assistance should result in a $2 million reduction.

Youth Development Programs

Summary of Changes

1970 Estimate	$32,000,000
1971 Estimate	30,000,000
Total Change	-$ 2,000,000

Explanation of Changes

Emphasis will be placed on full year activities, with spinoff of successful projects to local delegate agencies reducing total requirements by $2 million.

Community Action Agency Administration

Summary of Changes

1970 Estimate	$42,900,000
1971 Estimate	42,000,000
Total Change	-$ 900,000

Explanation of Changes

Tightened management of community action agencies will permit a modest reduction of $900,000 from 1970.

Training and Technical Assistance

Summary of Changes

1970 Estimate	$22,500,000
1971 Estimate	22,400,000
Total Change	-$ 100,000

Explanation of Changes

Although the New Obligational Authority is estimated to be $100,000 less than in FY 1970, this reduction will be offset because T&TA will no longer be required to fund $1.5 million in support activities for Legal Services. Provision has been made for this function within the Legal Services FY 1971 budget.

Special Impact Programs

Summary of Changes

1970 Estimate	$36,800,000
1971 Estimate	32,100,000
Total Change	-$ 4,700,000

Increase:

Program Administration	$ 200,000

Decreases:

Community Development Corporations Program	$ 200,000
Opportunity Funding Program	3,500,000
New Mechanisms Program	1,200,000
Total Decreases	$4,900,000
Net Change	-$4,700,000

Special Impact - Program Administration

Summary of Changes

1970 Estimate	$ 900,000
1971 Estimate	1,100,000
Total Change	+$ 200,000

Explanation of Changes

The change in Program Administration results primarily from an increase of eight man-years of effort in FY 1971. This small growth is necessitated by the changing emphasis of the operating program.

Special Impact Programs--Program Operations

Summary of Changes

1970 Estimate	$35,900,000
1971 Estimate	31,000,000
Total Change	-$ 4,900,000

Decreases:

Community Development Corporation Program	200,000
Opportunity Funding Program	3,500,000
New Mechanisms Program	1,200,000
Net Change	-$4,900,000

Explanation of Changes

The Opportunity Funding Program will not require the same level of funding in 1971 for use in Special Impact areas since the number of these areas will remain essentially the same as in 1970. Because of the nature of the program, funds will not be expended on a periodic basis so as to require a given level of refunding.

Special Programs for Migrants and Seasonal Farm Workers - Summary

Summary of Changes

1970 Estimate	$30,900,000
1971 Estimate	35,500,000
Total Change	+ $ 4,600,000

Increases:

Reemployment and Adjustment Projects	$ 268,000
Education and Opportunity Improvement	3,000,000
Housing and Enterprise Development Aid	332,000
In-Stream Migrant Assistance	300,000
Grantee Migrant Program Direction	600,000
Program Administration	100,000
Net Change	+ $ 4,600,000

Explanation of Changes

Each program will be explained on subsequent pages.

Special Programs for Migrants and Seasonal Farm Workers - Operations

Summary of Change

1970 Estimate	$29,500,000
1971 Estimate	34,000,000
Total Change	+$ 4,500,000
Increases:	
Reemployment and Adjustment Projects	$ 268,000
Education and Opportunity Improvement	3,000,000
Housing and Enterprise Development Aid	332,000
In-Stream Migrant Assistance	300,000
Grantee Migrant Program Direction	600,000
Total Increases:	+$ 4,500,000

Explanation of Changes

Re-employment and Adjustment Projects: The 1971 request will permit training for re-employment in non-farm jobs of an estimated 4,000 adults. Almost 8,000 family members will be assisted in adjusting to a new way of life.

Education and Opportunity Improvement: Program expansion in 1971 will raise the full-time enrollee level to 10,100 while increasing the total, non-resident, enrollment to 26,500.

Housing and Enterprise Development Aid: Goal of 1,200 new housing starts is anticipated in 1971 in various housing, rehabilitation and community improvement projects.

In-Stream Migrant Assistance: Expanded outreach of emergency services and centers will increase participation by some 24,000 people in 1971.

Local Migrants Program Support: Program expansion necessitates a moderate increase in administration and training costs. In addition, a substantial increase in technical assistance is requested to insure program effectiveness.

Migrant and Seasonal Farm Workers - Program Administration

Summary of Changes

1970 Estimate	$1,400,000
1971 Estimate	1,500,000
Total Change	+$ 100,000

Explanation of Changes

Essentially no change is estimated in the administrative resources allocated to this program. The slight increase in cost is due to the pay raise and other mandatory salary increases.

Volunteers in Service To America (VISTA)

Summary of Changes

1970 Estimate	$ 35,000,000
1971 Estimate	38,500,000
Total Change	+$ 3,500,000

Increase

Program Operations	$ 4,000,000

Decrease

Program Administration	$ 500,000
Net Change	+$ 3,500,000

Volunteers In Service To America (VISTA)--Program Operations

Summary of Changes

1970 Estimate	$ 27,000,000
1971 Estimate	$ 31,000,000
Total Change	+$ 4,000,000

Explanation of Changes

The additional VISTA Operations funds will be used to increase VISTA's activities in the areas of education, health, economic development, and housing. Of particular importance will be an increase in education projects initiated as part of the President's plan to provide more aid to school districts which are desegrating or which have a high percentage of students of racial minorities. Over 700 Volunteers will start working on new educational projects between June 30, 1970, and June 30, 1971, to meet this commitment.

Volunteers In Service To America (VISTA)--Program Administration

1970 Estimate	$ 8,000,000
1971 Estimate	$ 7,500,000
Total Change	-$ 500,000

Explanation of Changes

This net decrease results from a reduction of 31 man-years of effort in the Headquarters staff. This reduction in administrative resources allocated to this program is considered consistent with the maturing of the operating program and the payout of management improvements instituted in past years.

General Support

Summary of Changes

1970 Estimate	$16,000,000
1971 Estimate	16,000,000
Total Change	$ -0-

Explanation of Changes

No change.

Research, Development, and Evaluation

FY 1970 Estimate	FY 1971 Estimate	Increase
$75,600,000	$118,300,000	$42,700,000

Introduction

Research and evaluation funded from Sections 232 and 233 of the Economic Opportunity Act includes:

-- Day care research and evaluation designed to assess and plan for alternative ways of expanding adequate day care efforts in the United States.

-- Research, development and demonstration in six areas: (1) early childhood development, (2) education, (3) structural changes and job opportunities, (4) economic development (5) community development and (6) other activities.

-- Evaluation to determine (1) the overall effectiveness of various anti-poverty programs and (2) the relative effectiveness of different approaches and techniques used by these programs.

Summary Table

	FY 1970 Estimate	FY 1971 Estimate	Increase
Day Care	$ 4,450,000	$ 20,000,000	+$15,550,000
Research, Development and Demonstration	56,970,000	72,850,000	+ 15,880,000
Evaluation	10,580,000	21,150,000	+ 10,570,000
Program Administration	3,600,000	4,300,000	+ 700,000
Total	$75,600,000	$118,300,000	+$42,700,000

Each of these programs is fully discussed in the following pages.

Day Care

FY 1970 Estimate	FY 1971 Estimate	Increase
$4,450,000	$20,000,000	$ 15,550,000

Introduction

A substantial number of poor families in the United States would be enabled to attain economic self-sufficiency if the mother were able to work; however, the necessity that the mother remain at home to care for her children is an obstacle to doing so. This is true both in the case of one-parent families who may be on welfare and in two-parent families where the incremental income the mother could earn would be enough to raise the family over the poverty threshold. In addition, a large number of low-income working mothers have already made substandard care arrangements and might be expected to use improved services.

For many years relatively limited day care resources have been available to low-income families; however, a substantial movement to provide large-scale day care as a public service is now in progress. The single largest impetus is the proposed Family Assistance Program which would provide day care to 150,000 welfare mothers to enable them to take employment or job training. In addition, several Congressionally-initiated proposals are pending. The usefulness of providing day care to upper low-income or middle-class parents under a fee schedule has been debated but no policy has been established. A substantial amount of information about these issues is needed.

The Office of Economic Opportunity is therefore funding a developmental day care program to provide answers for those questions.

Purpose and Scope

The purpose of the Office of Economic Opportunity's research, development and demonstrations in day care is to obtain information and experience useful in (1) assessing and planning alternative ways of bringing about a major expansion of adequate day care in the United States, and (2) strengthening both existing and new day care efforts. Since the first day care programs could become operative early in calendar year 1971 if the Family Assistance Plan is approved by the Congress this year, the Office of Economic Opportunity R&D program is designed to provide information as rapidly as possible for use in expansion and also start projects with a longer term payoff of use to the whole field. Specific questions to be addressed include: What is the extent and adequacy of existing day care services, both federally sponsored and otherwise? What is the quantity and nature of demand for day care from different potential groups of day care users? What types of programs are most effective in providing positive experiences for mothers and children? What is the effect of receiving day care on the mothers' economic status, and what economic benefits accrue to the community? Specific activities will assess the effects of programs upon mothers, children and the community. Criteria for evaluation will include both qualitative and quantitative data, including cost benefit studies where appropriate.

It is hoped that one result of the Office of Economic Opportunity program will be better estimates of day care demand. A preliminary survey conducted earlier this year estimated the universe of need on a narrowly defined basis of female-headed, poor families to be 1,260,000 children, of whom 195,000 were 3-5 years old and 1,095,000 6-13 years old, or school-age. If the universe of need takes in all poor families (two-parent, as well as one-parent), 3,450,000 children are included, of whom 630,000 are age 3-5 and 2,820,000 age 6-13. By comparison, in 1969, it is estimated there were some 500,000 day care spaces available in licensed facilities.

Program and Performance in Fiscal Year 1970

In FY 1970, the Office of Economic Opportunity is funding a number of projects from Section 232 designed to provide information useful in planning the launching of a major expansion of federally-supported day services in early calendar 1971. Projects being funded are as follows:

1) Several studies to develop a compendium of information on federal, state and local day care assistance; licensing codes, market characteristics and demand for day care services. A "state of the art" survey of existing practices in the field as well as mechanisms for disseminating information on good day care practices will be initiated.

2) Feasibility studies and planning grants for the design and development of several day care developmental projects.

3) Planning for several demonstrations designed to examine alternative funding and administrative mechanisms for day care programs.

Program and Performance in Fiscal Year 1971

The Office of Economic Opportunity will sponsor a variety of experimental day care programs under Section 232 in FY 1971. These will be generally linked to employment programs. These will test the effects of different types of care and delivery systems on mothers, families and children and also meet pressing local needs. In addition to measures of participant impact, some assessment of the various components and modes or organization will be made. For example, different types of delivery systems, such as "client selection" and contract systems will be tested. Standard evaluation criteria of quality and cost of care, equity of treatment and flexibility for growth and expansion will be employed.

The entire range of issues relevant to federal day care policies and programs will be explored, including: funding systems (e.g., educational "vouchers" versus project sources of grants); non-federal funding -- including capital requirements and role of the private sector care; day care expansion problems in urban and rural areas; physical facilities; cost-effectiveness of various types of day care projects; effects of heterogeneous and homogenous groupings in day care centers; and desirable social effects of day care programs, e.g., use of subprofessionals and volunteers. Extensive dissemination of experimental findings will be carried out.

Research, Development and Demonstration

FY 1970 Estimate	FY 1971 Estimate	Increase
$56,970,000	$72,850,000	$15,880,000

Introduction

Research, development and demonstration programs of the Economic Opportunity Act are designed to serve as the basis for planning a national program for alleviating poverty and providing equality of opportunity.

1. Research consists of systematic analyses of the causes of poverty and evidence on the relationships between economic, social educational and other factors and the incidence of poverty and/or the equality of opportunity. It may also involve the examination of a clearly-stated hypothesis through controlled variation of policy instruments, generally utilizing well designed control or reference groups.

2. Development is intended to transform accepted hypotheses concerning program objectives and means into workable program models. Emphasis is placed upon the development of administrative procedures and program and training materials. Developmental projects are usually undertaken in clusters so that alternative project designs may be examined. An evaluation design is normally an integral part of the development effort.

3. Demonstration is primarily a means of demonstrating a proven program concept. Its function is, in large part, the dissemination of information concerning these concepts.

Purpose and Scope

The persistence of poverty in this country despite the past growth of the national economy and a growing system of social welfare programs underlines the need for developing new tools which can be used to help the poor become self-sufficient. In the past, Research, Development and Demonstration efforts within the Office of Economic Opportunity have tended to be fractionated and diffuse. Now, however, the Office is seeking to implement a more coherent strategy based on judgments as to the state of knowledge about a problem area and the urgency of the need to improve that knowledge. This strategy emphasizes the following thrusts:

1. Early childhood development focuses on Parent Child Centers and further work associated with Head Start. It is clearly allied with day care Research, Development and Demonstration which is described elsewhere in this book.

2. Education covers all phases of this process: elementary, secondary, college and adult. Special emphasis is given innovative concepts, such as educational voucher concept that promises an expansion in the types of education available to the poor.

3. Structural changes and job opportunities include efforts to improve placement mechanisms, create new job opportunities and break down unnecessary barriers to existing opportunities.

4. Economic development is an adjunct to the Research, Development and Demonstration efforts described under the Special Impact Program elsewhere in the justifications. This work is oriented towards meeting problems of resource mobilization in localities characterized by economic and social deterioration.

5. Community development includes a wide variety of Research, Development and Demonstration activities dealing with the special needs of urban and rural communities and of all communities in the consumer, housing, legal, health and other fields.

6. Other Research, Development and Demonstration includes a variety of projects concentrating on problems that are basic to the eradication of poverty.

Under the reorganized Office of Economic Opportunity two organizations are responsible for carrying out the bulk of Section 232 research, development and demonstration activities.

1. The Office of Planning, Research and Evaluation has an enhanced mission of research in addition to other functions related to its agency-wide and government-wide overview of the conduct of the anti-poverty program. It grew out of the former Office of Research, Plans, Programs and Evaluation.

2. The Office of Program Development was the major new element created in the reorganization. It has broad responsibilities for development and demonstration programs.

Three other offices -- Health Affairs, Legal Services and Operations -- also carry out specialized Research, Demonstration and Development activities related to their specific program responsibilities.

Program and Performance for Fiscal Year 1970

In FY 1970, an estimated $56,970,000 of Section 232 funds is being spent on Research, Demonstration and Development activities. These activities include projects under all six of the categories shown above. The following projects are illustrations:

Parent-Child Developmental Centers focus on the developmental problems of infants from zero to three years old and seek to utilize the parent as the major means of intervention with the child. In FY 1970 each center has developed a three-year research and evaluation plan, and it is expected that activities based on these plans will lead to the development of improved descriptive and curriculum materials which can be used by other similar centers.

Educational vouchers are perhaps the most frequently discussed alternative to the present system of financing public education. This is a plan in which parents receive a fixed sum, usually thought of as equivalent to the per capita expenditure of the local public school system, for each school-age child in their families. These vouchers can be used to "buy" the childrens' education in a variety of eligible public and private schools. The object is to improve education by increasing the range of choices available to the parent and by, in effect, creating a more competitive educational market.

Last Fall, the Office of Economic Opportunity funded a grant to plan a major educational voucher development and demonstration effort. Overall planning is well underway and detailed planning for a five-year project, scheduled to begin September 1971, is beginning.

Project Pacemaker. The Office of Economic Opportunity is launching a demonstration to show that state and local jurisdictions can make much greater use of disadvantaged persons in public service employment, through the removal of existing unnecessary administrative and procedural barriers. This project is based on the findings of an initial pilot program with the National Civil Service League. It is estimated that, of the 500,000 new jobs to be created each year in state and local governments, a minimum of 100,000 could go to the poor if existing barriers were removed; and another 100,000 could go to the poor through positive changes in existing systems.

Family Planning. As noted in the Health and Nutrition section of the justification, Section 232 funds are being used for research and pilot projects concerned with family planning in FY 1970. Most of the funds will be allocated for new projects testing improved patterns of organizing family planning services.

A large part of the effort is being devoted to increasing post-partum services in hospitals, since this approach offers potential for expanding services rapidly and economically. Around the time of childbirth, many women request or express interest in family planning assistance. There is a definite need for information to be available on the details of contraception and its relevance to the health and well-being of the entire family in the hospital and pre-natal clinic. Various ways to provide effective and personalized counseling need testing and evaluation, since patients must fully understand the potential benefits of family planning to make an informed decision about acceptance. Follow-up care needs to be organized in hospital outpatient departments, satellite or special family planning clinics, and in private physicians' practices.

Coordinating councils are also being established in a number of cities and multi-county rural areas. The councils' organization and work will vary, depending on the status of local family planning efforts. In some places, councils will concentrate on improving service efficiency; in others, the initial objective will be to facilitate effective program planning. Improved cooperative systems of outreach, follow-up, and evaluation must be implemented.

State-Incentive Program grants are being made to State Economic Opportunity Offices for administrative-type development and demonstration projects. These grants involve the following: resource mobilization and legislative involvement, advocacy of the poor and planning capabilities. They also involve greater state involvement in some of the administrative functions now carried out by the Office of Economic Opportunity's Regional Offices.

Graduated Work Incentive Experiments are designed to test the effect of income maintenance programs on work effort. The New Jersey urban experiment concentrates on the work effort response of families headed by prime age males whereas the rural experiment extends this investigation to families headed by females and aged individuals. Only very preliminary findings have now been released from the New Jersey experiment but these findings indicate that there is no evidence that work effort declined among those receiving income support payments. These findings have assumed considerable importance because the New Jersey experiments is similar in many ways to the Family Assistance Plan which has been proposed by the President. While there are some important differences between the experiment and FAP, it is thought that these provisions will have a positive effect on work incentive, so that the findings from the New Jersey experiment give a conservative estimate of the trends that are likely to be seen with the implementation of FAP.

Program and Performance for Fiscal Year 1971

In FY 1971, the Office of Economic Opportunity proposed to spend $72,850,000 of Section 232 funds on Research, Development and Demonstration programs. This money would be used to undertake new projects and continue present projects in all six areas of emphasis.

1. Early Childhood Development would involve two major efforts, continuation of the Parent-Child Developmental Centers begun in FY 1970 and establishment of several new early childhood experimental centers.

2. Education research, development and demonstration would involve two major areas, both begun in FY 1970: (1) a major effort to test the educational voucher concept and (2) a number of developmental projects designed to increase the ability of community colleges to meet the special educational needs of the poor.

3. Structural changes and job opportunities would involve a significant expansion of the Pacemaker project, which was begun in 1970, and substantial effort in the manpower planning area.

4. Economic development would continue existing resource mobilization activities, primarily in the area of cooperatives.

5. Community development would continue existing research, development and demonstration activities, except family planning activities which will be financed under Section 222 authority. Some expansion is planned for projects emphasizing housing and consumer problems, projects to determine better ways to use volunteer assistance and projects concentrating on rural areas.

6. Other research, development and demonstration will continue existing activities, primarily in the income maintenance area.

Evaluations

1970 Estimate	1971 Estimate	Increase
$ 10,580,000	$ 21,150,000	$ 10,570,000

Introduction

Evaluation activities performed under Sections 232 and 233 fall into two major categories:

> Type I evaluations are designed to determine the overall impact and effectiveness of various anti-poverty programs.
>
> Type II evaluations are designed to determine the relative effectiveness of different strategies, approaches and techniques used by anti-poverty programs.

Sections 232 and 233 authority is also used to fund a limited amount of Type III evaluation activities. These evaluations are designed to determine the efficiency and effectiveness of individual operating projects and are also funded under other authorities in the Economic Opportunity Act.

Purpose and Scope

Type I evaluations are designed to cover the broad range of all anti-poverty programs: manpower, education, health, legal services and others. Though primarily concerned with programs financed under the Economic Opportunity Act, these evaluations also cover other federal and nonfederal programs. They concentrate on the objectives of such programs to the extent to which they are being met and their relevance to the basic goals of the anti-poverty effort itself.

Type I evaluations are carried out by the Office of Planning, Research and Evaluation, generally under contract with qualified research organizations.

Type II evaluations tend to be more limited in scope than Type I evaluations. They concentrate primarily on programs financed under the Economic Opportunity Act and are designed to assist the administrators of those programs to assess the relative effectiveness of different program strategies, approaches and techniques. Type II evaluations play an especially significant role in the design of new programs, through the assessment of the development and demonstration projects described elsewhere in the justification. The bulk of the FY 1971 increase will be used for assessment of development and demonstration projects.

Program and Performance for Year 1970

The following are illustrative of the kind of work being undertaken with the $10,580,000 available for evaluation in FY 1970.

Type I Evaluations

1. Longitudinal evaluation of selected manpower programs. This study is following a representative sample of enrollees in each of four different manpower programs from the time they enter, through their training experience, and for a period of a year and a half following their completion of the training program. The study will provide the basis for comparing both the various programs and the various training elements of the programs.

2. Study of community action. This project has studied 100 American communities regarding the impact of the Community Action Program on the responsiveness of local organizations to the poor, and the identification of the types of Community Action Programs associated with changes in the behavior of local institutions, as well as a characterization of the reactions of the poor themselves.

3. Evaluation of the family planning program. The purpose of this project is to determine the extent to which family planning programs supported by the Office of Economic Opportunity are providing desired family planning services and to assess the effect of such services on the fertility, behavior and poverty status of women who have used the programs.

4. Evaluation of legal services program. This project is assessing the extent to which the Legal Services Program is achieving its basic objective of furnishing comprehensive legal services to the poor.

5. Analysis of adult basic education. This project involves the collection and analysis of all available existing information on program design and effectiveness of adult basic education programs relevant to on-the-job training .

6. Evaluation of neighborhood health centers. This project is assessing the extent to which eighteen fully operational health centers are achieving their basic objective of providing comprehensive health care to the poor.

Type II Evaluations

1. Economic development. This work involves studies of rural cooperatives, urban consumer cooperatives, the Office of Economic Opportunity's system for mounting economic development activities under Title I-D of the Economic Opportunity Act and other activities.

2. Human resources development. Work in this area will undertake evaluation of such activities as the prison education and project Pace Maker.

3. Community Development. Studies being undertaken involve rural self-help learning, police-community relations activities, neighborhood programming and other activities.

Program and Performance for Fiscal Year 1971

The $21,150,000 programmed for FY 1971 will be used as follows:

--Type I evaluations will concentrate on manpower rural loans, community action, migrant, emergency food, family planning and new education programs. A major effort will be made to evaluate selected anti-poverty programs not administered by the Office of Economic Opportunity.

--Type II evaluations will expand significantly as required by the expansion of development and demonstration program activities. New evaluations will involve economic development, early childhood and education. These areas will consume a significant portion of the total projected budget for Type II evaluations. Other evaluation work will involve the areas of community development, consumer environmental affairs, housing, employment and communications.

Education performance contracting will also be the subject of extensive evaluations, both Types I and II. Performance contracting is a method of procurement which makes payment to the contractor subject to objective measures of performance, in this case gains in student achievement scores. The Office of Economic Opportunity plans to study both the concept of performance contracting and the educational techniques used by the contractors. It is anticipated that this study will take the form of a major national experiment.

In addition, there will be an expansion in the section 232 and 233 funds devoted to Type III evaluation of Community Action Agencies and legal service programs.

Research, Development, and Evaluation--Program Administration

1970 Estimate	1971 Estimate	Increase
$3,600,000	$4,300,000	$700,000

Purpose and Scope

This item includes the salaries and expenses of Federal personnel required to administer Research, Development, Demonstration, and Evaluation activities of the Office of Economic Opportunity. The responsibility for these activities falls chiefly to two Headquarters organizations; the Office of Planning, Research, and Evaluation, and the Office of Program Development.

Office of Planning, Research and Evaluation (PRE)--This office existed in the old organization under the title of Research, Plans, Programs and Evaluation. Its R&D functions remain essentially the same and include:

(1) Being the Federal center for research on poverty;

(2) Providing analytical support for maximizing resources for the poor;

(3) Evaluating the effectiveness of Federal programs for the poor.

Office of Program Development - The Office of Program Development (OPD) was one of the principal changes in the reorganization of OEO. It was created out of many activities in the former Community Action Program organization which related to development of new programs. These include identification of need, design to experimental programs, operation and expansion of pilot programs, evaluation, and the development of mechanisms for transferring successful programs to full-scale operation within or outside the agency. This office is organized basically along program lines with separate functional divisions for education, manpower, community development, and the like.

Also within this office is a separate division responsible for conducting evaluations of demonstrations and developmental programs. These evaluations are contrasted to those performed in PR&E in that they focus on the kind of information needed by the program designer and program operator, while the evaluations in PR&E focus on the overall effectiveness of the agency's anti-poverty effort.

Program and Performance in Fiscal Year 1970

During FY 1970 approximately 177 man-years of effort have been devoted to research, development, demonstration and evaluation, at an estimated cost of $3,631,000.

Program and Performance for Fiscal Year 1971

For FY 1971, it is planned to increase the effort in these activities from 177 man-years to 204 man-years in keeping with an expanding program. Most of this increase is in the Office of Planning, Research and Evaluation.

Health and Nutrition Programs

1970 Estimate	1971 Estimate	Increase
$155,200,000	$176,800,000	$21,600,000

Introduction

The Office of Economic Opportunity conducts five health and nutrition programs under Section 222 of the Economic Opportunity Act. Comprehensive Health projects explore new ways to organize and deliver a full range of outpatient services to poor families. Each of the other programs, however, is focused on a specific health-related need, such as improved nutrition or drug rehabilitation.

Individual projects are planned and implemented with close involvement of consumers and a wide variety of other community groups, such as medical societies and health departments. This involvement helps to ensure that all projects are responsive to the needs of the particular communities they are designed to serve, and that all available resources are effectively mobilized.

	FY 1970 Estimates	FY 1971 Estimates	Increase or Decrease
Family Planning	$ 16,600,000	$ 24,000,000	+$ 7,400,000
Emergency Food and Medical Services (EFMS)	48,800,000	33,000,000	- 15,800,000 1/
Drug Rehabilitation	4,500,000	3,000,000	- 1,500,000 1/
Alcoholic Counseling and Recovery	9,000,000	4,000,000	- 5,000,000 1/
Comprehensive Health Services	74,000,000	110,000,000	+ 36,000,000
Program Administration	2,300,000	2,800,000	+ 500,000
	$155,200,000	$176,800,000	+$21,600,000

1/ Although the proposed dollar allocations for these programs decrease in 1971 below 1970, the program levels will not be reduced. Large increases in activity above the 1969 levels are being implemented, but the growth is being phased over both 1970 and 1971. Most new projects are being initiated late in 1970, largely because of the delay in receiving the appropriation; most of these will not require refunding until 1972. The proposed levels will provide for anticipated renewals and also selective further expansion in 1971.

Family Planning

1970 Estimate	1971 Estimate	Increase
$16,600,000[1/]	$24,000,000	$7,400,000

Introduction

The total number of poor and near-poor women who could benefit from family planning services is estimated at about 5 million, yet only 770,000 are currently being served through the efforts of all public and private agencies combined. As the President noted in his message on population (July 18, 1969), "...it is clear that the domestic family planning services supported by the Federal Government should be expanded and better integrated." The President further stated, "The Office of Economic Opportunity can...contribute to progress in this area by strengthening its innovative programs and pilot projects in the delivery of family planning services to the needy. The existing network of OEO supported community groups should also be used more extensively to provide family planning assistance and information."

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
NOA	$16,600,000[1/]	$24,000,000	$+7,400,000
Capacity of projects	332,000[2/]	480,000	+ 148,000
Number of projects	240	300	+ 60

1/ In addition, $5.4 million is allocated for research and pilot projects funded under Section 232 of the Economic Opportunity Act. (See page 149 of the Justification.)

2/ These estimates do not include services funded under Section 232.

Purpose and Scope

The principal objective of the Family Planning Program is to help meet the Administration's goal of providing "adequate family planning services within the next five years to all those who want them but cannot afford them." Family planning, through which individuals determine the number and spacing of their children, is an essential element in improving the health and economic well-being of the poor.

Family planning projects funded by the Office of Economic Opportunity provide, on a purely voluntary basis, a complete range of services depending on the needs and desires of the individual. These services include education, information, counseling, medical examinations and allied laboratory studies, infertility referral, outreach, and the provision of medically approved supplies. All the medically acceptable methods of contraception are made available to patients, and services are rendered in a dignified manner. Training of neighborhood residents is a component of all projects, particularly for outreach worker, clinic aide, or nurse's assistant positions.

Individual projects are designed, developed, and operated by communities in response to local needs, priorities, and demands. Community Action Agencies either administer the projects themselves or delegate to a health department, hospital, private medical group, or Planned Parenthood affiliate.

The Office of Economic Opportunity places emphasis on developing better ways to organize services through research, demonstration, and evaluation. These activities are discussed in connection with the programs for 1970 and 1971.

Program and Performance for Fiscal Year 1970

Projects initiated by some 230 Community Action agencies in 42 states and Puerto Rico are being extended, with expansion in some cases. In addition, $3 million has been allocated for new activities in counties with the greatest unmet need for services. Some of these new projects will involve services based in hospitals or private physicians' offices.

Postpartum projects offering services in hospitals are a desirable approach, since women who have just delivered babies are generally more receptive to family planning than at any other time. Not only are postpartum projects highly cost-effective but they also offer unique administrative advantages. Ninety-eight percent of all U. S. births occur in hospitals, and some 800,000 medically indigent women a year enter maternity wards. Thus, a large percentage of the women in need of family planning can be contacted in a relatively short period of time through postpartum programs.

Services organized around private physicians are especially promising in rural areas, where health facilities are scarce and the population scattered.

Another major activity in 1970 is manpower development. A methodology for training paraprofessionals and a system of meaningful career ladders are being developed.

An unintentional effect of the earmarking provisions of the 1969 Amendments to the Economic Opportunity Act was that only $16.6 million of family planning projects could be supported under Section 222. An additional $5.4 million of experimental family planning activities is being conducted under Section 232, Research and Pilot Programs. Therefore, the total amount being allocated by the Office of Economic Opportunity in 1970 specifically for family planning is $22 million.

Program and Performance for Fiscal Year 1971

The $2 million increase will be used primarily for further development of alternative, more effective delivery mechanisms. Postpartum and private physician projects will continue to be emphasized.

In view of the emphasis on development of better delivery mechanisms, coordinated council projects for metropolitan, multicounty rural, and statewide areas will be encouraged. These councils bring together representatives of the various family planning agencies in the area, along with spokesmen for the consumer. The purpose is to formulate joint policy and to coordinate the planning, training, and operational activities of the participating agencies. In addition, the councils are responsible for preparing detailed plans for the systematic, efficient expansion of family planning services. About $3 million will be used for development of new projects and expansion of councils aided in 1970.

Emergency Food and Medical Services (EFMS)

1970 Estimate	1971 Estimate	Decrease
$48,800,000	$33,000,000	$15,800,000

Purpose and Scope

The primary purposes of the Emergency Food and Medical Services Program are (1) to identify local and national obstacles to full utilization of Federal food assistance programs, (2) to develop approaches and solutions to overcome obstacles and to initiate programs demonstrating such solutions, (3) to facilitate full utilization of existing food and medical resources, (4) to assure that those in immediate need are supplied with adequate food and, (5) to work with community groups and agencies to help change those practices and programs responsible for the inadequacies of existing services.

Programs operated by CAA's focus on outreach, transportation, certification assistance, decentralization and expansion of facilities, assistance with the purchase of food stamps, and in special cases purchase of food, the provision of medical services to individuals whose illness is related to malnutrition, nutrition and consumer education and the organization of local groups such as buying clubs, home vegetables co-ops, etc. Emergency Food and Medical Services projects are not a primary mechanism for the distribution of food.

Research and demonstration programs have included:

- Development of methods of initiating the USDA supplemental food program, field testing of the program and demonstration of the needs for and utility of the program.
- Studies of school lunch problems and the development of comprehensive new approaches to school lunches.
- Development of teaching materials and approaches to problems of nutrition and consumer education.
- Development of demonstration programs in communal and home feeding and nutrition education of older people.
- Development of new methods of dealing with food distribution and nutrition education on Indian reservations.
- Analysis of migrant certification problems, the legal status of migrant certification, and the development of methods of providing good assistance and nutrition education to migrants.

- Research into food concepts and attitudes of poor people and studies of methods of utilization of fortified foods and development of minority business interests in food industry enterprises.

- Demonstration of the role of VISTA volunteers in community efforts to deal with hunger.

- Demonstration of the effectiveness of new, community based programs in facilitating the distribution of commodities or supplemental food.

Program and Performance for Fiscal Year 1970

In FY 1970, $48,800,000 will be obligated for EFMS. About 400 EFMS regional programs, serving over 1,000 counties and an estimated 1,000,000 persons, are being refunded. Late Congressional action and earmarking of funds beyond planned agency levels means the availability of $18.8 million in new funds to permit the funding of new regional EFMS programs for periods of from 14 to 26 months. This should add approximately 150-200 projects, covering about 400 more counties, and serving 800,000 more people. Support to Indians and Migrants will be increased.

Twenty-five research and demonstration projects are being funded, including those listed above, as both refundings and new fundings. The success of some demonstration efforts has permitted their formats to be transferred to the operational activities of the CAA's (i.e., meals-on-wheels, supplemental food), and projects with a longer range developmental and experimental approach are being initiated.

A new training and technical assistance contract was to let to assist regional offices, local CAA's, and EFMS programs in problem identification, program development, and program operation.

Program and Performance For Fiscal Year 1971

For FY 1971, $33,000,000 is requested for EFMS. This decrease from FY 1970 funding will be accommodated because new programs funded in FY 1970 will not need refunding in FY 1971. Some shift in emphasis in CAA projects will be possible in FY 1971. The adoption by an increasing number of counties of the Food Stamp program, and reforms in that program, will enable many grantees to redirect some funds currently used to help the poor buy food stamps to the provision of ancillary services and to the development of local reform. Problems of local program administration and the difficulties of certification, accessibility, etc., which are not being met by other proposed legislative and administrative changes will receive major attention in CAA activities.

Development and demonstration projects will be consolidated, with emphasis on fewer projects with more intensive and directed efforts. Concentration will be placed on carefully selected areas with more extensive program development. The training and technical assistance contract will be continued.

Drug Rehabilitation

1970 Estimate	1971 Estimate	Decrease
$4,500,000	$3,000,000	$1,500,000

Introduction

There are at least 120,000 hard-core heroin addicts among the poor according to estimates of the Justice Department and directors of rehabilitation programs. Furthermore, rates of drug experimentation among poor youths are increasing. In addition to the tragic consequences of drug abuse for the user and his immediate family, addiction fosters crime which menaces entire communities. Residents of poverty communities are victimized by such crime more frequently than other groups, with resulting serious loss of income and opportunities.

Schedule of Funding Requirements

	1970 Obligations	1971 Estimate	Increase (+) or Decrease (-)
NOA	$4,500,000	$3,000,000	$-1,500,000
No. of Projects	13 1/	10 1/	- 3
Capacity of Projects	3.500 1/	2,000 1/	-1,500

Purpose and Scope

In 1967 the Office of Economic Opportunity initiated eight projects to develop comprehensive rehabilitation services for narcotics addicts through neighborhood agencies. Community-based approaches to rehabilitation, education and other services are being evaluated, with special emphasis on the role of ex-addicts as staff members. These projects have given national leadership in the organization of these types of services. In addition, Comprehensive Health Services projects are developing small components to treat addiction in the low-income communities they serve.

1/ As noted in the discussion concerning fiscal 1970, three of the ongoing narcotics rehabilitation projects will be extended this year. Since these projects will be continued outside the Office of Economic Opportunity after 1970, the unit estimates decline in 1971.

Section 222(a)(9) of the 1969 Amendments to the Economic Opportunity Act establishes a new special emphasis program to concentrate on these issues. New methods to expand preventive and rehabilitation services for the poor are to be developed, demonstrated, and evaluated.

Program and Performance for Fiscal Year 1970

New programming during 1970 and 1971 will reflect two basic priorities. New methods of meeting the specific problems of poor, hard-core heroin addicts will be developed, and new patterns of community group participation to deal with local drug problems will be explored. Approximately $2.5 million will be used for such efforts.

New projects currently being developed include activities concerned with integrated employment and rehabilitation features. Employment is a crucial element in the rehabilitation process, yet addicts generally face greater barriers to satisfactory job placement than other poor people. One approach will be to design and implement a career model for ex-addicts in the human services fields, including mechanisms for comparing performance of addicts with other people. The model will be tested in one or two locations, with expansion to broader application planned for 1971. Addict rehabilitation services will also be funded as components of existing job training programs, e.g., CEP and OIC projects.

Three or four methadone components will be developed as part of more comprehensive services, such as Comprehensive Health Services projects. Two additional projects will be focused on youthful addicts or experimenters. One will be associated with a juvenile court system, dealing with youngsters on probation. The other, including both out-patient and residential facilities, will provide a range of services for young heroin addicts in a ghetto area.

Another new approach being explored is assistance to community groups in developing drug abuse activities in housing projects, rural areas and small cities. These projects will be oriented closely to the general social and economic conditions and concerns of the local community.

In addition, two or three of the comprehensive rehabilitation projects initiated in 1967 will be aided for another year with about $2 million. This action will provide more time for the grantee agencies to obtain funds from other sources, such as the National Institute of Mental Health.

Program and Performance for Fiscal Year 1971

The 1971 request of $3 million will make it possible to maintain and expand slightly the new developmental projects begun in 1970.

Alcoholic Counseling and Recovery

1970 Estimate	1971 Estimate	Decrease
$9,000,000	$4,000,000	$5,000,000

Introduction

Alcoholism clearly takes a heavy toll in economic terms as well as in human suffering and family disruption. Since an alcoholic cannot fulfill the demands of steady employment over long periods of time, income declines for both the alcoholic and his family. In addition, alcoholism threatens the potential benefits of educational and employment services for an estimated 700,000 to 800,000 poor people who suffer from this disease.

Schedule of Funding Requirements

	1970 Obligations	1971 NOA Estimate	Increase (+) or Decrease (-)
NOA	$ 9,000,000	$4,000,000	$-5,000,000
No. of projects	125[1/]	160[1/]	+ 35
Capacity of Projects	20,000[1/]	35,000[1/]	+ 15.000

Purpose and Scope

Office of Economic Opportunity funds have been used in the past to help small community-based alcoholism projects operated through Community Action Agencies and neighborhood health centers. A statewide rehabilitation program was also developed in Iowa between 1967 and 1969. (Support of this project has been assumed by the State.)

A new special emphasis program concerned with alcoholism was added to the Economic Opportunity Act in Section 222 (a) (8) of the 1969 Amendments. In implementing this legislation, the Office of Economic Opportunity is developing more effective ways to provide training and services, to increase the availability of services, and to encourage integration of alcoholism treatment with other needed services to bring maximum benefits to clients and their families.

1/ Estimates include 100 projects with a 10,000-person capacity which will be initiated in 1970 but which will not require refunding until fiscal 1972.

Program and Performance for Fiscal Year 1970

During both 1970 and 1971, funds will be used primarily for staffing for existing and new community-based organizations, since the quality of services and the number who can be served relate directly to staff resources. Initial efforts will be directed toward the alcoholic who is not yet highly visible. He is still with his family and enrolled (or placeable) in a job training program but probably having trouble attending regularly because of his disease. Wherever possible, alcoholism treatment and preventive services will be integrated with other necessary services available from poverty, health, and other community agencies.

About $5 million will be spent in 1970 for expanding alcoholism activities of Community Action Agencies. The basic model will be a two-to-four person unit operating out of a neighborhood service center or similar community-based facility. Volunteers will augment the permanent staff. Program scope will be increased in later years to incorporate components such as half-way houses as the projects demonstrate capability to manage more complex activities and generate local support. Medical care, employment and social services will be integrated from other sources.

Special projects are being developed to address the distinctive problems of Indians and migrants. Of the $1 million planned for projects to serve Indians, half will be used for developmental activities; the National Indian Council on Alcoholism and Drugs will have a key role. The Council will develop two projects for off-reservation Indians and will also prepare to provide technical assistance to groups wishing to develop similar programs.

Another new project will serve a group of Navajos while evaluating an approach to detoxification and rehabilitation of public drunkenness offenders. This project should yield additional information about how to assist Indians who are recurrently arrested for drunkenness, and how to promote cooperation between municipal governments and tribal councils.

A number of new components will be established in ongoing Comprehensive Health projects to explore the feasibility of using these settings as a base for delivering alcoholism services. Expanded capacity in the health centers will make it possible to treat people suffering from alcoholism more effectively; at the same time, the components will serve as models to encourage other providers of health care to broaden their services for alcoholics.

Since effectiveness in local projects depends on competent staff, primary attention is being given to training of alcoholism counselors. Trainees will be leaders and trainers for local agencies; many will be recovered alcoholics.

Major emphasis is also being placed on development of three comprehensive urban demonstration projects, at a cost of about $.5 million each. A central facility will relate to several satellite units located in separate neighborhoods where the incidence of alcoholism is high. This arrangement will aid in identifying the best ways of coordinating resources. Training will be built into these programs for the immediate project staff and later for personnel from other alcoholism projects. Training will be offered at several levels, ranging from a three-month entry course for beginning paraprofessionals to a two or three year curriculum for mid-level employees. This combination of academic training with a service base in a poverty community is unique. The results will be evaluated in relation to smaller efforts funded through Community Action Agencies.

Program and Performance for Fiscal Year 1971

The primary focus during 1971 will be on continued development of the comprehensive urban and other developmental and training projects begun in 1970. Several new projects will be initiated, however, within the $4 million request for such special groups as the skid row alcoholic. In addition, training capacity will be expanded.

Comprehensive Health Services

1970 Estimate	1971 Estimate	Increase
$74,000,000	$110,000,000	$36,000,000

Introduction

Poor people tend to be sick more often than other Americans. Since care is frequently unavailable or inaccessible, the poor are also more apt to delay treatment until problems become severe. The consequences are unnecessary disability and death, and also loss of educational and employment opportunities.

In 1965, the Office of Economic Opportunity began a series of demonstration projects to develop improved ways of overcoming obstacles to comprehensive care for the poor. Such problems as inefficient organization, inaccessibility, fragmentation, and undignified practices have received major attention. These projects became the nucleus of the Comprehensive Health program now specifically authorized by Section 222 (a) (4) of the Economic Opportunity Act. The Program has not only involved a wide variety of community and professional groups in these efforts, but has helped to focus increased attention and resources of other public and private agencies on the present medical care crisis.

Schedule of Funding Requirements

	1970 Obligations	1971 NOA Estimate	Increase (+) or Decrease (-)
NOA	$74,000,000	$110,000,000	$+36,000,000
No. of projects	67	85	+ 18
Total service population	1,200,000	1,600,000	+ 400,000
No. actually served (end-of-year)	600,000	800,000	+ 200,000
Poor persons employed	5,000	7,000	+ 2,000

Purpose and Scope

Through the Comprehensive Health Program, the Office of Economic Opportunity seeks to strengthen national health policy with regard to health needs of the poor, and to obtain increased knowledge and supporting resources to facilitate establishment of health delivery systems for the poor. Individual projects are designed to develop

and demonstrate new approaches and mechanisms for delivering comprehensive, high quality care. "Comprehensive care" defines services that are broad in scope, rendered in a personal manner, easily accessible to patients, and planned and carried out with active participation by community residents. Projects incorporate resources of other agencies and groups to the maximum possible extent, particularly Medicaid and Medicare funds.

Of the 55 current projects funded as of April 1 (including 53 initiated in prior years), 36 are serving urban populations, generally involving a form of "neighborhood health center." Fourteen projects are testing alternative models in rural settings. Five projects are evaluating approaches to restructuring hospital outpatient departments. Service populations average about 20,000.

In addition to providing care, these projects offer training in health fields and new careers to poor persons. Over half of the present positions are filled by community residents.

Program and Performance For Fiscal Year 1970

Of the $74 million allocated, $66 million is being used for existing projects and $8 million to develop new ways of delivering comprehensive care. A variety of mechanisms is being explored, including restructuring of hospital outpatient departments, special approaches for rural areas, and expansion of existing and new group practice systems.

About $3 million will support several grants for restructuring hospital outpatient departments to make them more responsive to the needs of the patients they serve and to facilitate comprehensive care. These projects will build on and extend the knowledge and skills acquired in developing the health center projects. Most of the urban poor turn to overburdened outpatient departments as the primary source of care, for both routine and emergency treatment. There is widespread recognition of the critical necessity for change in this aspect of hospital operations.

A new project involving the University of California at San Diego reflects the potential of this approach. Initial activities are centered on improving the quality and comprehensiveness of care rendered to Spanish-speaking families at a facility located in the San Ysidro section. The unit is closely linked with the University Hospital; eventually, additional ambulatory care services will be developed for other portions of the county as extensions of the Hospital services. The Hospital itself will be reorganized to provide supporting and specialized services more efficiently and effectively. The University, Health Department, Community Action Agency, and local Medical Society are actively cooperating in the project.

Another area of emphasis is improving care in rural areas. One of the new rural projects is located in Beaufort and Jasper Counties, South

Carolina, where a new community health corporation has been formed involving a variety of community groups and local professional health leaders. A strong environmental health component is included in the plans because of the special conditions which are seriously contributing to ill health among the poor in these counties.

Several projects are also being developed to explore various group practice arrangements, including prepayment of care on a capitation basis. Two approaches are being pursued: Expanding interest and capacity among existing group practices to serve low-income families, and sponsoring new prepayment systems.

In addition, major activities are underway to expand the capability and numbers of people to fill professional health positions in projects serving the poor and to provide additional opportunities for poor persons in the health care fields.

The $66 million for existing projects will refund 40 of the 49 health center projects initiated in previous years. Thirty-two are already providing a full range of services, and fifteen are offering limited services.

Program and Performance For Fiscal Year 1971

The $110 million request includes $40 million for new projects and $70 million for existing projects. About 15 of the currently operational projects will be transferred to the Department of Health, Education and Welfare; funds have been included in the 1971 HEW budget for this purpose. The $70 million will be required to refund the 50-55 projects remaining under Office of Economic Opportunity administration.

The $40 million for new projects will be used to continue developing better ways to deliver comprehensive care to poor families. A major effort will be made to develop community-wide services in a limited number of areas. Through the Community Health projects, models will be developed involving all necessary resources to deliver comprehensive care on a community-wide basis, including hospitals, private practitioners, and neighborhood health centers. (Whereas service populations for the current demonstration projects average 20,000, the average for Community Health projects will exceed 100,000.) Communities receiving initial grants will be places where activities aimed at reform of the health care system are already underway and the potential for a broader impact is high. Approximately seven Community Health projects will be initiated in fiscal year 1971; the planned allocation for this new thrust is $20 million.

In addition, development of other new approaches will continue. About $7 million will be devoted to concentrated efforts to restructure hospital outpatient departments. These efforts will take advantage of the expanding interest in reorganizing the present inadequate services in demonstrating ways to establish rationalized, viable services. Several hundred hospitals across the country have indicated a desire to participate in these

key activities. Initial Office of Economic Opportunity grants will support selected approaches that will facilitate constructive change. These first projects will involve other agencies and resources so as to multiply the impact of a relatively small investment.

Rural models will continue to be emphasized, since rural conditions present especially difficult obstacles to mounting comprehensive, continuous care. New organizational forms and relationships will be established to create additional resources to meet rural needs. At least $5 million will support tests of alternative designs.

Group practice and prepayment systems will also receive continuing attention. Several projects begun in 1970 will be expanded, and additional promising methods of organizing care on this basis will be tested. Both existing and new groups will be encouraged, at a total level of about $5 million.

Manpower development activities will be strengthened to aid an increasing number of health professionals and supporting workers holding new jobs in comprehensive health care. Physician assistants, new careers for the poor, and recruitment among minority groups for health professional schools will receive major attention. Medical residents will be encouraged to undertake assignments in groups and agencies serving low-income neighborhoods, both to expand the physicians' knowledge and to interest them in further work in these areas. Expansion of the manpower base is critical to the development of future comprehensive health efforts.

Health and Nutrition--Program Administration

1970 Estimate	1971 Estimate	Increase
$2,300,000	$2,800,000	$500,000

Purpose and Scope

The Program Administration funds for Health and Nutrition pay the salaries and expenses of Federal employees concerned with the overall administration of these programs. These personnel are located at the national level in Washington, D. C. They develop programs which will contribute to betterment of the Nation's health. In addition they prepare project guidelines, operating procedures, provide technical assistance in the operation and evaluation of the health programs.

Program and Performance for Fiscal Year 1970

During FY 1970, the Office of Health Affairs was established by combining all the health activities of the agency in one office, building on already successful health programs. A total of 112 man-years of effort were funded for health, a significant increase over FY 1969. This growth was consistent with the overall increase in the magnitude and diversity of the Office of Economic Opportunity's Health Programs.

Program and Performance for Fiscal Year 1971

For FY 1971, the agency plans to allocate further personnel resources (+25 man-years) to the expanding Health and Nutrition programs. As the number of projects increases, so will the need for managers.

Legal Services Program

	1970 Estimate	1971 Estimate	Increase
Program Operations	$51,900,000	$61,000,000	$9,100,000
Program Administration	1,900,000	2,400,000	500,000
	$53,800,000	$63,400,000	$9,600,000

Legal Services - Program Operations

Purpose and Scope

The purpose of the Legal Services Program is, "... to further the cause of justice among persons living in poverty".

In recognition of the importance of Legal Services for the poor, the program was elevated in FY 1970 to the status of an independent office reporting to the Director of the Office of Economic Opportunity. In announcing this change last August, President Richard M. Nixon pointed out that:

> The sluggishness of many institutions -- at all levels of society -- in responding to the needs of individual citizens is one of the central problems of our time. Disadvantaged persons in particular must be assisted so that they fully understand the lawful means of making their needs known and having those needs met. This goal will be better served by a separate Legal Services Program, one which can test new approaches to this important challenge.

Access to justice is a necessary part of maintaining law and order. In the past, justice and equal access to the protections and rights of redress of the American legal system were unavailable to the poor because of their inability to pay for a private lawyer, a general lack of understanding of how to use the services of a lawyer, unawareness of the relationship between poverty and legal redress in many areas, and a frequent lack of preparation and training on the part of the private bar for handling such cases. The existence of the Legal Services Program, with its capability to provide quality legal assistance for the poor on a wide range of issues, is developing an awareness among the poor that courts of law are a more effective means than the streets for the correction of their grievances and protection of their full entitlements as American citizens.

The Legal Services Program is carrying out its designated purpose in the following ways:

1. Legal advice, counselling, and representation by lawyers operating out of neighborhood law offices;

2. Use of the judicial system and the administrative process to effect changes in laws and institutions which unfairly and adversely affect the poor;

3. Preventive legal education to inform the poor of their legal rights and responsibilities;

4. Training and educating law students, lawyers, and others in the legal needs of the poor.

5. Encouraging and assisting the entry of minority group members into law schools and the legal profession, and,

6. Mobilization of law schools, law associations, private attorneys, and other community resources in a concentrated attack on the legal problems of the poor.

Almost 1,850 full-time attorneys, plus 350 Reginald Heber Smith Fellows, are working in an array of Legal Services projects in rural and urban areas in 49 states, the District of Columbia, Puerto Rico, and the Virgin Islands. They operate from a variety of bases, including courthouses, local storefront and downtown offices, multi-service centers, and mobile vans. Some "circuit ride" in sparsely settled rural areas. Preventive legal education is emphasized via lectures, panel discussions, and distribution and dissemination of information through the news media.

The legal education system has already begun to adjust to the new interest in legal problems of the poor. Over half the 134 accredited law schools in the United States have initiated courses in poverty law as part of their curricula in the past several years, and several have, or are planning to, provide opportunities for their students to work in the field as part of their professional preparation. The impetus for such developments has come, in large part, from interest generated by the activities of local Legal Services lawyers. The Legal Services Program has from its inception worked closely with the American Bar Association, the National Bar Association, and the National Legal Aid and Defender Association to insure that the program is carried out in a way that assures maintenance of a lawyer-client relationship consistent with the Canons of Ethics of the legal profession.

In each program, the local project Board of Directors, comprising one-third representatives of the community to be served and a majority of local attorneys, determines minimum standards of indigency below which potential clients' incomes must fall before

they qualify for service. Clients failing to meet the indigency requirements or who have fee-generating cases are referred to private attorneys. Local attorneys also offer their time toward handling problems of the poor, as their contribution towards the local share effort required of programs.

Program and Performance for Fiscal Year 1970

In 1970, $51,900,000 will be obligated for 265 Legal Services programs, involving almost 1,850 full-time lawyers and 350 Reginald Heber Smith Fellows in almost 800 field offices. Approximately a third of the cases handled fall in the field of Family Relations. Housing, welfare, juvenile, and consumer cases formed the other principal categories, with cases for individual clients, as contrasted with group or class actions, accounting for more than 95% of the program's workload.

From the standpoint of operations in the field, and Headquarter's administration, the program under new leadership is assuming clearer purpose and direction. The newly elevated Headquarters Office has been reorganized, with both attorneys and program analysts assigned for each region, research and development, evaluation, and training and technical assistance activities. New program review procedures for more effective management have been instituted, including greater control over grant procedures by the Headquarters Office. A manual for management of Legal Services programs has been developed.

Under new leadership, there has been a new insistence on monitoring and evaluation of field programs. Funding decisions were based upon an evaluation of individual programs, and corrective special conditions were prescribed in grant actions. A contract was let for the development and application of a thorough going monitoring and evaluation system for regular use with all Legal Services grantees. This will allow the application of consistent standards to evaluation efforts. The combination of technical assistance and evaluation responsibilities in one unit in Headquarters assures the timely delivery of follow-up assistance.

Particular emphasis nas been placed upon improving the effectiveness of the existing program. In the field, staff attorneys of the 265 programs have become more familiar with new areas of poverty law through training programs as well as through use of the Poverty Law Reporter. Through this improved knowledge, program attorneys were able not only to handle a complex variety of individual cases

with greater competence, but were also able to expand their attention to some of the broader issues which affect large numbers of the poor in welfare, housing, health, education and employment.

Because limited staff resources cannot adequately deal with an unlimited number of clients with an unlimited number of legal problems local Boards of Directors are responsible for proposing a system of priorities to deal with this problem. Several local programs have initiated different strategies to resolve the caseload problem to provide quality legal service and allow time to seek resolution of the recurring patterns of legal problems. These strategies involve the use of law students and paraprofessionals (where State and local law permit), resolution of difficulties without litigation, and limited interview and intake.

Some existing programs were upgraded but no new programs were started.

As part of its efforts to improve the effectiveness of the local projects to deliver quality legal services to the poor, the program has continued its support of back-up centers. There are six centers examining and developing legal principles and advising project attorneys in the areas of welfare, consumer, medical, education, economic development, and housing law. These centers have supplied materials or conducted training sessions and conferences for legal services attorneys in housing, consumer problems, economic development, education, and health law. In addition, materials have been prepared on welfare, education, employment problems, and on the legal problems of the elderly. By concentrating research work in these centers, duplication of effort by the program's many attorneys is minimized, and legal gains for the poor are given more general application.

In FY 1970 Legal Services lawyers were successful in winning cases assuring new standards for fairer treatment for the poor, involving:

- due process hearings before termination of welfare awards;
- proper application of Title I, ESEA resources to the children entitled to them by law;
- enforcement of "fair and reasonable" wage regulations for agricultural workers;
- court enforcement of delivery of surplus foods to the needy;
- availability of suitable housing before commencement of public highway condemnation evictions.

Also during this year, there was a consolidation of gains made on behalf of the poor. Through improved communication, actions taken by Legal Services lawyers in one area of the country are being duplicated by programs on behalf of the poor in other areas of the country on these matters: rights to appeal to higher courts in Forma Paupers; elimination of welfare residency requirements; separate treatment of juvenile offenders; protection of tenants against unreasonable eviction by code-violating landlords; non-discriminatory handling of school and lunch programs; opportunity for a fair hearing before arbitrary withdrawal of welfare funds, and protection of consumers against fraudulent practices.

Program and Performance for Fiscal Year 1971

In FY 1971, a total of $61,000,000 is requested for the Legal Services Program. This amount will permit the program to:

- maintain $2.5 million in evaluation and training and technical assistance activities;
- provide $4.0 million to refund FY 1970 programs which were funded in FY 1969 in response to local community needs for timely, high quality programs, and;
- provide $1.650 million to refund programs that were due in FY 1970, but which were able to delay refunding until FY 1971 through exceptional economies, and complete stabilization of Reginald Heber Smith Fellowship program.

The remainder will be devoted to continuing existing high quality programs, improving program quality and stability by recruiting more mature attorneys with greater field experience, and initiating a few new programs.

In spite of the substantial increases allotted to the Legal Services program, large areas of the country with the heaviest concentrations of poverty have no legal services program for the poor. Even with the 265 programs now operating in the field, it is estimated that only one-fifth of the poor have access to the legal assistance they need. The program will concentrate upon improved ability to deliver quality legal assistance to the poor through training efforts, standardized evaluation efforts, technical assistance follow-up, and improved communication among programs. Legal Services will also turn increased attention to dealing with caseload limitation problems, and to the needs for an improved, mechanized reporting system, so that current information will be more readily available for management and for informational purposes.

Legal Services - Program Administration

1970 Estimate	1971 Estimate	Increase
$1,900,000	$2,400,000	$ 500,000

Purpose and Scope

This item includes the salaries and expenses of Federal employees concerned with the administration of the Legal Services program operations in Headquarters and the ten regional offices.

Program and Performance for Fiscal Year 1970

During FY 1970 the Office of Legal Services was established as a separate entity reporting to the Director. There were two principal reasons for this: (1) to provide recognition of an important and successful program and (2) to provide a focus within the agency for the OEO mission of advocacy for the poor. A total of 90 man-years of effort are planned in FY 1970 in this activity.

Program and Performance for Fiscal Year 1971

The increase in FY 1971 is due principally to increase in staffing to ten regional offices. Overall administrative resources allocated to this activity increase to about 117 man years in FY 1971. The impetus provided by the new organization for the monitoring and evaluation of field programs will be continued; past efforts to improve the effectiveness of existing programs will be continued.

Community Action Operations Programs

Introduction

Community Action Operations funds are the core of Community Action Agency (CAA) programming. The program is designed to make possible the structure through which the process of community action is carried out and to enable each community to tailor its total anti-poverty program to its peoples' needs.

At the community level, these funds provide for staff to plan, coordinate, develop, and manage anti-poverty programs. To the maximum extent possible all programs funded under Title II are operated through CAAs. Neighborhood service systems, the structure for developing and delivering anti-poverty programs at the neighborhood level and the primary vehicle for involving the poor, are provided under this category.

Though poverty is attributable to some causes that are prevalent nationwide, other causes vary in their applicability community by community. Because of individual community differences in the causes and manifestations of poverty, it was felt that no single set of programs could be most effective in helping the poor. Programs funded by community action operations are therefore tailored to meet individual community differences; this tailoring is accomplished by providing flexible funds to community action agencies.

Funding for community action operations programs is detailed in the following table. The 1969 column represents actual obligations for individual community action programs. The 1970 and 1971 columns under community programming are estimates for community generated programs under Title II. Since under the Economic Opportunity Act these are locally initiated efforts, the program trend is estimated at this time.

Community Action Operations Programs

	1969 Actual Obligations	1970 Estimate	1971 Estimate
Community Action Mission Performance	$ 59,561,000	$ 60,000,000	$ 60,000,000
Resource Mobilization/Institutional Change	(20,440,000)	(21,200,000)	(24,000,000)
Citizen Participation/Outreach(Centralized)	(24,810,000)	(25,000,000)	(21,000,000)
CAA (Self) Evaluation	(1,079,000)	(1,000,000)	(1,000,000)
Planning	(6,432,000)	(6,000,000)	(6,000,000)
Career Development	(6,800,000)	(6,800,000)	(8,000,000)
Community Programming	83,357,000	87,000,000	87,000,000
Community Health	(6,481,000)	(6,500,000)	(8,000,000)
Medical Services	(2,793,000)	(2,800,000)	(3,800,000)
Dental Services	(1,019,000)	(1,000,000)	(1,500,000)
Other	(2,669,000)	(2,700,000)	(2,700,000)
Manpower	(28,212,000)	(27,825,000)	(27,325,000)
Job Development	(6,420,000)	(6,400,000)	(6,300,000)
Intake Assessment and Placement	(5,926,000)	(5,900,000)	(5,800,000)
Pre-Vocational and Vocational Training	(9,896,000)	(9,750,000)	(9,700,000)
Opportunities Industrialization Centers	(4,751,000)	(4,775,000)	(4,775,000)
Other	(1,219,000)	(1,000,000)	(750,000)
Education	(9,174,000)	(11,200,000)	(13,000,000)
School Age	(6,089,000)	(7,200,000)	(7,200,000)
Adult	(3,085,000)	(4,000,000)	(5,800,000)
Economic Development	(8,114,000)	(8,125,000)	(10,000,000)
Economic Development	(3,032,000)	(3,025,000)	(4,900,000)
Cooperatives	(2,460,000)	(2,500,000)	(2,500,000)
Consumer Action, Counseling and Assistance	(2,622,000)	(2,600,000)	(2,600,000)

	1969 Actual Obligations	1970 Estimate	1971 Estimate
Community Programming(cont'd)			
Housing	(10,528,000)	(12,500,000)	(13,000,000)
Housing Services	(7,013,000)	(7,500,000)	(7,500,000)
Housing Development Corporations	(3,515,000)	(5,000,000)	(5,500,000)
Day Care	(1,490,000)	(2,000,000)	(3,000,000)
Other Community Programs	(19,358,000)	(18,850,000)	(12,675,000)
Neighborhood Service Systems	108,863,000	107,000,000	105,000,000
Neighborhood Service Systems	(84,054,000)	(82,000,000)	(81,000,000)
Citizen Participation/Outreach (Decentralization)	(24,809,000)	(25,000,000)	(24,000,000)
Youth Development Programs	33,462,000	32,000,000	30,000,000
Community Action Agency Administration	40,899,000	42,900,000	42,000,000
State Government Economic Opportunity Offices	6,850,000	9,000,000	14,000,000
Training and Technical Assistance	25,528,000	22,500,000	22,400,000
Senior Opportunities and Services	6,424,000	6,800,000	7,800,000
Program Administration	15,200,000	14,900,000	16,400,000
Included for Indian Reservations	(17,258,000)	(17,750,000)	(18,170,000)
Total	$380,144,000	$382,100,000	$384,600,000

Community Action Mission Performance

FY 1970 Estimate	FY 1971 Estimate	Increase
$60,000,000	$60,000,000	-0-

Purpose and Scope

This activity includes all of the substantive functions of the CAA directed toward advancing the goals of Community Action, other than the actual running of service programs and traditional administrative services. This activity is devoted to primarily the following CAA functions:

- developing information needed to determine where the most serious problems exist, developing strategies to overcome these problems, and encouraging joint planning efforts through coordination and negotiation with other agencies;

- evaluating the effectiveness of its own program activities, as well as non-program activities, in fulfilling the objectives of the community action, and encouraging joint evaluation of all anti-poverty programs in the community;

- taking the initiative in mobilizing all possible resources, public and private, in the community, that can be brought to bear to solve local poverty problems;

- fostering necessary shifts or changes in existing institutions to allow them to be more responsive to the needs of the poor;

- initiating community wide education efforts to alter community attitudes and institutional practices;

- stimulating more effective involvement and participation of all sectors of the local citizenry;

- developing and promoting career development activities including development of job opportunities within all poverty programs and in the public and private sectors outside the poverty effort; providing training and education to upgrade the skills of sub-professionals; providing incentives to stimulate individual motivation.

- providing development and support of neighborhood groups involvement.

Program and Performance for Fiscal Year 1970

The focus of OEO and the community action effort is being increasingly shifted towards the type of activity in this program element, particularly the resource mobilization function. Primary federal responsibility for directly running service programs does not rest with OEO. This agency directly administers but a small portion of federal funds directed against the causes and conditions of poverty. Moreover, the federal effort cannot succeed without the financial, institutional, and human support of the local, private as well as public, sectors. Since funds are not available for expansion in FY 1970, an impact on CAA activity along these lines is being initiated this year on a pilot basis. To the extent possible, we hope to demonstrate techniques for a more effective effort to be carried out in FY 1971.

Essentially, FY 1970 activities are as follows:

A. Resource Mobilization, Institutional Change, and Citizen Participation:

Resource mobilization, institutional change, and citizen participation activities are being directed at identifying the types of activities now underway and target areas for future activity, and developing systematic and constructive approaches to accomplish the needed tasks.

B. Planning:

Activities in the Planning Development Program (PDP) are being maintained at present levels.

C. Self Evaluation:

In the case of CAA self-evaluation activities primary emphasis is being placed on improving on-going efforts.

D. Career Development:

Training and technical assistance is presently being provided to CAAs to develop career ladders, under "Project Upreach".

Program and Performance for Fiscal Year 1971

Major emphases in this program element will be placed on:

A. Resource Mobilization:

In FY 1971, funds will be channeled into resource mobilization activities in those areas that appear most promising, based on our present efforts. Methods to be utilized will largely be determined by FY 1970 experimentation. It appears likely

that they will include the funding of staff to identify resource potentials, develop mobilization strategy, and assist other staff in implementing this strategy in their respective program areas.

B. Institutional Change:

Implementation will proceed in FY 1971 in conjunction with Resource Mobilization activity. Priority will be given to those areas where the potential yield is greatest, while more complex problem areas would be referred to the Legal Services program or other appropriate parties.

C. Improving the Effectiveness of Citizen Participation:

Efforts to upgrade the capabilities of neighborhood groups will continue, as will programs to step up public education efforts. Better communication with the poor and non-poor will be sought through publications, media space or time, and conferences. Support for meaningful volunteer activity will be provided, such as materials and supplies, training, travel, and staff advisory assistance.

D. Planning:

In FY 1971, a substantial number of CAAs will receive additional planning assistance aimed at involving the CAAs, in a more meaningful manner, in the community-wide decision making processes that determine the utilization of non-OEO resources. Funds will be used to obtain staff to directly provide the CAAs with this capability.

E. Evaluation:

Efforts for FY 1971 will be directed to implementation of evaluation guidelines presently being developed. With this assistance it is anticipated that many CAAs will reach a greater capability to effectively utilize techniques for self-evaluation.

Community Programming

FY 1970 Estimate	FY 1971 Estimate	Increase
$87,000,000	$87,000,000	0

Purpose and Scope

Community Programming includes those programs sponsored by the CAA such as manpower, day care, education, housing development corporations, housing services, community health, general services, consumer action, financial counseling, emergency financial assistance, cooperatives and credit unions, and economic development -- which are essentially service-oriented. Community programming is aimed at inducing CAAs to spin-off well established service programs to other local agencies and to devote more effort to creating new developmental programs. This is not only a critical function locally, but can and should also add to the development of new program concepts at the national level. Thus, through the use of incentive funds, CAA's are encouraged to be more creative than in the past, and to be alert to problems facing the local community which have not yet been attacked.

Rural CAA's especially, will be strengthened by emphasizing economic development. Many single county CAA's may be consolidated, pooling their limited resources and applying their efforts to a more viable economic base more susceptible to an integrated economic development approach.

Program and Performance for Fiscal Year 1970

Manpower

Manpower funds were used by CAA's to help the poor in their communities obtain jobs or job training. In some cases they provided the only such programs available to these communities. Where Department of Labor programs were available to deal with segments of their needs, CAA's typically not only acted as prime sponsors for the DoL programs, but also used CAP Manpower funds to fill the many gaps in those programs. In some CAA's manpower staff paid for by OEO and DoL funds were fused into a single organization as recommended in 1967 OEO Amendments on Community Work and Training Programs. In these programs NYC counselors counseled Mainstream clients; O.J.T. job developers found jobs for Mainstream clients; and the people served received a continuation of services through effective program linkages.

Expansion and improvement of CAA manpower programs envisioned for FY 1970 were only partially achieved due to budget restrictions. Nevertheless, many CAAs were provided technical assistance through an OEO national contract. Also, a model CAA program was developed into

a training center for other CAA manpower personnel, with good effect. Contracts were established to provide intensive technical assistance to selected CAA's in the preparation of comprehensive work and training programs (CWTP's). These contractors will also be used to improve the work of other CAA's using locally flexible funds for manpower services.

Opportunities Industrialization Centers

The OIC (Opportunities Industrialization Centers) is a two phase program to train unemployed men and women. Through basic education in the "feeder" part of the program, the trainee is provided with enough basic education to qualify for a job or to graduate into the second part, which consists of skill training in a number of trades. Self-help is the salient feature of the program-reliance is placed on the individual's determination and drive to help himself.

In FY 1970 seventeen OIC's were operational at a cost to OEO of approximately $5 million. The OIC's also receive funds from other sources, particularly the Departments of Labor and Health, Education, and Welfare, each of which contributes about $5.4 million.

School-age Education

Through various supporting activities, school-age education projects test new ways of supplementing the formal education of poor youths. The primary OEO objective is to develop and demonstrate improved models of compensatory education, rather than to conduct programs for major portions of the estimated population who could benefit from these services. The number of persons served will therefore continue to be relatively small. Tutorial and remedial projects are two principal types of programs in this category. Tutorial programs are locally-initiated efforts to improve the abilities, motivation, and educational aspirations of disadvantaged children through one-to-one tutoring sessions and are typically urban programs in which college, high school, and local volunteers tutor 25-100 elementary school pupils. In remedial programs, on the other hand, students are taught in groups, with OEO funds normally providing salaries for remedial teachers and non-professional aides.

Approximately 86,000 students participated in programs designed to improve academic achievement and motivation, or to accomplish broader goals such as stimulation of parental interest and involvement in their children's education, change in the schools, curriculum development, or use of compensatory programs as vehicles for comprehensive community action.

Adult Education

Adult education projects provide instruction in basic literacy and computational skills of the poor as a fundamental step in their eventual escape from poverty. Programs usually offer training of three general types: 8th grade equivalency, 12th grade equivalency,

and English as a second language. Although these skills are frequently taught in connection with functional subject matter, curricula and methods are diverse. Instruction may be given in brief "immersion" courses immediately prior to vocational training or in long term classes which persons attend over time, taking work to their individual needs. The primary OEO mission in adult education is to develop innovative methods of teaching basic skills for large scale adoption by school systems and other community institutions providing compensatory education. As in school age education, numbers served will therefore continue to be small compared with the estimated population who need such assistance. Emphasis was placed on developing improved models of education and on expanding outreach. Classes were held in storefront locations and curricula tailored to needs of those served.

Housing Services

Housing services projects consist of a range of activities based upon local needs. They include emergency programs such as, legal assistance with eviction problems and landlord negotiations, assistance with emergency repairs, and relocation assistance. They also include longer range programs such as preparing poor people to deal on a more informed basis and more effectively with the housing market, and educating them for a more meaningful role in housing-related public hearings and administrative processes. Housing specialists also help poor people take advantage of other Government housing programs and help them deal with local housing, urban renewal, and Model Cities officials.

Housing Development Corporations

Housing Development Corporations are non-profit institutions set up to act as sponsors for low-income housing programs financed through mortgage insurance programs of the Federal Housing Administration. As sponsors they acquire the properties to be used for the housing, prepare the financing application and shepherd the development of the housing. These corporations bring together the lawyers, architects, real estate, and construction specialists needed for the development of low-income housing. The corporations take a number of different approaches. They can build new structures, rehabilitate old ones, lease existing buildings, and, in turn, either lease or sell to poor people. Their principal purpose is to provide administrative and technical capability for poor people to take better advantage of existing housing programs. The Community Action Program funds provide working capital and meet managerial and professional costs of the corporation, costs which must be met before construction financing can be made available.

In FY 1970, an estimated $3,514,000 will be spent on Housing Development Corporation program grants. Of this sum, $660,000 will go for 11 program development grants. The remainder was used to fund the existing HDC's. The funds to HDC's in fiscal 1970 enabled them to expand their activities to their full planned operating levels.

Community Health

A large percentage of the total community health funding was used for medical and dental examination and treatment. Substantial support was also given to environmental health and health education activities.

Dental care, as well as other specific services, was generally funded on an ad hoc basis to temporarily fill the need for physical examination services where they are not available from the community, and to demonstate this need to the appropriate local health authorities. As soon as the services are available from other sources, the programs are phased out. In the area of environmental health, emphasis was placed on alleviation of unsanitary conditions, with ad hoc clean-up campaigns, rodent control, immunization, and nursing visits. Family members were instructed in patient care, proper sanitation, pest control, and food storage. These funds are filling a need for fuller analysis of community resources in order to fill the gaps more efficiently and to prompt local agencies to become more responsible to community needs.

Consumer Action and Cooperatives

There are at present six consumer action demonstration projects operating in Los Angeles, Tulsa, and New York City as well as numerous consumer components in various community action agencies. Cooperative efforts are broken down into three categories: Farm -- vegetable - production and marketing, feeder pig - production and marketing, cattle - dairy, beef and foraging, and beef raising; non-farm -- handicrafts, woodworking, fishing, sewing, and miscellaneous; consumer - credit unions, buying clubs, farm supplies, electric, telephone, transportation, land acquisition, petroleum, housing, and general.

Economic Development

In economic development, efforts have been made to attract industry, to expand tourism, and to develop natural resources in many parts of the country. Projects have been both urban business development and pilot rural job creation. Examples include (a) creation of a rural development fund to provide technical assistance and grant and loan capital to credit unions and cooperatives; (b) organization of low-income community development corporations to foster small businesses in furniture production, housing construction, aluminum fabrication, ceramics, small cottage industry; and (c) the provision of training and technical assistance to consumer coops in a large metropolitan complex.

General Social Services

The category of General Social Services includes a wide variety of locally-designed programs, generally falling within the following areas:

1. General Services: Projects range widely in scope and include counseling as a common denominator. Almost one fourth of the programs funded provide special programs for elderly people. Other programs are aimed at handicapped people, delinquent youth, Puerto Rican and Indian sub-groups, and pre-school youngsters.

2. Home Management and Homemaking Assistance: General homemaking instruction and assistance to help poor families improve general home management effectiveness and to keep house on a temporary, emergency basis. Some programs provide specially trained aides for emergency assistance.

3. Food Distribution and Production: Administrative funds are provided to permit some rural areas which would otherwise not participate to provide Department of Agriculture food programs (primarily Commodity Distribution) for eligible residents in their counties. In addition, poor people are assisted in increasing food production and family consumption through subsidization of small-scale fruit, vegetable, dairying, and beehive activities.

4. Day Care: Day Care programs funded under this element exclude nursery projects that meet Head Start standards.

5. Recreation: Recreation programs have steadily decreased in importance in recent years and we would expect to fund little of this activity in the future.

Program and Performance for Fiscal Year 1971

As one facet of the overall aim of sharpening the objectives of community action, local Community Action Agencies will be viewed as testing grounds for new approaches to the problems which their constituents see as most crucial. Drawing on community assets, CAA's will be actively developing, testing, demonstrating, and promoting the broader adoption of these new approaches. A few CAA programs may be picked up and tested through national demonstration programs, and local projects which demonstrate the broadest potential applicability may be reviewed for demonstration as National Emphasis Programs. In addition, OEO will develop new feedback systems, so that CAA's can exchange the lessons of their operating experience. In this way the techniques and results of successful projects developed by individual CAAs or as demonstration projects will be made available for use by other CAA's on a nationwide basis.

Because of the CAA's very nature and the task facing them, they must operate from their own local sense of motivation. OEO's contribution must be to strengthen and channel their commitment by providing incentives for taking difficult courses of action. Rather than attempting to foster the birth of new ideas in the field through negative controls and sanctions, it is felt that positive incentives and rewards for excellence will elicit more productive efforts at the community level. Outstanding CAA performance in specific programs should be rewarded by allocating back to CAA's funds released by local spin-offs and project terminations.

Some pilot funds will be used to induce CAA's to spin-off well-established service programs to other local agencies, and to devote more effort to developing new programs.

Thus the "positive incentives" approach will include not only recognition, but perhaps more important, the freedom to experiment and to tailor local strategies to local needs. There are many different areas in which the local agencies might concentrate. Although OEO does not intend to get into the business of providing services where local agencies should be doing this, CAA's may run programs to induce improvements in program concepts, designs, and techniques which increase the accessibility, quality, relevance, and effectiveness of services for the poor. They may effect the modification of eligibility and other rules to assure maximum use of services by those who need them. Many CAA's have improved and expanded employment opportunities for the poor--through the modification of state and local civil service laws and regulations, as well as private employment practices; through increasing use of non-professionals to perform functions otherwise performed by professionals for which professional qualifications are not necessary; by the elimination of automatic disqualification from employment because of arrest or bad credit records; through enactment and better enforcement of equal employment opportunity measures; and by increased active recruitment among the poor and minority group members for supervisory as well as entry level positions.

Another major area of concern is the increased protection of the rights of poor people as consumers. This has taken the form of strengthened enforcement of housing codes; enactment and more strict enforcement of open housing measures, and adoption of non-discriminatory practices by real estate brokers; improved relocation assistance, fair compensation for replacement of property, and provision of increased low-income housing in urban renewal programs; and elimination of discriminatory pricing, merchandising, and credit practices in low-income neighborhoods. Low income and minority group members have been included on juries through the efforts of CAAs, and police-community relations have been improved in some areas. In the field of education, CAAs hold classes, both for children and adults, in storefront locations and emphasize the development of high school equivalency programs using new curriculum materials, conducted in relevant institutional settings, and directed toward educational goals selected for relevance to vocational needs. Community health programs have had great impact in areas where medical services simply are not available to the poor. A substantial percentage of the total amount has been spent on an ad hoc basis for medical and dental examinations. Other health programs include disease prevention, diagnostic and rehabilitative services, as well as health education, outreach, and training. Finally CAAs have made contributions to the economic development of poor communities, and this area will be one of emphasis in the future. Emergency loan projects have been developed in conjunction with entrepreneurial small business investments, and in some areas community-owned stores have actually been financed. Consumer action demonstration programs, bringing together and supporting groups of poor consumers in order to define problems and

develop solutions; cooperatives, from farm production and marketing to non-farm handicrafts, woodworking, fishing, etc; consumer credit unions, and buying clubs, are all examples of the kind of self-help economic programs that have been developed to date.

All of this is not to say that institutional change is only due to the efforts of local anti-poverty workers, but rather that in a thousand communities throughout the country, CAAs have acted as the catalysts bringing people together to face and work on community problems that have beset poor people for many years.

A major focus of this more positive approach to community action will be in rural America. Compared to the cities, rural CAA's have gotten off to a slower start and subsequently have developed much less rapidly. This situation reflects not only the inherent, unique difficulties faced by community action in rural areas; it also reflects a failure of government to come to grips with rural poverty.

During the next several years we plan to bring rural CAA's up to a reasonable level of funding to provide a capability for mobilizing other resources and pursuing other mission goals. Rural community action should be built around a strategy to promote economic development and income improvement. By coordinated involvement in local and regional efforts to generate business and industrial expansion and to create self-help enterprises, the rural CAA can have a major impact in mobilizing resources of the FHA, EDA, and other federal, state, and local agencies, as well as the private sector. In addition, single county rural CAA's may be strengthened by consolidation with others, to pool limited resources and apply their efforts to a broader area which is more susceptible to an integrated economic approach. Thus the achievement of OEO's purpose -- helping to move a whole system of public and private institutions in this country toward finding and applying the means to deal with poverty requires not only sound OEO initiatives in specific local projects, but also positive response to these individual ideas by other institutions and groups. By providing the local CAA with the means and the freedom to be a successful innovator and catalyst we are developing the major potential of the OEO.

Neighborhood Service Systems

FY 1970 Estimate	FY 1971 Estimate	Decrease
$107,000,000	$105,000,000	$ 2,000,000

Purpose and Scope

The Neighborhood Service System is comprised of two different kinds of systems. The first is Neighborhood Center Administration and Management. A neighborhood center has the following characteristics: (1) It is located in a physical facility operated as a single entity, although it may be composed of two or more structures located adjacent or close to each other. If a center has a "satellite" facility located some distance away that provides many of the same types of services as the main center, the "satellite" facility is considered a separate center. (2) It serves a definite geographic "target" area in which there is a relatively high degree of poverty. (3) It performs, on a regular basis, one or more of the following functions: offering a variety of different programs, reaching out and involving neighborhood residents in the solution of a variety of different poverty-related problems.

Neighborhood Center Administration and Management includes (1) administering and managing the center staff, facilities, equipment, and other administrative overhead of a neighborhood center; and (2) generalized neighborhood center activities not related to a specific program, such as intake, initial assessment, referral, and program placement. This category does not include specific programs which are to be identified as separate categories operated from center facilities (Head Start, Housing Development Corporation, Day Care, etc.).

Second under the category of Neighborhood Service Systems is Community School Administration and Management. This is defined as a unit of public, private, or parochial school system used by CAA's or delegate agencies to carry out anti-poverty programs or services, normally of an educational nature. Persons served may be of all ages and educational backgrounds. This category includes (1) administration and management of the school staff, facilities, and other administrative overhead of a community school, and (2) generalized community school, and (2) generalized community school activities not related to a specific program such as intake, initial assessment, referral and program placement. As in the case of neighborhood center administration, this does not include specific programs which are to be identified as separate categories operated from school facilities, such as Adult Basic Education, Prevocational Training, Day Care, etc.

Program and Performance for Fiscal Year 1970

The Inventory of Multi-purpose Neighborhood Centers conducted in the spring of 1969 reveals that 2,442 centers were being sponsored by 595 CAAs at the end of 1968. (This total includes an adjustment for non-response.) By the end of FY 1969, CAA's were operating 2,740 Neighborhood Service Centers serving 3.1 million people. In FY '70 there was no increase in numbers of centers, but efforts to improve the management of and community participation in the centers were emphasized.

Program and Performance for Fiscal Year 1971

The number of Neighborhood Service Systems is expected to remain constant again during FY 1971. Efforts will concentrate on improving management capability, increasing neighborhood participation, and providing technical assistance to neighborhood groups. The development and dissemination of Guidance manuals on Neighborhood Centers and Neighborhood corporations will provide "how to do it" information. This will include strengthening of existing systems by encouragement and decentralization of existing services to Neighborhood Service Systems; development of improved Linkages between neighborhood centers, and related programs; achievement of more effective coordination of services; and training and technical assistance in services of funds for development proposals.

Youth Development Programs

1970 Estimate	1971 Estimate	Decrease
$32,000,000	$30,000,000	$2,000,000

Purpose and Scope

Youth programs are designed to give youth experiences which provide for the development of leadership, increased skills and self direction. Program area priorities designed to meet these objectives (e.g. enterprise development, education, employment) are to be determined locally through a youth council or committee. The process of youth involvement within the planning, operation and evaluation of the project is the major component within the program. Recognizing that poverty is a year-round, lifelong experience, youth programs will be funded on a full year basis with provisions for the activities to peak during the summer months. Special emphasis will be placed on assisting youth to develop their capability to improve their living situation.

Program and Performance for Fiscal Year 1970

In FY 1970, $32 million was provided for Youth Programs. The new policy guidelines further emphasize youth involvement in planning and implementation of the programs through which youth increase their realization of economic opportunity. The guidelines place even greater emphasis on planning for and development of year-round comprehensive programs which impact on recurring problems of youth development. Recreation and cultural enrichment activities will receive a more limited amount of Federal funding, not to exceed 10% of the total grant. The planning function should identify existing and anticipate specific target areas and similarly identify existing public and private resources for potential or existing mobilization. With this overview of target areas and existing resources and programs, Grantees must develop new, non-duplicative program designs. Programming for older youth will be stressed and project spin-off through delegate agency commitments to refund projects in future years will be emphasized. In addition approximately $2 million of other agency program funds will continue to explore innovative projects which have the possibility for replication in local communities.

Program and Performance for Fiscal Year 1971

The Office of Operations will obligate $30 million in FY 1971 for year round youth programs designed to provide economic opportunity to poor youth. The level of effort for non-economic opportunity type programs, previously maintained by the Office of Economic Opportunity will be picked up by other federal and local agencies in FY 1971. It is expected that OEO will support year round youth programs in approximately 150 CAA's at an average funding level of $200,000 per grantee.

Community Action Agency Administration

FY 1970 Estimate	FY 1971 Estimate	Decrease
$42,900,000	$42,000,000	$ 900,000

Purpose and Scope

CAA Administration funds provide for central staff, facilities, equipment, and other administrative expenses of the CAA. The Administrative costs of individual program units such as Neighborhood Services Systems and Legal Services offices appear under the appropriate program element.

Program and Performance for Fiscal Year 1970

During FY 1970, 1,021 Community Action Agencies will utilize $42.9 million for administration. The $2 million increase over FY 1969 was primarily for increased salary levels. Continued emphasis was given to improving CAA management systems. About 60 of the larger CAAs benefitted from the Consentrated Management Improvement Program (CMIP), much of which was prefunded at the end of FY 1969. The Office of Economic Opportunity is also continuing to strengthen grantee performance through the new Grant Application Process which introduced a program cycle concept aiding CAAs to better plan, operate, and evaluate programs.

Program and Performance for Fiscal Year 1971

In FY 1971 the regular administrative operations of the CAAs will be supplemented with increased technical assistance in the areas of management improvements and with both headquarters and regional policy guidance. The Headquarters Procedures Branch in the Office of Operations will conduct Pilot General Management Improvement Projects across the lines of general administration, data utilization, planning, and evaluation, which will provide the basis for policy and guidance in CAA administration. One of the major problems to date has been the low level of capability of CAA's to administer and monitor their programs. CAAs that have had CMIP projects often are unable to take advantage of suggested improvements due to lack of skilled staff. We will attempt to build up CAA capability in this area (with the small increase requested) in fiscal 1971.

State Government Economic Opportunity Offices

1970 Estimate	1971 Estimate	Increase
$9,000,000	$14,000,000	$5,000,000

Purpose and Scope

The State Economic Opportunity Office (SEOO), funded under Section 231 of the EOA, functions in support of OEO programs and in the total national anti-poverty efforts: advises the governor on OEO matters and anti-poverty activities within the state; mobilizes anti-poverty resources at the state level; advocates for the poor at the state level; provides technical assistance to OEO grantees within the state; advises OEO on problems and causes of poverty in the state, on the OEO State Funding Plan, and the OEO Training and Technical Assistance Plans; advises OEO and its grantees on funding requests; participates with OEO on monitoring and evaluation activities; operates special limited purpose programs as well as research and demonstration programs when funds are available.

Program and Performance for Fiscal Year 1970

The role of the State Economic Opportunity Offices is being greatly expanded this year. The recent OEO Instruction 7501-1, of March 25, 1970, on the "Role of the SEOOs" enumerates many policy aspects of the SEOOs' strengthened role. Its primary focus is to clarify their role and set up better coordinating procedures to work with SEOOs in the carrying out of their missions as listed above. Emphasis in the new guidelines is on resource mobilization and advocacy for the poor. This increased involvement is backed up by an increase in regular SEOO funding (Section 231) of approximately 30% above the $6.8 million obligated in FY 1969 with additional funds from other programs. Of these additional programs for the States, the most important new one is the SEOO administrative demonstrations for which the Office of Economic Opportunity has allocated $1.5 million of agency research and demonstration funds. The Office of Economic Opportunity is currently negotiating with 15 to 20 States to develop pilot programs in planning, technical assistance, poverty research, career development, grants processing, legislative liaison and other areas. (For further details refer to page 150, The FY 1970 Research, Development and Demonstration Plan.)

Other non-Section 231 expenditures for SEOOs include more than $3 million of OEO funded programs which SEOOs have traditionally operated for migrants, VISTA, and Title I manpower.

The Office of Economic Opportunity is also planning to use part of the increase in Section 231 funds to expand other SEOO demonstration activities. Two programs initiated on a pilot basis in FY 1969 are being substantially increased in FY 1970. These are the SEOO Planning Development Program (SEOO/PDP) and the State Special Technical Assistance Program (State/STAP). Nineteen states will have Planning Development Program grants at an average cost of $35,000 per grant. These projects employ planners to work on program coordination at the State level as well as to assist local CAA grantees in refunding their planning systems. Thirteen State/STAP projects will be funded this year to provide three specialized personnel to the SEOOs to give long-term technical assistance to rural areas in management, economic development, and housing. The average cost of the State/STAP projects is $75,000.

About $180,000 of the budget increase will be needed to bring the ten SEOOs with total staffs below five up to a minimum of five. Funds will also be required for the reactivation of the Indiana SEOO, and establishment of an economic opportunity office for the Governor of Puerto Rico and for the Mayor of Washington, D. C.

Program and Performance for Fiscal Year 1971

The Office of Economic Opportunity will continue to work at strengthening the SEOOs and increasing their staff capability as begun in FY 1970. Funds will be available for selective increases in SEOO staff size and for in service training for SEOO staff. Plans are being made for personnel exchange training programs for regional office and SEOO staff. The State/STAP program will be expanded by an additional 15 states for a total of 28, and the SEOO/PDP program by 10 more states for a total of 29.

Greater efforts will be made this year to assist the SEOOs to become catalytic agents for change in state government. This is expected to require seed money. Of the 20 SEOO administrative demonstrations which the Office of Economic Opportunity expects to fund with research and demonstration funds in the remaining part of FY 1970, a number are likely to be successful and require refunding as a continuing part of the SEOO program. It may also prove desirable for other SEOOs to be funded to adapt successful demonstrations.

Training and Technical Assistance

FY 1970 Estimated NOA	FY 1971 Estimated NOA	Decrease
$22,500,000	$22,400,000	$100,000

Purpose and Scope

Training and technical assistance are means of supporting basic program thrusts and improving management of Title II grantees in a manner that is responsive to both local needs and national goals arising from the overall Office of Economic Opportunity mission. As such, the objectives of T&TA are to 1) assure effective organization and management of grantee operations, 2) provide programmatic expertise to maximize CAA impact in program operations and other mission activities including resource mobilization and institutional change, 3) aid in effective involvement of the poor in CAA and other community affairs, 4) support career development for CAA non-professionals, and 5) train federal staff working with Title II programs in technical fields.

Assistance for these purposes is needed by most of the 1,021 CAA, over 1,000 single purpose agencies, 2,740 primary and satellite neighborhood centers, 50 State Economic Opportunity Offices and the 10 Regional Offices. In addition to supporting CAAs and Office of Economic Opportunity related agencies, T&TA is needed by the people most actively engaged in planning and operating these programs. There are at least 247,000 employees of Community Action Agencies, Single Purpose Agencies, State Economic Opportunity Office, and Regional Offices. In addition about 200,000 persons serve these agencies as volunteers and approximately 100,000 participate in this effort as board or advisory council members. Most of these people need training or technical assistance to develop new skills and knowledge commensurate with their new responsibilities, and to keep abreast of new programs and changes in policy. Because of the high turnover rate and emphasis on career development, the level of need for T&TA remains fairly constant.

Program and Performance for Fiscal Year 1970

The FY 1970 New Obligational Authority available for Section 230 Training and Technical Assistance is $22.5 million as compared to $25.5 million obligated for this purpose in FY 1969. This does not, however, represent a reduction in program level since $3 million in T&TA activities originally scheduled for funding in FY 1970 were prefunded late in FY 1969 and will not require refunding until FY 1971.

During FY 1970, the Office of Economic Opportunity is concentrating on improving and redirecting the T&TA resources available to Title II grantees. This effort will be assisted by refinements in the recently established T&TA planning and evaluation process. The evaluations now in progress are expected to yield more definitive knowledge of which T&TA processes function most effectively under various circumstances. It now appears evident that emphasis will be placed increasingly on development of local training capability (especially in large CAAs), resident participation in T&TA planning, and mobilization of non-OEO resources. More on-site and longer term assistance is envisioned, thus favoring decentralized delivery systems rather than nation-wide technical assistance contracts. Also in FY 1970, SEOOs are being more closely involved in development of T&TA plans and provision of T&TA.

Continuing emphasis is being placed on grantee management. Personnel management with a goal of establishing career ladders for non-professionals is a priority area for expansion. Board training and other assistance framed to improve the quality of citizen participation is being emphasized.

Programmatic T&TA is being funded at approximately the FY 1969 level. Assistance is provided to CAAs which operate, or plan to operate, programs such as manpower, housing, and economic development. An increasing portion of the T&TA effort is being redirected toward provision of technical expertise to CAAs which need this assistance to help mobilize resources and induce other types of institutional change within a given functional area.

Program and Performance for Fiscal Year 1971

The funding level for Section 230 Training and Technical Assistance for FY 1971 will be $22.4 million. Although the New Obligational Authority will be $100,000 less than the prior year, this reduction will be offset because T&TA will no longer be required to fund $1.5 million in support activities for Legal Services. Provision has been made for this function within the Legal Services FY 1971 budget. There will, however, be no prefunding of the FY 1971 program as occurred prior to FY 1970.

Attempts to maximize T&TA resources call for the development and coordination of an agency-wide T&TA planning process. Included in the process will be a sharpening of internal instruments such as improved management, planning, evaluation, and more refined data retrieval systems.

The FY 1971 approach also calls for priority attention to devising new T&TA support methods to help community action programs build effective working relationships with the non-poor, private and public groups, and other community institutions. This will require T&TA support of sharpened community action goals and the T&TA development and support of non-program techniques by which a better local response

can be stimulated. This will involve, for example:

- training and technical assistance for community action and board negotiations
- increased local provision of training and technical assistance
- training and technical assistance to increase both the opportunities and capabilities for participation of the poor in programs; and strengthening the quality and effectiveness of their participation
- training and technical assistance to improve coordinated planning and evaluation of local programs
- greater coordination with State Economic Opportunity Office (Section 231) training and technical assistance and an increased role for the State Economic Opportunity Offices in planning and delivery of T&TA under Section 230

Senior Opportunities and Services

FY 70 Estimates	FY 1971 Estimates	Increase
$6,800,000	$7,800,000	$1,000,000

Purpose and Scope

The Senior Opportunities and Services program is designed to identify and meet the special economic, health, employment, welfare, and other needs of persons above the age of 60 in projects which serve and/or employ older persons as the exclusive or predominant participant or employee group.

The projects aim at dealing with the specific problems of the older poor that cannot practically be met by more general programs designed to serve all or younger age groups. Such projects may seek to develop and provide new employment and volunteer services, may provide referral, may seek to stimulate and create additonal services and programs to remedy gaps and deficiencies in existing programs, or to modify existing eligibility requirements and program structures to facilitate the greater use of, and participation in, public services by the older poor.

These projects endeavor to provide maximum opportunity for older poor persons to develop, direct, and/or administer such programs while utilizing existing services and other programs to the maximum extent feasible.

There are over 4.5 million older poor above the age of 65 and an additional 2 million between the ages of 55 and 64. This constitutes about 27 percent of the total universe of poverty in this country. The housing, consumer education, transportational andother needs of this group are generically similar to the needs of other identificable poverty groups. However, the lessening of mental facility and physical dexterity, and poor health which normally accompanies old age require special attention. There are other distinguishing characteristics. Principal among these is the reality that relatively few of these persons are, will, or could long remain in the normal private or public job market.

Program and Performance for Fiscal Year 1970

Results from the Senior Opportunities and Services projects indicate that they have been successful in meeting the needs of the older poor at a low cost per beneficiary, and have attracted support from local and other national sources. In FY 1970, $6.8 million will be used to continue funding the 217 Senior Opportunities and Services projects currently in operation, including those programs previously supported by local initiative funds.

Program and Performance for Fiscal Year 1971

Lacking adequate resources for massive income maintenance and service programs, OEO has had to plan its programs for the elderly to achieve a maximum impact at the lowest incremental cost. This has resulted in two basic thrusts: first, emphasis (through policy guidelines and technical assistance) on serving the needs of the elderly poor through various on-going OEO programs; second, use of SOS resources to (1) focus local concern and resources on the problems of the elderly, (2) provide the elderly poor access to existing services, and (3) selectively mount or supplement existing projects in areas where the local resource service base is totally inadequate and there exists a high concentration of elderly poor -- often rural areas. Outreach and referral services will be carried on in rural areas through replication of Project FIND and Senior Service Centers on a continuous on-going basis.

Community Action Operations-Program Administration

1970 Estimate	1971 Estimate	Increase
$14,900,000	$16,400,000	$1,500,000

Purpose and Scope

Program Administration provides funds to cover the salaries and expenses of Federal employees who perform the necessary administrative oversight function in Washington, D.C. and ten regional offices in support of the Community Action Operations Program. The Office of Operations was created for three main reasons: (1) to provide for a clear separation of the activities involved in operating programs and those involved in developing programs, (2) to insure that greater support is provided to the regional offices, to CAAs, and other local agencies by OEO headquarters, and (3) to insure that effective management of the new ten-regional structure is provided.

Personnel in the regional offices provide the necessary assistance to and coordination of communities and Community Action Agencies in the furtherance of their objectives.

Program and Performance for Fiscal Year 1970

Program Direction funds provided Headquarters and regional support for approximately $400 million in grants made during FY 1970. Generally, FY 1970 was a period when program funding levels stabilized. Federal personnel concerned with these programs consolidated their efforts in order to achieve improved planning and management of existing programs. One notable example was the Concentrated Management Improvement Program (CMIP) in which 60 of the larger CAAs participated.

Program and Performance for Fiscal Year 1971

Generally speaking, current programs will be continued at the previous year's levels. However, additional funding will be provided for the most promising efforts and those efforts which are striving to achieve more difficult objectives. Federal personnel will continue to seek improvements in the management of the organization administering OEO programs. This is particularly true of CAAs and Neighborhood Service Centers where, for example, a new feedback system will be developed for the exchange of relevant lessons between CAAs. The increase of $1,500,000 in Program Direction funds provides for the salaries and concomitant expenses of 77 additional man-years of effort.

Special Impact Program

1970 Estimate	1971 Estimate	Decrease
$36,800,000	$32,100,000	$ 4,700,000

Introduction

Authorized under Title I-D of the Economic Opportunity Amendments of 1967, the Special Impact Program is a multifacted effort directed towards solution of the special economic needs of urban areas with highly concentrated poor populations; and rural areas with histories of substantial outmigration to eligible urban centers.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Decrease (-) or Increase (+)
Community Development Corporations Program	$20,700,000	$20,500,000	$- 200,000
Opportunity Funding Program	10,500,000	7,000,000	- 3,500,000
New Mechanisms Program	3,700,000	2,500,000	- 1,200,000
Research, Technical Assistance and Evaluation	1,000,000	1,000,000	-0-
Program Administration	900,000	1,100,000	+ 200,000
	$36,800,000	$32,100,000	$- 4,700,000

Purpose and Scope

The Special Impact Program was established by Congress in order to develop solutions to the deteriorating economic and social conditions of specific urban and rural geographic areas. The number of Special Impact areas was restricted to allow a concentration of resources sufficient to create a substantial impact upon the problems of dependency, unemployment, and rising community tensions.

Since its inception, the program has been conducted on an experimental basis. This approach is a calculated attempt to maintain the manageability of scale and flexibility of design which will provide the milieu for careful evaluation of the process of economic development. While it is known that this process must include the formation of both human and monetary capital, what is

not known includes questions concerning the most effective system for delivering and administering developmental programs; how best to increase the supply of private investment capital available to low-income areas; over what period of time and under what conditions government should directly subsidize the supply of venture capital in a particular community; and by what means the essential ingredients of human aspiration and individual endeavor can be brought into phase with the overall economic development process to create the activity necessary for reversing economic and social decay.

Because so much must be learned, the experimentation will be further diversified in 1970 and 1971. We will continue to support the community development corporation concept which emerged as a major program model from the 1968 and 1969 Special Impact program while initiating a variation on this concept--state direction of community development corporations. Other experimental approaches to be initiated in 1970 and 1971 will include a demonstration of the potential for small amounts of government funds to leverage large sums of private capital for use by enterprises in low-income areas, and cooperation with other agencies such as Farmers Home Administration and Economic Development Administration in combining resources for economic development purposes.

Program and Performance for Fiscal Year 1970

Three major program models will be continued or initiated in 1970. These include the Community Development Corporation Program, which has been developed over the past two years; an Opportunity Funding Program, which will concentrate on increasing the supply of private capital available to low-income communities; and a New Mechanism Program which involves a concerted effort to bring the resources and expertise of several Federal agencies together to improve the design and potential impact of economic development programs.

Community Development Corporation Program: A major 1970 focus will continue to be the community development corporation concept. This program is designed to assess whether poverty area organizations can create the legislatively described special impact upon employment, dependency and community tensions. The program will examine the capacity of these locally controlled community groups to produce in partership with the established business community, effective programs of economic development for their target areas. In effect, it is a partnership, not between the federal government and the business community as are conventional economic development programs, and not between the federal government and the poverty area community as are conventional community action programs, but between the poverty area community and the business community. The role of the federal government is to create an environment conducive to that partnership.

The program consists of two components. One component is the continued direct federal support of urban and rural community development corporations which were funded in previous years. The numbers of these corporations will also be increased. The second component is a variation on the community development corporation model which will provide support to a limited number of states to encourage their participation in the selection of areas, the development of corporations to serve them, and the stimulation of outside resources for investment and assistance.

a. Directly-Supported Community Development Corporations:

Fifteen Community Development Corporations located in urban and rural areas throughout the country, had received funding by the beginning of FY 1970. Of these 15, two were operating with planning grants which provide a limited amount of funds for design of a full-scale plan for development. Eight of the projects are located in urban areas, including the Bedford-Stuyvesant project in New York City which was transferred to the Office of Economic Opportunity from the Department of Labor in 1969. Six projects, including the two planning grants, are in rural areas, and one in Roanoke, Virginia is located in an urban/rural setting.

These corporations were selected as part of a carefully designed sample to consider such variables as geographic area, urban/rural setting, size of the area served, relationship to other poverty programs, and type of business or industrial emphasis.

The Community development corporations are involved in a wide range of business activities. For example, the Inner City Business Improvement Forum of Detroit is establishing a computerized accounting service while the Union Sarah Economic Development Corporation is investing in a ceramic coating and dry lubricant factory. The Home Education Livelihood Program in New Mexico has a feed lot program, while the Southwest Virginia Community Development Fund is setting up an electrical harness pland and low-cost housing corporation.

During FY 1970, three of 15 corporations will require refunding or supplemental funds. The Bedford-Stuyvesant program, for example, which was originally funded for a two-year period by the Labor Department in 1967 was refunded this year for an additional two years at a level of $10.8 million including $670,000 for the Opportunities Industrialization Center which provides basic education and skills training for area residents. Two other corporations will receive supplements to the operating grants that were awarded in FY 1969. Operating grants provide for administrative expenses and a venture capital fund for business investment. These grants are made for a two-year period. Supplemental grants may be made if the pace of program development warrants additional funds for specific purposes unforeseen in the operating grant.

It is expected that one of the corporations which were awarded planning grants in 1969 will be ready for operating grants this fiscal year. In addition, five or so planning grants and one new operational grant may be made in 1970 to round out the sample design of this program component. It is expected that some of the planning grants may be converted into operational programs during FY 1971.

Listed below are the locations of the 15 corporations which had received funding prior to FY 1970:

Grant Location

A. Operating Grants - Urban
   1. Cleveland
   2. Chicago
   3. Detroit
   4. St. Louis
   5. Washington, D. C.
   6. New York (Harlem)
   7. Durham
   8. New York (Bedford-Stuyvesant)

B. Operating Grants - Rural
   1. Hancock County Georgia
   2. Southeastern Alabama
   3. Eastern Kentucky
   4. No. New Mexico

C. Planning Grants - Rural
   1. Northeastern Oklahoma
   2. Central Georgia

D. Operating Grants - Urban/Rural
   1. Roanoke, Virginia

b. Stated-Directed Community Development Corporations:

A variation on the Community Development Corporation model will be funded in 1970 to test the feasibility of having states plan and administer Community Development Corporations within specific geographic areas. Five states are currently being considered in this program. One of these is the State of New Jersey which has proposed to establish a State Development Corporation within the Department of Community Affairs. Its function would be to designate Community Development Corporations, allocate resources to them, render technical assistance, and engage in research and development on the effectiveness and future

of the system. The plan envisions the establishment of 10 Community Development Corporations within the state in the next 2 to 4 years. These would receive support from the state for a 5-year period in the form of grants for planning and administrative expenses and venture capital bonds with which to make equity investments in profit-making businesses. The corporations would be expected to become self-sufficient within the five-year support period.

A total of $20.7 million has been allocated to the Community Development Corporation Program in FY 1970. Of this amount, $14.7 million will be required for the directly supported Corporations and $6.0 million has been reserved for the state-supported programs.

Opportunity Funding Program: A new approach to the problem of stimulating private investment in low-income communities will be started in 1970 with the establishment of the Opportunity Funding Corporation, a nonprofit corporation, which will use well-established banking techniques to test, in an experimental situation, the capability for government incentives to leverage large sums of private capital.

The board of directors of the corporation will function with a small professional staff composed of persons with experience in banking and credit as well as persons with knowledge of the problems of low-income communities.

The Opportunity Funding Corporation will function with three units, each offering a different kind of financial incentive. The first unit will use various guarantee techniques to test their effectiveness in removing the risk aversion of private institutions to committing capital and credit to assist low-income communities. A second unit will use the discounting principle to demonstrate the feasibility of this mechanism to create a second market for EDA, SBA and Community Development Corporation- backed obligations and other commercial paper generated by enterprises in low-income communities. The third unit will demonstrate a range of incentives to induce such things as subcontracting arrangements and franchise enterprises in defined poverty areas as well as the purchase of capital notes issued by poverty area banks.

With 10.5 million of Title I-D funds, incentive and leverage programs will be initiated in designated Special Impact areas. Additional Research and and Demonstration funds will also be required to test these techniques within other low-income areas. The simultaneous evaluation of this program should provide information upon which to base future recommendations.

New Mechanisms Program: The Office of Economic Opportunity will experiment with techniques for use of Special Impact funds in conjunction with funds from other Federal economic development programs.

Separate discussions are currently underway with Economic Development Administration and Farmers Home Administration which are expected to result in programs which are flexibly tailored to the needs of target areas. For example, we are working with EDA on a proposal from the Standing Rock Indian Reservation in North and South Dakota in which the Office of Economic Opportunity would provide the initial operating capital and Economic Development Administration the building capital for a recreation and tourist facility. Another proposal from a consortium of 17 Indian tribes in Arizona is being negotiated with EDA. In addition, two proposals with local Chambers of Commerce are also under consideration.

Discussions with Farmers Home Administration have centered on the coordination of the Title III-A Rural Loans Program with several of the rural Special Impact projects. One example of coordination is the provision of seed money grants to cooperatives which would then receive loans for investment fudning.

In 1970, it is expected that these projects will be funded at a level of $3.7 million.

Research, Technical Assistance, and Evaluation: Backup for these programs in the form of research into the problems of community economic development, and technical assistance will continue to be provided. In addition, monitoring and evaluation of each of the experimental models will be conducted by an independant organization.

In 1970, a long-term evaluation of the Community Development Corporation model will be initiated. It is hoped that this evaluation will provide the information needed to reach conclusions concerning the efficacy of this strategy for development.

Program and Performance for Fiscal Year 1971

Support will continue in 1971 for each of the program models. Regarding the Community Development Corporation Program, it is estimated that 14 of the local Community Development Corporations will receive refunding or supplements at a cost of $15.5 million. Five million dollars has also been reserved for conversion of the 1970 planning grants into operating programs for a total requirement of $20.5 million for the Community Development Corporation Program.

The activities of the Opportunity Funding Corporation will be expanded in 1971 as the program becomes fully operational. It is expected that an additional $7.0 million will be required to support the level of activity generated within Special Impact areas.

The New Mechanisms Program activities will be continued and will be funded at a level of $2,500,000.

Research, technical assistance, and evaluation will also be maintained at the 1970 level of $1.0 million. During 1971, evaluation of the state-directed Community Development Corporation and the Opportunity Funding program will be initiated.

Special Impact-Program Administration

1970 Estimate	1971 Estimate	Increase
$900,000	$1,100,000	$200,000

Purpose and Scope

This activity pays salaries and expenses of Federal personnel who administer the Special Impact program. The organization charged with this responsibility is the Economic Development Division of the Office of Program Development. Specifically, it has two main functions: (1) To administer Special Impact Programs; and (2) To conduct research and experimental programs in the broad field of economic development for the poor. Grants by the division provide funds to test various approches aimed at alleviating poverty.

Program and Performance for Fiscal Year 1970

In FY 1970 the Economic Development Division was created as part of the new Office of Program Development, and about 45 man-years of effort will be devoted to its Special Impact activities.

Program and Performance for Fiscal Year 1971

Because of the highly developmental nature of this program, as well as a diversity of program emphases, man-years of effort will be increased from 45 to 53. This increased effort will permit the further diversification of the program,discussed in the Program Operations section, and bring staffing better in line with the concentration of attention needed by an experimental program.

Volunteers in Service to America (VISTA) Program

	1970 Estimate	1971 Estimate	Increase or Decrease
Program Operations	$27,000,000	$31,000,000	+4,000,000
Program Administration	8,000,000	7,500,000	- 500,000
	$35,000,000	$38,500,000	+3,500,000

VISTA--Program Operations

Purpose and Scope

VISTA's objective is to provide Volunteers to work with public and non-profit private organizations in their efforts to assist the poor. Conceived as the domestic Peace Corps, VISTA gives concerned Americans a chance to participate in programs to help poor people.

The Economic Act of 1964, as amended, provides for full-time short-term, and special Volunteer programs. Short-term and special Volunteer programs have chiefly been carried out via the VISTA Associates program, which typically supplies Volunteers for 10 weeks in the summer.

The basic VISTA program is for full-time Volunteers who serve for six weeks training followed by one year working on a particular project. Over 40% extend or re-enroll following their initial year. Some 19,000 persons have served or are serving as full-time VISTA Volunteers. They live and work directly in poverty neighborhoods. They receive a subsistence living allowance, plus a $50 monthly stipend, which is given them when service is completed.

Following VISTA service many VISTA alumni go on to serve as trained personnel for the helping professions. Of the large number of men and women who have served in VISTA, 26 percent enter the helping professions, 7 percent work for anti-poverty agencies, and 38 percent return to college or graduate school, half of whom give part-time assistance in poverty projects.

Volunteers are assigned to local, public and private sponsoring organizations at the request of these institutions, and with the written approval of the governor of the state involved. They work with a wide variety of anti-poverty organizations, as well as public bodies such as Indian Tribal Councils, State Economic Opportunity Offices, and mental hospitals, and non-profit institutions such as universities, the Urban Coalition, the Urban League, and the Credit Union National Association.

	FY 1969 Actual	FY 1970 Estimated	FY 1971 Estimated
VISTA Program Operations	$32,804,000 1/	$27,000,000	$31,000,000
Cost Reimbursements for Volunteers serving in other OEO programs	$ 1,356,000	$ 772,000	0
Total VISTA Operations Budget	$34,160,000 1/	$27,772,000	$31,000,000
Total Volunteer Man Years	4,518	5,083	5,200
Cost per Volunteer Man Year	$ 7,561	$ 7,039	$ 7,400
Average Number of Volunteers in Field	4,100	4,700	4,900
End of Year Volunteer Strength	6,030	6,051	6,051

Program and Performance for Fiscal Year 1970

The regular VISTA operations budget for 1970 is $27 million, exclusive of program direction costs which include primarily Federal staff salaries and administrative expenses. These are discussed under VISTA program administration.

Major elements in the operations budget include $15.5 million for direct Volunteer support, $4.9 million for pre-service and in-service training, $1.6 million for supervision grants, $1.9 million for recruitment, and $.8 million for special projects. This budget combined with $772,000 of cost reimbursements from other Office of Economic Opportunity programs will support an average of 4,700 volunteers in the field producing 4,603 man years of service. There will be an additional 480 man years of service by trainees bringing the total number of man years to 5,083.

FY 1970 is the year for consolidating programmatic and management improvements initiated in FY 1969. These changes are providing VISTA with better volunteers, better projects, better supervision, and better training.

Volunteer Profile: VISTA is continuing its successful efforts to attract more mature and skilled Volunteers. In FY 1970 there are three percent in the 18 and 19 year-old age group, 63% in the 20 to 24 age group, 27% from 25 to 49 years, and 7% above age 50. The

1/ Includes Program Administration.

level of education of Volunteers has increased - 14% high school graduates, 27% attended college, 54% college graduates, and 2% attended technical school. In FY 1970, the composition of the Volunteer Corps is roughly 59% generalists, 23% skilled (lawyers, architects, health experts, teacher and business trained) and 18% Community Volunteers (mostly poor people working near home).

Projects: The increased number of skilled Volunteers has made it essential to develop better projects. VISTA projects not meeting the required program standards are being re-designed or closed. Projects are being evaluated by Regional and National VISTA staff. Assignment of Volunteers is made after the project plan has been reviewed by the Office of Economic Opportunity.

Training: FY 1970 is the first full year when all volunteers will be receiving four weeks of on-the-job, pre-service training as well as the initial two weeks of training on general problems of poverty. The on-the-job training can be geared to specific type of project on which the volunteer will work and is more suitable for imparting needed skills. Furthermore, during the year Volunteers receive in-service training and technical assistance to help them solve problems they encounter on their project.

Volunteer Supervision: The quality and amount of supervision Volunteers receive has increased. The basic means of accomplishing this end has been providing a full-time supervisor to work with Volunteers. The budget for supervision increased from $75,000 in FY 1968, to $1,200,000 in FY 1969 and $1,600,000 in FY 1970. Almost one-half of all VISTA Volunteers now are assigned to projects with one or more full-time supervisors.

Program and Performance for Fiscal Year 1971

A budget total for VISTA of $38.5 million will provide $31 million for program operation exclusive of program direction. In FY 1971, an average of 200 more regular Volunteers will be serving in the field than served during the equivalent months of FY 1970. They will produce in total about 4,900 man years of field services. By the end of FY 1971 the number of VISTA Volunteers will level off at approximately the same level as the end of FY 1970, that being 6,051 Volunteers.

The FY 1971 VISTA program will emphasize programmatic and administrative changes - similar to those stressed under the FY 1970 program -- better Volunteers, improved training, higher calibre projects, and more supervision. VISTA also will continue to recruit more Volunteers with specific teachers and other skilled individuals. In addition, major changes will be initiated in FY 1971.

Volunteer Assignment: During FY 1971, VISTA will reverse its previous policy and assign Volunteers to their home regions wherever possible. Presently 24% of all Volunteers serve in their home states and 30% serve in the OEO region where their home states are located. By adopting a policy of home area assignment, VISTA expects to end FY 1971 with 58% of its Volunteer force serving in an area whose mores and cultural patterns are familiar to the Volunteer.

Programming: In FY 1971, VISTA will further tighten its programming procedures. Volunteer activities on projects will focus on specific objectives and courses of action instead of attempting a myriad of activities on the same project. The result is expected to be an increased ability to train, supervise, and provide assistance to Volunteers on a project.

Program Emphasis: VISTA is establishing six main concentration areas for Volunteers. There will be an increase in educational projects to support President Nixon's program to aid racially impacted schools and a decrease in those community projects which have less clearly defined goals and objectives. The six areas of program concentration are:

- Health: Plan and/or provide health services to the poor, either of a preventive or curative nature including nutrition and food programs, family planning and rehabilitation for alcoholic and drug addicts.

- Education and Manpower: Improve the quality or to increase the quality of education including basic education for adults; to develop the work skills of the poor; to provide job counseling and/or better employment opportunities.

- Economic Development: Broaden or utilize more effectively the resources available for purposes of economic improvement.

- Housing: Plan, create or improve housing.

- Community Planning: Begin or improve planning by the community for utilization of local, State and Federal resources.

- General Service: Provide services to the low-income residents which are not otherwise adequately provided by existing institutions.

	Volunteers in Field			
	June 30, 1970		June 30, 1971	
	#	%	#	%
Health	373	9%	700	14%
Education and Manpower	1452	35%	2200	44%
Economic Development	498	12%	850	17%
Housing	291	7%	500	10%
Community Planning	789	19%	250	5%
General Services	747	18%	500	
Total Volunteers in the field	4150	100%	5000	100%
Trainees	1901		1051	
Total VISTA Volunteers	6051		6051	

In FY 1970, VISTA projects might contain elements of some or all of the program areas mentioned. In FY 1971, the policy of program focus will mean that each VISTA project will focus the attention of all its Volunteers in one functional area. It is felt that the concentration of effort will increase the impact of VISTA projects and allow Volunteers on them to gain more expertise to usefully fulfill their function.

Volunteers in Service to America(VISTA) - Program Administration

1970 Estimate	1971 Estimate	Decrease
$8,000,000	$7,500,000	$500,000

Purpose and Scope

Included in this activity are the salaries and expenses of the Federal personnel who administer the VISTA program. These administrative functions involve the initiation and refinement of programs, the recruitment, selection and training of personnel and the administration of programs and personnel in the field.

Program and Performance for Fiscal Year 1970

During FY 1970 392 man-years of effort were engaged in the VISTA operating activities. About one-half of this effort was in the agency's regional offices. During prior fiscal years many management and program thrust modifications were instituted; these were fully implemented and intensified during FY 1970.

Program and Performance for Fiscal Year 1971

In FY 1971, it is planned to maintain the same functions but to decrease the level of effort in the VISTA administrative activities. This effort will decrease from 392 man-years to 361 in FY 1971. Such a decrease is possible by taking advantage of management improvements instituted in prior years. In addition, more pressing emphases in other programs conducted by the Office of Economic Opportunity require the division of manpower within a relatively fixed, overall agency limitation on positions.

Special Programs for Migrants and Seasonal Farm Workers

1970 Estimate	1971 Estimate	Increase
$30,900,000	$35,500,000	$4,600,000

Introduction

Persons working as migrants and seasonally-employed farm workers rank second only to the American Indians in terms of severe deprivation and intergenerational poverty. Their problems are far-ranging, but center basically on low-skill levels and education; occupational displacement in mechanized agriculture; lack of basic economic and social stability; and critical health and housing problems. Migratory workers encounter additional special problems during their travels, such as temporary housing and inadequate child care and emergency services. Migrants are not recognized as members of an established community even in their home-base areas. The same problem exists for seasonal farmhands, who do not leave their home communities at all.

	1969 Estimates		
	Poor heads of households	Average earnings 1/	Average length of employment
Migrants	236,000	$1,266 2/	117 days
Other Seasonal Farm Workers	555,000	$1,247	129 days

1/ Includes earnings from all sources.
2/ Real earnings are less than those of other seasonal farm workers because of travel costs.

The 791,000 poor heads of households employed either as migrants or other seasonal farm workers and their families constitute a universe of need estimated currently at 3.9 million persons.

Schedule of Funding Requirements

	FY 1970 Obligations	FY 1971 Estimate	Increase
Re-employment and Adjustments Projects	$ 3,982,000	$ 4,250,000	$ 268,000
Education and Opportunity Improvement	15,745,000	18,745,000	3,000,000
Housing and Enterprise Development Aid	2,393,000	2,725,000	332,000
In-Stream Migrant Assistance	3,700,000	4,000,000	300,000
Special Migrant Operating Program Direction	3,680,000	4,280,000	600,000
Program Administration	1,400,000	1,500,000	100,000
TOTAL	$30,900,000	$35,500,000	$4,600,000

Migrant Re-Employment and Adjustment Projects

1970 Estimates	1971 Estimates	Increase
$3,982,000	$4,250,000	$268,000

Purpose and Scope

All heads of household aged 22-54 included in the migrant and seasonal farmworker universe are potential beneficiaries of this element, since by definition they are hard-core poor and underemployed, or are already occupationally displaced (i.e., they are unable even to find short-term seasonal employment). In 1965, almost 500,000 people met this criteria.

Programs vary considerably, but are generally characterized by three or more of the following objectives:

(1) Private-public sector cooperation in program design and follow-through;

(2) The training and placement of adults who meet basic literacy requirements, but whose background has been limited to unskilled, seasonal farm employment, in year-round skilled or semi-skilled non-farm jobs at incomes above the poverty threshold;

(3) Assistance to affected families in making the environmental adjustment from an agricultural to a non-agricultural (and sometimes non-rural) orientation of life; and

(4) Voluntary, permanent resettlement assistance in an area agreed upon prior to entry in the training program.

Program and Performance for Fiscal Year 1970

An estimated 3,500 former farm workers will have been trained for re-employment in non-farm jobs at upgraded skill and salary levels. Over 7,000 family members will receive assistance to facilitate their adjustment to a new environment, concurrent with placement of family head.

Program and Performance for Fiscal Year 1971

An additional 4,000 adults eligible for this program will be better prepared for non-farm employment at higher skill and salary levels. Almost 8,000 family members will be assisted in adjusting to a new way of life.

Migrant Education and Opportunity Improvement

1970 Estimate	1971 Estimate	Increase
$15,745,000	$18,745,000	$3,000,000

Purpose and Scope

Approximately 1.6 million members (40 percent) of the migrant and seasonal farm worker universe aged 17-64 are eligible for education and/or prevocational training under Title III-B. Over two-thirds of the young people aged 17-22 have left high school without a diploma. An estimated 20 percent of this group would benefit most by residential HEP training, leading to a GED and higher education or advanced job training. The remaining high-school drop-outs in this age group, plus that 60 percent of the adult members of the universe aged 23-54 who have completed less than eight grades of school, constitute the non-residential but full-time Adult Education and Opportunity Improvement universe. Members of the adult education universe who are eligible for full-time courses are excluded from the estimated part-time universe.

High School Equivalency Program: HEP is a residential program conducted by colleges and universities for out-of-school youths aged 17-22 from eligible migrant or seasonal farm worker families, to provide them with up to twelve months training enabling them to get a high school equivalency diploma, learn a job skill, get a job or go on to college. Special tutors and counselors are provided to HEP students, who live in regular campus housing and are encouraged to participate in all campus activities. The environmental advantages of the campus setting, coupled with intensive instruction, reinforces the high level of motivation required of young people selected for this program and accounts in large part for its success.

Basic Education and Training: Full-time stipended, non-residential education and training programs are designed to upgrade the general education and broaden the skill levels of adult members of the migrant and seasonal farm worker universe. Programs vary in length and scope to meet the needs and capability of participants, but all are basically job-oriented in that they provide the student with a marketable skill, upgrade his education to a level which qualifies him for job training programs, or combine basic education with prevocational training in transferrable skills. Generally, younger enrollees who have had some secondary education are encouraged to qualify for a high school equivalency diploma. A minimum eighth-grade proficiency level is sought for all. However, in the case of some older enrollees with little or no formal schooling, emphasis is necessarily placed on basic communication skills coupled

with job training in areas of relatively low literacy requirement. Basic education and training are supplemented by supportive counseling services which benefit the entire family. Occasionally other service, such as emergency assistance or corrective health services, are provided to enable otherwise-eligible enrollees to participate in or complete the program. The latter are provided only when local assistance is not available from other sources.

Part-Time Education: Part-time instruction provided to migrants and seasonal farm worker families meets a wide variety of local needs and is often related to other Title III-B program components. Subjects taught include basic education (aimed at eighth grade or high school equivalency), English as a foreign language (for Spanish-speaking families), environmental adjustment for newly-settled migrants, home and money management, child care and other programs designed to improve the family life-style. Some part-time education programs are supplemented by supportive family counseling services in cases where participants are facing major changes in occupational or residential environment or both.

Program and Performance for Fiscal Year 1970

In FY 1970, 1,800 young students participated in the HEP program. In addition, over 25,000 adults were enrolled in job-oriented education and training programs. Nearly 7,300 of the latter studied or were trained on a full-time stipended basis.

Program and Performance for Fiscal Year 1971

HEP will be increased to provide an estimated 2,200 slots. An estimated 26,500 adults will be enrolled in non-residentail programs. Approximately 10,100 of the latter will participate on a full-time basis, stipended when needed.

Migrant Housing and Enterprise Development Aid

FY 1970 Estimates	FY 1971 Estimates	Increase
$2,393,000	$2,725,000	$332,000

Purpose and Scope

Housing needs of this large universe of up to 4 million people are being reappraised from the standpoint of various program options which include, but are not limited, to self-help projects. The self-help universe is estimated at 225,000 units of new housing. Particular attention is directed at possible program linkage with non-farm job training for anticipated employment needs in economic growth areas which require additional or improved housing to accommodate incoming residents.

One of the objectives of development programs designed to meet the needs of migrant and seasonal farmworker families is to improve their acceptance by the community at large. Therefore when permanent housing is planned in any scale (e.g., 50 or more self-help housing starts on a continuous tract or scattered within an existing community) an effort is made to provide a bridge between the larger community and the settling families, enhancing the acceptability of the latter, by establishing a desirable service or facility which will benefit the entire community. The universe of need for community improvement is a direct function of the incidence of concentrated, low-cost housing development in or on the outskirts of an established community.

Program and Performance for Fiscal Year 1970

Slightly more than 1,100 new housing starts were supported in FY 1970 at reduced unit cost due to economy of operation in larger projects and in established groups. Where circumstances warrant, community improvement features are to be incorporated in selected areas.

Program and Performance for Fiscal Year 1971

Assuming stable scale of projects in FY 1970, program participants should be able to make 1,200 new housing starts in a variety of housing and rehabilitation programs. Seed money for community improvement projects will be provided for the largest programs.

In-Stream Migrant Assistance

FY 1970 Estimates	FY 1971 Estimates	Increase
$3,700,000	4,000,000	300,000

Purpose and Scope

These programs are essentially restricted to migratory farm workers and members of their families who travel with them, except in the case of day care services where children of non-migratory workers may participate if sufficient facilities exist. Migrants and their families are eligible for other Title III-B programs as well. The migrant farm work force was been declining at an average annual rate of 10 percent since 1964. In 1969 there were 223,000 migratory workers in a total hired farm work force of three million.

Migrant Service Centers: Service center units (several of which are semi-mobile) are strategically placed along the migrant stream to provide information and individualized assistance to migrants en route to work areas. They also serve as information gathering posts, collecting data on migrant characteristics, needs and problems which are valuable to OEO in planning programs designed to meet their needs. Delivery of emergency service needs has received priority attention in the first stages of program development.

Migrant Day Care: Extended-hour day care programs are characterized by their child development focus, however short-ranged, and the mobilization of outside resources to minimize OEO cost.

Temporary Housing: In an innovative multi-faceted approach to providing additional units of temporary housing over a three-year period, OEO is combining job training in pre-fabricated housing construction skills and operation of a production facility with actual housing construction and testing of a low-cost plywood and styrofoam unit which it believes can be adapted to meet many needs for low-cost temporary or permanent, conventional or self-help housing.

Other Migrant Services: These include a wide array of supportive services, many of which are furnished on an emergency basis by the Migrant Service Centers. They are sometimes supplemented by other EOA funds, particularly Title II.

Program and Performance for Fiscal Year 1970

Outreach and flexibility of the Migrant Service centers benefitted over 34,000 individuals: An estimated 13,000 youngsters participated in a variety of in-stream day care programs, and OEO subsidized the operation of existing temporary housing units which lodged an aggregate of 18,000 people at times throughout the peak harvest seasons. In addition, OEO has a series of prototype shelters under development to test prefab modular units at construction costs of $4.50 per square foot or less.

Program and Performance for Fiscal Year 1971

Expanded services and center outreach will increase participation by about 24,000. The slight increase in the allocation to this program element, when combined with non-OEO resources, will enable some additional children to participate in Migrant Day Care projects beyond the 13,000 who are participating in the current year.

Special Migrant Operating Program Support

FY 1970 Estimate	FY 1971 Estimate	Increase
$3,680,000	$4,280,000	$ 600,000

Purpose and Scope

Program support activities are distributed among three main categories as indicated below:

	FY 1970 Estimate	FY 1971 Estimate	Increase
Grantee Program Direction	$2,250,000	$2,275,000	$ 25,000
Staff and Leadership Training	208,000	405,000	197,000
Technical Assistance	1,222,000	1,600,000	378,000
TOTAL, Support	$3,680,000	$4,280,000	600,000

Program and Performance for Fiscal Years 1970 and 1971

This element provides for local grantee program direction, training, and technical assistance.

Migrants and Seasonal Farm Workers Program Administration

FY 1970 Estimate	FY 1971 Estimate	Increase
$1,400,000	$1,500,000	$100,000

Purpose and Scope

This activity includes the salaries and expenses of the Federal personnel concerned with the administration of the Migrants and Seasonal Farm Workers program activities. The organization administering these activities is the Indians and Migrants Division of the Office of Operations.

Program and Performance for Fiscal Year 1970

During FY 1970, 69 man-years of effort were devoted to the administration of the Migrant and Seasonal Farm Workers program.

Program and Performance for Fiscal Year 1971

In FY 1971, the level of administrative effort in this activity is planned to remain at the FY 1970 level.

General Support Program

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$16,000 000	$16 000,000	-0-

Purpose and Scope

This program provides overall direction management, administration and support for all Federal anti-poverty programs specified in the Economic Opportunity Act. Included here is the cost of all support functions which are not directly chargeable to the operating programs conducted by OEO. This includes various generalized support activities conducted both at Headquarters and in the ten regional offices.

These funds are required for the following headquarters and regional office organizations:

Headquarters	Regions
Office of the Director, OEO	Office of Regional Director
Office of Public Affairs	Program Management and Support Division
Office of Congressional and Governmental Relations	Plans, Budget and Evaluation Division
Office of General Counsel	
Office of Administration	
Office of Planning, Research and Evaluation (Program Analysis Division Only)	

A brief statement of the functions of the organizations included in the General Support Program is as follows:

Headquarters Offices

Office of the Director: Includes Director and Deputy Director and staff support personnel.

Office of Public Affairs: Conducts programs to foster public understanding of Office of Economic Opportunity programs and policies and serves the public information needs of the Office of Economic Opportunity.

Office of Congressional and Intragovernmental Relations: The focal point for liaison between the agency and Congress, this office is responsible for providing the Congress with information on the scope and operation of Office of Economic Opportunity programs. This office is responsible for apprising the Director and program officials of matters affecting Congressional activities. Additionally this office has become the coordinating authority for participation

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in interagency programs. The office is responsible also for liaison with other Federal agencies and State and local governments in the administration of poverty-related programs.

Office of General Counsel: Primarily responsible for providing legal advice and counsel in the formulation of policies, plans and programs; this office is responsible also for assisting in the day-to-day operations of the agency. This office has responsibility for:

Human Rights: Establishing and administering overall policies, directives and procedures for the Civil Rights program of the Office of Economic Opportunity and delegated agencies pursuant to Title VI of the Civil Rights Act of 1964 and Executive Orders relating to nondiscrimination in employment and services provided under the Economic Opportunity Act.

Inspection: Continual review of all programs through investigations and inspections is the prime responsibility of this office. Reports are made on the nature, extent and causes of problems, both internal and external.

Office of Administration: Responsible for directing and conducting the general administrative functions in the agency. The office consists of several divisions, each responsible for particular aspects of the general management of the agency, including Audit, Finance, Manpower and Organization, Procurement, Systems and Information Services.

Program Analysis Division (Office of Planning, Research and Evaluation): This office (1) provides the analytical support the Director needs to focus the Office of Economic Opportunity's resources in the most productive manner to reduce the extent of poverty and increase economic opportunity throughout the nation. (2) Develops a total multi-year program and financial plan for alleviating poverty in the United States.

Regional Offices

Office of the Regional Director: There are ten regional offices, each is headed by a Regional Director, who serves as the representative of the agency Director, and who directs and coordinates programs in his regions. Included in this office are the Regional Director, Deputy Regional Director and supportive staff.

Program Management Support Division: The purpose of the Division of Program Management and Support is to assure that resources are obtained and used effectively and efficiently to attain the purposes of the Economic Opportunity Act of 1964, as amended, and to implement the policies and achieve the objectives of the Office of Economic Opportunity within the ten Federal Regional boundaries. The scope of this division assumes three things: (1) the existence of a process of management,

(2) that the process takes place within a context of explicit policies and objectives, and (3) that the criteria relevant for appraising actions taken in the process are effectiveness and efficiency.

Plans, Budget and Evaluation Division: This division's scope covers four major areas: (1) coordinates and directs the overall planning, budgeting and evaluation programs and activities of the Regional Offices of OEO: (2) serves as the focal point of liaison with headquarters offices of OEO regarding all matters of planning budgeting, research, and evaluation· (3) revies or secures a review of planning, budgeting, research, and evaluation project proposals submitted to the Regional Offices for comment; and (4) assist, upon request, the other divisions of the Regional Office in providing professional guidance and assistance to agencies, institutions, and organizations receiving OEO aid.

Program and Performance for Fiscal Year 1970

During FY 1970 various support capabilities were improved over previous years. Audit, inspection and property management capabilities were increased in order to provide required surviellence over Office of Economic Opportunity grantees and contractors. The contract administration function was strengthened to more effectively administer the large volume of contracts generated by the opersting programs. The financial management function was significantly strengthened in the regional offices by the reorganization which combined in the General Support Program function which were previously performed by the operating program organizations. In short, supporting functions were consolidated and augmented to provide for a more efficient utilization of personnel along specialized functional lines.

Program and Performance for Fiscal Year 1971

The same amount ($16.0 million) is requested for FY 1971 as will be required in FY 1970. Normal increases, such as with-in grade salary increases upward adjustments in the cost of services, supplies and material, etc. will be covered by normal attrition in personnel, as well as the continued ability to charge certain costs incurred by General Support organizations, directly responsible for generating them.

DEPARTMENT OF LABOR

Work and Training Programs

Summary of Changes

1970 Estimate	$753,900,000
1971 Estimate	802,000,000
Total Change	+$ 48,100,000

Increases:

Public Service Careers	$49,600,000
NYC Summer Program	25,000,000
Out-of-School Program	36,200,000
Job Corps	9,800,000
Program Administration	900,000
Total Increases	$ 121,500,000

Decreases:

Job Opportunities in the Business Sector	$ 47,000,000
Concentrated Employment Program	26,400 000
Total Decreases	$ 73,400,000
Net Change	+$ 48,100,000

Explanation of Changes

Each program will be treated separately on subsequent pages.

Public Service Careers

Summary of Changes

1970 Estimate	$ 47,000,000
1971 Estimate	96,600,000
Total Change	+$ 49,600,000

Increase:

Funding mix change in unit cost and additional enrollment	$ 49,600,000

Explanation of Change

The increase of $49,600,000 will provide for 38,600 additional enrollment opportunities and an increase in average cost per enrollment opportunity due to emphasis on funding of entry-level enrollment opportunities, for which the unit cost is higher than upgrading. Upgrading training will be provided mostly through Manpower Development and Training Act funds. A limited amount of upgrading will be provided from Economic Opportunity Act funds.

NYC Summer Program

Summary of Changes

1970 Estimate	$121,500,000
1971 Estimate	146,500,000
Total Change	+$ 25,000,000

Increase:

Enlarged Economic Opportunity funding	$ 25,000,000

Explanation of Change

The increase of $25,000,000 in support of this Program by the Office of Economic Opportunity appropriation results from a decision regarding source of support. This increase partly offsets the termination of Manpower Development and Training Act funding which was $26,400,000 in 1970. The overall reduction will be $1,400,000.

Out-of-School Program

Summary of Changes

1970 Estimate	$ 98,000,000
1971 Estimate	134,200,000
Total Change	+$ 36,200,000

Explanation of Changes

Enrollment. This increase will provide 6,400 additional training opportunities.

Unit Cost. The re-designed approach, focusing on 16- and 17-year olds, and offering greater educational and counseling assistance requires an increase in the cost per training opportunity.

Job Corps

Summary of Changes

1970 Estimate	$170,200,000
1971 Estimate	180,000,000
Total Change	+$ 9,800,000
Increase:	
Direct Program	+$18,472,000
Decreases:	
Capital	- 3,546,000
Program Support	- 5,126,000
Gross Decreases	- 8,672,000
Net Change	+$ 9,800,000

Explanation of Changes

Increase:

Direct Program. The net increase of $18,472,000 results from: an increase in enrollee capacity and man-years over the 1970 level; full-year funding of contracts last refunded late in FY 1969 which required no FY 1970 funds; and a decrease reflecting the scheduled funding of several Residential Manpower and Support Centers late in FY 1970 which will not require refunding in FY 1971. The following table details the increases and decreases:

Center Operations	
Federal Conservation	+$ 1,207,000
State Conservation	- 82,000
Men's	+ 14,288,000
Women's	+ 4,443,000
Residential Manpower and Support	- 4,378,000
Sub-Total	+ 15,478,000
Work Projects in Conservation Centers	+ 344,000
Enrollee Allowances and Travel	+ 2,650,000
Total, Direct Program	+$18,472,000

Decreases:

Program Support. A net decrease of $5,126,000 is requested for program support. The principal changes are: a decrease resulting from the assumption by GSA of responsibility for the maintenance and security of centers closed in FY 1969; and an increase for full-year funding of the Gate House placement contracts last refunded in FY 1969.

Center Capital. The net decrease of $3,546,000 reflects non-recurring expenses associated with capital improvements in FY 1970. A small increase is provided for the new Residential Manpower and Support Centers.

Federal Conservation	-$1,483,000
State Conservation	- 11,000
Men's	- 1,100,000
Women's	- 1,000,000
Residential Manpower and Support	+ 48,000
Total	-$3,546,000

Work and Training - Program Administration
(Department of Labor)

Summary of Changes

1970 Estimate		$17,400,000
1971 Estimate		18,300,000
Total Change	+$	900,000
Increases:		
Net additional pay increase costs not completely funded in 1970	$	878,000
Net cost of within-grade promotions effective for part year in 1970 and becoming effective in 1971		95,000
Net additional cost for Federal Telecommunications Systems Services		45,000
Total increases	$	1,018,000
Decrease:		
Non-recurring rental costs		118,000
Net change	+ $	900,000

Job Opportunities in the Business Sector

Summary of Changes

1970 Estimate	$47,000,000
1971 Estimate	-0-
Total Change	-$47,000,000

Explanation of Changes

In fiscal 1971, all funding for the JOBS program will be provided through the Manpower Development and Training Act (MDTA)Appropriations. Even with the elimination of the Economic Opportunity Act (EOA) resources, the overall level of the program will increase from $175,000,000 in fiscal 1970 ($47,000,000 EOA and $128,000,000 MDTA) to $240,000,000 (all MDTA) in fiscal 1971.

Concentrated Employment Program

Summary of Changes

1970 Estimate	$149,400,000
1971 Estimate	123,000,000
Total Change	-$ 26,400 000

Explanation of Changes

Decreases

This reduction results from a change in the funding mix between MDTA and EOA sources. The total program remains at the same level.

Work and Training Programs

1970 Estimate	1971 Estimate	Increase
$753,900,000	$802,000,000	$48,100,000

Introduction

The Work and Training activities of the Economic Opportunity Act consist of eight programs authorized under Title I of the Economic Opportunity Act, as amended. Administration is a ninth budgetary requirement. These programs are designed to provide a broad and comprehensive array of personal and educational services, work training and experience to severely disadvantaged low-income individuals who are currently unemployed or underemployed. These programs in combination with those authorized under Title II of the Manpower Development and Training Act, the Vocational Rehabilitation Act, and Title IV of the Social Security Act (the Work Incentive Program), form the nucleus of Federal activities directed at the employment needs of the poor.

Brief description of the Programs

The Job Opportunities in the Business Sector (JOBS) Program, initiated in fiscal year 1968, is designed to create a partnership between Government and industry to train and hire the hard-core unemployed, in order to reduce the incidence of joblessness among the disadvantaged in our cities.

The Concentrated Employment Program (CEP) is an integrated manpower delivery system which marshals a variety of manpower programs and supportive services into a single, comprehensive effort in geographically small, but demographically concentrated, urban communities and in economically depressed rural communities.

The Public Service Careers Program emphasizes the development of jobs in the public sector, in order to provide employment opportunities for the poor in this rapidly expanding area.

The Neighborhood Youth Corps In-School and Summer Programs deal with the problems of high school students from low-income families, who have a high probability of dropping out of school before graduation. These programs help students overcome income problems by providing part-time work during the school year and full-time work during the summer months.

The Job Corps and Out-of-School programs induce youths and young adults who have dropped out of school to improve their employability either through a regimen of work-training and remedial education, or by completing their high school education.

The program emphasis in Job Corps is residential support for those youth who need environmental change as well as intensive assistance. The extent of environmental change varies from provision of a new residence in or near the youth's home community to the transfer of the youth to another geographic area for training and remedial education and support services.

The Out-of-School program is designed for youth who do not have the need for residential support. Their needs are met within their home communities while they reside at home.

Operation Mainstream is a predominantly rural program which provides permanent jobs to chronically unemployable adults through a variety of work-training and employment projects for community improvement. The program displays particular concern for the elderly poor, which results in a higher average participant age when compared with other programs.

Justification

A table, displaying comparative quantities, both dollars and training opportunities, for all the Work and Training Programs is provided on the next page.

The detailed justifications of the individual Programs are presented immediately following the table.

COMPARATIVE INFORMATION - WORK AND TRAINING PROGRAMS

Description	Estimate 1970 Enrollment Opportunities	Estimate 1970 Obligations	Estimate 1971 Enrollment Opportunities	Estimate 1971 Obligations	1971 Change Enrollment Opportunities	1971 Change Obligations
Job Opportunities in the Business Sector	15,700	$ 47,000,000	-0-	$ -0-	- 15,700	-$ 47,000,000
Concentrated Employment Program	118,000	149,400,000	97,200	123,000,000	- 20,800	- 26,400,000
Public Service Careers	23,700	47,000,000	62,300	96,600,000	+ 38,600	+ 49,600,000
In-School	100,000	62,400,000	100,000	62,400,000	-0-	-0-
Summer	272,400	121,500,000	310,400	146,500,000	+ 38,000	+ 25,000,000
Out-of-School	32,500	98,000,000	38,900	134,200,000	+ 6,400	+ 36,200,000
Job Corps	21,700	170,200,000	25,640	180,000,000	+ 3,940	+ 9,800,000
Direct Program	(21,700)	(120,400,000)	(25,640)	(138,900,000)	(+3,940)	(+18,500,000)
Program Support	651*	(36,600,000)	651*	(31,400,000)	---	(-5,200,000)
Capital	---	(13,200,000)	---	(9,700,000)	---	(-3,500,000)
Operation Mainstream	12,200	41,000,000	12,800	41,000,000	+ 600	-0-
Administration	809*	17,400,000	809*	18,300,000	---	+900,000
Totals	596,200	753,900,000	647,240	802,000,000	+ 51,040	+$48, 100,000

*Federal Positions (not included in totals)

Jobs Opportunities in the Business Sector

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$47,000,000	$ --	-$47,000,000

Introduction

The Job Opportunities in the Business Sector (JOBS) Program combines financial resources from the Federal government and training resources from the private employer, the program's goal is to seek the hard-core unemployed from urban slum areas, hire them and provide on-the-job training with necessary supportive services at the job site. The program is promoted in private industry by the National Alliance of Businessmen which was created for the specific purpose of involving the Nation's businessmen in attacking the severe employment and training needs of urban ghetto residents. Since its inception in FY '68, the program has been funded jointly from the Economic Opportunity Act, Title I-B, and the Manpower Development and Training Act, Title II. However, in 1971, the program will be funded solely with MDTA funds.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Change
Economic Opportunity Act			
NOA	$ 47,000,000	$ ---	$-47,000,000
Enrollment Opportunities	15,700	---	- 15,700
Unit Cost	$ 3,000	$ ---	$ ---
Manpower Development and Training Activities			
NOA	$128,000,000	$240,000,000	$+112,000,000
Enrollment Opportunities	42,700	80,000	+37,300
Unit Cost	$ 3,000	$ 3,000	$ ---

Purpose and Scope

The results of experimental job-training programs have demonstrated that the private sector can make a significant contribution in helping to ease the critical problems of hard-core unemployment. This partnership between business and government offers businesses the opportunity to hire the disadvantaged and be reimbursed for training and other necessary supportive services. A unique feature of the Job Opportunities in the Business Sector program is the requirement that the hard-core worker is first hired by the company, then provided the necessary training, most of it on the job. Emphasis is placed on the supportive services necessary to help the worker stay on the job. In this way, the program goes beyond the conventional "on-the-job" training program where the employer is neither required to provide complete supportive services to the trainees nor required to hire the trainee. In the Job Opportunities in the Business Sector contract, Federal funds are used to offset the extraordinary costs of counseling, remedial education, prevocational training, job training, transportation and supportive services needed to rehabilitate disadvantaged individuals into fully productive workers.

Jobs are developed through pledge campaigns, conducted by the National Alliance of Businessmen, utilizing representatives of private industry who make personal contact with company executives to solicit job pledges. The pledges are usually given to the Employment Service for conversion into job orders. The companies then receive referrals from the Concentrated Employment Program or from the State Employment Services, which certify that the applicants qualify as disadvantaged.

Program and Performance for Fiscal Year 1970

In 1970, the Job Opportunities in the Business Sector program was expanded nationwide from the original 50 cities. The program was also redesigned to facilitate private industry's efforts to employ and train the hard-core disdavantaged, and to provide opportunities for upgrading the skills of persons already employed.

The program in fiscal year 1970 will provide an estimated 58,400 training opportunities at a Federal cost of $175,000,000 of which Economic Opportunity Act funds will provide $47,000,000 and Manpower Development and Training Act, $128,000,000.

Traditionally, industry has conducted a wide variety of training aimed at upgrading existing employees' skills. Selection for this type of training is usually through a bidding system based on job seniority, allowing an employee a reasonable period of time to master a job at a higher level, or through aptitude tests. These methods of selection have left many employees in entry-level positions from which they are unable to advance.

Recent efforts of industry and the government to employ and train the hard-core unemployed have further aggravated this problem by increasing the number of persons with minimal skills in and the demand for entry-level

positions. In recognition of this problem, the 1970 program design includes provisions for upgrading of present employees who are either working disadvantaged, or will be employed in a skill shortage area.

An Upgrading contract is available to any employer who has participated in any phase of the JOBS Entry Program Contracts. It is also available to an employer who is submitting a proposal for an entry contract concurrently with submission of an upgrading proposal. In addition, all employers who have pledged to hire individuals under the non-contract phase of a NAB/JOBS program or who are making a pledge concurrently with submission of an upgrading proposal are eligible for an upgrading contract. Generally an employer may receive funds to upgrade one employee for every two disadvantaged persons hired as a result of the NAB/JOBS program.

The 1970 Job Opportunities in the Business Sector program offers these options:

The Entry Program Contract

-- This program is available to companies who agree to first hire, then train and provide supportive services for the disadvantaged. Individual employers or groups which have joined together in a consortium may participate in the Entry Program.

-- National Alliance of Businessmen will continue to promote the program but specially trained government representatives will provide face-to face assistance to employers in developing the Entry Program contract.

-- The payback to the employer will be based on the actual training period rather than on a period of specified duration which was uniformly applicable to all employers.

-- On-the-job training and special counseling are mandatory in the Entry Program. The on-the-job training component cannot be subcontracted.

-- The maximum period of performance for an entry contract is eighteen months.

-- The minimum training period per trainee is eight weeks, while the maximum training period per trainee is forty-five weeks.

-- The number of trainees in an Entry Program will not exceed twenty-five percent of the employers' regular full-time work force, unless circumstances warrant an exception.

-- All funded occupational slots must be filled within the first six months after an Entry Program contract is awarded. However, employers may replace dropouts.

The Upgrading Program Contract

-- The purpose of this contract is to provide training and supportive services to persons already employed in order to move them to jobs at higher levels, freeing entry level positions for the disadvantaged.

-- This program is available to both contract and non-contract employers who have previously participated in the Job Opportunities in the Business Sector program or who will participate in the 1970 program.

-- Contractors can upgrade up to fifty percent of the number of trainees that they had in the Entry Program.

-- Participants must be either working disadvantaged and/or must be trained for skill shortage areas. Participants can be regular employees of the company. They do not have to be disadvantaged persons hired under Job Opportunities in the Business Sector contracts.

-- Trainees must receive a ten percent increase in wages and be upgraded two skill levels.

-- There are no mandatory training elements in the Upgrading Program. Employers will have considerable flexibility in structuring the program.

-- The payback to the employer will be based on the actual training period.

-- The maximum period of performance of an Upgrading contract is eighteen months.

-- The maximum training period per trainee is twenty-seven week assuming that full-time training is conducted. However, the contractor may provide training on a part-time basis thus increasing the length of the training period up to fifty percent of the total training hours.

Program and Performance for Fiscal Year 1971

In fiscal years 1970 and 1971, temporary adjustments in the rate of national economic growth, and the attendant effect of these adjustments on private employers' decisions on the size and composition of their labor forces, may have an impact on the rate at which the JOBS program can be implemented. Additionally, the public sector (Federal, State and local government) is less affected by business cycle fluctuations and continues to offer highly fertile ground for the rapid expansion of job openings for disadvantaged persons. Short periods of sluggish economic activity also can be productively used to upgrade the job skills of disadvantaged persons who become unemployed--normally unskilled and semi-skilled persons are among the first to be laid off and have the greatest difficulty in finding alternative employment.

These factors serve as the basis for a decision to amend the original Presidential budget requests. The JOBS program levels have been changed from $300,000,000 ($70,000,000 EOA and $230,000,000 MDTA) to $175,000,000 ($47,000,000 EOA and $128,000,000 MDTA) for fiscal 1970 and from $375,000,000 ($55,000,000 EOA and $320,000,000 MDTA) to $240,000,000 (MDTA only) in fiscal 1971. The $125,000,000 ('70) and $135,000,000 ('71) made available by this action largely will be utilized for the high priority Public Service Careers Program (including the new supplemental Training and Employment Program--STEP--for persons temporarily unemployed) and MDTA Institutional Training activities. Detailed statements of how the EOA portions of these increases will be utilized are contained in other program presentations.

The Job Opportunities in the Business Sector Program will continue to expand nationwide to reach all areas, both rural and urban, wherever there are opportunities in the private sector to hire and train the hard-core unemployed. However, due to present economic conditions, the rate of expansion anticipated last year has been modified. The decision to fund entirely with Manpower Development and Training Act funds allows for greater program flexibility, both in terms of enrollee eligibility and timing.

Concentrated Employment Program

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$149,400,000	$123,000,000	-$26,400,000

Introduction

The Concentrated Employment Program, now in its third year of operation, is designed to cope with the problem of impacted unemployment and sub-employment in slum areas of selected large cities and blighted rural areas. This program provides a localized delivery system for bringing concentrated individualized assistance under one coordinated agency sponsor, predominantly the local Community Action Program, providing effective linkage of various kinds of training programs to improve the employability of the poor. It stresses orientation, individual "coach" counseling, the provision of other available manpower services needed including day care, and the utilization of other training and work experience programs provided under various auspices, including institutional and on-the-job training authorized under the Manpower Development and Training Act.

Authority for this program is provided by Title IB of the Economic Opportunity Act of 1964 as amended, and Title II of the Manpower Development and Training Act of 1962, as amended. While this justification is concerned with the Economic Opportunity Act portion of the total appropriation, sounder consideration will result from an overview of the entire Concentrated Employment Program, including the Manpower Development and Training Act portion.

The persons served by the Concentrated Employment Program must be residents of the designated target area (which embraces the Model Cities' target area where the programs coexist) and must be disadvantaged. That is, they must be poor and be unemployed or underemployed and may have other disadvantages such as inadequate education, police records and poor or nonexistent employment experience. Welfare recipients who reside within the target areas are considered disadvantaged regardless of income and are qualified for the Concentrated Employment Program.

Schedule of Funding Requirements

Concentrated Employment Program	1967 Actual	1968 Actual	1969 Actual	1970 Estimate	1971 Estimate
Obligations, Total (in thousands of dollars).....	$98,400	$95,164	$114,403	$199,000	$199,000
Economic Opportunity Act..	50,700	73,041	83,000	149,400	123,000
Manpower Development and Training Act.....	47,700	23,123	31,403	49,600	76,000
Number of projects under contract	21	62	80	82	82
Enrollment opportunities..	56,000	65,000	104,300	157,000	157,000

Purpose and Scope

The Concentrated Employment Program was launched in April, 1967 to attack the problem of poverty in localities where it is most severe. A Department of Labor survey of ten slum areas in November, 1966 showed that 10 percent of the labor force in these areas was unemployed. An equally severe picture is revealed by estimates of sub-employment: a measure which includes, in addition to the unemployed, (1) those working part-time for economic reasons; (2) the full-time employed poor; (3) those not in the labor force who ought to be; and (4) one-half of the census "undercount" group. The sub-employment rate runs about one out of three. In rural areas, unemployment (to say nothing of the much more prevalent underemployment) runs to 6.9 percent among agricultural workers, while only 3.6 percent of rural non-farm workers are unemployed. Clearly, as in the cities, joblessness and poverty are much higher in the depressed rural areas than in rural America as a whole. An estimated 6 out of every 10 rural Negroes are poor.

CEP focuses existing programs in an intensive attack on hard core poverty and unemployment. CEP finds the disadvantaged population, whether urban or rural, and offers a total range of services from basic education to health services--all designed to produce employable, productive individuals.

The CEP Program is directed to a limited target area within a city rather than to the entire city, primarily for two reasons. First, these areas have the highest concentration of unemployment and sub-employment. Second, a limited area presents the potential for visible success in improving economic circumstances in a target area.

A CEP Project must perform many functions to attain its goal. These include active recruitment to reach as many needy persons as possible within its target area. Screening and testing are needed to develop individual employability plans which will best prepare enrollees for referral to particular programs within CEP or other training, or to placement directly into employment. The CEP Project also provides coaching and counseling to guide the enrollee and to lend whatever support is necessary to help him get and hold a job. Many CEP staff members come from the same area and background as enrollees and are, therefore, able to relate to the enrollees and their needs. A CEP Project also provides such services as health examinations, day care centers for dependents, and a series of other services designed to increase the enrollee's employability.

Program and Performance in Fiscal Year 1970

In 1970, the objective of the Concentrated Employment Program is to strengthen and improve existing projects. The program size in 1970 will total 82 operational projects. On June 30, 1969, 75,883 individuals were enrolled in Concentrated Employment Program projects. The program in fiscal year 1970 will provide services for an estimated 157,000 training opportunities at a Federal cost of $199,000,000 of which Economic Opportunity Act funds will provide $149,400,000 and Manpower Development and Training Act funds, $49,600,000.

The fiscal year 1970 Concentrated Employment Program continues to be funded from both Manpower Development and Training Act funds and Economic Opportunity Act funds. Individuals may, therefore, be enrolled in several types of training and work experience activities between the time they enter and terminate their participation in the program. In this sense, the Concentrated Employment Program is unlike other manpower training programs in which funds are used for a specific type of training.

Some changes are being initiated this fiscal year. These changes are generally in response to evaluations, studies and analyses which disclosed opportunities for improvement in the operation of the program.

Greater use will be made of employability development teams to provide individualized and intensive services to enrollees on a continuous basis. Under this concept, an enrollee will have the guidance of a team of specialists consisting of a vocational counselor, job development specialist and a work training specialist until final placement on a job.

Job development will be intensified and efforts will be made to place each enrollee in a training related job. Job Banks in metropolitan areas will be used for availability information.

Teams will identify and refer persons requiring therapy that the program itself cannot provide, such as narcotics addicts, chronic alcoholics, and persons with severe mental or physical disability.

The roles of subcontractors and cooperating groups will be more clearly defined to prevent overlapping duties and responsibilities.

The program sponsor will plan, administer, coordinate and evaluate the program operation and will receive and disburse funds. Manpower services will be delivered by one important subcontractor, in most cases the State Employment Security agency.

Several changes to improve administration are also expected to be carried out during this fiscal year. The program year concept which will permit the measuring of actual performance against program goals established for that year will be introduced. Management data systems will be improved to indicate where problems may exist in any particular project and pinpoint the necessary corrective action that needs to be taken. A statement of objective will be included in each contract funded which will require the contractor to indicate specific goals in terms of numbers of individuals to be served for each program year.

Another significant feature of the administrative redesign gives Regional Manpower Administrators more authority and responsibility for developing and funding projects, moving the decision-making process closer to the cities and rural areas served by the program.

Program and Performance in Fiscal Year 1971

In 1971, the Concentrated Employment Program will continue at the same level as in 1970. The program will provide for an estimated 157,000 training opportunities at a Federal cost of $199,000,000. It is estimated that 223,200 persons will be enrolled during the year. The component amounts will change to $123,000,000 from EOA and $76,000,000 from MDTA.

No major changes in program direction are planned for 1971. The final composition of the 1971 program will be developed in large part on the basis of planning activities presently underway in the 1970 program.

Public Service Careers

1970 Estimate	1971 Estimate	Increase
$47,000,000	$96,600,000	+$49,600,000

Introduction

The Public Service Careers Program utilizes job opportunities in public employment for disadvantaged workers--those without suitable jobs who may have special employment problems because of impoverished background, limited education, physical or other handicaps, minority group status, or age. Patterned in part after the Job Opportunities in the Business Sector Program which was developed in conjunction with private industry, Public Service Careers operates in selected State, county, and local governments; in private, non-profit service organizations; in agencies that receive Federal grants-in-aid; and, in the Federal service. The program follows a "hire first, train later" concept, with permanent employment guaranteed for trainees at the end of the training period. Within merit principles, the program secures entry-level jobs for the disadvantaged, and stimulates upgrading of current employees.

This budget request is directed specifically to that part of the Public Service Careers Program to be funded from the Economic Opportunity Act. However, the justification focuses on the entire program, which includes appropriations from the Manpower Development and Training Act.

Though several manpower programs have been devised to provide training and related services to disadvantaged, underemployed, and technologically displaced persons, none of these programs has taken full advantage of the tremendous growth of employment in the public sector. During the past decade, while Federal employment increased by 11 percent, employment in State governments increased nearly 70 percent, and the number of workers in local governments expanded 55 percent. As the population continues to rise, the demand for public services will continue to increase at greater rates. By 1975, it is estimated that State and local governments will need over a million and a half additional workers, and private human service agencies will require far more employees. Yet, while jobs in public service are going unfilled, people are looking for work, or working at low wages because they lack the education and skills public employers usually require.

Under its entry-level training provisions, the Public Service Careers Program will help public agencies and some private nonprofit institutions update their methods of recruiting and selecting workers and restructure their jobs so that unskilled workers can be hired and trained to fill them.

Through upgrading training, also a central part of the program, agencies will be encouraged to eliminate unnecessary obstacles to advancement and offer training in higher skills so that employees can move up to more responsible positions at higher pay. Upgrading training is also intended to free entry-level positions for disadvantaged workers.

Many barriers keep disadvantaged workers from obtaining most government jobs and prevent present workers from moving into better positions, for example, discrimination and the persistence of outdated public agency regulations. Public personnel systems are seldom geared to disadvantaged workers. Some barriers are personal, such as lack of education or skill training, unfamiliarity with the work environment, transportation difficulties or the need for services like child care. Another major barrier at the local level of government is the narrow financial limits within which most counties and municipalities operate. Few local governments have the money or the capability for recruiting the poor and providing them with relevant work experience leading to self-supporting careers.

To help remove these barriers to employment and advancement, Public Service Careers will offer workers:

-- Remedial or more advanced education.

-- Vocational and personal counseling and orientation.

-- Transportation and child care services.

And it will assist public agencies in:

-- Modernizing their merit systems.

-- Occupational analysis.

-- Job restructuring and career ladder development.

The Public Service Careers Program is firmly committed to merit principles. Instead of circumventing merit systems to hire particular individuals, it will work with agencies to alter merit systems in order to bring in potentially qualified workers--people who can be prepared to do needed work in the public service. The emphasis in upgrading will be primarily on workers whose wages are near the poverty level. Many opportunities for these employees will result from updating job requirements, redesigning jobs, and developing career ladders that provide definite levels of advancement.

Schedule of Funding Requirements
(dollars in millions)

Plan	1970 Amount	1970 Enroll. Opp.	1971 Amount	1971 Enroll. Opp.	Increase (+) or Decrease (-) Amount	Increase (+) or Decrease (-) Enroll. Opp.
A (State, county and local governments). . .	$25.0	12,500	$37.6	18,800	+$12.6	+ 6,300
B (Grant-in-aid) . .	23.2	11,600	23.0	11,500	- 0.2	- 100
C (New Careers in human service . .	14.3	3,400	18.4	4,400	+ 4.1	+ 1,000
D (Federal Service).	4.5	6,200	8.0	11,000	+ 3.5	+ 4,800
E (Supplemental Trng. and Empl. Prog.)	29.0	26,600	45.0	41,200	+16.0	+14,600
Total	$ 96.0	60,300	132.0	86,900	+36.0	+26,600
Entry	81.9	45,350	113.0	66,300	+31.1	+20,950
Upgrading	14.1	14,950	19.0	20,600	+ 4.9	5,650
Appropriation Source						
EOA	$47.0	23,700	$96.6	62,300	+49.6	+38,600
MDTA	$49.0	36,600	$35.4	24,600	-13.6	-12,000

Purpose and Scope

The Public Service Careers program is composed of several major plans, each of which deals with a different approach to improving the opportunities for disadvantaged persons to gain career employment in the public service. The above schedule indicates the uses and sources of funds for Public Service Careers. Because of the innovative nature of the program's entry level and upgrading training, it will not operate under a fixed design or fixed unit cost formula. The number of training opportunities in Plans A, B and D are rough estimates of anticipated program experience. Estimates for Plan C reflect anticipated funding levels to continue the New Careers Program, in operation since 1967 and now a distinct program component, at its current operating level.

Under Plan A, funds and technical assistance are available to state, county, and local governments to modernize personnel and merit systems. This plan is designed to facilitate the hiring of disadvantaged persons and the upgrading of current employees by reimbursing the agency for the extraordinary costs involved in providing training and supportive services necessary to employment maintenance.

Plan B is designed to link manpower training with federal grants-in-aid, the most rapidly expanding source of state and local expenditures. Funds under this plan are transferred to participating agencies and used as add-ons to existing grants-in-aid, providing for the extraordinary costs of hiring and training disadvantaged employees.

Plan C is comprised of the existing non-CEP New Careers programs which operate in the field of human service.

Plan D, involving cooperation with the U.S. Civil Service Commission, is an effort to apply these entry-level and upgrading techniques to the Federal service. One of its primary goals is to expand the number of disadvantaged persons hired through the Worker-Trainee Supplement examination. An additional area of concentration is the institution of new Federal apprenticeship recruitment methods and a review of the present apprenticeship system.

Plan E, The Supplemental Training and Employment Program is designed to provide short-term, meaningful supplemental work experience. The Program is directed toward manpower program trainees or those who have recently completed such programs and who are displaced from or unable to find a job because of a short-term downturn in the labor market of the area.

The program provides short-term subsidized employment opportunities to individuals in areas experiencing sudden increases in unemployment levels. Participants will be placed for a 90-day period, with the option of one additional 90-day period if area labor market conditions do not improve. Job placements are made in local governments and private nonprofit organizations which will most optimally utilize the skills the individuals acquired in previous training programs.

Program and Performance for Fiscal Year 1970

In 1970, $96,000,000 will provide a total of 60,300 enrollment opportunities for all five Public Service Careers plans. Of this amount, EOA funds provide $47,000,000 and MDTA funds supply $49,000,000.

In Plan A, over 40 projects have been initiated in a variety of State, county and city governments across the Nation.

In Plan B, projects will be funded from a limited number of Federal grant program activities with emphasis on the creation of new positions. The majority of these projects will include up-grading components.

In 1970, the New Careers Program has continued operating at the 1969 level.

Statistics, gathered since 1967, indicate that New Careers enrollees have the following characteristics:

-- three out of five are black, and two out of three non-white;

-- two out of three have children;

-- four out of five are between 22 and 44 years of age--the years of maximum employability;

-- three out of five are heads of households;

-- one out of three received public assistance;

-- seven out of ten contribute to family support.

Several specific courses of action are contemplated for the New Careers Program:

(a) Technical assistance will be provided to insure the development of new promotive classes and direct linkages with existing promotion ladders.

(b) Federal staff will provide close monitoring to insure that all who complete New Careers training are employed or that placement services are provided if needed.

(c) Efforts to promote innovative training and liberal enrollment practices by colleges and universities will be encouraged.

Plan D, Federal service ($4.5 million) is applied, in part to disadvantaged persons entering Federal employment as worker-trainees. Their training is primarily focused on upward mobility. Plan D, also provides upgrading training for low-level Federal employees.

Plan E, Employment will be provided for an estimated 26,600 people. Participants will be employed in public and private non-profit jobs at an average hourly wage rate of $1.80.

Program and Performance for Fiscal Year 1971

In 1971, the Total Public Service Careers request includes $96,600,000 from the Economic Opportunity Act and $35,400,000 from the Manpower Development and Training Act. Economic Opportunity funds will be used mostly for entry-level funding in 1971 and Manpower Development and Training Act funds exclusively for upgrading.

Plan A -- $37.6 million, an increase of $7.6 million above 1970.

In 1971, the number of States in which Public Service Careers Plan A will operate will be expanded, including eight to ten two-year contracts with State governments. From historical evidence alone, it is expected that the main emphasis of this program will be state-wide projects (some of which will be rural) and projects in cities of over 100,000 population. Since 1970 projects will be operating on a two-year cycle, 1971 projects will be completely new activities, requiring much developmental work and the application of 1970 experiences.

Plan B -- $23.0 million.

No expansion of this plan is anticipated until adequate experience has been gained from 1970 program operation.

Plan C (New Careers) -- $18.4 million, an increase of $4.1 million above 1970.

The increase for 1971 represents the amount required to refund projects which did not require refunding in 1970, offset by an anticipated selective reduction in projects or slots based on evaluation studies currently underway. In any event, projects in 1971 will not be refunded below their 1970 enrollment levels if they are judged to be satisfactorily accomplishing their objectives.

Plan D -- $8.0 million, an increase of $3.5 million above 1970.

Plan D will emphasize further upgrading training during 1971. Until current Federal practices are changed so that emphasis is placed on the upgrading of skills of current employees, and adequate funds are budgeted for this activity, funds will be provided to other Federal agencies. With this assistance, agencies can upgrade current employees, thus freeing more entry-level jobs for Public Service Careers trainees, and follow through to upgrade the Public Service Careers trainees to positions of higher salary and skill levels.

Plan E -- $45.0 million, an increase of $16.0 million above 1970.

Employment will be provided for an estimated 41,200 people, some 14,600 more than in FY 1970.

In-School Program

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$62,400,000	$62,400,000	---

Introduction

Authorized under Title I-B, Section 123(a) (1) of the Economic Opportunity Act of 1964, as amended, the intent of the Neighborhood Youth Corps In-School Program is to help young people from low-income families to stay in school. Those eligible to participate in the program must be members of low-income families, attending the ninth through twelfth grades in school, or of an age equivalent to students in such grades and in need of paid work experience to resume or to continue in school.

Primary objectives of this program are:

-- to provide youth with a source of income to meet their economic need of partial self support;

-- to instill incentive to remain in school or return to school through part-time work coupled with counseling and necessary remedial educational and skilled-related training;

-- to involve the poverty-oriented youth in society and the world of work through performance of useful and meaningful work, such as serving as paid instructors to other disadvantaged youths in the newly initiated "Youth Tutoring Youth Program," as aides, assistants, and helpers in libraries, schools and other public and private non-profit organizations;

-- to try to alleviate feelings of dependency and enhance self confidence;

-- to create a sense of responsibility through the holding of a job.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
Obligations	$62,400,000	$62,400,000	---
Total Enrollment Opportunities	100,000	100,000	---

Purpose and Scope

It is recognized that a high school education is a major entry requirement in today's competitive job market. However, youth from families with low-income have a propensity to leave school in order to get a job to supplement the family income. What ensues is a low-paying, frustrating job with no future--or maybe no job at all.

The In-School Program attempts to alleviate the need to leave school by providing up to 15 hours of compensated employment per week during the school year. The income from the work is used to purchase such necessities as clothes and school supplies and to help defray family expenses. The jobs held by enrollees offer an opportunity for older boys and girls to acquire good work habits. In many cases, this is their first job and first opportunity to earn money. Students from poor families may drop out of school for other than financial reasons: e.g., disenchantment with their prospects for a life free of poverty and disbelief in the benefits which may be realized from a high school education. Through the discipline and responsibilities of the job situation, it is hoped that potential dropouts will find encouragement and incentives to continue or to resume their education. In addition to providing needed wages, these programs have the effect of promoting good citizenship and positive involvement in community life.

The In-School Program has been basically a work program supported by counseling, with most of the federal funds being used to pay enrollees' wages. On the average, enrollees work 11 hours per week. Projects normally run during the school year, 30 to 40 weeks. Work assignments are typically connected with the school -- clerical work, teacher aides, library assistance, and various custodial chores.

The 1966 amendments to the Fair Labor Standards Act (minimum wage law) require that persons employed in schools, hospitals and other establishments where Neighborhood Youth Corps In-School and Summer enrollees work, must be paid a minimum of $1.45 per hour beginning February 1, 1970, and $1.60 per hour beginning February 1, 1971.

Program and Performance for Fiscal Year 1970

In 1970, the In-School Program will operate at a level of 100,000 enrollment opportunities requiring new obligational authority totaling $62,400,000.

While the program funding level has not changed substantially from previous years, the results of continued evaluations of the program have demonstrated that certain program improvements should be implemented to increase the program's effectiveness in dealing with potential dropouts.

Among the 1970 In-School Program objectives are:

-- A closer relationship between the In-School and Summer Programs where possible. This will be accomplished in part by providing for staff planning activities in those contracts which maintain a year-round program.

-- Improved job development services for enrollees, by encouraging closer ties between sponsors and potential post-graduate employers;

-- Improved employability of enrollees by encouraging more remedial education, tutoring and counseling provided by the school system itself;

-- Improved work assignments, encouraging more skill training and creative activities for enrollees (such as youth tutoring youth) and involvement of colleges in the NYC program.

Program and Performance for Fiscal Year 1971

In 1971, $62,400,000 is requested for the In-School Program. The program will continue at the FY 1970 level of 100,000 enrollment opportunities. Continuing review of enrollee services and administrative and operating services will be undertaken to offset increasing wage levels.

Summer Program

1970 Estimate	1971 Estimate	Increase(+) or Decrease(-)
$121,500,000	$146,500,000	+$25,000,000

Introduction

The Summer Program, authorized under Title IB, Section 123(a)(1) of the Economic Opportunity Act of 1964, as amended, provides up to 40 hours of compensated employment per week for disadvantaged youths during the customary school vacation period.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase(+) or Decrease (-)
Summer-NOA	$147,900,000	$146,500,000	$- 1,400,000
EOA	(121,500,000)	146,500,000	(+25,000,000)
MDTA	(26,400,000)	---	(-26,400,000)
Enrollment Opportunities-Total	331,600	310,400	- 21,200
(EOA)	(272,400)	(310,400)	(+ 38,000)
(MDTA)	(59,200)	(---)	(- 59,200)

Purpose and Scope

In most instances, the program is an extension of the In-School Program into the summer months. As in the In-School Program, enrollees to be eligible, must be in the ninth through twelfth grades of school, or be of an age equivalent to students in those grades. The basic objective of the program is to provide the necessary earnings during the summer months to enable disadvantaged youths to return to school in the fall.

Program and Performance for Fiscal Year 1970

In fiscal year 1970 a total of $147,900,000 -- $121,500,000 from Economic Opportunity Act funds and $26,400,000 from Manpower Development and Training Act funds -- will be available for the Summer Program.

These funds will provide a total of 331,600 enrollment opportunities, 272,400 from Economic Opportunity Act funds and 59,200 from Manpower Development and Training Act funds. The FY 1970 Summer unit cost will be $446, with the wage rate averaging $1.50 per hour. This wage rate will reflect the $1.45 per hour minimum wage rate which became effective beginning February 1, 1970.

Greater emphasis in 1970 will be placed on early project planning, particularly for those projects which maintain year-round in-school and summer programs. Sponsors will be encouraged to:

-- develop a wider variety of worksites and work experience opportunities;

-- focus projects on useful community work;

-- encourage development of good work habits through formal or informal orientation sessions;

-- help strengthen academic skills;

-- provide counseling which: (1) emphasizes the completion of school and higher education for a better future; (2) assists trainees in assessing their skills and aptitudes; (3) provides information on possible careers and opprtunities for post-high school education and training, and on attitudes necessary to maintain employment.

Program and Performance for Fiscal Year 1971

In 1971, the Summer Program operating level will be 310,400 enrollment opportunities at a federal cost of $146,500,000, all of which is requested from Economic Opportunity Act funds. There will be no increase in the overall program funding level, but rather a decrease of $1,400,000 from the 1970 level. The 1971 program operating level reflects an increase in the Summer unit cost from $446 in 1970 to $472 in 1971 when the federal minimum wage increases to $1.60 per hour. This will result in a decrease of 21,200 enrollment opportunities to be funded from 1971 funds.

Out-of-School Program

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$98,000,000	$134,200,000	+$36,200,000

Introduction

The Out-of-School Program is authorized under Section 123(a) (2) of the Economic Opportunity Act of 1964, as amended. It provides for low-income unemployed youth useful work-training experience coupled with remedial education, vocational training and other supportive services necessary to prepare them for competitive unsubsidized employment in the public and private sectors of our economy. Enrollment is limited to youths sixteen through twenty-one years of age; however, a new design being introduced will focus on 16- and 17-years olds in urban and "high growth" areas.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
Obligations	$98,000,000	$134,200,000	+$36,200,000
Enrollment Opportunities	32,500	38,900	+ 6,400
Total Number Served	78,000	97,200	+ 19,200

Purpose and Scope

The Out-of-School Program is designed to aid low-income persons who have already failed a significant social goal -- the completion of a high school education. Many have difficulties in communication and are easily frustrated and discouraged.

Enrollees are usually assigned to clerical, maintenance or custodial work in health care, community beautification or conservation activities. These assignments are intended to develop good work habits and teach skills useful in regular employment.

Project sponsors (Community Action Agencies or other non-profit organizations) must submit evidence that coordination has been established with all appropriate public and private agencies in the area which can contribute to the project. Participation of private industry and organized labor is encouraged. Projects are responsive to local needs and opportunities for employment of enrollees who have completed the program. Whenever

possible, projects must be designed to qualify enrollees for permanent full-time non-subsidized employment in occupations offering opportunities for future advancement. Supportive services must incorporate: (1) development of occupational competence through basic education and remediation in reading, writing, oral communication and arithmetic skills, (2) assistance in adjusting to the demands of work, and (3) assistance in dealing with personal problems through a variety of counseling, guidance, medical and social services.

Project evaluations by a variety of organizations have indicated that the Out-of-School Program would be strengthened if more time were spent in preparing the youths for specific jobs, higher education or advanced training. To meet this need, the Out-of-School Program is introducing a new, expanded program in large urban and "high growth" areas and where the resources of the community permit focusing the project on education and skill training. At the same time, it was realized that finite resources would not permit extension of the new program to the total 16-21 age group. Therefore, the new Out-of-School Program will concentrate its efforts on those disadvantaged youths who can be enrolled at the age of 16 or 17, and who can presumably benefit most from additional services to be provided in the new program.

Program and Performance for Fiscal Year 1970

In fiscal year 1970 the Out-of-School Program will proceed in a new direction, reflecting over four years of experience with disadvantaged youth. The program will provide 32,500 enrollment opportunities for 16-and 17-year-old youths at a cost of $98,000,000.

In general, evaluations have shown that for most enrollees the Neighborhood Youth Corps has been little more than means for obtaining another low-skilled, short-term job such as most (especially the older youth) have held before. For many enrollees (girls in clerical work sites have been the exception) work experience has offered little meaningful skill training. The average length of enrollment has been too short and the quality of academic training components too spotty to advance enrollees' basic adademic skills significantly.

To correct these deficiencies, the Out-of-School Program is being redesigned. Emphasis will be placed on 16 and 17 year olds, who generally have less immediate needs and significantly fewer immediate opportunities in the labor market than older youth. Older Out-of-School youths need full-time, permanent employment increasingly as they become heads of households. Thus, the current strategy is to direct such older youth, where possible, into "adult" manpower programs (e.g., Job Opportunities in the Business Sector, Public Service Careers Program) which lead toward immediate, full-time employment and training with positive career opportunities.

The new design will be implemented in about one-half of the present 591 projects. Projects in depressed rural areas will be continued under the old design until the end of the fiscal year. However, approximately 50 multi-sponsor planning grants will be made to help develop a new design, stressing mobility assistance, for disadvantaged rural youth. Additional grants will be made during the fourth quarter to phase in new operational programs in a limited number of projects.

The new design will move away from the present standardized national project design to stress the development by sponsor of more individual training plans for each Out-of-School trainee. The 16-and 17-year-old trainees will be expected to spend at least a year completing their training.

Program and Performance for Fiscal Year 1971

The redesign of the Out-of-School Program initiated in 1970 will move from its developmental stage and be fully implemented in 1971. A total of 38,900 enrollment opportunities will be funded at a cost of $134,200,000. The average unit cost will be $3,450 per enrollment opportunity.

The increase of $36,200,000 in funds over 1970 will represent an expansion and improvement of program services aimed especially at youth 16-17 years of age. Major emphasis in fiscal 1971 will include:

-- extending new design to rural projects with provision for individual mobility assistance;

-- improving vocational counseling and testing services for rural youth.

The average Federal share of the cost of the Out-of-School Program has been approximately 85%. Seventy-five percent of the sponsors' share has been for supervision of trainees, an in-kind contribution.

Job Corps

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$170,200,000	$180,000,000	+$9,800,000

Introduction

The Job Corps, authorized under Title I, Part A of the Economic Opportunity Act of 1964, as amended, is a national, voluntary, residential program designed to serve poor youth, aged 14 through 21, from depressed environments by providing them, in residential and non-residential centers, with vocational training, work experience and citizenship education, plus the educational and medical rehabilitation needed in order for them to become fully contributing members of society. On July 1, 1969, the Department of Labor was delegated the responsibility for the administration of the Job Corps.

Purpose and Scope

There are some 650 thousand youths in poverty, 14 to 21 years of age, who are out of school and out of work. Unskilled and poorly educated, they have little prospect for steady employment now, or during their lives. The only real chance for a productive and useful life for these young people is through education and training. Before they can learn skills, many must first learn to read and to handle math sufficiently for the demands of training and later of the job. They must also learn to recognize the need for promptness, reliability, neatness and other employment demands in the world of work.

Job Corps experience indicates that the typical enrollee is 17½ years of age and has had nine years of education, but has performed at only the fifth grade level. About 8 percent have been convicted for serious offenses. About 50 percent of the enrollees have not seen a dentist in the ten years preceding their enrollment. The enrollee often comes with massive deficits in educational, physical, social and psychological aspects.

For such youths only a residential program which goes beyond vocational training and addresses itself to multiple problems will equip the enrollee to break out of poverty permanently.

The employability of these young men and women is increased in either of two ways. For those capable of undertaking vocational training there is a wide variety of programs offered. In cases where educational skills are low, employability is enhanced first by concentration in educational areas, combined with work experience and prevocational training.

The Job Corps Program is carried out in three distinct types of centers: Civilian Conservation Centers, Men's and Women's Regional Centers, and the new Residential Manpower and Support Centers.

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The Civilian Conservation Centers accommodating from 150 to 250 Corpsmen, are located on public lands and are operated by the Conservation Agencies of the Departments of Agriculture and Interior, and the Commonwealth of Puerto Rico. The education program in these centers is designed so that non-readers can attain the high school equivalency (GED). The Vocational Skills Training programs stress the building trades and supportive services such as cooking and automotive skills. Vocational training is conducted by instructors from the Civil Service the International Union of Operating Engineers, the United Brotherhood of Carpenters and Joiners, the Brotherhood of Painters,

(cont'd on next page)

SCHEDULE OF FUNDING REQUIREMENTS

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
Center Operations			
Civilian Conservation Centers:			
Federal	$ 25,156,000	$ 26,363,000	+ 1,207,000
State	767,000	685,000	- 82,000
Men's Regional Centers	24,104,000	38,392,000	+14,288,000
Women's Regional Centers	25,237,000	29,680,000	+ 4,443,000
Residential Manpower & Support	15,978,000	11,600,000	- 4,378,000
Sub-Total	91,242,000	106,720,000	+15,478,000
Work Projects	4,924,000	5,268,000	+ 344,000
Enrollee Allowances and Travel	24,217,000	26,867,000	+ 2,650,000
Program Operations			
Enrollee Input	6,248,000	6,800,000	+ 552,000
Enrollee Support	1,300,000	1,073,000	- 227,000
Enrollee Placement	2,803,000	4,160,000	+ 1,357,000
Enrollee Health	600,000	720,000	+ 120,000
Program Evaluation	1,800,000	1,880,000	+ 80,000
Program Development	1,600,000	1,297,000	- 303,000
Staff Resources	1,500,000	1,100,000	- 400,000
Engineering Support and Maintenance of Closed Centers	6,400,000	200,000	- 6,200,000
Sub-Total	22,251,000	17,230,000	- 5,021,000
Program Direction and Expense			
Headquarters	4,500,000	4,500,000	+ 0
Regional Offices	3,500,000	3,500,000	+ 0
Conservation Agencies	2,820,000	2,715,000	- 105,000
Management Support Charge	3,500,000	3,500,000	+ 0
Sub-Total	14,320,000	14,215,000	- 105,000
Center Capital	13,246,000	9,700,000	- 3,546,000
Total Requirements	170,200,000	180,000,000	+ 9,800,000

Decorators, and Paperhangers of America and the Operative Plasterers and Cement Masons International. Corpsmen also undergo an intensive program in social development so that they ultimately become more productive, responsible and employable. Corpsmen also participate in structured leisure time activities on and off center, and are involved in community affairs. Corpsmen assist in disaster relief and community projects.

The Men's and Women's Regional Centers are located in or near metropolitan areas and are operated under contracts with industrial or nonprofit organizations. The Men's Centers accommodate from 1,350 to 3,600 enrollees, while the Women's Centers can accommodate from 300 to over 700 enrollees. The program in these centers contains three major elements:

-- the vocational program, which offers highly job-oriented training built around the skills and attitudes necessary for productive employment;

-- the education program, which provides the basic communication, mathematical, and other academic skills needed for effective job performance and citizenship; and

-- the residential/avocational program, designed to provide an understanding of group living responsibility.

The Job Corps Residential Manpower and Support Centers being initiated in fiscal year 1970 are designed to meet the manpower needs of the target youth within a specific community. Basically, the new centers:

-- recruit, train, support, and place youth in their home area, as opposed to the away-from-home-community assignment customary in the existing program;

-- are smaller in size, permitting more individual attention for enrollees; and

-- utilize training resources from existing manpower programs.

Location near the home area and smaller size may help reduce the home-sickness and personal disorientation which have contributed to high dropout from earlier centers. Also, because each center recruits in its own area, it should be possible to better select and aid youth who particularly need residential support but who may be unwilling to go to a distant Job Corps Center.

In addition to the basic programs carried out at the centers, Job Corps provides for the funding of various services for the enrollees. The Employment Service and private sources are responsible for selection, referral, and subsequent placement of enrollees. A group of 25 Gate Houses (arrangements between the Job Corps and State Employment Agencies or private contractors) provide placement and supportive services exclusively to Job Corps terminees. Other support functions include health services, religious services, entertainment, and provisions for the payment of allowances,

dependent allotments and travel expenses by the Department of the Army. Other activities funded include: evaluation studies, program developmental studies, staff training, engineering support and maintenance and security of closed centers.

In the Department of Labor a total of 651 positions in headquarters and the field are involved in administration, operation, and support of the program.

Job Corps Terminees

An enrollee departs from the Job Corps whenever he is ready to be placed in a job or to enter the Armed Forces, to return to school, or for more advanced training outside the program. This may be within a very few months of entrance or up to two years or longer, depending upon the type of training chosen and individual progress. An enrollee leaves the program with a detailed record of accomplishment and qualifications--usually the very first record of success in his life.

The Job Corps seeks the aid of organizations, public and private, in placing its former enrollees. The business community has volunteered assistance. Placement facilities of Job Corps regional offices, of State Employment Services and Youth Opportunity Centers are used in conjunction with developing job opportunities and in placement.

Program and Performance for Fiscal Year 1970

In 1970 responsibility for administration of the Job Corps was delegated to the Department of Labor. Job Corps will become an integral part of a comprehensive manpower system as the existing program is redirected and new Manpower and Support Centers are initiated. The redirection of the existing program has included the integration of the Centers with other manpower programs, and more emphasis on basic education and job training in Conservation Centers.

On February 1, 1970, 19,280 individuals were enrolled in 51 Job Corps centers throughout the country. This enrollee level represents 99% of the design capacity for this date, as compared with a level of 91% at the same time last year.

During fiscal year 1970,emphasis is being placed on capital improvements in most of the existing Job Corps centers. Work is currently underway to build new dormitories in several Conservation Centers. These buildings will cost $800 thousand and will provide space for an additional 336 enrollees. A national contract for $525 thousand has been let through the

General Services Administration to buy more than 7,300 new beds, mattresses, nightstands and lockers. This new equipment replaces furnishings that have been in the centers since they were opened. In addition it is estimated that approximately $1.5 million will be obligated for refurbishing the residential areas of most of the centers. In the interests of the safety and health of the enrollees and staff, the centers will be repainted, repaired and refurnished as necessary for the first time since they have been in operation.

The new Job Corps Residential Manpower and Support Centers are being opened on a staggered schedule during 1970 and 1971. The Centers are of three types:

-- The Near City Centers are for those enrollees for whom work-week residence away from home is desirable, with work training geared to the specific occupational needs of the area served. Strong emphasis will be placed on involving local employers in the training and in other activities leading to their hiring of enrollees.

-- The In-City Residential-Training Centers will provide training for both residents and nonresidents, and residential support for some youth enrolled in other local training programs.

-- The In-City Residential-Support Centers will have no training facilities of their own, but will serve simply to provide residential support for those who need it and are enrolled in area training programs. Such support is designed particularly for high-risk youths who ordinarily have high dropout rates from training programs because of home and family problems.

Program and Performance for Fiscal Year 1971

Job Corps will continue the FY 1970 program into FY 1971. Major emphasis will again be placed on the new Manpower and Support Centers. By the end of FY 1971 these 30 new centers should be operating in a steady-state situation.

It is estimated that $180,000,000 will be obligated, a net increase of $9,800,000 over the FY 1970 level.

A net increase in $18,472,000 in direct program costs results in part from an increase of enrollee capacity and man-years over the 1970 level. It also includes an increase for full-year funding of center contracts which were last refunded late in FY 1969 and required no FY 1970 funds. Several Residential Manpower and Support Centers scheduled for funding late in FY 1970 will not require refunding in FY 1971.

A small increase of $48,000 is requested for capital costs of the new Residential Manpower and Support Centers to be opened in FY 1971. More than offsetting this increase is a decrease of $3,594,000 reflecting non-recurring expenses associated with capital improvements made in FY 1970.

Program Support

In addition to the actual Job Corps program in the centers, funds are requested for a wide range of program support activities, including:

Enrollee input, support, placement and health. A total of $12,753,000 is requested for these activities in fiscal 1971; a net increase of $1,802,000 from 1970.

-- The Selection and referral of enrollees will continue to be carried out by the Employment Service and private screeners at an estimated cost of $6,800,000, an increase of $552,000 over the 1970 level. This increase reflects the higher enrollment level planned for 1971.

-- Enrollee support functions include payments to the Department of the Army Finance Center for the cost of operating the system for payment of enrollee allowances, dependent allotments and travel expenses. Other support services include live entertainment and films, medical laboratory analyses, mortuary services, and religious services. $1,073,000 is requested for these activities in 1971, a decrease of $227,000 from 1970. The decrease is primarily the result of the increase computer capability and efficiency of the Army Finance Center.

-- An amount of $4,160,000 is required to support a national system of placement coverage by the 50 States mainly through agreement with Federal and State agencies, center operating contractors, and others. The net increase of $1,357,000 over the 1970 level is composed of: an increase of $1,342,000 required for refunding of Gate House contracts last funded late in FY 1969; increases of $220,000 for JACS and WICS placement efforts and $40,000 information materials; and decreases of $95,000 for Employment Service placement efforts and $150,000 for follow-up studies now included under the category of evaluation. The total placement system provides necessary efforts and capability to develop job opportunities for Corpsmen, assist them to secure steady, adequate, paying employment, and provide the availability of post-placement job counseling.

-- The anticipated increase in enrollment in 1971 will require an additional $120,000 for enrollee health services, bringing the FY 1971 request for this activity to $720,000. Health services include a health information and control system which produces a health profile of the enrollee. It also provides for the development of mental health programs, health education curricula, and health occupations training programs.

Program evaluation, development and staff resources. A total of $4,277,000 will be required for these activities in 1971; a net decrease of $623,000 from 1970. An increase of $80,000 is provided for program evaluation offset by decreases of $703,000 for program development and staff resources associated with the initiation of the Residential Manpower and Support Centers in FY 1970.

Engineering support and maintenance of closed centers. In 1971 GSA will assume responsibility for the maintenance and security of centers closed in 1969. This will result in a decrease of $6,200,000,

leaving $200,000 for engineering support in FY 1971.

Program direction and expense. This activity provides for the administration of the Job Corps in the Department of Labor and in the Departments of Agriculture and Interior except for Federal personnel involved directly in conservation center operations. The estimate for 1971 includes $2,715,000 to finance 212 positions in the Conservation Agencies, a decrease of $105,000 from 1970.

-- The 1970 request included $8,000,000 to finance 651 positions in the Department of Labor. These positions represent positions formerly located in the Office of Economic Opportunity which relate directly to Job Corps operations and administration; positions formerly located in OEO which relate to the performance of centralized services; and positions for the supervision and coordination of the selection, referral and placement processes of the State Employment Services. No change is requested in the position level for 1971. The Conservation Agency staff will be responsible for the bulk of operations and administration of the conservation centers. The Job Corps staff will be responsible for a substantial redirection of the existing program in addition to continued development and implementation of the 30 new Residential and Support Centers.

-- The 1971 request also includes $3,500,000 for Job Corps' share of centralized services. Services subject to this cost distribution include, but are not limited to, special assistance in public affairs, technical assistance, special situation data from computer files and other services including rent and utilities, communications, and postage.

Unit Costs

The 1967 amendments to Economic Opportunity Act require that (Sec. 117 c), "The Director (of OEO) shall take necessary action to assure that for any fiscal year the direct operating cost of Job Corps centers which have been in operation more than nine months do not exceed $6,900 per enrollee." This cost ceiling applies to Center operations costs plus enrollee direct costs.

Center operations costs include food, clothing and related costs of enrollees, salaries of center staff, including Conservation Agency staff, medical and dental costs, training supplies, facilities upkeep, utilities, communications and administration. Enrollee direct costs include enrollee pay, dependent allotments, readjustment allowances and enrollee travel costs.

The following table outlines costs for 1970 and 1971 by type of center, based on the cost categories to which the $6,900 ceiling applies:

JOB CORPS

Comparative Cost and Capacity Data

Type of Center	FY 1970 Unit Costs: Center Oper.	FY 1970 Unit Costs: Enr'lee Direct	FY 1970 Unit Costs: Total	FY 1970 No. of Ctrs.	FY 1970 EOY Enrol. Capac.	FY 1971 Unit Costs: Center Oper.	FY 1971 Unit Costs: Enr'lee Direct	FY 1971 Unit Costs: Total	FY 1971 No. of Ctrs.	FY 1971 EOY Enrol. Capac.
Federal Conservation	$4,810	$1,240	$6,050	30	5,910	$4,823	$1,214	$6,037	30	5,980
State Conservation	2,600	504	3,104	2		2,322	505	2,827	2	
Men's Regional	4,850	1,240	6,090	4	8,140	4,986	1,214	6,200	4	8,140
Women's Regional	5,252	1,240	6,492	12	5,772	5,300	1,214	6,514	12	6,250
Manpower and Support	7,000	1,010	8,010	7	1,872	5,500	984	6,484	30	5,275
Weighted average	$5,019	$1,229	$6,248	--	--	$5,078	$1,165	$6,243	--	--
Total number	--	--	--	55	21,694	--	--	--	78	25,645

Operation Mainstream

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$ 41,000,000	$ 41,000,000	---

Introduction

Operation Mainstream is a job creation and work training program designed to provide work-experience and training for chronically unemployed adults who have limited prospects for unsubsidized full-time employment. The program is authorized under Title IB, Section 123 (a) (3) of the Economic Opportunity Act, and is directed primarily to disadvantaged older citizens in rural areas.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
Obligations	$ 41,000,000	$ 41,000,000	---
NOA Enrollment Opportunities.....	12,200	12,800	+ 600
Regular program.....	9,200	8,600	- 600
Special older worker projects....	3,000	4,200	+1,200
Unit Cost (Overall)..	$ 3,400	$ 3,200	- 200
Regular program.....	3,800	3,800	---
Special older worker projects....	2,000	2,000	---

Purpose and Scope

Operation Mainstream activities provide severely disadvantaged persons with work and training activities which improve the physical conditions of their communities. Included in these projects are the renovation of public recreation areas, the building of vest-pocket parks, the improvement of homes for welfare recipients and the elderly poor and other types of community service activities.

Continued efforts have been made to increase the percentage of older participants in Operation Mainstream. The Green Thumb Project sponsored by the National Farmers Union, for example, is composed almost exclusively of disadvantaged men over 55 who are employed in beautification and conservation activities. Projects sponsored by the National Council of Aging

and the National Council of Senior Citizens also involve enrollees in a variety of social, health and educational services to their communities. For example, they visit the helpless elderly, delivering meals and assisting with shopping, housework, home repairs and similar chores. In addition, enrollees escort the elderly to doctor's offices or welfare agencies, follow-up on hospital discharges, teach in the Head Start Program, and serve as aides in social welfare agencies, hospitals and day care centers.

Surveys and interviews have revealed great enthusiasm for the program among the enrollees - meaningful employment is restoring self-respect.

Program statistics indicate that individuals enrolled in Operation Mainstream projects have the following characteristics:

-- eight out of ten are male;

-- over 30 percent are non-white;

-- over 40 percent of the enrollees are aged 45 and over;

-- eight out of every ten Mainstream enrollees have less than twelve years of formal education; two out of every three had completed no more than nine grades;

-- estimated annual family income of most enrollees is between $2,000 and $5,000, but 25 percent reported income of less than $2,000;

-- nearly one of every three enrollees is a member of a family with six or more persons; 63 percent are heads of households; and 17 percent of the families are receiving public assistance.

Priority is given to those persons who: (1) have been unemployed for 15 consecutive weeks, repeatedly unemployed during the past two years, or employed less than 20 hours a week for more than 26 consecutive weeks; (2) have completed some training but remain unemployed; and (3) lack current prospect for training or employment because of age or some other factor. This program enables such persons during their training to participate in projects for the betterment or beautification of the community or area served by the program and in activities which contribute to the management, conservation or development of natural resources, recreational areas, parks and highways in rural areas or towns.

The Program is administered primarily through Community Action Agencies. In some instances, Operation Mainstream is operated by municipalities or county governments, and on occasion, by private non-profit organizations and institutions. In three years of operation, the Operation Mainstream Program has provided nearly 30,000 enrollment opportunities at a Federal cost of $86,900,000.

Program and Performance for Fiscal Year 1970

In fiscal year 1970, Operation Mainstream will provide for refunding of 12,200 enrollment opportunities at a Federal cost of $41,000,000 in over 200 projects. The program will be concentrated in depressed rural areas, with emphasis on meeting the needs of the elderly unemployed.

In 1970, 3,000 enrollment opportunities will be funded in special older worker projects. These projects normally provide work and limited training to people over 55 for 20 hours per week, half of the hours of work in the regular program. The principal program of this type is the Green Thumb project which provides almost 2,100 enrollment opportunities in 14 States.

The Green Thumb program will be expanded in 1970 with the commencement of enrollment in a new women's component, Green Light.

New contracts with the National Retired Teachers Association and Virginia State College and the expansion of senior services programs by the National Council of Senior Citizens and the National Council on Aging will all be part of the greater emphasis on serving those over 55 years of age.

Program and Performance for Fiscal Year 1971

In fiscal year 1971, no increase is requested for Operation Mainstream. The request of $41,000,000 will fund 12,800 enrollment opportunities, including 4,200 enrollment opportunities for older workers. It is estimated that 12,700 man-years of training will be provided and that 21,400 persons will participate in the program during the year.

The Operation Mainstream Program Federal funding level is based on two distinct unit costs -- one for the regular projects which provide compensated employment for an average of 40 hours per week and another for the special older workers projects which employ participants for an average of 20 hours per week.

Administration

1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
$17,400,000	$18,300,000	+$900,000

Introduction

This activity provides funds for salaries and expenses for the Federal staff within the Department of Labor responsible for the administration of Title I-B programs and demonstration and evaluation projects, which are contracted outside the Government. Pending complete assimilation of the Job Corps into the organizational structure of the Manpower Administration, support costs for that program are included with the Job Corps program element.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase (+) or Decrease (-)
Salaries and Expenses	$12,200,000	$13,100,000	+$900,000
Demonstration	1,900,000	1,900,000	---
Evaluation	3,300,000	3,300,000	---
Total	$17,400,000	$18,300,000	+$900,000

Purpose and Scope

Salaries and Expenses

The Manpower Administration of the Department of Labor is directly responsible for the administration of those programs authorized by Title I, Parts A and B of the Economic Opportunity Act and delegated by the Office of Economic Opportunity. This responsibility includes the development, implementation and administration of work and training programs involving complex interagency relationships and funding arrangements.

The United States Training and Employment Service is the principal staff arm of the Manpower Administration with responsibility for promoting, developing and administering all manpower programs administered by the Department of Labor. Authority for most program operation activities, including contracting for programs, monitoring and providing technical assistance to sponsors, has been delegated to the regional offices. The national office is responsible for the general direction of program operations, including program planning, scheduling and design of policies and procedures.

Many services required for proper administration of work-training programs are provided elsewhere in the Manpower Administration and Labor Department. In addition to the overall guidance and coordination furnished by the staff in the Office of the Manpower Administrator, the following supportive services are provided:

--financial and management services (central budget, finance, personnel, contracting management, administrative services);

--policy, evaluation and research (including planning, experimental and demonstration projects, evaluation, and cost-effectiveness studies);

--legal services (provided by the Department's Office of the Solicitor);

--administration of work-training programs in the District of Columbia.

The table below identifies the location of positions budgeted for program support:

National Office	135
Field	495
Region I - Boston	(44)
Region II - New York	(55)
Region III - Philadelphia	(59)
Region IV - Atlanta	(81)
Region V - Chicago	(62)
Region VI - Dallas	(67)
Region VII - Kansas City	(38)
Region VIII - Denver	(27)
Region IX - San Francisco	(51)
Region X - Seattle	(11)
Office of the Manpower Administrator	36
Office of Financial and Management Systems	103
Manpower Administration for the District of Columbia	32

Office of Policy, Evaluation and Research	2
Office of the Solicitor	6
Total	809

Demonstration and Evaluation

Title I-B, Section 127 (a) of the Economic Opportunity Act provides for financial assistance to public or private organizations for pilot projects which are designed to develop new approaches to further the work and training opportunities for youth and adults. Section 132 provides for continuing evaluation of Title I-B programs.

The demonstration function is basically a series of projects related to the demonstration of specific methodology having to do with the structure or operation of Title I-B programs. Evaluation activities include the assessment of ongoing projects to determine performance characteristics or to analyze specific attributes of a particular program.

Program and Performance for Fiscal Year 1970

Salaries and Expenses

In 1970, 809 Federal positions will be funded at a cost of $12,200,000. The decentralization of personnel to the field, begun in 1969, will continue in fiscal year 1970.

In March, 1969 the new Manpower Administration organizational structure was announced. This new alignment shifted personnel resources to regional offices, placing more operating authority in these offices and establishing a direct single line of communication from the Manpower Administrator.

These actions have the following implications:

(1) Parallel channels of communication based on somewhat artificial program distinctions are eliminated.

(2) Line officials are constantly exposed to regional conditions, increasing their capacity to comprehend and respond effectively to local problems.

(3) State and local officials are able to seek immediate action on important problems at accessible regional offices staffed by Federal manpower authorities.

(4) More effective monitoring of Federal manpower efforts at the State and local levels is possible.

In addition to decentralizing personnel, the reorganization merged the former Bureau of Work-Training Programs and the Employment Service functions

of the former Bureau of Employment Security into the new United States Training and Employment Service. This organization brings together all of the elements necessary for self-sustaining manpower operations in the regions.

Demonstration and Evaluation

During 1970 experimentation and demonstration projects will be funded at a cost of $1,900,000. In addition to continuing exploration of those areas studied in 1969, priority will be given to the development of new models of industry-government partnership in financing and operating work-training programs.

Special attention will also be devoted to exploring methods of stimulating youth self-help efforts and leadership development as a key element of work-training programs. The development of techniques for gearing work-trining to job-ladder progression rather than entry-level of limited skill jobs alone will also be stressed.

Evaluation studies proposed in 1970 at a Federal cost of $3,300,000 will be principally concerned with:

(1) The general administration of the programs on a nationwide basis, their effectiveness, their coordination, the extent to which goals were reached;

(2) The effect of the program components on the community, i.e., on institutions, public opinion, governmental structures and economic conditions; and

(3) The effect on participants of the services rendered and the extent to which these services promote a subsequent history of steady work at decent wages.

The results of the studies will be used for internal improvements in the program models, in the general operation of the program, and for recommending changes in policy.

Program and Performance for Fiscal Year 1971

Salaries and Expenses

In 1971, 809 positions will be funded at a cost of $13,100,000, an increase of $900,000 over fiscal year 1970 for mandatory costs. An increase in workload will be absorbed by the existing staff.

Demonstration and Evaluation

In 1971, these programs will be carried on at the same funding level as in 1970. Specific plans for various projects will be based on examination of those studies conducted during 1969 and 1970. However, emphasis will be given to the area of public sector employment, especially as it relates to opportunities for the disadvantaged.

The emphasis of the evaluation effort will be directed more to determining the program objectives than to reviewing operating data. The studies will be designed to measure the extent to which programs have solved manpower problems, and to determine the impact of various programs and services upon human lives and communities. Essentially long-term in nature, these studies will also yield short-term information as a basis for program change and improvement.

DEPARTMENT of HEALTH,
EDUCATION and WELFARE

Head Start

Summary of Changes

1970 Estimate	$326,000,000
1971 Estimate	339,000,000
Total Change	+$ 13,000,000

Increases

Full Year Head Start	$ 14,700,000
Experimental Programs	5,000,000
Career Development and Technical Assistance	5,000,000
Parent & Child Centers	2,500,000
Program Direction	1,700,000
	$ 28,900,000

Decreases

Summer Head Start	$ 15,900,000
	$ 15,900,000
Total Change	+$ 13,000,000

Explanation of Changes

Increases

Full Year Head Start $14,700,000

The increase in Full Year is due to increased costs for teachers' salaries and operating expenses.

Experimental Programs $ 5,000,000

The increase in Experimental programs will add 3,000 children to the programs for a total of 10,500 children in FY 1971. Approximately $2 million is for added costs of technical assistance and monitoring associated with this increase.

Career Development and
Technical Assistance $ 5,000,000

The increase is to make up for $5,000,000 advance funding of the FY 1970 program with FY 1969 funds. No change in program level is taking place.

Parent & Child Centers $ 2,500,000

The increase will fund all centers in FY 1971, some of which were not refunded in FY 1970. The increase will also cover an expected decrease in carryover balances in FY 1971. This will occur as each center reaches its designed operational capacity.

Program Direction $ 1,700,000

The added funds will pay the full cost of additional staff positions for the Office of Child Development which were approved in FY 1970 but not filled for the entire year.

Decreases

Summer-Head Start $ 15,900,000

Enrollment in Summer Head Start will be reduced by 84,800 children in order to maintain the FY 1971 Full Year enrollment at the FY 1970 level and to conduct a larger experimental program.

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Follow Through

Summary of Changes

1970 Estimate	$70,300,000
1971 Estimate	69,000,000
Total Change	-$ 1,300,000
Decreases:	
Follow Through	$ 1,300,000
Net Change	-$ 1,300,000

Explanation of Change

The net change of $1,300,000 is due to the 1970 level being increased by $14,300,000 over the budget request because of the earmarking provisions of the 1969 Economic Opportunity Act. All requirements of the Follow Through program will be met with the $69,000,000 requested for 1971.

National Summer Youth

Summary of Changes

1970 Estimate	$3,000,000
1971 Estimate	-0-
Total Change	-$3,000,000

Explanation of Changes

There are no plans for this program in Fiscal Year 1971.

Head Start

1970 Obligation Estimate	1971 NOA Estimate	Increase (+)
$326,000,000	$339,000,000	$13,000,000

Introduction

Head Start is a comprehensive preschool program for poor children and their families. It encompasses a wide range of developmental activities in Full Year and Summer programs, a program of "planned variation" experimentation, in which a variety of new approaches to child development are tested and the Parent and Child Center program, which serves families with children under three. Head Start has been delegated by the Office of Economic Opportunity to the Department of Health, Education and Welfare, where it is administered by the Office of Child Development.

Schedule of Funding Requirements

	1970 Obligations	1971 NOA Estimate	Increase (+) or Decrease (-)
Head Start-Full Year	$247,300,000	$262,000,000	+14,700,000
Children	250,200	247,200	- 3,000
Experimental Programs	10,000,000	15,000,000	+ 5,000,000
Children	7,500	10,500	+ 3,000
(Total Full-Year and Experimental Program Children)	(257,700)	(257,700)	-
Head Start-Summer	46,100,000	30,200,000	-15,900,000
Children	230,800	146,000	- 84,800
Career Development and Technical Assistance	13,000,000	18,000,000	+ 5,000,000
Evaluation	2,500,000	2,500,000	-
Parent & Child Centers	3,000,000	5,500,000	+ 2,500,000
Centers	29	29	--
Program Direction	4,100,000	5,800,000	+ 1,700,000
TOTAL	$326,000,000	$339,000,000	+13,000,000

Purpose and Scope

The purpose of Head Start is to foster the intellectural, social-emotional and physical development of poor preschool children. Research has shown that most growth takes place in early childhood. It has also been demonstrated that preschool children in poor families are generally denied the learning experiences and atmosphere available in more advantaged families. Head Start was developed to correct this imbalance; it provides activities and experiences for poor children designed to help them better develop their innate potential.

To be effective, child development programs cannot treat the child or facets of his development in isolation. Rather the child, his family and their surroundings must be treated as an entirety. This philosophy is reflected in the Head Start approach. Parental involvement is essential to the planning and operation of Head Start. Parents are often employed as staff in the child development center and are urged to develop and improve their careers, and thus the status of the entire family. Members of the community are also encouraged to volunteer their services.

Experience in the first four years of Head Start has revealed a need to increase our knowledge about how to best intervene in the lives of poor preschoolers. Head Start is sponsoring experimental programs for preschool children, substantially integrated with Follow Through experimental programs in the same community. The programs are based upon the "planned variation" technique in which a range of carefully developed experimental models are operationally tested and evaluated. The program models range from highly structured approaches to those which emphasize a varied curriculum oriented to the needs of each child. Through these coordinated efforts the potential exists for finding the best way to work with children at different ages and also to structure a continuum of services that will provide for the child's steady development from preschool through the early primary grades.

Regular Head Start programs operate on either a Full Year or Summer basis. Full Year programs serve 3-5 year old children for a part day or a full day. Full day programs offer an extended day of Head Start activities for children of parents who are working, or who, for some other reason, cannot take care of their children after a part day program would be over. They normally operate 12 months per year to facilitate the parents' employment, as opposed to part day programs, whose center activities average 4 hours per day for 9 months. Sumer programs serve 5 or 6 year-old children about to enter school -- either kindergarten or first grade -- for the first time in the fall. They provide the same range of services as Full Year but emphasize detection of medical, dental or other problems requiring immediate attention.

Because of the great need for services, Head Start programs seek to utilize other community resources to the maximum extent possible. The Community Coordinated Child Care (4C) program, a pilot venture supported by Head Start is an attempt to improve the community's total child care capacity through better coordination of different sources of child care services and elimination of any waste and duplication that might exist. The 4-C concept is being tested in 20 pilot communities. Many other communities have expressed interest or are working informally on developing 4-C type coordination.

In addition to serving preschool children 3 years of age and over, Head Start also serves families with children ranging in age from infancy to three through its Parent and Child Centers Program. Parent and Child Centers are a pilot program established in recognition of the need to start preventive action against the effects of poverty at a very early age. They are designed to help disadvantaged families function more effectively and develop the full potential of their youngest children. The Head Start Parent and Child Centers complement the seven developmental Parent and Child Centers being funded by the Office of Economic Opportunity, which are more research-oriented in nature.

Program and Performance for Fiscal Year 1970

In 1970 the number of children served in Full Year and experimental programs is being increased over 1969 levels by about 40,000 as a result of the conversion of approximately half the 1969 summer program level to Full Year. The Parent Advisory Committees of affected Full Year and Summer programs took an integral part in each decision to convert the Summer program. Total enrollment in the enlarged Full Year and experimental programs will be 257,700 while Summer enrollment will be 230,800. A $10 million experimental program is being funded, which will increase the number of communities participating in "planned variation" projects and add a small number of new program models. In addition, coverage of experimental projects will be extended downward to enroll younger Head Start children to assure continuity with the pilot Parent and Child Center activities and Follow Through.

The Parent and Child Centers reached their designed enrollment levels in 1970 and were able to broaden the services provided to families. Among evaluation activities, a major longitudinal study of preschool and school age children and programs being conducted by Educational Testing Service is completing its third year.

Program and Performance for Fiscal Year 1971

Full Year and Full Year experimental programs will serve 257,700 children in 1971, the same level as in FY 1970. The experimental program will be increased from $10 million to $15 million. Approximately $3 million

of this amount will support increased numbers of children and $2 million will be used for the additional cost of experimentation associated with this increase. The enlarged experimental program will include expanded "planned variation" projects, as well as locally developed experimentation. In order to maintain the level of Full Year children in FY 1971 and to expand the experimental program, the Summer program level will be cut back by $15,900,000 and 84,800 children from FY 1970 to new levels of $30,200,000 and 146,000 children respectively.

Other components of Head Start will receive an additional $9,200,000:

(a) Career Development and Technical Assistance programs will require $5,000,000 to offset an equal amount of advance funding which was accomplished in 1969 for the FY 1970 program.

(b) Parent and Child Centers will require $2,500,000 additional because five of the centers did not require funding during FY 1970 and because the centers have reached their designed enrollment levels.

(c) Program Direction funds will be increased from $4,100,000 to $5,800,000. Shortly after the Head Start delegation, an additional 110 positions were authorized for the Office of Child Development in the Department of Health, Education and Welfare. These positions were not all filled during all of 1970 but it is expected that they will be filled during FY 1971.

Follow Through

1970 Estimate	1971 Estimate	Decrease
$70,300,000	$69,000,000	$-1,300,000

Introduction

Follow Through is an experimental program designed to develop and test new ways to educate disadvantaged children in the early primary grades. The resources of the school, the parents and the community are brought together in programs to meet the child's instructional, physical and psycho-social needs.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase(+) or Decrease(-)
Follow Through			
Operations	$69,550,000	$68,250,000	$-1,300,000
Children	62,000	77,300	+ 15,300
Program Direction	750,000	750,000	---
Total Positions	28	28	---
	$70,300,000	$69,000,000	$-1,300,000

A number of recent studies, highlighted by the Equal Educational Opportunity Survey of 1966 have pointed out that significant differences in achievement by school children can be traced to differences in their social and economic backgrounds. Poor or disadvantaged children generally score lower on nationwide achievements tests than children from more advantaged environments. The incidence of "dropping out" is much higher among children from low-income families. Perhaps most importantly, low-income children do not acquire the attitudes and aspirations of children from more advantaged families. The sum effect is that children of poor families are more likely to be poor as adults.

In an attempt to equalize the learning opportunities for poor and disadvantaged children, a number of compensatory programs have been initiated. Head Start was started because of evidence that poor school performance was related to inadequate preschool preparation. Under Title I of the Elementary and Secondary Education Act, schools serving low income families are assisted in providing

additional programs to help improve the school performance of children. In general, however, the results from these programs, in terms of pupil performance, have been disappointing. There has not been significant closing of the gap between the performance of low-income children and children from more affluent families.

Follow Through is an experimental compensatory education program for children in the early elementary grades. The approach that has been taken in developing this program has been to attempt to determine what new methods are effective before the program is expanded to large scale operation. Under Follow Through, educational approaches which have proven successful in small scale "laboratory" situations or approaches which show promise of success, are implemented, further developed, and tested in classroom settings. The approaches are varied to allow a cross section of education philosophies to be tested. Regular school teachers are used to implement the classroom aspect of the program; they receive training in the particular approach that school has chosen to implement. The local programs all have parent participation features; some of the approaches attempt to bring about changes in children's performance through intensive involvement of parents as key members of the educational team. The different program approaches are comprehensively evaluated in order to determine which are most successful and how children in Follow Through classrooms progress compared to similar children in non-Follow Through classrooms.

School districts participating in the Follow Through program are assisted in implementing the educational approach they choose by a program sponsor-usually the institution which has developed the approach. There are currently nineteen different sponsors and approaches. They range from the University of Kansas with its emphasis on the development of motivation through a token reward system, to Hampton Institute and its ungraded approach to individual development, to the University of Florida's Institute for Development of Human Resources and its parent education model which helps parents to play a more effective role in the development of their children. The costs that the sponsors incur in implementing the program are paid with Follow Through funds as are the costs of enriching and extending classroom activities and providing supplementary nutrition and health services. State and local funds are used to provide the facilities, the teacher and basic supplies. Cooperating school districts are also required to match a portion of the Follow Through funds they receive with Title I Elementary and Secondary Education Act funds.

Program and Performance for Fiscal Year 1970

In school year 1970-71, financed with fiscal year 1970 funds, Follow Through programs will be developed and tested in 159 local projects serving 62,000 children in kindergarten through grade three. The total budget for fiscal year 1970 is $70.3 million.

The budget request was $56 million; $14.3 million was added as a consequence of the earmarking provisions of the 1969 Economic Opportunity Act. Among the activities for which the additional funds will be used is the initiation of summer programs to counter June to September out-of-school drop-off in pupils' performance. Programs will be started in a number of committees to evaluate the effects on children's performance of continuing school programs, in different forms, through the summer.

Program and Performance for Fiscal Year 1971

In fiscal year 1971, 77,300 children will be enrolled in classes served by Follow Through projects. Most of the increase in children is due to the practice of "filling in" behind the promoted classes with children entering school for the first time. To make the most efficient use of effort, the program is expanded each year to enable new kindergarten and first grade children to move into the previously prepared and trained classes. Children already in the program, of course, are advanced into subsequent Follow Through grades.

DEPARTMENT of AGRICULTURE

Rural Economic Opportunity Loan Program

Summary of Changes

1970 Estimated Obligations (Current Year Funds)	$ 9,400,000
1971 Estimated Obligations (Current Year Funds)	5,000,000
Total Change	-$ 4,400,000
1970 Active Loans Outstanding (Estimate)	$77,165,000
1971 Active Loans Outstanding (Estimate)	78,510,000
Total Change	+$ 1,345,000
1970 New Loan Activity (Estimate)	$ 4,500,000
1971 New Loan Activity (Estimate)	14,000,000
Total Change	+$ 9,500,000

Increases and Decreases, New Loan Activity and Program Support

New Loan Activity	$ 9,500,000
Program Support	$ 1,000,000
Net Change	+$10,500,000

Explanation of Changes

The new loan activity in 1970 was held to a minimum while a review of the program was conducted. As a result of this review, the 1971 program will be increased to provide for a program of traditional and experimental loans designed to test new policies and procedures. The amount for program support will also be increased to provide for the additional costs associated with the experimental program.

Rural Economic Opportunity Loan Program

1970 Estimate	1971 Estimate	Decrease
$9,400,000	$5,000,000	$-4,400,000

Introduction

Almost 40 percent of the nation's poor reside in rural nonfarm areas (such as small towns or in the open country), or live on farms. Economic Opportunity Loans provided by Title III-A furnish low-cost credit, backed up by technical assistance and supervision which is available to a potential universe of 2 million poor rural families. The effective universe is increased by an estimated minimum of 500,000 marginal-income families, who are accessible as members of "grass roots" cooperative associations eligible for this program because of predominantly low-income membership. Nonpoor participation, limited to a maximum 30 percent of the members, often tends to stabilize these organizations.

Schedule of Funding Requirements

	1970 Estimate	1971 Estimate	Increase or Decrease (-)
New Obligational Authority	($ 9,400,000)	($ 5,000,000)	($- 4,400,000)
Revolving Fund	$ 5,900,000	$ 500,000	$- 5,400,000
Administration, Supervision and Technical Assistance	$ 3,500,000	$ 4,500,000	$+ 1,000,000
New Loan Activity	($ 4,500,000)	($14,000,000)	($+ 9,500,000)
Active Borrower Caseload As Of June 30	38,100	38,800	+ 700

Purpose and Scope

The Rural Economic Opportunity Loan Program was established to meet the special needs of low-income rural families by providing loans that will assist them in raising and maintaining their income living standards. Loans may be made both to individuals and to cooperative associations.

Loans to individuals may be made in amounts up to $3,500 outstanding at any one time. These loans assist low-income rural families in establishing small nonfarm enterprises, and enable poor farmers to combine basic real estate, machinery and equipment purchase in one loan flexibly tailored to meet limited resources. Among the typical rural enterprises financed by small loans to farm as well as nonfarm residents are commercial fishing, hauling, home building, small stores, handicraft production and machinery repair businesses.

Loans to cooperative organizations composed predominantly of low-income families may be authorized, without limitation as to maximum amount, to finance production, marketing and processing enterprises as well as small-scale, joint purchasing of farm machinery which enables small farm operators to benefit from agricultural technology which would be beyond their individual financial means. Members of larger cooperative associations participating in the Rural Loan program may also qualify for individual loan assistance. Cooperative loans may be used for basic capital items, to defray costs of organizing the cooperative itself, and to refinance certain debts.

Repayments of individual loans may be extended as long as 15 years, while cooperative loans may be repaid over a period of 30 years. The current rate of interest is set at 4 1/8 percent per annum.

Since its inception, the program has been administered by the Farmers Home Administration, under delegation from the Office of Economic Opportunity and has provided supervision and technical assistance to borrowers through its national system of offices.

Program For 1970

During FY 1970, loan activity has been held to a minimum while a joint review of the program was made by the Office of Economic Opportunity, and the Farmers Home Administration. This review centered on certain issues relating to the geographic distribution of loan funds, the allocation between individual and cooperative loans, and the degree of assistance and supervision that should be provided to borrowers. During this review period, the program has concentrated primarily on servicing the outstanding borrower caseload. In addition, an estimated 2,200 individual and 40 cooperative loans will be made. Program Support, which is largely dependent upon the total number of loans outstanding, will cost $3.5 million.

Program For 1971

As a result of the review conducted in 1970, the Office of Economic Opportunity and the Farmers Home Administration will jointly develop some experimental approaches to be tested during Fiscal Year 1971 to develop possible alternatives to the traditional loan program. An evaluation of the new and traditional program models will be conducted to determine the answers to such questions as:

1. Is there a multiplier effect when loans are concentrated in limited geographic areas having large numbers of low-income people? (The assumption here is that the total economic benefit from a concentration of loan may be greater than when the same level of loan-making is spread over a wide geographic area.)

2. What is the optimum allocation of loans between individual borrowers and cooperatives? (In answering this question we would attempt to determine whether the economic return to individuals who are members of cooperatives receiving loans is greater than the return to recipients of individual loans.)

3. To what extent should grants and technical assistance be combined with loan assistance in the formation of cooperative enterprises?

4. What type of outreach, supervision and coordination with Federal and State programs is required to achieve the most effective program?

These and other questions will be explored during the period of experimentation.

SUPPLEMENTARY MATERIAL

INTRODUCTION

In the past, Office of Economic Opportunity Justifications of Appropriation Estimates have been limited primarily to tabular presentations and narrative discussions of specific programs operated or delegated by the Office. This year, however, the Justification includes an Abstract, designed to provide the Congress with an overview of major new directions and responsibilities being assumed by the Office of Economic Opportunity. It also presents the appropriation request in several new contexts, designed to give Congress more complete perspectives on the Agency's operations.

The Office of Economic Opportunity has retained its status as a member of the immediate Executive Office of the President and, as such, retains its concern for all Federal domestic programs serving the poor. To better fulfill this concern, the Office of Economic Opportunity became the first major office of the Executive Branch to complete a thorough reorganization of its internal operations and to redirect its priorities toward a closer relationship both with the constituency it serves and with other Federal agencies concerned with the domestic well-being of this country.

Because the reorganization and the redirections are so significant, they are discussed in some detail on the following pages.

ABSTRACT

On August 8, 1969, President Nixon told the nation: "Nowhere has the failure of government been more tragically apparent than in its effort to help the poor."

His means of remedying this failure has several facets. First, he has proposed the Family Assistance Program, designed to eliminate many of the inequities in the current welfare systems; to provide an income floor for all families with children, including those whose heads work part or full time; and to encourage self-help by requiring recipients to register for work or job training.

Second, he significantly realigned Federal expenditure priorities, so that the percent of the total Federal budget spent on national defense will be lower in 1971 than in any year since 1951. More than 40 percent of the total FY 1970 budget is allocated to major social programs, an increase of 21 percent since 1969. Appropriation requests for programs serving the poor are 11.1 percent higher than for the current fiscal year. The Office of Economic Opportunity accounts for only about 6 percent of the total $33-billion Federal expenditures for the poor in 1971, and 60 percent of the Office of Economic Opportunity's funds will be spent by the agencies to which it has delegated programs, including Head Start and Work and Training Programs.

Office of Economic Opportunity expenditures can have a disproportionate effectiveness in comparison with other Federal expenditures because of the third facet of the President's domestic reform package: the complete reorganization of the Office of Economic Opportunity. During the past year, the following changes have been undertaken:

-- A new concentration has been placed on program development.

-- The planning, research, and evaluation capabilities of the Agency have been strengthened.

-- The direction and management of the large operational programs, including VISTA, Community Action, Health, and Legal Services have been improved.

-- The relationship between the Office of Economic Opportunity and state and local governments has been strengthened.

A New Concentration on Program Development

The Office of Economic Opportunity budget request for Fiscal Year 1971 Research and Development activities has been increased by 60 percent. A major portion of the Research and Development activities will come from within the newly created Office of Program Development, whose activities have been clearly separated from the responsibilities of research and evaluation. This new office is primarily concerned with translating accepted hypotheses into workable program models. Among its major projects planned for FY 1971 are:

-- In addition to continued funding of several Community Development Corporations, expansion of a new program called Opportunity Funding. This program, initiated in Fiscal Year 1970 and to be continued in 1971, establishes a nonprofit corporation that will use traditional banking techniques to test, in an experimental situation, the capability of government incentives to serve as a lever for large investments of private capital in low-income areas.

-- Continued operation of a variety of experimental day care programs designed to explore the effectiveness of various types and means of funding day care services. This is a follow-up to the 1970 effort, which is concentrated on learning the best means of implementing the Family Assistance Program day care component. Actual operation of the day care program, however, will be the eventual responsibility of the Department of Health, Education, and Welfare.

-- Continuation of the ombudsman system designed to give all persons, but especially the poor, assistance in dealing with complaints concerning county, state, or Federal governments. The ombudsman would be given the power to investigate complaints, subpoena witnesses, and disseminate information about government services.

-- Determination of whether an intensive effort in adult basic education, delivered at the place of work during the day and with instructors and curriculum closely integrated with the world of work, can significantly help the working poor to improve their jobs and income.

-- Demonstration of a program designed to increase public and private sector employment of the disadvantaged (Project PACEMAKER). The demonstrations are designed to determine whether state and local jurisdictions, as well as private firms, can make a better use of poor persons by removing administrative and procedural barriers to their employment.

Strengthened Planning, Research, and Evaluation

Unlike the Program Development function, Planning, Research and Evaluation is not a new activity within the Office of Economic Opportunity, but it is an activity that has been given considerably increased emphasis during Fiscal Years 1970 and 1971. The Office of Planning, Research and Evaluation in 1971 will continue to assess the effectiveness of virtually all Federal programs impacting upon the poor; to attempt to develop a viable, comprehensive strategy for dealing with the needs of the poor; and to better understand the particular needs of various target groups within the poverty population. Among its major projects, the Office of Planning, Research, and Evaluation plans to:

-- Continue to assess the policy implications of the Family Assistance Program through its rural and urban experiments in graduated work incentives. These two experiments have a particular emphasis on learning the effects of income supplementation on work incentive.

-- Study the developmental problems of children from birth to three years old and the feasibility of using the parent as the major means of intervention in several Parent-Child Centers. This project is a primary aspect of the Office's attempt to develop a coherent strategy for early childhood development.

-- Learn the impact on the size and composition of the poverty population of shifts in aggregate economic structures, changes in monetary and fiscal policies, and shifts in urban land-use patterns.

-- Determine the effectiveness of a range of instructional techniques for remediating disadvantaged school children in the subject areas of math and reading. Contracts will be awarded to private concerns to carry out remedial programs, and in most cases, the contractors will be paid only to the extent that they achieve independently measured gains in reading and math.

-- Test new concepts and institutions to deliver educational services that will give parents a greater choice of sources of education for their children. The current emphasis will be on assessing the administrative and political feasibility of increasing this choice by giving parents vouchers that can be used to purchase education. It is expected that this experiment will provide an example to state and local governments of how such a system might work so that they could adopt similar systems should they desire to do so.

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Continued Operations Role

These Research, Development, and Evaluation activities will be structured to support the Office of Economic Opportunity's continuing operations responsibilities. The Agency will continue to administer and to improve mature, on-going programs that cannot now more effectively and more efficiently be administered by other Federal agencies. Among these programs are Health Services, Legal Services, the Community Action Agencies, and VISTA.

The Office of Economic Opportunity is realigning the Community Action Agencies with their original purpose--to find new ways of helping the poor--and to wean them away from their occasional tendency to duplicate and compete with other organizations concerned with the poor in their communities. In addition, the CAAs are being submitted to intensive evaluation to determine their effectiveness in delivering services to the poor. And, in Fiscal Year 1971, the CAAs will be provided with financial incentives to find and utilize private resources and other public resources to help finance programs aiding the poor.

In the Health Services area, the Office of Economic Opportunity has brought 15 of the 49 Neighborhood Health Centers to a fully operational and mature level, so that they are now being transferred to the Department of Health, Education, and Welfare. New models are being developed to deliver comprehensive health services on a community-wide basis and continued efforts will be made to determine the feasibility of using paraprofessionals and subprofessionals to assist the project staffs. Also, emphasis will be placed on improving outpatient departments of existing hospitals.

In the Legal Services area, the focus will be on increasing the access of the poor to legal services by developing and testing new methods to improve existing institutions and, where necessary, create new institutions. Primary emphasis will be placed on improving delivery of legal services through community-based projects.

The capability of the Office of Economic Opportunity staff to administer these three programs--Legal Services, Community Action Agencies, and Health Services--was strengthened during last fall's internal reorganization. Health and Legal Services, which were formerly the responsibility of the Office of Operations, were placed in direct line positions responsible to the Director. Thus, the Assistant Director for Operations now can concentrate almost entirely on supervising the operation of the CAAs.

New directions also have been outlined for Volunteers in Service to America (VISTA). Instead of continuing VISTA's somewhat undefined role of providing general assistance in low-income areas, a new emphasis

will be placed on delivering specific services to the poor. To this end, more volunteers will be recruited who have specific skills that can be focused on particular needs, including health, education, and economic development.

Improved State and Local Relations

The Office of Economic Opportunity is moving on several fronts to increase state, county, and local government involvement in the poverty program.

The Community Action Agencies offer an ideal vehicle for increasing local involvement. The CAAs can become a more effective instrument for providing services and improving the responsiveness of other institutions at the local level. Community representatives are more responsive to the needs of their neighbors than can be an outsider from Washington or even a regional office.

Secondly, the Office of Economic Opportunity will continue to fund state-directed Community Development Corporations, initiated in 1970, and to encourage states to become more directly involved in other poverty programs. A new set of guidelines requires regional offices to give "serious consideration and response" to recommendations of state governments before acting on grant requests, while a series of demonstration projects will test various states' abilities to evaluate and monitor programs, to provide training and technical assistance, and to undertake program planning. One experiment being planned for Oklahoma gives that state the authority to process applications for grants in accordance with a funding plan agreed upon with the Office of Economic Opportunity at the beginning of the fiscal year. In this, as in other cases of state involvement in grant processing, the Office of Economic Opportunity Director retains the power to grant final approval or to suspend grants. The Office of Economic Opportunity also retains the responsibility for inspecting and auditing the projects.

As a further indication of the Agency's serious commitment to increased state and local involvement, a new division of state and local government has been established to foster this cooperation.

Streamlined Internal Administration

"Too often the lines of responsibility in the OEO programs have been badly blurred....Too often the same individual or groups, at both the national and local level, have found themselves wearing many hats...." So President Nixon said in his August message on the Office of Economic Opportunity reorganization.

In the past, nearly 30 individuals and offices reported directly to the Director; today there are 11. Each headquarters office's responsibilities have been clearly delineated and three new regional offices have been added in keeping with the President's mandate to establish uniform regional boundaries for use by Federal agencies. In addition, each regional director has been made directly responsible to the Assistant Director for Operations, so that the lines of authority run directly from him to the regions and to the CAAs and other local projects. This will assure better financial control and better integration with overall Agency objectives.

Although these changes have resulted in greater managerial efficiency, the streamlined Office of Economic Opportunity finds itself understaffed to carry out both its operations role and its increased research and development responsibilities. After several major programs were spun off to delegated agencies, the number of persons employed directly by the Office of Economic Opportunity declined from 2,856 to 2,170. At the present, the Office of Economic Opportunity has the third lowest ratio of employees to dollars administered of any major Federal agency: the two agencies with lower ratios both deal heavily in categorical grant operating programs. This Office presently has a ratio of about one employee to $345,000. Among other agencies with substantial research and development or heavy support responsibilities and that deal with individual communities rather than categorical grants to states, the Office of Economic Opportunity has the lowest ratio. Comparable figures for the other agencies are $180,000 per employee, Housing and Urban Development; $120,000, NASA and Transportation; and $90,000, Agriculture. The comparable figure for the Defense Department is about $65,000 per civilian employee, and, including military employees, about $17,000.

In another area of concern, the Agency's grant consideration process was revamped to prevent conflicts of interest and to eliminate deficiencies in the review and monitoring of grants and contracts. Firms who employ in senior roles persons who were employed by the Agency during the preceding year now may not receive contracts unless the contract has been specifically approved by the Director or the Deputy Director. More stringent regulations also were instituted to provide a closer review of pending contractors' and grantees' qualifications, to evaluate their performance, and to assure the most effective and economic use of the Agency's financial resources. Increased effort also has been made to reduce other administrative costs.

Finally, two new offices have been created to focus particular attention on needs within the poverty population. A human rights division has been created within the General Counsel's office to develop criteria and procedures for measuring the effectiveness of Office of Economic Opportunity human rights activities; and to formulate Agency policy with respect to human rights and equal opportunity laws and regulations.

The second new office, the Office of Special Programs, is concerned with initiating and coordinating Federal programs providing employment, public services, education, health, and other opportunities for the elderly, youthful, and rural poor.

NEW APPROACHES

One indication of the Office of Economic Opportunity's new directions and new priorities is evident in the means it has developed to consider the programs it operates and the population it serves. The traditional Justification has considered programs only in terms of the specific problem with which they were meant to deal. This year, in addition to the traditional format, the Office of Economic Opportunity is presenting its appropriation requests in terms of three new perspectives: type of assistance offered, type of program category, and type of population served.

The first breakdown presents the requests in terms of type of assistance offered: human investment, or programs such as manpower and education, designed to reduce the dependency of the poor on income transfers; normal entitlements, or programs such as Social Security that are designed for all citizens, regardless of their income level; and maintenance, or programs designed to give particular income assistance to the poor, such as Food Stamps or the Family Assistance Program.

The second breakdown presents the requests in the context of their function: employment, economic development, education, early childhood development, health, other community assistance, and income and maintenance assistance.

Perhaps the most relevant for policy planning purposes, however, is the third presentation, which divides programs according to their impact on specific target populations. In this discussion, the poverty population is considered in terms of types of need and incidence of poverty among the aged, the rural poor, the young child, the Indian, the migrant, and the youth. This breakdown is crucial to policy planning because needs vary so greatly among various target groups. One type of manpower program, for example, is needed for the migrant worker, while quite a different approach is pertinent for the 65-year-old who has been forced to retire.

FEDERAL SUPPORT FOR THE POOR

The President's budget for Fiscal Year 1971 provides $33.0 billion in support for poor persons. This is 16.4 percent of the President's budget, and an increase of 11.1 percent over Federal support for the poor in Fiscal Year 1970 using the same expenditure categories. In Fiscal Year 1970 the estimate for this kind of expenditure is $29.7 billion.

Estimating the Federal effort in these areas is an inexact science at best. Assessing the impact of these expenditures is even more difficult. Compounding the task is the fact that very little is known about the dollar totals and impact of state, local and private efforts to assist the poor. According to the best rough estimates available the $33.0 billion for Fiscal Year 1971 is about half of the combined public and private national total going into efforts to benefit poor citizens. It is clear that the $2.08 billion requested for the Office of Economic Opportunity in Fiscal Year 1971 is not the whole effort and should not be regarded as such.

Outlined below, within the limitations of present procedures and information systems, are the directions and programs represented by the $33.0 billion in Fiscal Year 1971 support. Economic Opportunity Act programs are highlighted first in this context, and then separately later in this section. Because this justification supports budget requests, Economic Opportunity Act funds are presented as obligations. Support for the poor from other appropriations is stated in terms of "outlays" or expenditures.

The breakdown by the purposes shown in Table I is a new and more informative approach to classifying Federal Outlays affecting the poor.

TABLE I

FEDERAL OUTLAYS BENEFITING THE POOR BY PURPOSE, FISCAL YEAR 1971

(Billions of Dollars)

	Dollars	Percent
Human Investment	5.3	16.1
Maintenance	12.8	38.8
Normal Entitlements	14.9	45.1
Total	33.0	100.0

Each of these purposes is an ingredient of Federal economic opportunity strategies:

The $14.9 billion in Normal Entitlements represents payments and support that citizens receive, under the law, regardless of their income level. The Social Security system distributes the principal part of these sums. It should be noted, however, that while Normal Entitlement support is provided without regard to income levels, payments such as Social Security do provide an income floor and a base for planning Human Investment and Maintenance strategies. Without that floor, support would have to be provided by some other means.

Human Investment at $5.3 billion encompasses all of the programs that actively promote the development of work skills, increased education, training and economic development. These programs aim at reducing dependency on the $12.8 billion in Maintenance outlays for welfare--the proposed Family Assistance Program and food assistance programs--by helping the poor to become productive workers and informed consumers.

Well-designed operational Human Investment programs should reduce both the total amount of Maintenance outlays and the number of recipients, until the group of permanently dependent persons which will require continued income support is reached. Meanwhile, Maintenance programs can be designed to complement Human Investment strategies. The proposed Family Assistance Program, for example, not only provides a minimum income floor for families with children, but also contains a retained earnings feature that encourages individuals to increase their work effort, and an incentive to increase self-help by requiring that recipients register for job training or work.

Past presentations of these Federal Outlays did not clearly separate out the Normal Entitlements, leading to inflated impressions of the amount of Federal resources allocated to the needs of the poor. Another limitation resulted from the practice of listing separately the outlays for such categories as Education, Employment Assistance and Health Assistance, as shown in Table II. Besides the inclusion of some Normal Entitlement programs in these categories, the labels did not emphasize clearly the primary public purpose of investing in the development of poor persons to help them become productive participants in the Nation's economic life. On the other hand, with these qualifications in mind, Table II does show the relative dollar size of benefits in familiar program categories.

TABLE II

FEDERAL OUTLAYS BENEFITING THE POOR BY CATEGORIES

FISCAL YEAR 1971

(Millions of Dollars)

	Total FY 1971 $ (est.)	Percent
Employment	$ 1,998	6.06
Economic Development	472	1.43
Education	2,560	7.76
Early Childhood Development	350	1.06
Health	6,430	19.50
Other Community Assistance	760	2.31
Income Assistance	17,800	53.97
Other Maintenance Assistance	2,600	7.88
Other	10	.03
Total	$32,980	100.00

Income Assistance accounts for 54.0 percent of the Table II total, and Health for 19.5 percent. The seven remaining categories claim shares ranging from 7.8 percent to 0.3 percent.

Although 17 Federal agencies administer programs that provide direct benefits to the poor, Table III shows how six agencies account for all but $800 million of the $32,980 million total for Fiscal Year 1971.

TABLE III

FEDERAL OUTLAYS BENEFITING THE POOR BY CATEGORIES AND BY FEDERAL AGENCIES, FISCAL YEAR 1971

(Millions of Dollars)

	Total	DHEW	VA	OEO and Delegate Programs	AGRICULTURE	LABOR	DHUD	OTHER AGENCIES
Employment	1,998	700	-	598		700		
Economic Development	472	-	-	72				400
Education	2,560	2,000	-	360				200
Early Childhood Development	350			350				
Health	6,430	5,400	800	230				
Other Community Assistance	760			460			300	
Income Assistance*	17,800	15,000*	2,200			600		
Other Maintenance Assistance	2,600	100			1,900		400	200
Other	10			10				
TOTALS	32,980	23,200	3,000	2,080	1,900	1,300	700	800
Percent	100.0	70.4	9.1	6.3	5.8	3.9	2.1	2.4

*Includes $400 million for proposed Family Assistance Program.

Table IV combines the Fiscal Year 1971 information presented in the preceding tables, relates it to the three major purposes discussed above, and shows the major Federal programs benefiting the poor. All of the Office of Economic Opportunity's $2,080 million is accounted for under Human Investment. The Office of Economic Opportunity share constitutes nearly 40 percent of the $5,280 million Human Investment total, but as shown in Table III it amounts to only 6.3 percent of the $32,980 million in total Federal support for the poor.

The program categories for Income Assistance and Other Maintenance Assistance together account for $20,400 million, or 62.0 percent, of the Table IV total, all of which is classified under the major purposes of Maintenance or Normal Entitlements.

TABLE IV

FEDERAL OUTLAYS BENEFITING THE POOR BY CATEGORIES, AGENCIES, AND MAJOR PROGRAMS, FISCAL YEAR 1971

(Millions of Dollars) a/

	Total	Employment	Economic Develop.	Education	Early Child. Develop.	Health	Other Community Assist.	Income Assist.	Other Maintenance Assist.	Other
I. HUMAN INVESTMENT	5,280	1,198	472	2,560	350	230	460			10
A. OEO and Delegate Agencies	2,080	598	72	360	350	230	460			10
1. Community Development	849	52	66	49	29	186	457			10
2. Work & Training (Labor)	802	542		245	2	14				
3. Child Development (DHEW)	408			63	316	28				
4. Rural Loans (Agriculture)	5		5							
5. General Support & Other	16	4	1	3	3	2	3			
6. Joint Funding Contributions (Non-add)	(381)	(351) b/				(30) c/				
B. DHEW	2,200	200		2,000						
1. Education of Disadvantaged Children	1,200			1,200						
2. Educational Opportunity Grants	200	200		200						
3. Work Incentives	200									
4. Other Programs, incl. Work Study	600			600						
C. LABOR	400	400								
Manpower Development & Training Act Programs	400	400								
D. Other Agencies (Commerce, Interior et al)	600		400	200						

(Continued)

a/ OEO and Delegate agency program figures rounded to the nearest million. All other figures rounded to the nearest hundred million.

b/ Manpower Development and Training Act funds.

c/ DHEW health program funds.

TABLE IV (Continued)

	Total	Employ-ment	Economic Develop.	Educa-tion	Early Child. Develop.	Health	Other Community Assist.	Income Assist.	Other Maintenance Assist.	Other
II. MAINTENANCE	12,800					3,100	300	7,100	2,300	
A. DHEW	7,200					2,300		4,900		
1. Medicaid	2,300					2,300				
2. Public Assistance	4,500							4,500		
3. Family Assistance Program	400							400		
B. VETERANS ADMINISTRATION	3,000					800		2,200		
1. Compensation, Pensions & Payments	2,200							2,200		
2. Others	800					800				
C. AGRICULTURE	1,900								1,900	
Food Programs	1,900								1,900	
D. HOUSING AND URBAN DEVELOPMENT	700						300		400	
1. Public Housing & Rent Supplements	400								400	
2. Model Cities & Other	300						300			
III. NORMAL ENTITLEMENTS	14,900	800				3,100		10,700	300	
A. DHEW	13,800	500				3,100		10,100	100	
1. Medicare	2,600					2,600				
2. OASDI	10,100							10,100		
3. Other Programs	1,100	500				500			100	
B. LABOR	900	300						600		
1. Unemployment Insurance and Enforcement of Wage and Labor Standards	600							600		
2. Employment Service	300	300								
C. OTHER AGENCIES (Interior & Agriculture)	200								200	

TABLE IV (Continued)

	Total	Employ-ment	Economic Develop.	Educa-tion	Early Child. Develop.	Health	Other Community Assist.	Income Assist.	Other Maintenance Assist.	Other
TOTAL - ALL CATEGORIES	32,980	1,998	472	2,560	350	6,430	760	17,800	2,600	10
I. HUMAN INVESTMENT	5,280	1,198	472		350	230	460	7,100	2,300	10
II. MAINTENANCE	12,800					3,100	300	10,700	300	
III. NORMAL ENTITLEMENTS	14,900	800		2,560		3,100				

Table V extracts from the Human Investment section of Table IV the relevant program categories and Fiscal Year 1971 funds for Office of Economic Opportunity and Delegate Agency programs and compares them with program levels for Fiscal Years 1969 and 1970. It shows, also, the funds from other agencies' appropriations that have been paired with economic opportunity programs under joint funding agreements. This is the first presentation to the Congress in this format of Federal economic opportunity programs tied directly to the Economic Opportunity Act.

TABLE V

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY CATEGORIES

FISCAL YEARS 1969, 1970 and 1971

(Millions of Dollars)

	1969	1970 (Estimate)	1971 (Request)
Employment[a/]	750.2	801.6	949.6
Direct Employment of the Poor (Non-Add)	(347.1)	(373.9)	(389.0)
Economic Development	54.5	80.9	72.0[d/]
Education[b/]	346.5	359.1	360.2
Early Childhood Development	309.0	316.2	349.5
Health[c/]	153.2	215.9	259.7
Other Community Assistance	405.5	419.3	460.4
Basic Research	7.7	8.0	10.2
Total Economic Opportunity Programs	2,026.6	2,201.0	2,461.6
Less Joint Funding Contributions from Other Appropriations a/ b/ c/	81.7	253.0	381.4
Net Economic Opportunity Act Obligations	1,944.9	1,948.0	2,080.2

a/ Includes $74.2 million of Manpower Development and Training Act funds in FY 1969, $226.6 million in FY 1970, and $351.4 million in FY 1971, under joint-funding agreements.

b/ Includes $7.5 million of Manpower Development and Training Act funds in FY 1969 and $26.4 million in FY 1970, under joint-funding agreements.

c/ Includes $30 million of DHEW health program funds to assume a portion of the costs of the 49 Offices of Economic Opportunity sponsored neighborhood health centers in FY 1971.

d/ The decrease in Economic Development between FY 1970 and FY 1971 results mainly from a $4.4 million decrease in the Rural Loans Program and a $4.7 million decrease in the Special Impact Program. The Rural Loans Program underwent an extensive reappraisal after submission of the FY 1970 budget. This included a new loan moratorium, which led to an accumulation of loan funds and thus a reduced need for new funds in FY 1971. The Special Impact Program decrease resulted from the FY 1970 Congressional earmarking that added almost $6 million above what was needed for the program. The FY 1971 funding returns to the level for which the program was originally designed and requires legislative relief from earmarks.

Except for an irregular trend in Economic Development Support resulting partly from the Congressional earmarking requirements, the relative shares of the program categories are fairly stable for the three Fiscal Years shown.

Employment programs average about 37 percent of each year's total; other Community Assistance programs, about 19 percent; and Education and Early Childhood Development about 15 percent each. The share allocated to Health programs has increased from about 7.5 percent in Fiscal Year 1969 to nearly 11 percent for Fiscal Year 1971. The non-add category, labeled Direct Employment of the Poor, indicates that about 17 percent of economic opportunity program funds provide immediate jobs for poor persons--often jobs associated with training programs like New Careers. Thus a very substantial portion of the direct operating costs of economic opportunity programs also directly benefits the poor. Many of the jobs offered are part time, so income earned by these part time employees may still be insufficient to lift them and their families above the poverty line. However, the information available indicates that most of those who work full time have moved across the line.

Table VI shows for Fiscal Year 1971 how the traditional Economic Opportunity Act budget activities fit into the broad program categories of Table V.

TABLE VI

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY BUDGET ACTIVITIES AND CATEGORIES, FISCAL YEAR 1971

(Millions of Dollars)

Budget Activities	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
Community Development Programs	879.2	51.7	(272.4)	66.5	49.3	28.9	215.8[b]	456.8	10.2
Work and Training Programs	1,153.4	893.3[a]	(8.0)		245.1	1.5	13.5		
Child Development Programs	408.0		(108.6)		63.0	316.4	28.6		
Rural Loans Program	5.0			5.0					
General Support	16.0	4.6		0.5	2.8	2.7	1.8	3.6	
Total Economic Opportunity Programs	2,461.6	949.6	(389.0)	72.0	360.2	349.5	259.7	460.4	10.2
Less Joint Funding Contributions from Other Appropriations [a] [b]	381.4	351.4					30.0		
Total Economic Opportunity Act Obligations	2,080.2	598.2	(389.0)	72.0	360.2	349.5	229.7	460.4	10.2

[a] Includes $351.4 million of Manpower Development and Training Act funds.
[b] Includes $30 million of DHEW health program funds to assume a portion of the costs of the 49 OEO sponsored neighborhood health centers.

The Community Development budget activity at $879.2 million includes support for Community Action Operations, for Research, Development and Evaluation, and for Legal Services, Health and Nutrition, Aid to Migrants, Special Impact and VISTA. While the largest portions fall into the Health and Other Community Assistance program categories, substantial amounts accrue to the Employment, Economic Development and Education categories. Nearly 70 percent of the total non-add funds prorated to Direct Employment for the Poor is provided under Community Development.

More than one-fifth of the $1,153.4 million in the Work and Training budget activity actually supports educational efforts. It provides $8 million on a non-add basis for direct employment of the poor in the administration of manpower programs. Included under Work and Training are Job Opportunities in the Business Sector (JOBS), the Concentrated Employment Program (CEP), Public Service Careers, Neighborhood Youth Corps, Job Corps, and Operation Mainstream.

Under the Child Development budget activity, the Head Start Program contributes the major segment, but also provides more than $20 million in health services for preschool children. In addition, Head Start, combined with Follow Through, provides nearly $110 million for the direct employment of poor persons. Many of these are parents of children enrolled in the programs.

The Rural Loans Program is included under the Economic Development category, because economic development best conveys its intent.

Support for American Indians amounts to $57.3 million on a non-add basis of the Economic Opportunity Act total.

As the totals in the table indicate, Manpower Development and Training Act funds provide almost a third of the support for Economic Opportunity Work and Training programs. Also included is a proposed $30 million joint funding contribution from the Department of Health, Education, and Welfare for partial support of the 49 Office of Economic Opportunity sponsored Neighborhood Health Centers.

The Appendices to this section contain a more detailed version of this table, and show by program categories the distribution of funds for the individual programs mentioned. Detailed distributions are shown for Fiscal Years 1969 and 1970, as well as for Fiscal Year 1971.

Table VII shows how the Office of Economic Opportunity and three Delegate Agencies share in the administration of funds appropriated under the Act.

The Director, with the approval of the President, delegates program authority in accordance with Section 602(d) of the Economic Opportunity Act of 1964, as amended. Delegation agreements between the Director and the Federal agency heads concerned specify the provisions under which the authority will be exercised. Funds for delegated programs are included in the President's budget request for the Office of Economic Opportunity to support programs authorized by the Economic Opportunity Act. The funds appropriated are administered by the Office of Economic Opportunity, which allocates to delegate agencies the amounts necessary to operate Economic Opportunity Act programs in accordance with the delegation agreements.

Although Fiscal Year 1971 is a year of general budget tightening, the total Office of Economic Opportunity budget request, shown in Table VII, has been increased by $132.2 million, or 6.8 percent. This increase will support expansion of research, development, and evaluation activities, and the initiation of new program approaches.

TABLE VII

DISTRIBUTION OF ECONOMIC OPPORTUNITY ACT FUNDS BY FEDERAL AGENCIES, FISCAL YEARS 1970 AND 1971
(Millions of Dollars)

	1970		1971		Percent Change 1970-71
	Estimate	Percent	Request	Percent	
Office of Economic Opportunity	785.4	40.3	865.2	41.6	+10.2
Delegate Agencies	1,162.6	59.7	1,215.0	58.4	+ 4.5
(Dept. of Labor)	(753.9)	(38.7)	(802.0)	(38.6)	(+ 6.4)
(Dept. of HEW)	(399.3)	(20.5)	(408.0)	(19.6)	(+ 2.2)
(Dept. of Agriculture)	(9.4)	(0.5)	(5.0)	(0.2)	(-46.8)
Total	1,948.0	100.0	2,080.2	100.0	(+ 6.8)

Table VIII lists the major Economic Opportunity Act program. They are highlighted in the same order in the narrative following the table.

TABLE VIII

ECONOMIC OPPORTUNITY ACT OBLIGATIONS BY FEDERAL AGENCIES AND PROGRAM AREAS

FISCAL YEARS 1969, 1970 AND 1971

(Millions of Dollars)

	1969 Actual	1970 Estimate	1971 Request	Percent Change 1970-71
Office of Economic Opportunity				
Community Development Programs				
Research, Development and Evaluation	38.9	75.6	118.3	+56.5
Health and Nutrition	93.4	155.2	176.8	+14.0
Legal Services	47.2	53.8	63.4	+17.8
Community Action Operations	379.7	382.1	384.6	+ 0.7
Special Impact	14.3	36.8	32.1	-12.8
Migrants	28.8	30.9	35.5	+14.9
VISTA	32.8	35.0	38.5	+10.0
General Support	12.9	16.0	16.0	-
Subtotal	648.0	785.4	865.2	+10.2
Delegate Agencies				
Work and Training Programs (Labor)	875.4	753.9	802.0[a]	+ 6.4
Child Development Programs (DHEW)	365.9	396.3	408.0	+ 0.3
Rural Loans Program (Agriculture)	6.0	9.4	5.0	-47.0
Subtotal	1,247.3	1,159.6	1,215.0	+ 4.8
Other	49.6[b]	3.0[c]		
TOTAL	1,944.9	1,948.0	2,080.2	+ 6.8
(Support for American Indians -- Non-Add)	(48.5)	(53.2)	(57.3)	+ 7.7

a/ Detailed information in the Appendix to the President's Budget for Fiscal Year 1971 (See p.680) explains how Work and Training Programs will be merged into the proposed Manpower Training Act, which the Office of Economic Opportunity supports as the most effective way to conduct work and training programs. The President's budget further explains that a supplemental budget amendment would be requested to place these programs under the proposed act.

b/ Includes Upward Bound $30.8 million; National Summer Youth $3.0 million; General Services Administration transfers $0.3 million; Foster Grandparents $9.1 million and Work Experience $6.4 million.

c/ National Summer Youth, administered under delegation by the Department of Health, Education, and Welfare.

RESEARCH, DEVELOPMENT AND EVALUATION

Research, development and evaluation represent the largest growth area with a proposed allocation of $118.3 million or $42.7 million more than the estimate for Fiscal Year 1970.

Research

Research, development and demonstration will be concentrated in a few major areas where they can hopefully provide useful data for establishing national policy on important questions. While past efforts have been spread over a wide variety of fields, the proposed 1971 program will focus on early childhood development (including day care), education, structural changes and job opportunities, economic development, community development, and other research, development and demonstration activities. There are three main reasons for the new directions:

- Past mistakes have demonstrated that large federal programs cannot be started and managed without a rational development process. Pilot projects can determine the practical value of such proposals before they are translated into national efforts.

- Significant changes in federal programs have been proposed in family income assistance and revenue sharing. Both proposals would require substantial revision of the entire approach to assisting poor people.

- The Office of Economic Opportunity recognizes it can be most effective by influencing the direction of existing services and aid to the poor.

Early Childhood Development. A top priority assigned to Day Care and other early childhood development is based on:

- President Nixon's recent proposal that, as part of the Family Assistance Program, "more than custodial day care" be provided to children of working mothers.

- The very early years of a child's intellectual and social development, which are crucial to his future.

The aim is to examine quality of services, expansion of facilities, and various delivery methods. To meet these objectives the following major steps will be taken:

- A comprehensive study of existing day care programs in order to describe and quantify what already exists, organize this information for policymaking and identification of gaps, and use it for further programming.

- Parent and Child Centers and other study and demonstration projects to deal specifically with the staffing of early childhood programs, training teaching personnel, and developing an effective career development program.

- A marketing study to determine the differing needs and wants of those to be served by day care.

- Measures to address the problem of lack of day care facilities and personnel.

- Work toward simplification and standardization of present day care state and local licensing codes.

- Experiments with a City Day Care Model. This program will provide free and/or low-cost day care to children in a small, typical city. This experiment would provide information on the feasibility of rapidly expanding day care.

- Day care demonstrations which will involve such local sponsors as public schools, colleges, private industry and local groups.

Education. Research, development and demonstration in this area covers all phases of the process of elementary, secondary, college and adult education. Special emphasis is given to new innovative concepts, such as the educational voucher concept. Educational vouchers are one of the most frequently discussed alternatives to the present system of financing public education. They involve payment of a fixed sum to parents which can then be used to purchase education in a variety of public and private schools. The object is to improve education by increasing the range of choice available to the parent, thus creating a more competitive educational market. The Office of Economic Opprotunity will be undertaking a major national demonstration of this concept in calendar year 1971.

An additional effort in the educational area involves community colleges. The Office of Economic Opportunity will be undertaking a series of developmental and demonstration projects designed to make these colleges more responsive and more able to meet the special educational needs of the poor.

Structural Changes and Job Opportunities. Work in this area includes improvement of placement mechanisms, creation of new job opportunities, and the lowering of unnecessary barriers to existing opportunities. A major demonstration project, The Pacemaker project, is being undertaken

in Fiscal Years 1970 and 1971. This project is designed to show that state and local governments can make greater use of disadvantaged persons through the removal of numerous administrative and procedural barriers to their employment. It is estimated that, of the 500,000 new jobs at present created each year in this area, at least 100,000 could go to the poor if existing barriers were removed.

Economic Development. Work in this area is an adjunct to the R&D efforts under the Special Impact program authorized by Title I-D of the Economic Opportunity Act. The work is orientated towards problems of resource mobilization, through cooperatives and other institutional arrangements, in localities characterized by economic and social deterioration.

Community Development. This includes a wide variety of research development and demonstration activities dealing with the special needs of urban and rural communities, and the needs of all communities in the consumers housing, legal, health, and other areas. The Fiscal 1971 program will emphasize housing and consumer problems, projects to determine better ways to utilize volunteer assistance, and projects concentrating on the special needs of rural areas.

Other Programs. Other Research, Development and Evaluation includes a variety of projects concentrating on problems basic to the eradication or alleviation of poverty. Most notable are the graduated work incentive experiments designed to test the effectiveness of income maintenance programs on work effort. Only very preliminary findings have been released from these experiments, but all indications are that such programs do not decrease work effort.

Evaluation

High priority is given to quality evaluation of existing programs and of pilot projects. The Office of Economic Opportunity has increased its staff of professional social scientists who will conduct two types of evaluation: First, impact evaluation to determine the overall effectiveness of major federal and other programs; and, second, evaluation to determine the relative effectiveness of different program approaches and techniques.

Major evaluation studies already underway will be continued. These include:

- A national assessment of four manpower programs - Job Corps, Neighborhood Youth Corps Out-of-School, Manpower Development and Training Act Institutional, and Job Opportunities in the Business Sector (JOBS);

- Evaluations of Family Planning and Neighborhood Health Center programs;

- An evaluation of the Legal Services program;
- An assessment of Community Action in local communities;
- A major national evaluation of education performance contracting.

In accord with the President's desire that the Office of Economic Opportunity play a basic role in the research and evaluation of all domestic programs during 1971, the agency intends to examine other Federal programs which have major components to assist the poor.

HEALTH AND NUTRITION PROGRAMS

Obligations for Health and Nutrition Programs (including joint funding with DHEW) are increased $51.6 million over 1970 and more than 120 percent over 1969. These programs are designed to help health and health-related institutions respond more effectively to the serious unmet needs of the poor. Agency efforts will complement programs being administered by the Department of Health, Education and Welfare and by local private institutions.

Comprehensive Health Services

Through Comprehensive Health projects, the Office of Economic Opportunity, with the help of various community and professional groups, is developing improved ways to deliver comprehensive, high quality care to the poor. In addition, the program has helped to focus increased attention and resources of private and other public agencies on the severe problems in medical care.

Forty million dollars will be available for new Comprehensive Health Services projects in Fiscal Year 1971. These funds will make it possible to start local projects designed to restructure hospital outpatient departments, develop special rural projects, assist existing and new group practices to serve low-income populations; and initiate plans for community-wide health delivery systems in a number of areas. Also in Fiscal Year 1971, the Office of Economic Opportunity plans to transfer a number of the more mature operational projects to the Department of Health, Education and Welfare.

Family Planning

The $24 million requested will enable the Office Economic Opportunity to continue developing new approaches for delivering family planning

services more effectively. Included will be projects offering services to mothers in hospitals at the time of childbirth, cooperative activities involving private physicians -- particularly in rural areas -- and coordination efforts in both metropolitan and rural areas.

Emergency Food and Medical

The Emergency Food and Medical Services Program, although receiving less new funding ($33 million in 1971) will maintain program expansion funded in 1970. Some grants funded in 1970 will not require renewal until 1972. The funds for the Emergency Food Program meet critical needs by enabling poor persons to overcome barriers to participation in existing food programs. The very poor, especially in rural areas, are often excluded from the benefits of existing Federal food programs. Many needy persons lack transportation to distribution centers or have difficulties in becoming eligible for assistance. Local Community Action Agencies and other groups conduct such projects in more than 1,000 counties to help meet pressing food needs.

Alcoholic Counseling and Recovery

During Fiscal 1971, developmental projects begun in 1970 will be continued. These projects will include comprehensive rehabilitation services in urban areas, special training activities, and projects designed to meet the particular needs of Indian and migrant alcoholics.

Drug Rehabilitation

Emphasis will be placed on continued development of new experimental projects initiated in 1970, including addiction rehabilitation components for employment programs, activities especially designed for young addicts or drug experimenters, and assistance to a variety of community groups dealing with the problem of addiction.

LEGAL SERVICES

The request for Legal Services represents a $9.6 million increase over Fiscal Year 1970. The program will focus on the efficient use of attorneys in existing projects. This direction will include better coordination between the training program, assistance provided by six law schools, operation of statewide legal research units, and the 266 operating programs in 49 states. Approximately 95 percent of the 800,000 cases handled in FY 1970 by local legal services projects were individual service cases in the domestic relations, housing, welfare, juvenile, and consumer law categories. Communication among local program attorneys and between them and the legal research units has been improved in order to bring the caseload problem under control and to improve their capacity to use class and test actions in these recurring patterns of legal problems. Techniques for non-litigational solutions and the use of subprofessionals are also being tried. By the close of Fiscal Year 1971, the Legal Services program is expected to have approximately 2,200 attorneys.

COMMUNITY ACTION OPERATIONS

The Community Action Operations allocation includes $324.0 million for direct support of local Community Action Agencies, $7.8 million for Senior Opportunities Services, $22.4 million for Training and Technical Assistance, $14.0 million -- $5.0 million above Fiscal Year 1970 -- to support the operations of State Economic Opportunity Offices, and $16.4 million for program administration. Approximately $18 million of these funds will direct activities to assist American Indians.

The agency plans to complete the important task of bringing State and local agencies into closer cooperation with the Office of Economic Opportunity:

-- State Economic Opportunity Offices are being brought into the mainstream of social program planning and management. A large part of the proposed $5 million increase in the State Offices' budget will be used to provide more specialized technical assistance to local grantees. The remainder will fund staff and program increases for State offices that demonstrate a high potential.

-- At the local government level, the aim is to move local Community Action Agencies away from providing services that can be provided better by established agencies. The Office encourages them to concentrate instead on mobilizing the resources of existing public and private agencies to serve the poor, and on experimenting with new service approaches. Financial incentives will be provided to encourage and reward local experimentation. An estimated 1,000 local Community Action Agencies will be operating in Fiscal Year 1971, compared to about 1,021 in Fiscal Year 1970. The decline will result largely from consolidations. The State Offices, the local Community Action Agencies, and the projects they sponsor now provide direct full- and part-time employment for over 250,000 persons. Many of these employees are from low-income minority groups and are receiving valuable opportunities to acquire professional, managerial, and administrative skills.

Senior Opportunities and Services

The Fiscal Year 1969 and 1970 allocations for this program permitted significant expansion in the number of Senior Opportunity Centers. The Fiscal Year 1971 request will allow the maintenance of this effort, as well as a reorientation designed to find better approaches to help the elderly poor.

Training and Technical Assistance

Training and technical assistance provided to Community Action Agencies under Section 230 of the Economic Opportunity Act will continue at the Fiscal Year 1970 level of about $22.5 million. The major emphasis will be on improving Community Action Agency management, supporting resource mobilization, building communication bridges, and stimulating new approaches.

SPECIAL IMPACT

The $32.1 million Special Impact Program will test different approaches to meet the special economic needs of urban areas with large numbers of low income people, and of rural areas with substantial out-migration to urban areas. It will provide capital and incentives to establish or expand business enterprise and to foster ownership in these enterprises by low-income people.

MIGRANTS

The $35.5 million for special programs for Fiscal Year 1971 will permit assistance to more than 258,000 migratory or seasonal farm workers and their dependents. More than 175,000 migrants who follow the crops will receive emergency services and assistance during peak harvest seasons. The long-range program direction is toward developing more permanent and better paying job opportunities. Approximately 32,000 eligible adult heads of farm labor households will participate in these intensive programs designed to improve permanently their quality of life.

VISTA

VISTA provides volunteer manpower to approximately 500 local sponsors helping the poor in urban and rural areas in 49 states. During Fiscal Years 1970 and 1971, increased emphasis is being placed on recruiting technically skilled persons and volunteers to be trained for and to serve in specific program activities. The $3.5 million budget increase in 1971 over 1970 will enable VISTA to level out at about 5,000 volunteers and to refine and improve the program on the basis of knowledge gained in the past four years of rapid growth.

DELEGATED PROGRAMS

Manpower Programs

Manpower training program allocations jointly funded through the Economic Opportunity Act and the Manpower Development and Training Act will increase by 14.5 percent, from $1,006.9 million in Fiscal Year 1970 ($753.9 million EOA and $253.0 million MDTA) to $1,153.4 million in Fiscal Year 1971 ($802.0 million EOA and $351.4 million MDTA). The Fiscal Year 1971 request, which will provide training and job upgrading opportunities for the poor, represents a reaffirmation of this Administration's emphasis on programs to help disadvantaged persons obtain meaningful jobs. These programs, with other MDTA and

Unemployment Insurance Fund activities, will form the nucleus of the new Manpower Training Act proposed by the President and now under consideration by the Congress.

The Fiscal Year 1971 request for manpower training programs will support:

- Employment opportunities for 80,000 hard-core unemployed persons in the Job Opportunities in the Business Sector (JOBS) program, a joint Federal Government and private business effort.

- Eighty-two multi-service Concentrated Employment Program (CEP) projects in the low-income areas of major cities and in the most economically depressed rural communities.

- The reorientation of the Neighborhood Youth Corps Out-of-School program to focus on the critical job training and educational needs of 16 and 17-year old high school dropouts.

- Work opportunities for nearly 13,000 older Americans in the Operation Mainstream program.

- A Job Corps program of 78 regional, conservation, and community based centers.

- The development of new Public Service Careers for disadvantaged persons through placement and training in 86,900 government and quasi-governmental jobs previously not open to them.

Head Start and Follow Through

The Head Start request for Fiscal Year 1971 is $339.0 million.

Funding for experimental programs will increase from $10 million to $15 million in Fiscal Year 1971. This will permit expanded testing of different programs and some locally developed experimentation. Reductions in the operating program will be offset by expanded experimentation in day care, which will reach about 6,000 children in Fiscal Year 1971.

The Follow Through program, an experimental program designed to develop more effective educational techniques for poor children in the elementary years, will serve 15,000 more children in 1971, a total of 77,300. The increase results from new children entering school as others are promoted one grade and remain in the program.

Rural Loans

Five million dollars is being allocated in Fiscal Year 1971 for maintenance of the revolving loan fund and administrative expenses associated with operating the fund. A series of experimental approaches will be tested in Fiscal Year 1971 to develop possible alternatives to the traditional loan program.

APPENDIX 1

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY AGENCIES AND CATEGORIES, FISCAL YEARS 1969, 1970 AND 1971

(Millions of Dollars)

Economic Opportunity Programs		Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
Office of Economic Opportunity	FY 1969	648.3	53.4	(242.4)	39.7	45.0	6.1	103.0	393.4	7.7
	FY 1970	785.4	52.8	(262.3)	71.5	50.0	13.0	173.8	416.3	8.0
	FY 1971	865.2	56.3	(272.4)	67.0	52.1	31.6	187.6	460.4	10.2
Delegate Agencies	FY 1969	1,378.3	696.8	(104.7)	14.8	301.5	302.9	50.2	12.1	-
	FY 1970	1,415.6	748.8	(111.6)	9.4	309.1	303.2	42.1	3.0	-
	FY 1971	1,596.4	893.3	(116.6)	5.0	308.1	317.9	72.1	-	-
(Department of Labor)	FY 1969	(957.1)	(690.4)[a/]	((6.0))	(8.8)	(241.3)[b/]	(1.0)	(15.6)	-	-
	FY 1970	(1,006.9)	(748.8)[a/]	((8.0))	-	(243.5)[b/]	(1.5)	(13.1)	-	-
	FY 1971	(1,153.4)	(893.3)[a/]	((8.0))	-	(245.1)	(1.5)	(13.5)	-	-
(Department of HEW)	FY 1969	(415.2)	(6.4)	((98.7))	-	(60.2)	(301.9)	(34.6)	(12.1)	-
	FY 1970	(399.3)	-	((103.6))	-	(65.6)	(301.7)	(29.0)	(3.0)	-
	FY 1971	(438.0)	-	((108.6))	-	(63.0)	(316.4)	(58.6)[c/]	-	-
(Department of Agriculture)	FY 1969	(6.0)	-		(6.0)	-	-	-	-	-
	FY 1970	(9.4)	-		(9.4)	-	-	-	-	-
	FY 1971	(5.0)	-		(5.0)	-	-	-	-	-
Total Economic Opportunity Programs	FY 1969	2,026.6	750.2	(347.1)	54.5	346.5	309.0	153.2	405.5	7.7
	FY 1970	2,201.0	801.6	(373.9)	80.9	359.1	316.2	215.9	419.3	8.0
	FY 1971	2,461.6	949.6	(389.0)	72.0	360.2	349.5	259.7	460.4	10.2

a/ Includes $74.2 million of Manpower Development and Training Act funds in FY 1969, $226.6 million in FY 1970, and $351.4 million in FY 1971 under joint funding agreements.

b/ Includes $7.5 million of Manpower Development and Training Act funds in FY 1969 and $26.4 million in FY 1970 under joint funding agreements.

c/ Includes $30 million of DHEW health program funds to assume a portion of the costs of the 49 OEO sponsored neighborhood health centers in FY 1971.

APPENDIX 1

		Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
Less Joint Funding Contributions from Other Appropriations	FY 1969	81.7	74.2	-	-	7.5	-	-	-	-
	FY 1970	253.0	226.6	-	-	26.4	-	-	-	-
	FY 1971	381.4	351.4	-	-	-	-	30.0	-	-
Manpower Development and Training Act (Labor)	FY 1969	(81.7)	(74.2)	-	-	(7.5)	-	-	-	-
	FY 1970	(253.0)	(226.6)	-	-	(26.4)	-	-	-	-
	FY 1971	(351.4)	(351.4)	-	-	-	-	-	-	-
Health Programs (DHEW)	FY 1969	-	-	-	-	-	-	-	-	-
	FY 1970	-	-	-	-	-	-	-	-	-
	FY 1971	(30.0)	-	-	-	-	-	(30.0)	-	-
Net Economic Opportunity Act Obligations	FY 1969	1,944.9	676.0	(347.1)	54.5	339.0	309.0	153.2	405.5	7.7
	FY 1970	1,948.0	575.0	(373.9)	80.9	332.7	316.2	215.9	419.3	8.0
	FY 1971	2,080.2	598.2	(389.0)	72.0	360.2	349.5	229.7	460.4	10.2

APPENDIX 2 - (FY 1969)

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY BUDGET ACTIVITIES, PROGRAMS AND CATEGORIES, FISCAL YEAR 1969

	Total	Employ-ment	Direct Employ - ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develo-ment	Health	Other Community Assist-ance	Basic Research
Program by Activities									
I. Community Development Programs	635.1	48.8	(241.4)	39.3	42.9	4.0	102.0	390.4	7.7
(a) Research, Development & Evaluation	38.9	7.7		4.8	5.9	4.0		8.8	7.7
- Research & Eval.	35.3	7.0		4.4	5.3	3.6		8.0	7.0
- Day Care									
- Program Support	3.6	0.7		0.4	0.6	0.4		0.8	0.7
(b) Health and Nutrition	93.4		(23.8)				93.4		
- Family Planning	13.8		(4.0)				13.8		
- Emergency Food & Medical	23.2		(7.0)				23.2		
- Narcotics Projects	2.2		(.8)				2.2		
- Comprehensive Health	52.3		(12.0)				52.3		
- Program Support	1.9						1.9		
(c) Legal Services	47.2		(6.0)					47.2	
- Legal Services	45.4		(6.0)					45.4	
- Program Support	1.8							1.8	

(Continued)

APPENDIX 2 - (FY 1969)

	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
I. Community Development Programs (Continued)									
(d) Community Action Operations	379.7	35.1	(185.4)[a/]	16.1	13.1		7.3	308.1	
- CAA Mission	59.6							59.6	
- Comm. Prog'ing.	83.4	31.2		14.4	11.7		6.5	19.6	
- Neigh. Serv. Syst's.	108.8							108.8	
- Youth Dev. Prog's.	33.5							33.5	
- CAA Admin.	40.8							40.8	
- State Ec. Opp. Off's.	6.9							6.9	
- Trg. & Tech. Assist.	25.5	2.5		1.1	0.9		0.5	20.5	
- Sen. Opp. & Serv.	6.4							6.4	
- Prog. Support	14.8	1.4		0.6	0.5		0.3	12.0	
(e) Special Impact	14.3			14.3					
- Special Impact	13.4			13.4					
- Program Support	0.9			0.9					
(f) Migrants	28.8	4.1	(20.3)	1.8	16.4			6.5	
- Migrants	27.4	3.9	(20.3)	1.7	15.6			6.2	
- Program Support	1.4	0.2		0.1	0.8			0.3	
(g) VISTA	32.8	1.9	(5.9)	2.3	7.5		1.3	19.8	
- VISTA	25.4	1.5	(5.9)	1.8	5.8		1.0	15.3	
- Program Support	7.4	0.4		0.5	1.7		0.3	4.5	

a/ Distributed throughout Community Action Operations.

APPENDIX 2 - (FY 1969)

	Total	Employ-ment	Direct Employ-ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develop-ment	Health	Other Community Assist-ance	Basic Research
Work and Training Programs	957.1	690.4	(6.0)	8.8	241.3	1.0	15.6		
(a) JOBS	153.8	153.8							
(b) Concentrated Employment	114.7	101.7	(3.0)		8.0	1.0	4.0		
(c) Public Service Careers	18.5	18.5							
(d) In-School and Summer	197.0				197.0				
(e) Out of School	123.7	123.7	(2.0)						
(f) Job Corps	278.4	236.6	(1.0)		30.6		11.2		
(g) Operation Main-stream	41.0	41.0							
(h) Program Support	21.4	15.1		0.2	5.7		0.4		
(i) Special Impact	8.6			8.6					
Child Development Programs	365.9		(38.7)		29.4	301.9	34.6		
(a) Head Start	333.9		(34.1)			301.9	32.0		
(b) Follow Through	32.0		(4.6)		29.4		2.6		
Rural Loans Program	6.0			6.0					
(a) Loan Fund	3.0			3.0					
(b) Program Support	3.0			3.0					
General Support	12.9	4.6		0.4	2.1	2.1	1.0	2.7	

(Continued)

APPENDIX 2 - (FY 1969)

	Total	Employ-ment	Direct Employ-ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develop-ment	Health	Other Community Assist-ance	Basic Research
6. Other Programs	49.6	6.4	(1.0)		30.8			12.4	
Total Economic Opportunity Programs	2,026.6	750.2	(347.1)	54.5	346.5	309.0	153.2	405.5	7.7
Less Joint Funding Contributions from Other Appropriations	81.7	74.2			7.5				
Manpower Development and Training Act (Labor)	(81.7)	(74.2)			(7.5)				
Health Programs (DHEW)									
Net Economic Opportunity Act Obligations	1,944.9	676.0	(347.1)	54.5	339.0	309.0	153.2	405.5	7.7

APPENDIX 2 (FY 1970)

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY BUDGET ACTIVITIES, PROGRAMS AND CATEGORIES, FISCAL YEAR 1970

	Total	Employ-ment	Direct Employ - ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develo-ment	Health	Other Community Assist-ance	Basic Research
Program by Activities									
I. Community Development Programs	769.4	48.1	(262.3)	70.8	47.3	10.4	172.0	412.9	7.9
(a) Research, Development & Evaluation	75.6	6.0		5.5	8.0	10.4	8.1	29.7	7.9
- Research & Eval.	67.6	5.7		5.2	7.6	5.5	7.7	28.4	7.5
- Day Care	4.4	-		-	-	4.4			
- Program Support	3.6	0.3		0.3	0.4	0.5	0.4	1.3	0.4
(b) Health and Nutrition	155.2		(44.6)				155.2		
- Family Planning	16.6		(6.0)				16.6		
- Emergency Food & Medical	48.8		(14.6)				48.8		
- Alcoholic Counseling & Recovery	9.0		(3.0)				9.0		
- Drug Rehabilitation	4.5		(1.0)				4.5		
- Comprehensive Health	74.0		(20.0)				74.0		
- Program Support	2.3						2.3		
(c) Legal Services	53.8		(6.0)					53.8	
- Legal Services	51.9		(6.0)					51.9	
- Program Support	1.9							1.9	

(Continued)

APPENDIX 2 - (FY 1970)

	Total	Employ-ment	Direct Employ-ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develop-ment	Health	Other Community Assist-ance	Basic Research
I. Community Development Programs (Continued)									
(d) Community Action Operations	382.1	36.9	(186.0)[a/]	22.8	15.3		7.3	299.8	
- CAA Mission	60.0							60.0	
- Comm. Prog'ing.	87.0	33.1		20.4	13.7		6.5	13.3	
- Neigh. Serv. Syst's.	107.0							107.0	
- Youth Dev. Prog's.	32.0							32.0	
- CAA Admin.	42.9							42.9	
- State Ec. Opp. Off's.	9.0							9.0	
- Trg. & Tech. Assist.	22.5	2.4		1.5	1.0		0.5	17.1	
- Sen. Opp. & Serv.	6.8							6.8	
- Prog. Support	14.9	1.4		0.9	0.6		0.3	11.7	
(e) Special Impact	36.8			36.8					
- Special Impact	35.9			35.9					
- Program Support	0.9			0.9					
(f) Migrants	30.9	3.1	(18.7)	1.8	18.4			7.6	
- Migrants	29.5	2.9	(18.7)	1.7	17.7			7.2	
- Program Support	1.4	0.2		0.1	0.7			0.4	
(g) VISTA	35.9	2.1	(7.0)	3.9	5.6		1.4	22.0	
- VISTA	27.0	1.6	(7.0)	3.0	4.3		1.1	17.0	
- Program Support	8.0	0.5		0.9	1.3		0.3	5.0	

a/ Distributed throughout Community Action Operations.

APPENDIX 2 (FY 1970)

	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
2. Work and Training Programs	1,006.9	748.8	(8.0)		243.5	1.5	13.1		
(a) JOBS	175.0	175.0							
(b) Concentrated Employment	199.0	182.0	(5.0)		9.5	1.5	6.0		
(c) Public Service Careers	96.0	96.0							
(d) In-School and Summer	210.3				210.3				
(e) Out of School	98.0	98.0	(2.0)						
(f) Job Corps	170.2	144.7	(1.0)		18.7		6.8		
(g) Operation Mainstream	41.0	41.0							
(h) Program Support	17.4	12.1			5.0		0.3		
3. Child Development Programs	396.3		(103.6)		65.6	301.7	29.0		
(a) Head Start	326.0					301.7	24.3		
(b) Follow Through	70.3				65.6		4.7		
4. Rural Loans Program	9.4			9.4					
(a) Loan Fund	5.9			5.9					
(b) Program Support	3.5			3.5					
5. General Support	16.0	4.7		0.7	2.7	2.6	1.8	3.4	0.1

(Continued)

APPENDIX 2 (FY 1970)

	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
6. Other Programs	3.0							3.0	
Total Economic Opportunity Programs	2,201.0	801.6	(373.9)	80.9	359.1	316.2	215.9	419.3	8.0
Less Joint Funding Contributions from Other Appropriations	253.0	226.6			26.4				
Manpower Development and Training Act (Labor)	(253.0)	(226.6)			(26.4)				
Health Programs (DHEW)									
Net Economic Opportunity Act Obligations	1,948.0	575.0	(373.9)	80.9	332.7	316.2	215.9	419.3	8.0

APPENDIX 2 - (FY 1971)

ECONOMIC OPPORTUNITY PROGRAM OBLIGATIONS BY BUDGET ACTIVITIES, PROGRAMS AND CATEGORIES, FISCAL YEAR 1971

	Total	Employ-ment	Direct Employ - ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develo-ment	Health	Other Community Assist-ance	Basic Research
Program by Activities									
I. Community Development Programs	879.2	51.7	(272.4)	66.5	49.3	28.9	215.8	456.8	10.2
(a) Research, Development & Evaluation	118.3	10.7	(3.0)	1.0	9.8	28.9	0.2	57.5	10.2
- Research & Eval.	94.0	10.3		5.4	9.4	7.9	0.2	51.0	9.8
- Day Care	20.0		(3.0)			20.0			
- Program Support	4.3	0.4			0.4	1.0		2.1	0.4
(b) Health and Nutrition	206.8		(48.8)				206.8		
- Family Planning	24.0		(7.0)				24.0		
- Emergency Food & Medical	33.0		(11.6)				33.0		
- Alcoholic Counseling & Recovery	4.0		(1.5)				4.0		
- Drug Rehabilitation	3.0		(0.7)				3.0		
- Comprehensive Health	140.0		(28.0)				140.0		
- Program Support	2.8						2.8		
(c) Legal Services	63.4		(6.0)					63.4	
- Legal Services	61.0		(6.0)					61.0	
- Program Support	2.4							2.4	

(Continued)

APPENDIX 2 - (FY 1971)

	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
I. Community Development Programs (Continued)									
(d) Community Action Operations	384.6	34.7	(184.2)[a/]	22.3	13.6		7.8	306.8	
- CAA Mission	60.0							60.0	
- Comm. Prog'ing.	87.0	31.0		19.9	12.2		6.5	17.4	
- Neigh. Serv. Syst's.	105.0							105.0	
- Youth Dev. Prog's.	30.0							30.0	
- CAA Admin.	42.0							42.0	
- State Ec. Opp. Off's.	14.0							14.0	
- Trg. & Tech. Assist.	22.4	2.2		1.4	0.8		0.4	17.6	
- Sen. Opp. & Serv.	7.8							7.8	
- Prog. Support	16.4	1.5		1.0	0.6		0.3	13.0	
(e) Special Impact	32.1			32.1					
- Special Impact	31.0			31.0					
- Program Support	1.1			1.1					
(f) Migrants	35.5	4.0	(22.8)	2.5	19.8			9.2	
- Migrants	34.0	3.8	(22.8)	2.4	19.0			8.8	
- Program Support	1.5	0.2		0.1	0.8			0.4	
(g) VISTA	38.5	2.3	(7.6)	4.2	6.1		1.6	24.3	
- VISTA	31.0	1.8	(7.6)	3.4	4.9		1.3	19.6	
- Program Support	7.5	0.5		0.8	1.2		0.3	4.7	

a/ Distributed throughout Community Action Operations.

APPENDIX 2 - (FY 1971)

	Total	Employment	Direct Employment of the Poor (Non-add)	Economic Development	Education	Early Childhood Development	Health	Other Community Assistance	Basic Research
2. Work and Training Programs	1,153.4	893.3	(8.0)		245.1	1.5	13.5		
(a) JOBS	240.0	240.0							
(b) Concentrated Employment	199.0	182.0	(5.0)		9.5	1.5	6.0		
(c) Public Service Careers	132.0	132.0							
(d) In-School and Summer	208.9				208.9				
(e) Out of School	134.2	132.9	(2.0)		1.3				
(f) Job Corps	180.0	153.0	(1.0)		19.8		7.2		
(g) Operation Mainstream	41.0	41.0							
(h) Program Support	18.3	12.4			5.6		0.3		
3. Child Development Programs	408.0		(108.6)		63.0	316.4	28.6		
(a) Head Start	339.0		(97.9)			316.4	22.6		
(b) Follow Through	69.0		(10.7)		63.0		6.0		
4. Rural Loans Program	5.0			5.0					
(a) Loan Fund	0.5			0.5					
(b) Program Support	4.5			4.5					
5. General Support	16.0	4.6		0.5	2.8	2.7	1.8	3.6	

(Continued)

APPENDIX 2 - (FY 1971)

	Total	Employ-ment	Direct Employ-ment of the Poor (Non-add)	Economic Develop-ment	Education	Early Childhood Develop-ment	Health	Other Community Assist-ance	Basic Research
6. Other Programs									
Total Economic Opportunity Programs	2,461.6	949.6	(389.0)	72.0	360.2	349.5	259.7	460.4	10.2
Less Joint Funding Contributions from Other Appropriations	381.4	351.4					30.0		
Manpower Development and Training Act (Labor)	(351.4)	(351.4)							
Health Programs (DHEW)	(30.0)						(30.0)		
Net Economic Opportunity Act Obligations	2,080.2	598.2	(389.0)	72.0	360.2	349.5	229.7	460.4	10.2

Early Childhood Development

The Needs of Disadvantaged Children

There are 4 million children, age 6 and under, who are members of low-income families. Even though poverty is an age-old problem, the current widespread interest in early childhood development for children with disadvantaged backgrounds is a relatively recent phenomenon. It stems largely from research conducted in the late 1950's and early 1960's which demonstrated that a large proportion of human intellectual development occurs during the first four or five years of life. At about the same time this research was conducted, it also became evident that young children from low-income families achieve a markedly lower level of development than those with more economically, socially and culturally enriched backgrounds. The effects of early childhood neglect have been increasingly apparent over time and the need for programs to enhance the development of young children has become a matter of national concern.

The Overall Federal Role

The major federally supported early childhood activities are Head Start, Parent Child Centers, and Follow Through funded under the Economic Opportunity Act (EOA) and the kindergarten and prekindergarten programs funded through Title I of the Elementary and Secondary Education Act (ESEA). The basic purpose of these programs is to enhance the development of children from low-income families. Head Start, Parent Child Centers and Follow Through are operated by the Department of Health, Education and Welfare under delegation from the Office of Economic Opportunity. The ESEA programs are operated by the Office of Education in HEW.

The Head Start programs operated under EOA and the early childhood programs conducted by local school districts under ESEA are structured to meet communities' most pressing needs. While Head Start does provide programs for kindergarten-age children in communities where public school kindergartens are not operated, most of its resources are concentrated on pre-kindergarten children. ESEA childhood development programs, on the other hand, concentrate primarily on providing kindergarten experiences for educationally disadvantaged children.

Economic Opportunity Act Activities

The first large scale venture by the Federal Government into child development programs was Project Head Start which was mounted under the Economic Opportunity Act of 1964. Under Head

Start, communities provide comprehensive services for poor children and their families. These services include activities to enhance the emotional, social, and intellectual growth of 4-5, and 6-year old children; supportive health and nutrition services; and social services for the family, with a strong accent upon parent participation. Head Start programs are run on a summer or full year basis. Full year programs may be part day or full day, with the full day programs usually centered on children of working parents.

As experience was gained with Head Start and as study continued of the learning process and the needs of educationally deprived children, the need was recognized for other programs to add to the gains that children would make in Head Start. Follow Through was initiated in 1967 for children in grades kindergarten through three who had the benefit of Head Start. Follow Through has provided carefully controlled and evaluated experimentation with different approaches for educating disadvantaged children in the early primary grades, rather than striving for immediate, large scale operations.

In recognition of the fact that children often reach Head Start with severe disadvantages, the Parent and Child Center Program was initiated. This program is designed to prevent rather than remediate developmental deficiencies by concentrating on children from 0 to 3. The approach taken by Parent and Child Centers is to work with parents, both in centers and in the home, training them in methods to enhance the development of their children.

Despite this considerable experience, it has been clearly demonstrated that we do not now have the knowledge necessary to mount the most effective child development programs. The state of technology and methodology in child development is similar to that in the entire field of compensatory education. There is no clear indication of what kinds of approaches are most effective in educating disadvantaged children.

To improve the effectiveness of early childhood efforts, the Office of Economic Opportunity and the Department of Health, Education and Welfare have engaged in an expanded program of child development and early primary grade research and development. This effort will center in 1971 around a network of preschool early childhood experimental activities and the Follow Through program for early primary grade children.

The early childhood activities will include Head Start experimental programs, an expanded Office of Economic Opportunity developmental day care program and Parent Child Centers.

The Head Start experimental program employs the planned variation approach similar to that employed by Follow Through. Different child development approaches which have proven successful in small scale laboratory situations (or approaches which show promise) are being implemented and tested under field conditions. Each community participating in the planned variation experimental program is assisted in implementing a particular approach by an educational laboratory or university--usually the organization which had developed and advocated the method of educating preschool children. The Head Start programs are coordinated with Follow Through in the same communities so that a continuum of intensive experimental education is established for children from age 3 or 4 to the third grade. These programs are comprehensively evaluated to determine which are most effective and how Head Start children in planned variation programs compare with those in regular Head Start projects. Through these planned variations experiments, techniques will be developed to help children improve the cognitive abilities, attitudes and aspirations that are so necessary to successful participation in our society and economy.

The Office of Economic Opportunity developmental day care program is structured to provide information which will be helpful to the design of the to the design of the Family Assistance Plan day care component. Even though the accent will be upon how best to implement day care and the effects of day care upon the family and the community, major effort will be spent on developing and evaluating day care programs that enhance the intellectual and emotional growth of the child. It will also provide information of general use for child development activities.

Parent and Child Center experimental activity in 1971 will center around the seven developmental PCCs funded by the Office of Economic Opportunity. These centers initiated their experimental work in 1970. Future efforts will be directed to the development of models which, after evaluation, can be replicated on a larger scale operational basis. The primary gocus of the program will be on teaching parents to improve the ability to foster the intellectual, social, and emotional development of their young children.

Follow Through, the progenitor of the planned variation approach to developing effective compensatory education techniques, will be in operation in about 170 communities in school year 1971-1972. Twenty different approaches will be employed ranging from a highly structured, systematically programmed approach with a strong emphasis upon cognitive abilities--developed by the University of Illinois--to the individualized approach of the Bank Street College of Education, which seeks to enable each child to build a positive image of himself as a learner. As with the Head Start planned variation program, the different Follow Through approaches will be continuously evaluated to discern the different effects each approach has on the children and the role of the different elements of the education process--particularly the classroom and the parents--in bringing about changes in children's achievement and attitude.

ECONOMIC OPPORTUNITY ACT PROGRAMS: Activities of Early Childhood Programs

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1971 ESTIMATE	FY 1969		FY 1970		FY 1971	
		TARGET POPULATION REACHED	OBLIG. ACTUAL	TARGET POPULATION REACHED	NOA ESTIMATE	TARGET POPULATION REACHED	NOA ESTIMATE
GRAND TOTAL:	4,000,000 poor children aged 0-6		$365.9		$406.3		$435.9
1. OFFICE OF ECONOMIC OPPORTUNITY			$ 0		$ 10.0		$ 27.9
a. Day Care (Research and Development) Universe of Need is for operational programs and is based upon primary population to be served by Family Assistance Plan Day Care, e.g., children in poor female headed families. Of the total of 1,260,000 children, 195,000 are assumed to be age 3-5 and 1,065,000 age 6-13.	1,260,000 children aged 3-13	0	$ 0	500	$ 4.5	6,000	$ 20.0
b. Parent & Child Centers (Research and Development) Universe of Need (operational) is based on number of poor families with at least one child under 3 years old. Assumes 80% coverage of those families not served by other programs (250,000). The number also includes 10% non-poor.	850,000 families with at least one child under age 3.	0	$ 0	700	$ 1.8	700	$ 1.8
c. Other Early Childhood Research Development While previously applicable to the 3-6 year old group of poor children, research in this category will be directed to the 0-3 group as well ($3.6 million in FY 1969 included under Head Start).	4,000,000 children age 0-6	0	$ 0	1,000	$ 3.7	2,000	$ 6.1
DELEGATED PROGRAMS DEPARTMENT OF HEALTH, EDUCATION AND WELFARE			$ 365.9		$ 396.3		$408.0
a. Head Start Head Start universe is based upon the poor population, age 3-5 plus 1/3 of those 6 years old, who are assumed not to be in school. Assumes 80% coverage of those not served by other programs. (600,000 including 150,000 pre-schoolers to be served by the Family Assistance Plan Day Care). Includes 10% non-poor children who may be served to meet particular community needs in accordance with Head Start regulations.	1,300,00 children age 3-6	664,000	333.9	488,500	326.0	403,700	339.0
b. Parent and Child Centers Universe based on number of poor families with at least one child under 3 years old. Assumes 80% coverage of those families not served by other programs (250,000). The number also includes 10% non-poor. (Funds included in Head Start totals. Funds for 7 R&D PCC's retained by OEO are shown separately.)	850,000 families with at least one child under 3	2,000	(4.7)	2,000	(3.0)	2,000	(5.5)
c. Head Start Follow Through Universe is based upon the number of full year Head Start and other quality, year long pre-school program graduates.	430,000 primary grade school children	35,000	32.0	62,000	70.3	77,300	69.0

YOUTH

I. The Needs of Disadvantaged Youth

There are an estimated 3.1 million youths, aged 14 to 21, in poverty. For many, the usual problems of youth are exacerbated by discrimination, insufficient education, and growing pressures of a complex, urbanized society. The youth in poverty often is:

-- The product of an unstable home situation, often without a father in residence, and may have had prior contact with police;

-- Exposed to the despair, frustration, and hopelessness of unemployment, underemployment and poverty of adults in his world, which permeate his own life style decisions, expectations, and values;

-- In serious need of medical and dental attention, and often addicted to drugs;

-- Four years behind his actual school grade in terms of academic achievement;

-- Often forced, for economic or other reasons, to leave school without a high school diploma to enter the job market;

-- Once in the job market, frequently out of work.

II. The Overall Federal Role

Federal programs have incorporated much of what we have learned about the special development problems of this youth target group. A great deal of attention has been devoted to developing new approaches to increase the expected economic opportunity of youths in poverty during their lifetimes; many of these new approaches have been incorporated into operational Federal programs designed to change the disadvantaged youth's current values and life style preferences and to develop innate abilities through correction of educational, job-skill, and other deficiencies.

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There are a multitude of Federal efforts directed at or directly related to the alleviation of the education, employment, and other needs of disadvantaged youth. Much of this legislation has been concerned with the needs of the total population. However, since 1964, increased emphasis has been placed on the special needs of those in poverty.

The Elementary and Secondary Education Act (ESEA) and the Higher Education Act provide substantial resources for and emphasis upon the basic academic needs of disadvantaged youth. Allied with these activities are the Vocational Education Act and Economic Opportunity Act efforts to support secondary and post secondary vocational training (through the area vocational schools and part-time vocational education activities) and to promote school retention, or the return to school of those who have dropped out before graduation (through the Neighborhood Youth Corps In-School and Summer Programs, as well as special ESEA dropout prevention programs).

In the field of work and training for out-of-school youth (i.e., both high school graduates and dropouts), those programs mounted under the Economic Opportunity, the Manpower Development and Training Act, the Vocational Rehabilition Act, and veterans benefit legislation form the nucleus of Federal efforts to provide comprehensive employment assistance to both youths and adults. Presidential legislative proposals on manpower (the Manpower Training Act) will help improve the delivery, relevance, and quality of employment services for disadvantaged youth.

Special efforts have also been mounted to provide summer employment for youth and to utilize the vitality and special talents of youth in constructive community activities. The Volunteers in Service to America program also provides excellent opportunities for community service by youth from low-income families.

Economic Opportunity Act Activities

The focus of Economic Opportunity Act (EOA)-supported efforts for youth is centered on the needs of those who are especially disadvantaged. Even though there is Government-wide concern with specific aspects of the problems of these youth, EOA activities concentrate on alleviating those needs that are most critical and difficult to resolve.

Community action agencies serve a large segment of the target group, through Youth Development Programs which have been redesigned as full year efforts to better assist youth in developing self direction and leadership and other skills. Program priorities (e.g., enterprise development, education, employment) are to be determined locally through a youth council or committee. This represents a change from past, summer-only activities, in recognition of the fact that poverty is a problem which demands year-round attention; however, provision has been made for program activities to peak during the summer months. The recurring problems of youth will be emphasized, with more limited attention being given to recreation and cultural enrichment.

In education, the Upward Bound program initiated under EOA has proved to be particularly successful and has been completely transferred to the Department of Health, Education and Welfare. A recent evaluation shows that Upward Bound has been very instrumental in increasing incentives of youth from low-income families both to complete their high school education and to enter and stay in college.

The Volunteers In Service To America (VISTA) program recruits and utilizes youth in community service activities, such as tutoring disadvantaged students in racially-impacted school areas.

The High School Equivalency Program, which is part of Title III, EOA activities for migrants, helps youth in migrant families to gain a basic education and an excellent job credential--a high school diploma. Without such special assistance this would not be possible.

The In-School and Summer Neighborhood Youth Corps (NYC) efforts to influence school retention will be continued, with special emphasis placed on developing an alternative to the present program design. For example, approximately 20,000 of this year's NYC Summer opportunities will be earmarked for the Right to Read: Youth Tutoring Youth program.

In the area of work and training activities, the revamped Job Corps program of residential community, regional, and conservation centers will be continued for youth who need intensive educational and vocational assistance. The redesigned Out-of-School program will be enlarged to provide a varied program of vocational training and work experience for 16 and 17 year old dropouts. Under the Job Opportunities in the Business Sector (JOBS), the new Public Service Careers, and the Concentrated Employment (CEP) programs, the employment needs of disadvantaged youth will continue to receive special emphasis.

Other major youth thrusts are in the area of research and program development. For example, the Office of Economic Opportunity will mount an experiment to determine the administrative and political feasibility of an educational voucher system. This system is being designed to develop new concepts and different institutions in the educational marketplace, and would provide an experimental group of parents with vouchers (or entitlements) that could be used to purchase education for their children. It is expected that the experiment will provide an example to State and local governments of how such a system would work so that they could adopt similar systems should they desire to do so.

The Department of Labor, under delegation from the Office of Economic Opportunity, will also conduct experimentation and program development projects in an effort to improve the relevance and impact of youth-related work and training activities.

ECONOMIC OPPORTUNITY ACT PROGRAMS: Activities for Poor Youth

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969		FY 1970		FY 1971	
		TARGET POPULATION REACHED	OBLIG. ACTUAL	TARGET POPULATION REACHED	NOA ESTIMATE	TARGET POPULATION REACHED	NOA ESTIMATE
GRAND TOTAL: EOA	Total youth in poverty: 14-21 3,100,000		$709.4		$539.8		$621.7
I. OFFICE OF ECONOMIC OPPORTUNITY			$ 93.2		$ 69.6		$ 85.8
A. Community Action			$ 79.1		$ 53.7		$ 62.1
(Special Summer & Youth Programs) In poverty, 14-21, in school and non-high school grads out-of-school.	2,450,000	1,100,000	($ 34.4)	1,000,000	($ 32.0)	800,000	($ 30.0)
(Drug Rehabilitation)	1/	4,000	($ 0.6)	1,400	($ 1.8)	1,000	($ 1.3)
(Family Planning)	1/	120,000	($ 5.5)	176,000	($ 8.8)	192,000	($ 9.6)
(Comprehensive Health) Total youth in poverty, 14-21	3,100,000	150,000	($ 7.8)	180,000	($ 11.1)	285,000	($ 21.0)
(Education: Upward Bound) An estimated 55,000 students were served by Upward Bound since its inception in 1965.	250,000	23,000	($ 30.8)	2/	2/	2/	2/
B. VISTA	1/	1/	$ 8.4	1/	$ 9.1	1/	$ 10.0
C. Migrants (HEP) 3/ Migrant older youth aged 17-22	62,000	1,600	$ 1.9	1,800	$ 2.7	2,200	$ 3.8
D. Youth Related Research and Development	--	--	$ 3.8	--	$ 4.1	--	$ 9.9

ECONOMIC OPPORTUNITY ACT PROGRAMS: Activities for Poor Youth

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969 TARGET POPULATION REACHED	FY 1969 OBLIG. ACTUAL	FY 1970 TARGET POPULATION REACHED	FY 1970 NOA ESTIMATE	FY 1971 TARGET POPULATION REACHED	FY 1971 NOA ESTIMATE
II. DELEGATED PROGRAMS:			$ 616.2		$ 470.2		$ 535.9
A. Department of Labor			$ 613.2		$ 467.2		$ 535.9
(NYC Out-of-School) In poverty, 16-21, out-of-school, non-high school grads	650,000	120,318	($ 123.7)	81,000	($ 98.0)	97,200	($ 134.2)
(Job Corps) In poverty, 16-21, out-of-school, non-high school grads	650,000	86,100	($ 278.4)	60,300	($ 171.6)	67,000	($ 180.0)
(NYC In-School) In poverty, 16-21, still in school	1,800,000	100,000	($ 50.9)	135,000	($ 62.4)	135,000	($ 62.4)
(NYC Summer) In poverty, 14-21, in school and out-of-school, non-high school grads	2,450,000	349,700	($ 140.5)	272,400	($ 121.5)	310,400	($ 146.5)
(NYC-CEP) In poverty, 16-21, out-of-school, non-high school grads	650,000	1,000	($ 1.0)	200	($ 0.6) 4/	1/	1/
(JOBS) In poverty, 18-21, out-of-school, non-high school grads	350,000	4,128	($ 9.3)	1,402	($ 4.2)	--	--
(Public Service Careers) In poverty, 18-21, out-of-school, non-high school grads	350,000	402	($ 1.6)	1,990	($ 3.9)	5,233	($ 8.1)
(Youth-related Research and development)		--	($ 7.8)	--	($ 5.0)	--	($ 4.7)
B. HEW			$ 3.0		$ 3.0		$ 3.0
(NCAA Summer Program)	2,450,000	1/	($ 3.0)	1/	($ 3.0)	--	--
Non-add memorandum Estimated obligations and enrollment opportunities for DOL portion of joint OEO/DOL funded programs:							
TOTAL MDTA: Youth Activities		1,553	$ 3.5	65,776	$ 41.0	8,786	$ 23.1
(JOBS)		1,553	($ 3.5)	3,502	($ 10.5)	6,720	($ 20.2)
(Public Service Careers)		--	--	3,074	($ 4.1)	2,066	($ 2.9)
(NYC Summer)		--	--	59,200	($ 26.4)	--	--

1/Data not available.
2/Upward Bound was transferred to the Department of Health, Education and Welfare effective July 1, 1969.
3/High School Equivalency Program
4/As of January 31, 1970.

The Aged

The Needs of the Aged

It is estimated that 6 1/4 million persons in the United States are over 55 years old and living in poverty. This is over 27 percent of all impoverished Americans. Of these elderly poor, 4 1/4 million are age 65 and over, and 2 million are in the 55-64 group.

There are various levels for the age criterion, depending upon agency and program. Generally, "65 and Over" is thought of as the elderly group. The Senior Opportunities and Services program uses "60 and Over" as the age criterion, but to the extent legally possible, persons 55 years of age and older are eligible for other Office of Economic Opportunity older persons activities because; (1) the general intent of the Economic Opportunity Act (EOA) is in that direction; and (2) the exercise of individual choice in finding jobs and a wide range of other social functions to escape or stay out of poverty is severely limited after age 55.

By any definition, members of minority groups and women represent a majority of the elderly poor.

The Overall Federal Role

There is a wide variety of entitlements available to the elderly, and the elderly poor in particular, in various Federal programs. Most of these programs are not specifically aimed at the elderly poor, but rather at all citizens regardless of their incomes. Data on the amount of expenditures reaching the elderly poor are therefore difficult to obtain.

Another kind of program from which the elderly might benefit is that oriented toward all members of the population sharing some characteristic other than age. Thus, for example, programs to help all Indians can be expected in part to assist older Indians. Accurate and detailed data on this kind of service are also difficult to obtain.

A third kind of program is that geared specifically to the elderly and elderly poor. There is a considerable number of programs specifically labelled as being for the elderly, and designed to deal with their specific problems. The composite pattern of these programs stresses essentially an income redistribution--the provision of more money than the person might ordinarily have, through general maintenance payments and special supplements for specific purposes (Food Stamps, Medicare, Medicaid, etc.). There is also some attention being paid to developing new social roles for the elderly, overcoming their apathy, and providing facilities tailored to them. If one views the full range of particularized programs for the elderly and available pariticipation in other Federal programs, it becomes immediately clear that considerable Federal concern and effort exist on behalf of older Americans.

Economic Opportunity Act Activities

Initially, the Office of Economic Opportunity devoted its time, resources, and creativity to the problems of poverty among the young and the relatively young, as a reflection of the national outlook that the improvement of conditions for the young is both more cost-effective and easier. The general proposition was that the poverty cycle must be broken through both institutional and personal change.

However, the work of the 1966 "Task Force on the Elderly Poor" and several amendments to the Economic Opportunity Act placed a demand on OEO for more positive attention to the problem of the elderly poor because their own health problems and society itself in so many ways limit the contributions they could and would make to help themselves.

The Office of Economic Opportunity's program response to the needs of the elderly poor falls into two basic categories: (1) general CAA programming, and (2) specialized and Special Emphasis programming.

1. Generalized CAA Programming. Programs operated by and through local community action agencies are available to all elderly poor as they need them. Data on actual participation are difficult to derive directly, but estimates indicate considerable participation in programs sponsored with local initiative funds, legal

services, comprehensive health, emergency food and medical services, narcotics and alcoholism, migrants, rural loans, and VISTA programs.

2. Specialized and Special Emphasis Programming. Several efforts for the elderly poor were begun by the Office of Economic Opportunity and either delegated or transferred. The Foster Grandparents program, begun in 1965 to recruit, employ and train persons 60 years of age and older to work with children and young teenagers, was transferred to the Administration on Aging in 1969. Operation Mainstream, originally directly operated by OEO and now administered through the Department of Labor as a delegate program, is designed to provide work-training, employment, and supportive services for adults with a history of chronic unemployment. The regular Mainstream program provides that 40 percent of the available enrollee slots be age 55 or over. Mainstream also has a special older persons component which encompasses activities similar to the regular Operation Mainstream through contracts with outside organizations; Green Thumb and Green Light, which are male and female components of agricultural and beautification activities, and the "Senior Aides" program, which offers human service types of employment to enrollees.

   The Senior Opportunities and Services program supports a wide variety of projects, ranging from those with specialized goals, such as job training or nutrition guidance, to those with highly generalized purposes, such as community outreach and socialization-recreation. Currently, there are 217 such projects in 45 states which employ, serve, or involve older poor persons as the predominant employee or beneficiary group.

   The Office of Economic Opportunity also supports a broad range of innovative and demonstration programs aimed at the older poor. Programs, or program categories, include: Project FIND, Project Late Start, Housing Repair (to repair homes and train and employ the elderly poor), legal research and services for the elderly (conducted at 11 project sites), and legal services for elderly migrant workers. Training and Technical Assistance programs have been conducted to train public and private agency personnel and the elderly poor in the design and conduct of programs for the elderly poor. Kits of training materials and operational assistance are provided.

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE AGED POOR

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969		FY 1970		FY 1971	
		TARGET POPULATION REACHED	OBLIG. ACTUAL	TARGET POPULATION REACHED	NOA ESTIMATE	TARGET POPULATION REACHED	NOA ESTIMATE
GRAND TOTAL - EOA Program for Aged	Total Aged Poor 55+		$67.2		$69.7		$72.5
OEO Programs - Total	6,250,000	N/A	$47.7	N/A	$60.8	N/A	$ 61.7
Legal Services		53,200	$ 3.2	56,000	$ 3.6	59,000	$ 4.3
Comprehensive Health Services		100,000	$ 5.2	120,000	$ 7.4	160,000	$11.0
Emergency Food & Medical Services		300,000	$ 7.4	650,000	$16.2	650,000	$11.0
Senior Opportunities & Services		675,000	$ 6.4	700,000	$ 6.8	900,000	$ 7.8
Community Action		437,500	$24.2	437,500	$25.2	437,500	$25.9
(Manpower)		N/A	($ 1.0)	N/A	($ 1.0)	N/A	($ 1.0)
(OICs)		1,000	($ 0.2)	1,000	($ 0.2)	1,000	($ 0.2)
(Adult Education)		9,000	($ 0.4)	9,000	($ 0.4)	9,000	($ 0.4)
(Housing Services)		1,200	($ 1.9)	1,200	($ 1.9)	1,200	($ 1.9)
(HDCs)		N/A	($ 0.2)	N/A	($ 0.2)	N/A	($ 0.2)
(Community Health)		5,600	($ 2.0)	5,600	($ 2.0)	5,600	($ 2.0)
(Consumer Action & Financial Assist.		5,000	($ 0.1)	5,000	($ 0.1)	5,000	($ 0.1)
(Cooperatives)		N/A	($ 0.2)	N/A	($ 0.2)	N/A	($ 0.2)
(Summer and Recreation)		20,000	($ 0.5)	20,000	($ 0.5)	20,000	($ 0.5)
General Social Services		47,000	($ 4.1)	47,000	($ 4.1)	47,000	($ 7.3)
CAA Administration and Neighborhood Services System		N/A	($13.6)	N/A	($14.6)	N/A	($12.1)
Research and Development		N/A	1.3	N/A	1.6	N/A	1.7
Delegated Programs - Total	6,250,000	N/A	$19.5	N/A	$8.9	N/A	$10.5
Operation Mainstream(Labor)		5,000	$(8.0)	5,000	$(8.0)	5,000	$(8.0)
Foster Grandparents(DHEW)		4,200	$(9.1)		1/		1/
Rural Loans(Agriculture) 2/		N/A	$(2.4)	N/A	$(.9)	N/A	$(2.8)

1/ Transferred to Older American Act in the Department of Health, Education, and Welfare

2/ New Loan Level

N/A: Not available

Migrants and Seasonal Farm Workers

The Needs of Migrant and Seasonal Farm Workers

Persons working as migrants and seasonally-employed farm workers rank second only to the American Indians in terms of severe deprivation and intergenerational poverty. Their problems are far-ranging, but center basically on low-skill levels and education; occupational displacement in mechanized agriculture; lack of basic economic and social stability; and critical health and housing problems. Migratory workers encounter additional special problems during their travels, such as temporary housing and inadequate child care and emergency services.

Migrants are not recognized as members of an established community even in their home-base areas. The same problem exists for seasonal farmhands, who do not leave their home communities.

	1969 Estimates		
	Poor heads of households	Average earnings 1/	Average length of employment
Migrants	236,000	$1,266 2/	117 days
Other Seasonal Farm Workers	555,000	$1,247	129 days

1/ Includes earnings from all sources.

2/ Real earnings are less than those of other seasonal farm workers because of travel costs.

The 791,000 poor heads of households employed either as migrants or other seasonal farmworkers and their families constitute a universe of need estimated currently at 3.9 million persons.

The Overall Federal Role

Until the establishment of the Office of Economic Opportunity in 1964, there was little Federal intervention on behalf of this large group of the poverty population. In theory many Federal programs which address rural poverty are available to migratory and other seasonal farm workers. Yet in practice, they are generally not included as they are not part of any establishment, organization, or constituency while in the migrant stream or in their home base communities.

In view of the low-skill level of most seasonal farm workers and the rapidly declining demand for farm labor, the basic thrust of Federal programs for migrants and seasonal farm workers is to prepare them and members of their families for adjustment to a nonagricultural (and sometimes nonrural) life orientation. In addition to the Economic Opportunity Act activities described below and the general efforts of the Department of Agriculture which should have an impact on the needs of migrant and seasonal farm workers, special Elementary Secondary and Education Act and health programs have been mounted by the Department of Health, Education and Welfare. The Department of Labor is also considering expanded job development, placement and training efforts to assist with the employment needs of this especially disadvantaged population.

Economic Opportunity Act Activities

A series of program activities have been mounted to meet the comprehensive needs of this special clientele. The major programs concentrate on preparing farm workers and members of their families for adjustment to a new way of life and jobs which enable them to work their way out of poverty.

1. Re-employment and Adjustment Projects

   Programs generally involve the training and placement of adults who meet basic literacy requirements, but whose background has been limited to unskilled, seasonal farm employment, in year-round skilled or semi-skilled non-farm jobs at incomes above the poverty threshold. Assistance is afforded affected families to enable them to make the environmental adjustment from an agricultural to a non-agricultural life. In addition, voluntary resettlement assistance is provided in a location agreed upon prior to entry in the training program.

2. Education and Opportunity Improvement

   Forty percent of the migrant and seasonal farm worker universe aged 17-64 are eligible for education and/or prevocational training under Title III-B, Economic Opportunity Act (EOA). Over two-thirds of the young people aged 17-22 have left high school without a diploma. An estimated 20 percent of this group would benefit most by residential training under the High School Equivalency programs (HEP), leading to a General

Educational Development (GED) diploma and higher education or advanced job training. In addition, adults are enrolled in job-oriented education and training programs.

High School Equivalency Program: The High School Equivalency program is a residential program conducted by colleges and universities for out-of-school youths aged 17-22 from eligible migrant or seasonal farm worker families, to provide them with up to twelve months training enabling them them to get a high school equivalency diploma, learn a job skill, get a job or go on to college. Special tutors and counselors are provided to HEP students, who live in regular campus housing and are encouraged to participate in all campus activities. The environmental advantages of the campus setting, coupled with intensive instruction, reinforces the high level of motivation required of young people selected for this program and accounts in large part for its success.

Basic Education and Training: Full-time stipended non-residential education and training programs are designed to upgrade the general education and broaden the skill levels of adult members of the migrant and seasonal farm worker universe. Programs vary in length and scope to meet the needs and capability of participants, but all are basically job-oriented in that they provide the student with a marketable skill, upgrade his education to a level which qualifies him for job training programs or combine basic education with prevocational training in transferrable skills. Generally, younger enrollees who have had some secondary education are encouraged to qualify for a high school equivalency diploma. A minimum eighth-grade proficiency level is sought for all.

Part-Time Education: Part-time instruction provided to migrants and seasonal farm worker families meets a wide variety of local needs and is often related to other Title III-B program components. Subjects taught include basic education (aimed at eighth grade or high school equivalency), English as a foreign language (for Spanish-speaking families), environmental adjustment for newly-settled migrants, home and money management, child care and other programs designed to improve the family life-style.

3. Housing and Enterprise Development Assistance

Housing needs are being reappraised from the standpoint of various program options, including self-help projects. The self-help universe is estimated at 225,000 units of new housing. Particular attention is directed at possible program linkage with nonfarm job training for anticipated employment needs in economic growth areas which requires additional or improved housing to accommodate low income residents.

One of the objectives of housing development programs designed for migrant and seasonal farm worker families is to improve their acceptance by the community at large. Therefore, when permanent housing is planned in any scale (e.g., 50 or more self-help housing starts on a continguous tract or scattered within an existing community) an effort is made to provide a bridge between the larger community and the settling families, enhancing the acceptability of the latter, by establishing a desirable service or facility which will benefit the entire community.

4. In-Stream Migrant Services

These programs are essentially restricted to migratory farm workers and members of their families who travel with them, except in the case or day care services where children of non-migratory workers may participate if sufficient facilities exist. (Of course, migrants and their families are eligible for other Title III, EOA programs as well.)

A variety of services have been provided through the outreach and other activities of Migrant Service centers. Particularly successful are emergency food and medical aid. Youngsters also participate in a variety of in-stream day care programs. This program has subsidized the operation of existing temporary housing units which lodged as may as 18,000 people during the peak harvest seasons. In addition, a series of prototype shelters are under development to test prefab modular units at construction costs of $4.50 per square foot or less.

Summary

All EOA programs for migrants and other seasonal farm workers total $33.7 million in 1970, rising to an estimated $38.2 million in 1971. The following table lists by program area current estimates of funding and target population reached.

ECONOMIC OPPORTUNITY ACT PROGRAMS: Activities for Migrants and Seasonal Farm Workers

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969		FY 1970		FY 1971	
		TARGET POPULATION REACHED	OBLIG. ACTUAL	TARGET POPULATION REACHED	NOA ESTIMATE	TARGET POPULATION REACHED	NOA ESTIMATE
GRAND TOTAL:	3,900,000[1]		$30.1		$33.7		$38.2
1. OFFICE OF ECONOMIC OPPORTUNITY							
Programs for Migrants and Seasonal Farm Workers, Total		265,300	$28.5	284,000	$32.2	286,500	$36.6
a. Re-employment and Adjustment Assistance	500,000	3,300	$ 3.9	3,500	$ 4.0	4,000	$ 4.3
b. HEP (HS Equivalency)	62,000	1,600	$ 1.9	1,800	$ 2.7	2,200	$ 3.8
c. Other Education and Opportunity Improvement	1,000,000	24,500	$14.8	23,200	$13.0	24,740	$14.9
d. Housing and Enterprise Development	1,470,000 245,000 units	5,400 900	$ 1.7	6,600 1,100	$ 2.4	7,200 1,200	$ 2.7
e. In-Stream Migrant Services	1,950,000	229,700[2]	$ 2.6	247,900[2]	$ 4.7	252,960[2]	$ 5.0
(Day Care)	65,000	13,000		13,000		13,000	
(Temporary Housing)	200,000	18,000		20,000		20,000	
(Service Centers)	400,000	123,000		154,000		128,000	
(Other Services)	400,000	123,000		154,000		128,000	
f. Research, Development and Demonstration			--		$ 1.7		$ 1.6
g. Operating Program Direction (100 grants)			$ 3.6		$ 3.7		$ 4.3
2. DELEGATED PROGRAMS, Total			$ 1.6		$ 1.6		$ 1.6
Head Start (HEW)	65,000	2,500	($ 1.6)	2,500	($1.6)	2,500	($ 1.6)

1/Composed of: Migrants 416,000 and other Seasonal Farm workers 3,484,000.
2/Non-duplicated estimate.

American Indians

The Needs of American Indians

In assessing the problems of poverty on Indian reservations, it is important to recognize that against a backdrop of the long record of expenditures on behalf of the American Indian, there exists a shocking set of current statistics on health, life expectancy, education, unemployment, and housing. Important contributors to this long-standing Indian poverty problem include the psychological condition of dependency, the social dilemma of mass undereducation, and an important set of circumstances related to language and cultural differences.

To chronicle the needs of the American Indian is to detail virtually the whole range of services needed by various component groups of society. Unemployment frequently ranges in the area of 40 to 50 percent and on some isolated reservations approaches 90 percent of the available work force. Indian health is notoriously poor, with unjustifiably high mortality rates. Housing is a critical need, as is better education.

Almost 400,000 American-Indians live on Federal reservations chartered by the Federal government and operated by elected tribal councils. Over 80 percent of these residents are poor. In addition, some 400,000 American-Indians live either on State reservations where the land is not held in Federal trust status, in rural or small-town "mainstream" areas which are predominantly Indian in character, and in Indian enclaves in major urban areas resulting from Federally-sponsored relocation programs. The poverty incidence of the latter group is even higher than that of Federal reservation residents.

Since Indians residing in "mainstream" areas frequently return to their reservations and are more or less replaced in the large cities by other Indians trying to live off-reservation, it seems appropriate to consider the universe of need as a total. On this basis it is estimated at 700,000 hard-core poor, of whom approximately 391,000 are eligible for special Office of Economic Opportunity reservation anti-poverty programs if they live on land held in Federal trust status. Non-Indian residents are also eligible for participation in reservation programs.

The Overall Federal Role

American-Indians have a legal-historical relationship with the United States Government which is unlike that of any other citizens in the Nation. In colonial times, those who resided in the territory of the thirteen colonies reached treaty agreements with the colonial governments. Today these agreements are reflected in either the existence of State Indian reservations or no reservations at all. Indians now residing in the original thirteen states traditionally have looked to State and local governments for needed services, just as their non-Indian neighbors do.

Following the formation of the United States, the Indians with whom treaties subsequently were made lived outside the original colonies. Thus, treaties were made, not with individual states, but between the Federal Government and the Indian nations. Many of these agreements included establishment of Federal Indian reservations and the provision of certain services in exchange for large areas of land. The Indians on most of these reservations have traditionally looked to the Federal Government for the majority of services which are provided by State and local Governments elsewhere.

Most Indians on Federal reservations have tribal governments chartered by the Federal Government. These tribal governments and their constituents, like municipal and county governments, are eligible to apply for the full range of Office of Economic Opportunity programs. Thus, the Office of Economic Opportunity considers Federal Indian reservations to be another kind of community, recognizing a special case in which the Federal Government has traditionally provided a variety of services and in which there is an extraordinary depth of need. Accordingly, Indians are served by Community Action Agencies as members of communities in which they live -- some as residents of Federal reservations and others (not living on reservations) as residents of cities, counties and states.

Programs funded by the Office of Economic Opportunity constitute less than 10 percent of Federal efforts to assist Indians to assist themselves. The major Federal effort emanates from the Bureau of Indian Affairs (BIA) in the Department of the Interior. Nearly two-thirds of BIA funds (over $200 million) go to provide education and welfare services for Indian populations. In addition, a major new program in 1971 will provide for starting a tribal development fund to encourage the initiation and management of reservation development programs by Indians. These seed-money grants would assist Indians in the early stages of their

own projects for range and forestry development, commercial enterprises, and other economic activities. Other Federal activities attacking Indian poverty include special Indian health programs of the U.S. Public Health Service, Commodity Distribution programs of the Department of Agriculture, and the special Indian housing efforts of the Department of Housing and Urban Development.

The Office of Economic Opportunity, along with other Federal agencies involved in Indian programs, is actively engaged in recommending new program approaches for consideration by the Vice President's National Council on Indian Opportunity. Legal assistance, economic development, food, housing, health aid and education are major areas of Office of Economic Opportunity concern, along with the concept of incentive grants discussed below.

Economic Opportunity Act Activities

An estimated 391,000 Federal reservation residents were eligible to participate in poverty programs of more than 60 Community Action Agencies which had one or more component programs in operation during FY 1969. While the range of program activities is wide, though necessarily constrained according to the relative sophistication of each participating reservation, there is a definite program-wide emphasis on community development and the strengthening of family life circumstances.

Community development includes provision of incentive grants which accelerate leadership acceptance, encourage a concept of competition which is alien to most tribes, and promote the tribal practice of matching grant funds for high visibility, short-term projects which benefit the entire reservation. It also includes basic elements of economic development and community organization to resolve common anti-poverty problems.

Housing and home improvement programs, which coordinate the resources of as many as six Federal agencies, help fill critical reservation housing needs but are also of major significance as a means of training residents in occupational skills and of job creation. Related health programs train and employ needy reservation residents as home health aides, who teach and emphasize throughout the communities the values of good health and sanitation practices.

Education is recognized as a prime program focus at all age levels. Head Start, which involves families and local reservation communities in comprehensive Indian child development, is particularly well-established and reaches some 10,000 children on 65 reservations.

Work and training services are being provided through the Neighborhood Youth Corps, Operation Mainstream, Job Corps, Public Service Careers, and Concentrated Employment Programs.

State reservations can organize poverty programs in their own right or can operate as delegate agencies of "mainstream" Community Action Agencies covering an entire city, county or multi-county area. Indian residence concentrated in big city enclaves can form special organizations and become delegate agencies of the central CAA, operating their own neighborhood centers and recruiting specialized outreach personnel for employment by the CAA to work in the Indian target area. However, in practice, few Indians outside Federal reservations are effectively reached by poverty programs despite the severe deprivation most suffer in mainstream areas. An outstanding exception is a pilot project in economic development for predominantly Indian participation in Oklahoma.

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE POOR ON FEDERAL INDIAN RESERVATIONS

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969 TARGET POPULATION REACHED	FY 1969 OBLIG. ACTUAL	FY 1970 TARGET POPULATION REACHED	FY 1970 NOA ESTIMATE	FY 1971 TARGET POPULATION REACHED	FY 1971 NOA ESTIMATE
GRAND TOTAL: All EOA Programs on Federal Reservations:	391,000[a]	312,000	$48.513	350,000	$53.199	370,000	$57.254
OFFICE OF ECONOMIC OPPORTUNITY	391,000	312,000	$25.390	350,000	$29.266	370,000	$29.927
A. Community Programs	391,000[b]		$23.860		$27.036		$28.427
1. Community Action Operations	66[c]		$17.258		$17.750		$18.170
(Special Indian Incentives)			($ 2.400)		($ 4.000)		($ 3.300)
(Community Service Centers)			($ 4.000)		($ 3.000)		($ 3.000)
(Community Programming)			($ 2.900)		($ 3.000)		($ 3.700
(Housing Development Corp.)			($ .200)		(0)		($ .250)
(Youth Development)			($ .400)		(--)		(--)
(Senior Opportunities and Services)			($ .030)		(.050)		($ .100)
(Home Improvement Projects)			($ 5.000)		($ 5.000)		($ 5.000)
(Economic Development)			($ 1.200)		($ 1.500)		($ 1.500)
(Training and Technical Asst.)			($ 1.128)		($ 1.200)		($ 1.320)
2. Special Economic Impact [f]			$ .232		$ 2.012		$ 2.012
3. Comprehensive Health Centers			$ .500[d]		$ 0		$ .500[d]
4. Alcoholism Recovery [f]			0		$ 1.000		$ .500[d]
5. Emergency Food & Medical			$ .600		$ 1.500		$ .600
6. Legal Services			$ 1.125		$ 1.500		$ 1.500
7. Research, Development, and Demonstration [f]		NA	$ 3.145	NA	$ 2.974	NA	$ 4.115
8. Program Direction		NA	$ 1.000	NA	$ 1.100	NA	$ 1.100
B. VISTA Volunteers			$ 1.500		$ 1.400		$ 1.400
C. Programs for Migrants and Seasonal Farm Workers			$ .030		$ .030		$ .030
DELEGATED PROGRAMS: TOTAL			$23.123		$23.933		$27.327
DEPARTMENT OF LABOR [f]		14,139	$11.598	11,953	$11.183	12,435	$13.427
A. Mainstream		1,112	$ 3.567	1,061	$ 3.567	1,113	$ 3.567
B. Concentrated Empl. Program		1,200	$ .350	1,300	$ .350	1,300	$ .350
C. Public Service Careers		129	$ .498	640	$ 1.269	777	$ 1.895
D. NYC Programs							
School and Summer		10,490	$ 4.214	8,172	$ 3.645	9,312	$ 4.395
Out-of-School		1,208	2.969	780	$ 2.352	933	$ 3.220
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE [g]			$11.100		$12,600		$13,400
A. Head Start	30,000 ages 3-5	9,500	$ 9.500	9,500	$ 9,700	9,500	$ 9.900
B. Parent Child Centers	30,000 ages 0-3		$ (.175)		$ (.175)		$ (.175)
C. Follow Through		2,000	1.600	3,600	2.900	4,400	3.500
DEPARTMENT OF AGRICULTURE	195,200 [e]		$ .425		$ .150		$ .500
Rural Economic Opportunity Loans (new loan level)	49,000 [e]		$ (.425)		$ (.150)		$ (.500)

a/ Universe of eligible Federal reservation residents (18% non-Indian). Total Indian universe is 700,000 persons.
b/ Because of high priority poverty incidence (usually over 80%), all residents may participate. Income thresholds are not generally used, sin e concentration of poor people exceeds most urban target areas.
c/ Number of grantees, including inter-tribal councils; the 66 grantees have the capability of reaching the 391,000 member universe on over a hundred reservations.
d/ Slip-funding (no funding required on alternate years for part or all of component funding).
e/ Estimated universe for total program includes those who participate as members of qualifying low-income cooperatives; universe for loans to individuals is estimated at 49,000 conservatively.
f/ Estimates include services to Indians not necessarily limited to Federal reservation residence.
g/ Excludes $1.6 million for Upward Bound transferred to HEW in 1969.

The Rural Poor

The Needs of the Rural Poor

In 1969, approximately 8.2 million persons--more than one-third of the nation's poor -- were living in rural areas. Deprivation is much more common among the rural population than in the nation as a whole, except for the rural nonfarm "fringes" of metropolitan areas. Approximately 22 percent of all farm families and 23 percent of rural nonfarm residents outside metropolitan areas have an income standard below the poverty line.

The rural definition used by most Federal programs usually relies on a form of area designation. The Office of Economic Opportunity generally defines as rural all participants residing in sparsely-populated counties or those which regardless of size had a 1960 population that was over 50 percent rural.

The Overall Federal Role

Under the auspices of the Departments of Agriculture, Interior, Labor and Commerce, the Office of Economic Opportunity and other agencies, a wide range of Federal programs are available to rural areas, some of which are designed to serve urban as well as rural constituencies. However, in the case of many dual purpose programs, urban areas tend to receive a disproportionate share of support. This is due in large measure to difficulties in mounting and sustaining major economic development, employment, housing, education, health and other activities in rural communities. It affects particularly the poorest rural counties, where population dispersion and the lack of an adequate institutional and economic base tend to inhibit rapid assimilation of new programs. In addition, some of these new thrusts are not in and of themselves oriented to the special needs of rural areas. For example, a training program not associated with economic development activities has little relevance in an economically depressed community. Indeed, unless job training in rural areas is geared to job opportunities in place. The out-migration to urban areas may be speeded because trainees may be forced to look elsewhere for job opportunities.

The President has committed this Administration to improving the quality of rural American life, as part of an overall growth policy for the nation. Upgrading the rural environment to encourage a reversal in migration trends is one long-range goal. Rural development requires upgrading human resources as well as

economic infrastructure. Health (including food as well as medical assistance), education and training, and housing programs are of critical importance, as is a form of income security to prevent further erosion of the economic base and to provide an incentive for long-range job development. Agencies across the Federal spectrum will be needed to assist in the revitalization of rural America.

Economic Opportunity Act Activities

Even though the development of programs addressing poverty problems in rural areas was slower and often hampered by an orientation which is basically urban, a rural anti-poverty effort has emerged which in FY 1969 alone produced the investment of a half billion dollars of Economic Opportunity Act appropriations to stimulate opportunities and badly needed services for rural communities.

The subprofessional employment by Community Action Agencies of nearly 42,000 disadvantaged has been a major work and training activity. In addition, 22 percent or more of the resources of the Job Corps, Concentrated Employment (CEP) and Neighborhood Youth Corps programs are directed to the needs of rural area residents, and the Operation Mainstream program with its Green Thumb, Green Light and other components has a predominant rural focus.

Other major rural efforts include the Head Start program for preschool children, and community services and economic development activities such as the Special Impact program, the Emergency Food and Medical program, the comprehensive array of programs for Migrant and Seasonal Farmworkers, the Rural Loans program, and the Neighborhood Service Systems and other local community action programs. Special programs have also been mounted for rural Indian reservations which cut across most of the functional activities mentioned above.

Recent efforts have also emphasized better utilization of the existing resources available to improve program impact. This year for the first time, incentive grants will be awared to Community Action Agencies for innovative resource mobilization, with particular attention being given to rural area requirements.

In cooperation with other Federal agencies and the Rural Affairs Council, the Office of Economic Opportunity will undertake controlled research and experimentation to develop a new strategy to combat rural poverty and to identify the ways in which Federal efforts can be most responsive to this Administration's focus on rural development. It is possible that environmental improvement itself can be utilized to generate new sources of job development for the rural poor. Adoption of the Family Assistance Plan, with its workfare provisions intact, may constitute the most significant advance in generations for poor people in rural areas, both in terms of short-range income improvement with a multiplier effect and, in the long-run, implications of employment opportunity and economic development.

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE RURAL POOR

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969			FY 1970			FY 1971		
		TARGET POPULATION REACHED	OBLIG. ACTUAL	% OF TOTAL $	TARGET POPULATION REACHED	NOA ESTIMATE	% OF TOTAL $	TARGET POPULATION REACHED	NOA ESTIMATE	% OF TOTAL $
GRAND TOTAL:	8,250,000		$499.3	26%		$597.7	31%		$635.6	31%
OFFICE OF ECONOMIC OPPORTUNITY	9,150,000		$188.7	29%		$238.4	30%		$269.8	31%
A. Community Programs a/	12,175,000		$145.0			$190.4			$216.3	
1. Community Action Operations			$ 84.1			$ 84.6			$112.8	
(Mission Performance)(Incentives			$(16.2)			$(16.0)			$(28.6)	
(Community Programs)(L.I.)			$(14.9)			$(15.0)			$(24.8)	
(Neighborhood Service Centers)			$(26.0)			$(25.6)			$(27.2)	
(Housing Development Programs)			$(1.2)			$(.3)			$(.3)	
(Small Business Development Corporations)			$(.2)			$(0)			$(0)	
(Youth Development Programs)			$(1.9)			$(1.9)			$(1.2)	
(Senior Opportunities and Services)			$(2.5)			$(3.0)			$(3.2)	
(CAA Administration) f/	700	590	$(11.1)		518	$(11.6)		520	$(13.8)	
(State Economic Opportunity Opportunity Offices) f/	49		$(3.7)			$(4.5)			$(7.0)	
(Training & Technical Assistance) f/	49		$(6.4)			$(6.7)			$(6.7)	

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE RURAL POOR

PROGRAMS : (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969			FY 1970			FY 1971		
		TARGET POPULATION REACHED	OBLIG. ACTUAL	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $
A. Community Programs(cont'd)										
2. Special Economic Impact	2,300,000		$ 2.4			$ 5.1			$ 5.2	
3. Comprehensive Health Centers	3,400,000	140,000	$13.9		170,000	$15.4		170,000	$15.4	
4. Alcoholism, Counseling & Recovery			0		4,900	$ 2.2		4,900	$ .5	
5. Drug Rehabilitation			0		100	.2		100	$ .2	
6. Family Planning		100.000	$ 4.5		134,000	$ 6.7		138,000	$ 6.3	
7. Emergency Food & Medical Services			$18.6			$36.0			$22.5	
8. Legal Services		0	$ 7.0			$ 8.0			$ 8.5	
9. Day Care Services			$ 0			$ 5.0			$ 5.0	
10. Research, Development, and Demonstration g/			$ 8.6			$20.5			$31.0	
11. Program Direction e/			$ 5.9			$ 6.7			$ 8.9	
B. VISTA Volunteers a/			$16.4			$18.5			$19.5	
C. Programs for Migrants & Seasonal Farm Workers	3,900,000		$27.3			$29.5			$34.0	

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE RURAL POOR

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969			FY 1970			FY 1971		
		TARGET POPULATION REACHED	OBLIG. ACTUAL	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $
II. DELEGATED PROGRAMS: TOTAL			$210.6	24%		$359.3	31%		$365.8	30%
II DEPARTMENT OF LABOR			$159.8			$203.3			$209.6	
A. Job Corps a/			$ 69.6			$ 42.9			$ 36.0	
B. Mainstream a/			$ 28.7			$ 29.6			$ 30.5	
C. CEP a/			$ 11.5			$ 29.9			$ 24.6	
D. New Careers - Public Service Careers Program			$ 1.8			$ 4.7			$ 5.0	
E. NYC a/			$(91.6)			$ (88.2)			$(106.1)	
(Out-of-School)			$ 30.9			$ 29.4			$ 37.7	
(In-School and Summer)			$ 60.7			$ 58.8			$ 68.4	
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE			$144.8			$146.6			$151.2	
A. Head Start	480,000	246,000	$121.6		181,000	$120.6		150,000	$125.4	
B. Parent-Child Centers	315,000	(800)	$ (1.9)		(800)	$ (1.2)		(800)	$ (2.2)	
C. Head Start Follow-Through			$ 11.2			$ 26.0			$ 25.8	
D. Foster Grandparents b/			$ 1.8			- -			- -	
E. Work Experience			$ 2.5			- -			- -	
F. Upward Bound b/		5,700	$ 7.7			- -			- -	

ECONOMIC OPPORTUNITY ACT PROGRAMS: ACTIVITIES FOR THE RURAL POOR

PROGRAMS: (Dollars in Millions)	UNIVERSE OF NEED 1970 ESTIMATE	FY 1969			FY 1970			FY 1971		
		TARGET POPULATION REACHED	OBLIG. ACTUAL	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $	TARGET POPULATION REACHED	NOA ESTIMATE	% of Total $
DEPARTMENT OF AGRICULTURE			$ 6.0			$ 9.4			$ 5.0	
Economic Opportunity Loans(NOA) c/			$ (6.0)			$ (9.4)			$ (5.0)	

a/ Rurality determined by area designation; universe relates to areas of concentrated rural poverty.
b/ Rurality determined by area designation although occupational classification is primary qualification.
c/ Rurality determined by individual residence (sampling method)
d/ Includes almost 42,000 sub-professional employees recruited & trained from the ranks of the poor.
e/ Arbitrary estimate based on agency's proportionate rural operational programming.
f/ Universe stated in terms of eligible entities (rural CAA's, states with rural counties, etc.) with obligations pro-rated according to area rurality. Hence participant population cannot be estimated.
g/ Area designation of rurality is used to bring rural obligations in line as much as possible with EOA statutory requirements for R&D activities in rural areas.
h/ Transferred to HEW.

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