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# Senate Hearings

*Before the Committee on Appropriations*

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# Treasury, Post Office, and Executive Office Appropriations

H.R. 16900

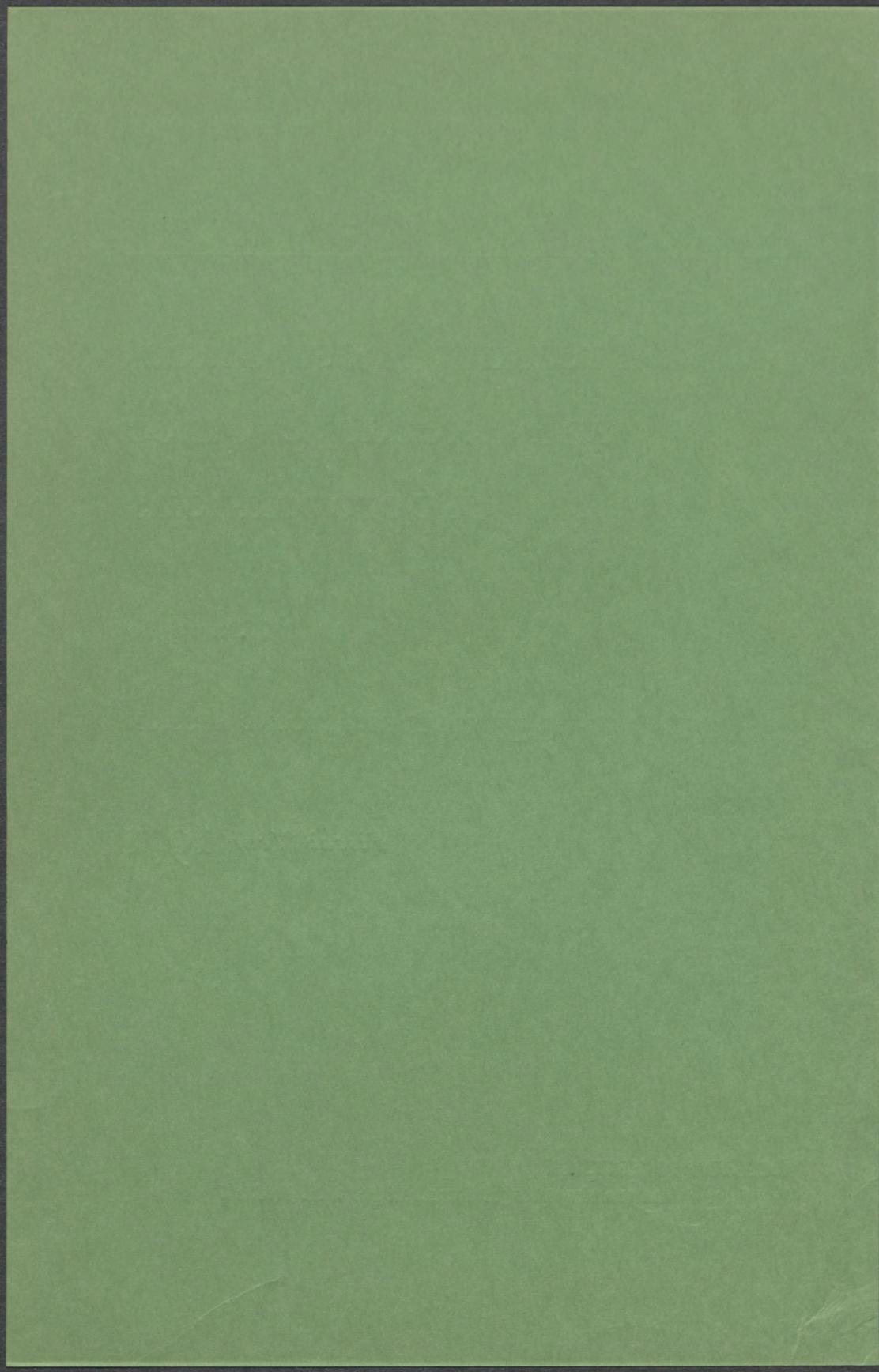
91<sup>st</sup> CONGRESS, SECOND SESSION

*Fiscal Year 1971*



**ADDENDUM TO HEARINGS:**

Office of Management and Budget, Executive Office of the President



TREASURY, POST OFFICE, AND EXECUTIVE OFFICE  
APPROPRIATIONS FOR FISCAL YEAR 1971

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HEARINGS  
BEFORE A  
SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
NINETY-FIRST CONGRESS  
SECOND SESSION  
ON  
**H.R. 16900**

AN ACT MAKING APPROPRIATIONS FOR THE TREASURY AND  
POST OFFICE DEPARTMENTS, THE EXECUTIVE OFFICE OF  
THE PRESIDENT, AND CERTAIN INDEPENDENT AGENCIES,  
FOR THE FISCAL YEAR ENDING JUNE 30, 1971, AND FOR OTHER  
PURPOSES

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Printed for the use of the Committee on Appropriations



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DEPARTMENTS OF THE TREASURY AND POST OFFICE  
AND EXECUTIVE OFFICE APPROPRIATIONS FOR  
FISCAL YEAR 1971

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WEDNESDAY, JULY 22, 1970

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., in room 1224, New Senate Office Building, Hon. Ralph W. Yarborough (chairman) presiding.  
Present: Senators Yarborough, Boggs, Allott, and Young.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

STATEMENT OF HON. GEORGE P. SHULTZ, DIRECTOR, OFFICE OF  
MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE  
PRESIDENT

ACCOMPANIED BY:

WILLIAM A. BOLEYN, EXECUTIVE ASSISTANT DIRECTOR  
DALE R. McOMBER, DEPUTY DIRECTOR, OFFICE OF BUDGET  
REVIEW  
VELMA N. BALDWIN, DIRECTOR OF ADMINISTRATION  
JOHN M. PINCKNEY, BUDGET AND MANAGEMENT OFFICER

SUBCOMMITTEE PROCEDURE

Senator YARBOROUGH. The Treasury, Post Office, and Executive Office Subcommittee of the Appropriations Committee will come to order.

This morning the committee reconvenes to take further testimony on the appropriation request for salaries and expenses of the Office of Management and Budget. There was a brief appearance made here on May 27 by James Schlesinger, the Acting Deputy Director, but there was not opportunity to complete that hearing. Mr. Mayo, the then Director of the Bureau of the Budget, could not appear at that time. In view of the transition and reorganization that has taken place in the Bureau of the Budget, we allowed more days to lapse because we didn't want to ask the new Director, Mr. Shultz, to come up here the first day he had been appointed in that position.

Mr. Shultz, we are happy to have you before the committee at this time. It is a pleasure for me to personally welcome you, because as the chairman of the Labor and Public Welfare Committee, I had the

privilege, during the past year and a half, of welcoming you to that committee a good many times while you were Secretary of Labor, and I think you and I have been in enough hearings together to form an acquaintance with each other. You are in a new office now but you will find old hats around here that met you before on Labor and Public Welfare matters. We welcome you to this committee in the new position of Director of the Office of Management and Budget.

You have a statement, I believe, and I invite you to proceed in your own way.

Mr. SHULTZ. Thank you, Mr. Chairman and members of the committee. First of all, Mr. Chairman, let me say that it is a pleasure to be here with you in the Chair, because it gives me the opportunity to express on the record my thanks to you for your courtesy, generosity and help in my role as Secretary of Labor. I appreciate it very much.

Senator YARBOROUGH. I thought you made a very, very excellent Secretary of Labor, and you had a very fine record there and you were a very fine Secretary. I thought that used to be one of the toughest Cabinet jobs, but I believe you have a more difficult job now than that.

Mr. SHULTZ. It is a lot of work, but I am enjoying it. I hope that your comment about the 22-day period in which I have formally been in this job and the implication that during this time I have mastered the job will not be taken too seriously, because I can assure you that, while I am trying to learn, I have a great distance to go.

For that reason, among others, I have some associates here with me—Mr. William Boleyn, Mrs. Velma Baldwin, Mr. Dale McOmber and Mr. John Pinckney.

#### PREVIOUS TESTIMONY

I understand, Mr. Chairman, that the previous testimony covered the various budget items upon which we testify except for the Bureau of the Budget, so my comments will be directed toward that item.

This request should be considered in light of the fact that it does not reflect the requirements which will develop as a result of the reorganization of the Bureau of the Budget into the more comprehensive Office of Management and Budget.

#### PERSONNEL FOR NONBUDGETARY FUNCTIONS: SUPPLEMENTAL FUNDING

As the President indicated in his message transmitting Reorganization Plan No. 2 of 1970 to the Congress, the upgrading of the non-budgetary functions of the Office will require substantial additional staff resources. These will be in areas such as program coordination and evaluation, management information systems, organization and management systems, and executive manpower development. The budget estimate which we will be discussing today does not include funds to finance these resources.

We are in the process of refining the type of organization we believe can best carry out the functions of the new office. This will take some time. Thus, we believe it would be advisable to complete action on the bill before you which has already been acted upon by the House of Representatives and at a future date, when our additional requirements have been finally determined, submit a supplemental request for the Office of Management and Budget.

## INCREASED GOVERNMENT PROGRAMS AND OFFICE PERSONNEL INADEQUACY

Government programs have vastly increased in number, scope, and complexity over the years. As a result, our responsibilities are greater. Thus, for fiscal 1970, the Congress enacted an appropriation for the Bureau sufficient to fill 555 regular positions. This was 40 fewer than the Bureau had in 1948, when the Federal budget was 18 percent of the 1970 budget.

Senator YARBOROUGH. Pardon me for interrupting there, Mr. Shultz. When did the great reduction in the number of personnel in the Bureau of the Budget take place? You said that in fiscal 1970 you had 40 fewer regular positions than they had in 1948. I know, last year, my first year as chairman of this subcommittee of the Appropriations Committee, we allowed 50 or more new positions for the Bureau of the Budget.

Mr. PINCKNEY. The Congress approved our request for 52 additional positions last year.

Senator YARBOROUGH. Fifty-two, that is correct. I recall you came in with a request for additional positions, and I put those in the bill.

Mr. PINCKNEY. Yes, sir.

Senator YARBOROUGH. Now with those 52 new ones allowed in 1970, you still have 40 fewer in the Bureau of the Budget than you had in 1948?

Mr. PINCKNEY. Yes, sir; that is correct.

Senator YARBOROUGH. When did the great reduction in personnel take place in the Bureau of the Budget? Was it in 1948 after World War II, when there was a vast budget and it was cut back down between World War II and the Korean conflict?

Mr. PINCKNEY. There is some reason for it in those years, but the major reduction was in the period 1954-55, when the Budget Bureau went from a 1954 total of about 519 positions to 433 positions in 1955.

Senator YARBOROUGH. It has since been building back up?

Mr. PINCKNEY. Yes.

Senator YARBOROUGH. We put 52 on last year.

All right; go ahead, Mr. Shultz.

## BUDGET REQUEST, HOUSE REDUCTION AND NONAPPEAL

Mr. SHULTZ. With this as background, I would like to discuss our current situation and our budget request for fiscal year 1971.

The House of Representatives, in considering our 1971 budget request, reduced the requested appropriation from \$13,290,000 to \$13,100,000. We are not appealing for the restoration of these funds. However, in our supplemental request, we plan to ask for appropriations sufficient to meet our expanded needs.

## 1970 APPROPRIATIONS

As I mentioned, the appropriation of \$11,650,000 for 1970 provided 555 full-time permanent positions, and this translated into 538 full years of employment. Because of the additional pay costs incurred as a result of the 1967 pay legislation, the third phase of which was implemented on July 13, 1969 by Executive Order No. 11474, we reduced our estimated full years of employment in order to enable us to absorb

part of those costs. We received a supplemental appropriation of \$491,000 for the balance. The increased pay costs incurred as a result of Public Law 91-231 were absorbed in their entirety. Accordingly, the total amount of funds available to the Bureau under its appropriation in 1970 was \$12,141,000.

#### 1970 REDUCTIONS

A continuing review of our budget situation has permitted us to make reductions totaling \$161,000 in the 1970 base. These reductions have been taken in areas such as intermittent employment, reimbursable details from other agencies, travel, rents and communications, and other services. A detailed breakdown is submitted in our justification materials. Taking these reductions into account, our 1970 base for planning to 1971 is \$11,980,000.

#### 1971 INCREASES

The increases for 1971 as presented in our original request are as follows:

##### NONDISCRETIONARY INCREASES

First, an additional \$220,000 is needed to provide for nondiscretionary increases. These include the cost of an extra workday in 1971, increased printing costs for the 1972 budget, and a portion of the 1971 costs of periodic step increases granted to employees in 1970. This increase is broken down into \$188,000 for personnel compensation and related benefits and \$32,000 for the estimated increased charges by the Government Printing Office for printing the budget document and related materials.

##### MANAGEMENT INFORMATION SYSTEMS

An increase of \$652,000 is requested to refine further the management information systems activities for the Executive Office of the President.

This project was inaugurated in fiscal year 1969 with the funds and staff from the President's Management Improvement Fund, the Bureau of the Budget, and the Office of Economic Opportunity. In fiscal year 1970, the Bureau's appropriation was increased to provide for a consolidation of funding so that the primary effort was funded by the Bureau of the Budget and the Office of Economic Opportunity.

##### TRANSFER OF FUNDING RESPONSIBILITY FROM OEO

The requested increase represents primarily a further shifting of funding responsibility to the Office of Management and Budget's "Salaries and expenses" appropriation. The requested increase of \$652,000 is substantially offset by a corresponding decrease in OEO's budget. Therefore, the total dollar level for this activity in 1971 would be approximately the same as in 1970.

#### 1970 UNDERTAKINGS

A major accomplishment of our fiscal 1970 effort to improve the Federal budgetary decisionmaking process was the completion of a major study of the problems of relationship between the traditional

budgetary processes and the newer planning-program-budgeting concepts. We are now following up on that study by initiating pilot tests in the Departments of Agriculture, Commerce, and Labor in order to prove the feasibility of integrating the information systems that support both budgetary and program categories and classifications. The tests and subsequent system development activities are continuing in 1971.

Another accomplishment in 1970, in the area of management information systems, has been the effort to improve the computer systems used in support of analyzing, compiling, and publishing the Federal budget. Based on our operational experiences in processing the 1970 budget, the systems have been updated and modified. In addition, three new systems were developed to analyze law enforcement, manpower, and income security programs. Experimental work was begun on a computer-controlled typesetting program.

The Office also has provided guidance and leadership on a number of projects concerned with interagency and intergovernmental information systems. Significant improvements have been made in the policy and procedures for the preparation of the 1970 edition of the "Catalog of Federal Domestic Assistance." The authority to publish this document was recently delegated to the Office of Management and Budget from the Director of the Office of Economic Opportunity with approval of the President.

Other accomplishments include initiation of the development of a system to provide better information for agency managers in the new Federal regional structure, improvements in the system for reporting Federal outlays on a geographic basis, participation with the Department of Housing and Urban Development and other agencies to assist municipalities in development of information systems to support local management needs, and leadership in a variety of other agency information system development activities.

#### 1971 PROGRAM

Our budget request for management information systems activities in 1971 will permit the continuation of the projects mentioned above as well as developmental activities in other areas of Government-wide information systems. It will permit the addition of eight positions essential to the orderly continuation and strengthening of these activities.

#### RESTORATION OF ESSENTIAL POSITIONS

As I indicated earlier, we reduced full years of employment to a level that enabled us to absorb a part of the costs of the 1969 phase of the 1967 pay legislation and all of the costs of the 1970 pay act. We are now requesting an increase of \$114,000 to permit us to restore those seven positions which lapsed as a result of the 1969 pay increase.

#### ADDITIONAL STAFF AND SUPPORT

Finally, we are requesting an increase of \$324,000 to support an additional 22 positions. These positions are in addition to the eight

positions for our management information systems activities, thus bringing the total staffing increase being requested to 30 positions.

We plan to assign the 22 new positions in the following areas:

PROGRAM EVALUATION AND BUDGET REVIEW : SIX POSITIONS

The Office works closely with the Department of the Treasury, Council of Economic Advisers, and the Federal Reserve Board on fiscal and economic policy matters. One additional position is requested to support the Office's role in its important work in the field. Similarly, we propose to increase our capability for analysis of long-range priorities and allocation of resources and, therefore, request one additional position for that purpose.

We are also requesting one position for further work on implementing the recommendations of the President's Commission on Budget Concepts and on closer integration of budgetary procedures with the planning-programing-budgeting system.

The Office of Management and Budget must play an increasing role in program evaluation and analysis in broad program areas which are multi-agency in scope. Environmental protection and enhancement is one such area. To provide necessary capability for "crosscutting" analysis, we request two additional positions.

The growth of Federal programs has placed increased emphasis on early identification and analysis of major issues that will require Presidential consideration. The Office works closely with the agencies in identifying those issues and monitors the conduct of agency studies to help assure their timely and adequate completion. We propose to add one position for this activity in 1971.

INTERGOVERNMENTAL COOPERATION AND COORDINATION OF GRANT-IN-AID PROGRAMS : FIVE POSITIONS

As part of the Office's work in helping to streamline the Federal grant-in-aid system, we have underway an effort to simplify and develop uniform accounting and financial requirements imposed on grant recipients.

We also work with other Federal agencies to improve their financial management systems in such areas as internal audit, accrual accounting, integration of budget and accounting procedures, and financial reports for management purposes. Additional effort is needed in these fields, and we are requesting three additional positions for that purpose.

Ten regions with uniform boundaries were established a year ago for the five major domestic program agencies, and regional councils have been established as coordinating bodies in the regions. In addition, the number of Federal Executive Boards have been increased from 15 to 25. The Office works closely with the regional councils and the Federal Executive Boards in support of their work.

We are also working closely with other Federal agencies in new approaches to streamline and modernize the delivery of Federal programs—an effort called the Federal Assistance Review. Further progress in these areas will require two additional positions in 1971.

## STATISTICAL COORDINATION AND IMPROVEMENT: THREE POSITIONS

As new advances in information technology are realized, the opportunity to improve the integration and utilization of data generated by the various Federal statistical agencies is increased. Therefore, we must further explore the application of recent advances in information technology to improve statistical information and to provide a better-balanced Government-wide program in this area.

We also intend to give additional attention to the problems relating to Federal-State statistical coordination activities and to prevent duplication in this area. Therefore, for 1971, we request three additional positions to be used for statistical coordination and improvement functions.

## PROGRAM ANALYSIS: EIGHT POSITIONS

To enhance our capability for budgetary analysis and review in connection with the preparation of the President's budget, we need eight additional positions in 1971. We plan to use these positions to strengthen our review of programs in the following area: airways and airport development, merchant marine, public transportation, environmental quality, agriculture, income security, and the procurement practices and research and development activities of the Department of Defense, primarily in the areas of manned strategic aircraft, missile technology, new fighter and attack aircraft, antisubmarine warfare systems, and ship missile systems.

## SUMMARY

In summary, we originally requested an appropriation of \$13,290,000 for 1971, an increase of \$1,149,000 over the amount available for 1970.

The planned increases for 1971, after directing a \$161,000 reduction in the 1970 base, are broken down as follows: \$220,000 to meet non-discretionary increases; \$652,000 to permit the continued development of management information systems for the Executive Office of the President and provide further support and guidance to the agencies in this area; \$114,000 to permit the restoration of seven essential positions lost due to the absorption of a portion of the 1969 phase of the 1967 pay act; and \$324,000 for additional staff and support. This will provide a total of 585 permanent full-time positions for 1971.

By not appealing the reduction approved by the House of Representatives, we are presenting for this committee's consideration an appropriation request of \$13,100,000 for 1971, an increase of \$959,000 over the amount available for 1970. In view of the action of the House of Representatives, we intend to absorb this \$190,000 reduction against the total Office effort by reducing our average man-years of permanent employment. Thank you, Mr. Chairman.

## HOUSE REDUCTION AND NEW POSITIONS

Senator YARBOROUGH. Mr. Director, in the last paragraph of your statement on page 11 you say, "In view of the action of the House of Representatives, we intend to absorb this \$190,000 reduction against the total Office effort by reducing our average man-years of perma-

ment employment." Now, you just asked that several positions be restored. What is the total number of new positions you ask to be added?

Mr. PINCKNEY. We are asking for 30 additional positions, Mr. Chairman.

Senator YARBOROUGH. Thirty new additional positions?

Mr. PINCKNEY. Yes, sir.

#### DELAY IN FILLING POSITIONS

Senator YARBOROUGH. What do you mean, when you say you are going to reduce the average man-years of permanent employment?

Mr. SHULTZ. We are reducing it; there was a request that went to the House, including a total, and we are reducing from that total and this leaves us in a position that we have described to you.

Senator YARBOROUGH. But had you asked the House for more positions than that?

Mr. PINCKNEY. No; Mr. Chairman; the House gave us the 30 positions we requested.

Senator YARBOROUGH. Plus the restoration of seven?

Mr. PINCKNEY. Yes; but left the implementation of the \$190,000 reduction to us or to the committee here in the Senate. Our plan was to reduce our average man-years of employment by filling the positions at a later date in the year. In any event that is now demanded of us under the continuing resolution. The \$190,000 will be absorbed in that manner. We will still fill the positions by the end of the year.

Senator YARBOROUGH. You will wait a few months to fill them and take up the \$190,000 cut that way?

Mr. PINCKNEY. Yes.

Senator YARBOROUGH. You will still have the same number of positions and you don't intend to squeeze out present people to make places for the 37 new ones?

Mr. PINCKNEY. No.

#### HEARING EXAMINERS

Senator YARBOROUGH. Mr. Director, last year I went into this matter of budget examiners at some length. Your predecessor testified that out of the total staff of some 500, there were included 175 budget examiners. These are the people who hear the departments on the budgets, are they not?

Mr. SHULTZ. Yes; budget examiners.

#### THE 1970 ASSIGNMENTS TO EXAMINE DEPARTMENT OF DEFENSE BUDGET

Senator YARBOROUGH. We further ascertained in the investigation last year—and I went into it in some depth last year—that of that 175, only 46 looked at the budget of the Defense Department, an \$80 billion budget, which was far more than half of the total budget requested, and all of the rest of the budget examiners worked on all of the other civilian agencies of the Government.

I pointed out to the then Director, that we thought it was a gross imbalance of the utilization of resources. The Defense Department was practically running the Bureau of the Budget, and there was very little review when they had three out of four examiners working on

the \$27 billion in the budget for human resources or 130-some-odd budget examiners working on the budget for human resources, and only 46 working on the Defense Department budget even though the Defense portion of the budget was far over half of the total.

#### PROPOSITION OF TOTAL BUDGET

As I recall, last year the budget request of the Government was around \$135 billion, and that was excluding the fixed charges that brought the total budget up to around \$200 billion—the interest on the public debt, social security payments and trust funds. When those items are excluded the request of the administration from the Congress was around \$135 billion, and slightly over \$75 billion of that was for the Defense Department, and slightly less than \$60 billion was for all other branches of the Government. That defense budget included military construction. I am a member of the Military Construction Subcommittee and I know that the \$2 billion for construction came out of the \$59-plus billion for domestic, thus you had in the Defense budget over \$75 billion.

Have you had time to look it over? The result was that the Department of Defense budget got little scrutiny because the Bureau of Budget didn't put all of the manpower there but rather they put all of the manpower on Health, Education and Welfare programs.

#### 1971 ASSIGNMENTS

Mr. SHULTZ. The estimate for 1971 is for 59 examiners reviewing defense programs and 14 reviewing international programs.

Senator YARBOROUGH. How many examiners will you have for all domestic programs?

Mr. SHULTZ. 123.

Senator YARBOROUGH. 123.

Mr. SHULTZ. I don't know if you want to combine international and defense.

Senator YARBOROUGH. How many are assigned to international programs?

Mr. SHULTZ. Fourteen.

Senator YARBOROUGH. What do they investigate?

Mr. SHULTZ. All of our international programs.

Senator YARBOROUGH. Including defense?

Mr. SHULTZ. No. Defense is separate. But I think it is a fair statement that defense and foreign affairs are not disconnected.

Senator YARBOROUGH. I think the defense budget does not include foreign affairs, because those international program examiners don't go into the Defense budget. I don't think it is fair to include them with people at the Defense Department budget.

#### DIMINISHING DEFENSE PROPORTION OF BUDGET

Mr. SHULTZ. For 1971, our estimate is 59 examiners of a total of 196, and I may be wrong, but my rough arithmetic says it is about 30 percent. I don't think people are quite aware of the extent to which the proportion of the budget has shifted. It is really quite startling, as I am sure you know, that in 1968 roughly 45 percent of the budget outlays were for defense that is 1968, the year before the present administration came into office.

Senator YARBOROUGH. What was that percentage?

Mr. SHULTZ. Forty-five percent. Now, in our fiscal 1971 budget, which we are now discussing, the projected budget outlays for defense is 37 percent, which is a fantastic change. I would like to make a little different kind of comment, Mr. Chairman, if I might.

Senator YARBOROUGH. Surely.

Mr. SHULTZ. I suppose I am still getting accustomed to my role and, to some extent, I am wondering about the assumption that you make in your comment. I think it is not a fair assumption that the more examiners there are in a particular area, the worse the news for that area.

Senator YARBOROUGH. It certainly has been on health and education programs because I have been on that subcommittee for 12 years, and the Bureau of the Budget has been bad news for them.

Mr. SHULTZ. We would like to think we try to help people and we are trying to keep track of what is going on in a careful way and see that we research and look at programs properly. I don't think it should be looked at as a negative role but a role of trying to assure that when we spend a dollar, we get a dollar's worth. When we see appropriation requests or budget requests across a wide range of areas, we try to balance them off in the same way that the Senate and House Appropriations Committees look across departmental requests and have, I think, a good chance to balance them off.

However, a comparison of the actual 1970 numbers and the estimate for 1971, the number of examiners in defense went from 52 to 59. In addition to that comparison the proportion of the defense budget in the total went down from 45 percent in 1968 to 37 percent in 1971. I think that is a rather big change, and I imagine you are quite pleased to see that.

Senator YARBOROUGH. In your presentation of percentages on the defense portion of the budget; 45 percent in 1968 and 37 percent in 1971; are you including in the budget the fixed charges of the budget?

Mr. SHULTZ. I am thinking of the total budget.

#### OPERATING EXPENSES ABSENT TRUST FUNDS

Senator YARBOROUGH. What about the President's budget for operating expenses for the year? Let us take those percentages of 45 and 37, and see what the Congress actually appropriated excluding the trust funds, interest on the debt, social security and so forth—that were not included in the budget for fiscal 1970. You sent up a budget requesting \$135 billion in appropriations, and of that, \$75 billion was for defense—and \$59 billion-plus was for everything else in the Government. That is what you sent up to the Appropriation Committee for all of the other departments that year, and it did not include the fixed charges, which brought it up to close to \$200 billion.

Mr. SHULTZ. Mr. Chairman, we pay a lot of attention to the expenses, or trust funds. That is an important element in the budget.

Senator YARBOROUGH. It sure is, and they are moneys we have to raise by taxation otherwise. I don't mean it is not important, but it was not part of the operating budget setup.

Mr. SHULTZ. It is part of the unified budget, which as you know, is the concept we are using as a result of a commission appointed by President Johnson and adopted as a proper method of looking at the

overall flow of Federal revenue and expenditure activities. We feel that we must look at this overall flow and all parts of it, however it may be financed.

Senator YARBOROUGH. Well, yes, that is fine; I am not quarreling with you. You must look at all of it.

Let us come back to the concept that we had when I mentioned the budget last year. I am talking about the fiscal budget for 1970 that was sent up and the comparable budget of 1971. How much are you requesting this year, excluding fixed charges?

## 1971 TOTAL

Mr. McOMBER. A comparable figure is \$148.1 billion.

Senator YARBOROUGH. You had \$135 billion last year, and how much is it this year?

Mr. McOMBER. It is \$148.1 billion in terms of the appropriations budget.

Senator YARBOROUGH. Strictly appropriations, not fixed charges such as interest on the debt and social security and so forth.

Mr. McOMBER. It excludes those.

## DEPARTMENT OF DEFENSE PROPORTION

Senator YARBOROUGH. So it increased from \$135 to \$148 billion. What part of that \$148 billion is allocated to the Defense Department?

Mr. McOMBER. That figure is \$70.9 billion.

## NONBUDGETING OF EDUCATIONAL AND HEALTH PROGRAMS AUTHORIZED BY CONGRESS

Senator YARBOROUGH. Mr. Director, I am not talking about nebulous things; they are real. We in the Congress are here day after day, week after week, studying health, education, and welfare programs. We authorize and pass bills and then Congress appropriates money for these programs only to have the Bureau of the Budget come back with a recommendation that nothing be done on a specific program or that money be put in some other phase of another education or health program. The Bureau of the Budget is trying to legislate for the Congress in the education and health areas.

I want to call that to your attention. That is a legislative function of the Congress. If you are going to cut the budget, I think you should cut it 5 percent across the board instead of trying to kill educational programs that the Congress has passed. I do not believe it is the function of your office to usurp the legislative prerogative of the Congress.

The Bureau of the Budget—and I am not speaking of your administration, you or your party—has followed this practice for years. The Bureau of the Budget has taken to itself legislative powers, and I think it is time for the Congress to recapture those powers.

## ABSENCE OF HEALTH AND EDUCATIONAL PROFESSIONAL EXAMINERS

I don't quarrel when you say we have to raise more money or cut expenditures, but when you say you will cut out this educational program or that one, that is another matter. I might say that last year I

developed in the hearings that there was not a single health or educational professional out of the 175 budget examiners, yet your office was telling the Office of Education, "Don't fund this program or fund it minimally but put your money in this other program."

We heard the educators from all over the country, including representatives from HEW, as to where the moneys were needed the most in the education field. Then the Bureau of the Budget, without a budget examiner educated in that line, came along and said: "We will cut this program out and put the money elsewhere."

I think that is poor government. I think that this ought to be remedied, and I appeal to you at this, my last hearing. I appeal to you, in your great capacity as management officer and budget director combined, to get this thing in balance in the country, because we just don't pass these laws because we are elected by some legerdemain but rather pass them after hearing leading educators appeal and tell us where the areas of great critical need are.

#### BILINGUAL EDUCATIONAL ACT IMPLEMENTATION

I mention one program, the Bilingual Educational Act. I introduced that bill in response to an appeal from the National Education Association. Also many educators called me and asked me to come to Arizona for a conference on this matter. There were many college administrators, representatives from the National Education Association, and many others. After attending the 3-day conference at Tucson, I put two staff officers to work on the legislative proposal. In January 1967, I introduced the bilingual educational bill, and to my amazement it was the first bill of the sort ever introduced in either House of the Congress.

We passed it that year, and the Bureau of the Budget constantly fought to hold down expenditures in this, one of the most critical areas of education in the country. I know it is critically needed, because in my State, where the Mexican-Americans are the largest ethnic minority, far larger than blacks, the average education of the blacks is 9 years, and the average education of the Mexican-Americans is 4 and seven-tenths years.

I could take other areas of education and health and, after 12 years on these committees, point out where this has happened in other areas that I know.

#### CONTINUOUS BUDGET BUREAU SLASHES

The Bureau of the Budget comes along, without a trained man in either education or health, and arbitrarily slashes the money and puts it in another place.

I mention the field of public health service, as another area where this occurs. The Surgeon General's Office and HEW are not opposed to the establishment of Public Health hospitals. However, there has been a whittling of public hospitals in the country from 23 down to eight, and your Bureau tried to close two this year.

#### PUBLIC HEALTH HOSPITALS: RESEARCH

We feel the constant drive to close the public service hospitals comes from the Bureau of the Budget, and not from the Surgeon General or HEW. The public health service hospitals have a broader oppor-

tunity for research than private hospitals in the country, even those of medical schools.

One of the greatest capabilities of Federal Government hospitals in the country is research. This has been pointed out to us time after time, yet somewhere in the Bureau of the Budget, without a trained health professional, they try to limit that which goes back to 1890, when the first public health service hospitals were established. I mention this as another thing, which comes from not having health professionals on your staff, these are two examples I've mentioned but I could give numerous ones. I have learned by being on these subcommittees that in the case of the Bureau of the Budget, the tail is wagging the dog, not on economy only, but by destroying programs and recommending others. I do not believe this is the function of the Bureau to try to destroy programs.

I think you should economize across the board instead of destroying certain health programs.

#### MEDICAL EDUCATION : 1970 PRESIDENTIAL VETO

We face great emergencies now in medical education. I think the President received bad advice, from the Bureau of the Budget or whomever, in vetoing the health and education bill last year and then vetoing the hospital bill this year. The hospital bill we passed was large in amount but minor compared to needs.

The Senate passed overwhelmingly, I think unanimously, a bill for a 5-year hospital program of \$6 billion. This was nowhere near the \$16.5 billion requirement asserted by the States for hospital needs of this country. The average hospital bed in America is costing \$65 a day and in some States it is up to \$100 a day. Health authorities testified that unless outpatient clinics or new methods of reducing hospital costs are provided, hospital rooms will cost \$100 a day within 2 or 3 years.

Faced with this testimony, the Senate passed a bill for \$6 billion and in long conferences with the House they said we couldn't afford it. It was cut to \$2,760 million to be spread over a 5-year period when in reality the need is for \$16.5 billion for \$2.75 billion. That was vetoed by the President and overridden overwhelmingly. I don't think Members of the Congress like to override the President; it is because of the great necessity that exists in the country, and I think somebody was giving the President bad advice about what to veto.

I think if we have to cut something, we shouldn't cut health and education program which are to me two of the most critical needs in the country. I go back to the fact that there are no health or educational professionals in the Bureau of the Budget, and I hope you remedy that and also hope that with your great experience in educational institutions you can bring some order to stop the effort to destroy the public service health hospitals.

#### CIRCUMVENTION OF CONGRESSIONAL INTENT

I am appealing to you because this is my last year here and I have learned how the Bureau of the Budget circumvents congressional intent as to what it wants to spend on educational and health programs.

I noted a recent article in the paper on the administration's effort to

circumvent the will of the Congress in putting this money into hospitalization. Of course, a minor part of it is grants, and most of it is for guaranteed loans of the \$2,760 million. I think it is improvident to try to circumvent when you consider it is not a direct appropriation but most of it is guaranteed loans and these do not take money directly out of the Federal Treasury.

I implore you, before you try to find ways to circumvent the laws, to instruct these officers to find ways to obey the Constitution, because we didn't put this money in merely to get rid of some surplus money in the Treasury. We passed it with full knowledge of the shortage, but we thought it was one of the most critical needs of the Nation. In the area of infant mortality we rank 14th in the nations of the world and a male child in the United States will live a shorter life than a male child born in 20 other nations, and 20 years ago that was not true; we were at the top.

#### NATIONAL INSTITUTES OF HEALTH LOANS

This money for the National Institutes of Health, cuts loans down to 60 cents out of every dollar in America that goes to health manpower—and through these cuts three medical schools are on the verge now of closing their doors despite the fact of this vast shortage of doctors.

It is true that the administration's statement that the cost of health care to the Government has gone up, under medicare and medicaid. Not only is their a critical need for doctors and nurses to meet the shortage, but this great need of building hospitals. I am just going into areas which, as chairman, I am most familiar with. What I think the Bureau of the Budget has done is not only a poor job but a job against the best interests of the American people in not backing the health and education and letting the Defense Department run wild.

#### BUDGET BUREAU EXAMINING PROCEDURE

I say that is a result, Mr. Director, of the procedure utilized by the Bureau of the Budget up to last year. We established in the hearings last year, that when the time came in the fall of the year for a Cabinet officer to submit his budget request, he took his papers and went to the Bureau of the Budget and if there existed some difference between them which could not be reconciled the Cabinet officer had to go to the President to appeal for action over the head of the Budget Director.

#### DEPARTMENT OF DEFENSE BUDGET

When it came to the Department of Defense, instead of them coming to the Bureau of the Budget, the budget examiner had to take bag and baggage and go to the Pentagon, and if they disagreed, the Pentagon didn't have to go to the President to ask but rather the Bureau had to appeal to the President.

This itself was an imbalance and recognition that the Pentagon was over the Bureau of the Budget but every other Cabinet officer was under the Bureau of the Budget. We had it publicly announced that the Defense Department would be treated like every other branch of the Government. Has it been implemented now and is the Secretary of Defense physically treated like other Cabinet officers?

## 1970 COMMITTEE REPORT

I want to point out that in last year's committee report which accompanied the 1970 appropriations bill, we said:

The committee was concerned to learn that of 175 staff personnel in the Bureau of the Budget engaged in examining and reviewing departmental requests, only 46 were engaged in examining the approximately \$80 billion Defense budget. 129 professional staff personnel were engaged in examining the remainder of the budget. The committee directs that the Bureau of the Budget take steps to provide for the same close scrutiny of the Defense Department as they now apply to the civilian budgets.

Now, has that been done since last year, or have you been there long enough to find out whether your predecessor implemented that? I realize it does not apply to you, Mr. Shultz; you are new and have just taken over the job; but was that directive carried out? Did your predecessor require of the Defense Department that they bring their budget under the same close scrutiny as every item we voted on—Health, Education, Interior, Labor, and everything else? Did they get that same close scrutiny?

## PRESIDENT'S BUDGET

Mr. SHULTZ. A brief answer is "Yes"; however, I would like to give a more extended answer on that and other things you have said.

First of all, as far as Cabinet officers are concerned—and I suppose I speak with some feeling since I used to be one myself—the Secretary of Defense, I can assure you, will receive the same courtesy and deference and scrutiny of his budget as will be accorded to all of the other Cabinet officers as we try to shape up a budget that expresses the President's choice of priorities and policies. This is the President's budget; it is not my budget or the Budget Bureau's budget, but it is the President's budget that is before you.

## HUMAN RESOURCES AND DEFENSE PROPORTIONS

Now, insofar as the record in this administration as to the interest and emphasis on human resources as distinct from defense, I think these percentages that I mentioned, but I didn't complete, are really quite startling, and I am sure, in view of the comments you just made, you find them startling.

While the defense budget went from 40 percent of the total outlays in the last full year of the Johnson administration to a projected 37 percent in President Nixon's 1971 budget, the human resources programs went from a proportion of 32 percent in President Johnson's last year to a projected 41 percent in 1971.

So that for the first time, the human resources programs in President Nixon's budget are greater in percentage of importance in the budget by a substantial amount than the defense budget. So, you see, these priorities have shifted around quite dramatically.

## OFFICE RESPONSIBILITY: COMPARISON OF BUDGET WITH TAXES AND FISCAL INTEGRITY

Now, at the same time, I think that it is an obligation of the people who are charged with an overall look at the budget, as distinct from responsibilities for a piece of the budget, to keep reminding people, keep reminding ourselves, keep reminding Cabinet officers, keep reminding Senators, Congressmen, and keep reminding the people of

the country that however much we may like this part or that part or some other part of the budget, we also have to be conscious of what this is adding up to and how it compares with the money that our tax system will raise and what the implications are for the fiscal integrity of the Government.

I think it is a proper role for us to be playing, and we have been trying to point up some of these problems—that is to say, a criticism against the objective of some particular piece of legislation. By the time you add up a whole list of things and look at what this is coming to in total, you see that you have got to make some reductions someplace or you have to find some taxes someplace or you have to resign yourself to the fact that you are going to force people to pay too high a price for these programs.

This is the problem—and I see it as a hard problem for all of us—for as time goes along in the budget process, we are simultaneously concentrating on and trying to promote the good things that are involved in any piece of the budget but, at the same time, we must keep this whole picture in view, because if we lose sight of either one, then we are in trouble.

At the time the President's budget is published there is a concentration on the total and what it all adds up to. Once that time passes, you start digging into the individual budgets and all of the attention goes to a particular department, and it is difficult to recall to the people where we are taking ourselves by the individual actions that are going on. The budget people usually are in the role of pointing that out and are therefore cast in the role of the bad guy, so to speak. I submit, however, that he is not necessarily the bad guy if he is worrying about not having prices go up, and so forth.

#### SUGGESTED ACROSS-THE-BOARD REDUCTION

Senator YARBOROUGH. Mr. Secretary, I agree with you on the necessity for fiscally sound government related to the economy, the income, the taxes, the whole overall role that you have.

What I object to is the Bureau of the Budget setting itself up as a legislator, and saying if we have to reduce, we will just cut out a program here and there. If you think HEW, Interior, Labor, Agriculture or some other agency are spending too much money, there should be a proportionate reduction instead of an arbitrary one, especially where you have no expertise in health or education. I don't think that is your function, because you have then become the legislative branch and you are no longer the fiscal adviser or the watchdog of the Treasury but you are becoming the legislator of basic policies, and it is for the Congress to set the basic policies.

If the total moneys or revenue are not enough to carry out what Congress appropriates, then you have a problem, as you say, of trying to bring them in balance; but I think your methodology of going out and killing public service hospitals or killing certain educational programs is all wrong. It casts you in the role of not being the watchdog of the Treasury who is trying to keep the budget in balance but it puts you in the role—or you use it as an excuse, and I am not talking about you, as you know, but I am talking about the course developed, over the years—of becoming legislators of basic programs, as to which programs we are going to have in the country. I don't think it is the role of the Bureau of the Budget.

## CONGRESSIONAL ROLE : TESTIMONY OF PROFESSIONAL PEOPLE

Since you have been a Cabinet officer and an educator, I hope you will realize that it is the constitutional role of the Congress to say what programs will be funded rather than your trying to say, "Well, we will stop this expenditure, we will freeze it in certain programs; we don't think they are essential."

We in the Congress don't just pull the programs out of the hat and stick them in because somebody calls us on the telephone, but we have listened to testimony for days from top educators in the country.

We have with us today Senator Milton Young. I don't think there is any better-informed man in Washington in connection with agriculture matters than Senator Young.

Senator YOUNG. Thank you.

Senator YARBOROUGH. He has been here many years, and he has served with many Secretaries of Agriculture. I have served on committees with him and Senator Holland, and I recognize their ability. They know the location of every research station in the country. The scrutiny they give the agriculture programs and budget requests is close and intense. If they find a certain amount is needed for agriculture programs, I don't think you should just say, "We ought to stop this program," but rather there should be a reduction across the board some way and you should not assume a legislative role.

I appeal to you as a person, who has been a Cabinet officer, educator, and with Government experience, to use your expertise in this new management office in your quest for fiscal soundness, and not to subvert certain programs that the Congress has found, after years of hearings to be beneficial to the economy and welfare of the people.

(Discussion off the record.)

## TRANSFER FROM OEO

Senator YARBOROUGH. Mr. Director, if we put in all of these new positions that you have requested, do you think you can manage the budget?

Mr. SHULTZ. We can do a better job.

Senator YARBOROUGH. I have one other question. You say on page 5 of your statement that one way you can effect an economy is by taking a certain amount of money from OEO and shifting the funding responsibility to the new Office of Management and Budget.

Mr. SHULTZ. There has been, Mr. Chairman, a joint effort in the Executive Office financed in part from both OEO and the Budget Bureau. Now we are consolidating the money in one place which means that the budget of the Office of Management and Budget is slightly larger and OEO's budget slightly lower.

Senator YARBOROUGH. You say that in fiscal 1971 the Bureau's appropriation is increased to provide for consolidation of funding. You say on page 5, and I quote, "The requested increase of \$652,000 is substantially offset by a corresponding decrease in the OEO budget. Therefore, the total dollar level of this activity in 1971 would be approximately the same as in 1970."

Do you think if you need more money, you should go to the poor and take it away from the have-nots to give it to have's, and that you should take it from the Office of Economic Opportunity? If you need more money and there is no tax money available, why take it from OEO?

Mr. SHULTZ. It is, Mr. Chairman, a question of a function that helps the poor as well as others and because of that OEO has been interested in having it carried on under the auspices of the Office of Management and Budget. All we are trying to do is to provide you with a little more orderly accounting of the costs by putting them in one place.

Senator YARBOROUGH. I have some more questions, but I will forego them at this time. Senators Boggs, Allott, and Young may have other engagements and I wish to give them an opportunity at this time.

Senator Young?

#### BUDGET PROCEDURE: STAFFING OF AGRICULTURAL RESEARCH LABORATORIES

Senator YOUNG. Thank you Senator Yarborough. Maybe I could ask a question or two first.

First, I would like to at least go along partway with the statement made by the chairman of the committee with respect to budget procedure. Sometimes I am afraid they do take the form of legislation. Let me give you one example.

On research laboratories, we have about 30 now that have been completed or nearly completed and the Assistant Secretary of Agriculture, under pressure probably of the budget, has taken the position that the Federal Government is not going to staff them.

We have always staffed them in the past. Senator Holland, Senator Hruska, the ranking Republican, along with the committee, had to put back in funds for staffing, about \$10 million. Many of these research laboratories were urgently requested only 2 or 3 years ago.

I wish you would take a special look at this item which appears in the appropriation bill. Mr. Director, on page 10 you say, "We plan to use these positions to strengthen our review of programs in the following areas: Airways and airport development, merchant marine, public transportation, environmental quality, agriculture, and several other areas."

I would like to ask you a question with reference to food stamps. In the last 2 years we have been increasing funds for this purpose from \$500 million to a budget estimate of \$2.05 billion, or 500 percent.

The Senate added another \$500 million, so you have about a 700 percent increase. If a program is expanding as rapidly as this one is, there are bound to be abuses, inefficient operation and all kinds of mismanagement. You can't expand a program that fast and still have a good operation.

Now just how do you handle a matter like this? Do you have your investigators out in the field to see that deserving people are getting this help and those who are not deserving are not getting it?

#### PROGRAM EVALUATION AND COORDINATION

Mr. SHULTZ. The effort for evaluation of Government programs goes on in a variety of settings and one of the things that we wish to

strengthen in the Office of Management and Budget is our ability to give attention to this whole evaluation effort.

Taking your example, the administration has proposed that the food stamp program, insofar as it applies to recipients of family assistance be administered through the same machinery, thereby simplifying greatly the way in which that flow of funds is administered.

That is an example of a rather sharp managerial change to cut down the administrative costs of handling a large and expanding program. Of course, I should say as far as the size of the program, we certainly hope the Congress will come in and support the President's requests in this area and not exceed them in the way you have pointed out, as has been tentatively done.

#### FOOD STAMPS PROGRAM

Senator YOUNG. The food stamps program is one I have long supported. Senator Aiken of Vermont and I have supported such a program for more than 20 years. I do believe we are expanding it much, much too fast. For example, in the Department of Agriculture budget, we have more than \$3 billion for food programs.

When you expand programs this fast, it is pretty hard to have an efficient operation. I was wondering just how the Federal Government supervises a program such as this and sees that it runs properly and the money is not wasted?

Mr. SHULTZ. I can't call off precisely what the budget examining process and evaluation studies within the Office of Management and Budget have been on that.

We could give you a statement for the record, if you like, or maybe Mr. Pinckney might know.

Mr. PINCKNEY. No, sir.

Senator YOUNG. I would be interested in knowing how the Bureau of the Budget determines whether the budget for a program should be more or less for next year; if you have to take into consideration whether a program is being badly abused and maybe hungry people are not getting food. I know there are many of them getting food that really should not be on the program, but I would think that would enter your consideration.

Mr. SHULTZ. Of course, and the Department of Agriculture is also looking at this problem. There are always many dimensions to this problem of evaluation. Is the program getting adequately to the people for whom it is intended? Is the program, as it goes, or wherever it goes, being operated effectively in the sense of whether there is fraud, and so on? Is it possible to take the program as it exists and administer it more effectively so that the proportionate costs that are administrative costs are decreased in proportion to the flow of money that goes to the recipients?

All of these different kinds of angles must be considered in the example I was giving insofar as family assistance recipients are concerned. We hope to cut the administrative costs rather drastically for food stamps and thereby make it a more effective program.

That is just one example of the kind of thing that has taken place recently.

Senator YOUNG. No further questions. Thank you.

Senator YARBOROUGH. Senator Boggs.

Senator BOGGS. No questions. Let Senator Allott go. I will pass.

Senator ALLOTT. Thank you.

Mr. Chairman, first of all, I am very happy that the Chairman of the committee joins in my feeling about the unified budget. I objected very vigorously to it when it was established by President Johnson and I still object to it. I think it misleads the people. I think it presents a false picture of the true economy, and of the true situation in the country. So I am very happy that he agrees with me on this particular thing.

STATUTORY FUNCTIONS: TITLE 31 UNITED STATES CODE

I would say this. First of all, to get into focus the proper function of the Budget Bureau, one should refer to Title 31 in its entirety under "Money and Finance," Chapter 1 is "National Budget and Audit System," which puts 11 main responsibilities on the President: To submit to the Congress not only the broad gist of the budget within 15 days after the commencement of each regular session, but also to give it in supporting detail, so that the work of the Budget Bureau in this respect is not something that is dreamed up out of their own mind but is a part of a statutory enactment, which goes back to 1921 and which Congress imposed upon the President—creating what was then the Bureau of the Budget and what has now become the Office of Management and Budget.

I think it is well to remember in this context also that it is the obligation of the budget, the obligation of the President, to place, according to their best judgment and the President's best judgment, whether it is President Kennedy, President Johnson or President Nixon, the relative weights and emphasis they think should be placed upon the expenditures of the Government.

As I pointed out yesterday, Congress is not bound by the budget. The budget cannot overrule the action of Congress. If the Budget Bureau puts a figure of \$1 billion on a given item, Congress is solely within its right, although it should examine it very carefully with respect to the other items in the budget, that Congress is wholly within its right to exceed that budget and there can be no dispute about this. I don't think that Charlie Shultz or Bob Mayo or anyone else has ever quarreled with that, although we do sometimes have difficulties, and I probably differed with the Bureau of the Budget on various items as much as the Senator from Texas has over the years.

I agree that the Department of Defense should be treated exactly like—no better, no worse—any other department in the Government. I am not one of those who feels that we can, in this world which we now face, afford to gratuitously use the Department of Defense as a scapegoat for all of the ills which afflict us in this country. I think to do so is doing a disservice to our country. And if we ever get to the place where we are decidedly in a second-rate position in defense, we really won't have to worry, I am afraid, too much about appropriations for the things we have particular interest in and those usually come out of our committee assignments.

Because of my assignment to the Interior Committee since 1956, I have had a great interest in soil conservation. I recognize that the

subject is technically within the particular responsibility of the Senator from North Dakota. The fact is that we have woefully neglected the area of soil conservation in this country and not enough attention has been paid to it.

This is also true with reclamation, and I regard both of these areas as being capital investments for the United States rather than anything else.

#### IMPROVING MANAGEMENT TECHNIQUES

I have two short questions, Mr. Shultz—three perhaps. The real emphasis in the creation of the new Office of Management and Budget is that in addition to the duty that is required by chapter 1 of Title 31 of the United States Code, there has been placed upon you by administrative order a responsibility for improving the management techniques and the efficiencies of the various departments rather than just looking at the budget. Would that be a summation of the purpose for this?

Mr. SHULTZ. That is a correct general statement. Of course, we think the managerial effort should not be viewed as something separate and apart from the budget process, but rather related closely to it so that you can see how it is managed as well as what is being spent.

#### REGIONAL COUNCILS

Senator ALLOTT. On page 9 of your statement you have two statements. You mentioned that 10 regions are being established. Now will there be field offices in each of these regions?

Mr. SHULTZ. None are Office of Management and Budget offices. They are field offices of the various departments. The idea was to have 10 regions and to have the regional center, the city in which the regional offices are located, be the same for each department, so that the operations of the different departmental programs could be more easily coordinated. The Federal Government's ability to work effectively with the States and localities would be better as a result of that kind of physical proximity.

#### FINANCIAL MANAGEMENT: UNIFORM ACCOUNTING

Senator ALLOTT. Now, the next question I have to ask is a relatively minor one, but one which I have had to spend very much time on as the ranking member on the Independent Offices Subcommittee. It relates to the first sentence on page 9 of your paper in which you say:

We have underway an effort to simplify and develop uniform accounting and financial requirements imposed upon grant recipients.

As you know, the Independent Offices appropriation bill provides among other things, money for the research under HUD, the research under NASA, and the research under the National Science Foundation, and last year the Allott amendment worked out a new accounting formula for the cost of these research activities.

Over the years some of these agencies have claimed that a uniform accounting formula for research costs could not be developed because of lack of uniformity in bookkeeping. Do you think that you can enforce a uniform accounting system on the literally thousands of

grants, for example, in the field of research and with the various educational institutions? Is that what you have in mind here?

Mr. SHULTZ. That is, I am sure, the general idea. How successful it will be, I am not informed enough to feel that I can make a judgment on that. Perhaps Mr. Pinckney might be able to respond.

Mr. PINCKNEY. Yes, Senator. We have, under several of the Bureau's new OMB circulars, attempted to move in the direction of providing accounting and funding simplification systems for grant recipients such as State and local jurisdictions as well as all of the educational institutions.

It is a process that is currently going on and it has not been fully implemented.

Senator ALLOTT. Well, I realize the desirability of it and I think it is desirable, because even under the Allott amendment it is very difficult to achieve absolute fairness, unless you have a uniform accounting practice within an individual university. By the same token, uniformity is not possible in a relatively small school as it is in a school like Harvard or MIT or one of the other big recipients of Government grants for research, where they can almost literally computerize their activities and charge off all of several salaries to this area.

In some of the smaller institutions the problem of cost accountability is much more difficult. For example, you might be only able to charge off a small part of a professor's salary as well as that portion of the salaries of other university employees, to the project's indirect cost. How do you take care of the portion of the salary of a switchboard operator, for example, who takes five or six calls for the research project along with several hundred other calls during a day. These are just a part of the many problems that come into this uniform accounting situation.

I would hope that we could move in that area and perhaps over a length of time we can do it. I think that is all I have at this time, Mr. Chairman.

Senator YARBOROUGH. Senator Boggs?

Senator BOGGS. Mr. Chairman, first of all I want to apologize to you and to Director Shultz for having to leave the hearings for a few minutes. Delaware has been privileged for the last several years to entertain a group of teachers from the Irish Republic, in conjunction with the University of Delaware. Part of their stay in our country is a 2- or 3-day visit here in Washington, and our office has always had the privilege and pleasure of working with them on their program. They just came in and I had to go to my office to see them, so I apologize for being late.

Much has already been covered here and I would like to compliment Director Shultz on his grasp in these 20 or 22 days of the new Office of Management and Budget and on the fine presentation he made this morning.

It is my understanding that the budget as presented to us originally, with the reduction made in the House, is the budget pending before this committee at this time, and that the Office of the Director is not making any particular appeal on any item, is that correct?

Mr. SHULTZ. That is correct, however, as we shape up our plans for the Office of Management and Budget, with its new responsibilities, we will undoubtedly be asking for some supplemental.

Senator BOGGS. At the appropriate time?

Mr. SHULTZ. Yes, at a later time.

Senator BOGGS. And in the meantime there is a way to finance the new Office of Budget and Management?

Mr. SHULTZ. We will go forward with the things we have described here which do represent to a considerable extent efforts in the managerial direction.

Senator BOGGS. Yes. That was the impression I had. I know that the committee appreciates your appearance here this morning. I want to take this opportunity personally, Mr. Chairman, as you well stated, to congratulate the Director on the fine job that he did as Secretary of Labor, an outstanding job, and I know you will continue to do an outstanding job in this new office. I congratulate you and wish you the very best.

May I also say, Mr. Chairman, since, as you have said, this is your last year here, at the moment anyway, it has been a privilege serving with you on this committee and in other matters. I personally realize your interest in and your dedication to the projects in health, education, and veterans affairs; and other matters you have worked on so diligently and so ably. As I sat here and heard your comments this morning, let me say that I value them, appreciate them, and I know that we all do and we are glad to have your thoughts on these important matters.

I assure you I shall keep them well in mind on any further service I may have.

Senator YARBOROUGH. You are very generous, Senator Boggs. I really appreciate that. I enjoyed serving together with you, as you mentioned, on veterans matters and in the Reserves before our unit was disbanded by Secretary McNamara and we served together on the Post Office and Civil Service Committee studying the general welfare situation and that of all of the civilian Government employees. It has been a great pleasure for me to serve with you, and particularly since you are from Delaware and you visited my State and know so much about it.

Senator BOGGS. Yes, I always liked to visit there.

Senator YARBOROUGH. Back on the record.

(Discussion off the record.)

Senator YARBOROUGH. Back to the record.

Mr. Shultz, I, too, congratulate the Administration on having your expertise in this new Office. I agree with the Senator. I think the Department of Defense should be treated exactly like every branch of the Government, no better, no worse, but it should receive the same treatment.

That has not been true in the past. They have had preferred status. As we know, their accounts have not been audited. If we take a farmer who has an acreage allotment and is getting paid by the Government, he will be audited.

Where the schools are getting school lunch money, the Government comes in and audits, and I am not complaining about you or your Office, but with these vast defense projects, they have not been audited. We put an amendment in a Senate bill last year and by a vote of 45 to 44 required that their accounts be audited. I think defense contractors are no different from farmers, school districts, anyone else.

But that was stripped off in the House. I hope, with your great and wonderful educational background and your expertise in administration, you can help bring that about and bring it back into balance. It has not been in balance. We want equal treatment for each department and I don't think we can continue to neglect the civilian economy forever; that is, in favor of the war economy, and ultimately improve this Nation.

We have had wars all through our history, but they lasted only a limited number of years and then we would go back to peacetime economy and recover from the losses.

The distinguished Senator from Colorado has mentioned soil conservation. I agree with him on soil conservation and reclamation; that is, building the land upon which we must live, and one part of that is the Great Plains. These Great Plains areas—which stretch from the Mississippi River system to the foothills of the Rockies with about 400 counties located in this area—have, over the past 12 years received token appropriations in connection with a program to restore those lands which have been badly eroded through improvident agricultural practices and wind erosion.

In 100 counties of my State, which do not go as far south as the Mexican border but rather start around central Texas and go north, and there are also a good many in the State of Colorado, I think the overall environment, pollution of our environment, habitat of man, has even taken priority over many programs I have mentioned and it is essential that we preserve the habitat of man so that man may be preserved.

So I think we ought to have an accounting system on big defense contracts, in view of some defense contractors getting over \$2 billion a year out of our Treasury. One single contractor, according to an account in the U.S. News & World Report some weeks ago, was receiving \$2.2 billion a year. That is about 1 percent of all of the Federal money spent—\$2.2 billion. Also a number of other contractors received \$1 billion a year. They were also named in U.S. News & World Report.

I think we have to bring it into balance and that these various defense accounts ought to be audited just as those of our farmers with 50 acres who get a crop reduction payment each year.

Now that is part of the vast job that you have before you.

#### OFFICE STAFFING

In establishing this new Office of Management and Budget, you mentioned a supplemental request that might come in at a later date. In connection with the reorganization do you intend to staff your new office on a crash basis or will this be done over a period of time?

Mr. SHULTZ. I think we must have a long-run view here. We are trying to build something solid that will be of good service to the Government over a period of time, so we want to do the job right. Of course, we want to do it as rapidly as we can within that framework, but certainly we don't want to rush headlong into all sorts of things in an ill considered way.

For that reason, Mr. Chairman, even though we do have a new Office and have been operating in that capacity for a short time, we did not come in with a request for supplemental funds and try to de-

send an organizational arrangement that we had worked up in that short period of time.

Senator YARBOROUGH. You will come in with that on a supplemental at a later date?

Mr. SHULTZ. Yes.

#### ESTIMATED PERSONNEL AND COST

Senator YARBOROUGH. Do you have any estimate at this time as to what the personnel requirements will be to staff the new Office? Can you estimate it?

Mr. SHULTZ. The President's Advisory Council on Executive Organization has made some estimates of that which were presented in the hearings on Reorganization Plan No. 2. They do call for some increases and I believe it is on the order of about 100 new positions.

Mr. PINCKNEY. That would be 100 new positions in the Executive Office of the President.

Senator YARBOROUGH. When would they be requested?

Mr. SHULTZ. Well, it may be that they would come in—or at least some portion of them—with the supplemental.

As you can see, if what we request is something in that ballpark, and I imagine it would be, then we are still talking here of only a slightly larger organization. It would still be a small organization by the standards of today.

Senator YARBOROUGH. How much additional money do you think will probably be requested at a later date for funding of that Office?

Mr. SHULTZ. I think Mr. Pinckney can answer that.

Mr. PINCKNEY. Mr. Chairman, the estimate for the Executive Office of the President was 100 new positions and an additional \$2 million.

#### NONINCLUSION IN WHITE HOUSE OFFICE STAFF

Senator YARBOROUGH. Under the budget request that we heard in May regarding the White House Office there were authorized 250 permanent positions for the years 1968, 1969, and 1970. The average employment for those years was 187 in 1968; 215 each in 1969 and 1970.

For fiscal 1971 you have requested 548 permanent positions. This is more than double last year's authorization for the Office of the President. Does this include a projection of these 100 new positions in the Executive Office of the President?

Mr. SHULTZ. No, sir. This is in line with the President's policy of candor about the staffing of the White House Office. Rather than just pull in slots from all around the Government, an effort was made to consolidate these and show them in one place.

As you know, over the years a lot of people have been detailed to the White House. They have not been shown in the White House budget. They were part of some other department's budget.

Senator YARBOROUGH. It was charged to Labor or Agriculture?

Mr. SHULTZ. That has been the practice in the past.

#### PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION

Senator YARBOROUGH. Now, you had the President's Advisory Council on Executive Organization set up for the first time in fiscal

1970, and 30 permanent positions were authorized. Will it be merged into your Office of Management and Budget?

Mr. SHULTZ. That is scheduled to go out of business in the near future. One of the activities of the Office of Management and Budget is to look at the whole problem of how the Executive branch is organized.

Senator YARBOROUGH. What other changes in the budget or other functions do you contemplate under this Office of Management and Budget?

Mr. SHULTZ. The Council on Executive Organization was set up to do a certain task, which it is in the process of doing.

The main point is that the expanded management responsibilities of the new organization will require that we address ourselves to a new effort to see if we can't get the Federal Government's affairs managed more effectively. It is not so much a matter of replacing something as it is of trying to put it into place. In that way we hope we will get something closer to a dollar's worth of product for a dollar's worth of expenditure.

#### MANAGEMENT IMPROVEMENT FUND

Senator YARBOROUGH. What about the Expenses of Management Improvement item? Do you think it will be merged into your Office of Management and Budget?

Mr. SHULTZ. The answer to that is "No," but Mr. Pinckney can explain.

Mr. PINCKNEY. We hope to retain that appropriation account of the President's Management Improvement Fund separate and apart from the appropriation for Office of Management and Budget.

Senator YARBOROUGH. I notice that the Office of Emergency Planning request went up—that is, the authorization of permanent positions—from 290 in 1970 to 350 positions for 1971. What has caused the need for such a jump in positions in the Office of Emergency Planning from 290 to 350?

Mr. PINCKNEY. Mr. Chairman, we in the Office of Management and Budget do not handle specifically that account. We do look at it in a program review sense and if the Chairman so desires, we would be glad to provide for the record the reason for that increase.

Senator YARBOROUGH. That is correct; it is handled in a separate appropriation. However, it does come under the Executive Office of the President, but not reviewed by this subcommittee, so I won't pursue it further. I was just curious about that office.

Some Senators even offered amendments that it be abolished and that it was not necessary. I wouldn't do it, but I was curious about the jump in authorization from 290 to 350 positions.

Mr. Director, do you contemplate using any money from the Emergency Fund of the President to staff the new Office of Management and Budget?

Mr. SCHULTZ. No, sir.

Senator YARBOROUGH. Let me repeat, Mr. Director, I agree with Senator Allott that the Department of Defense should be treated like every other department of the Government, no better, no worse, and there is nothing in the questions I asked that implied that I thought they ought to be treated worse than anybody.

I am just pointing out that in the past they have not had equal treatment and the rest of the economy suffered, and I think our national priorities have suffered terribly from it in the past 10 years, and one is shown by this illustration of failure to audit. You examine every school lunch program in the country and you examine the Government through its different branches—but the vast contracts of the Defense Department are not audited or examined. One of your responsibilities is to see that these vast contracts, including one running \$2.2 billion a year, be treated on the basis of equality as are small school districts, all of whose accounts insofar as Federal money is concerned are audited.

#### FEDERAL BUDGET DEFICIT

What is your estimate of the fiscal 1971 budget deficit, assuming that there are no new taxes for airport, postal, and so forth?

Mr. SHULTZ. The estimate made in May of the budget for fiscal 1971 showed a deficit of \$1.254 billion.

There are several factors affecting the operation of the Federal budget in fiscal 1971 and in fiscal 1972. On the one hand, there is the question of whether or not various revenue producing measures will be passed. There is the question of the tax on leaded gasoline and the question of postal rates. These are things that we have asked the Congress to do.

I think in total they add up to \$4.5 billion.

Senator YARBOROUGH. That they would raise \$4 to \$5 billion?

Mr. SHULTZ. That is correct.

Senator YARBOROUGH. If they are not enacted, you said that the estimate was \$1.2 billion and it seems to me I recall reading recently that the administration is considering now the possibility of a budget deficit of \$10 to \$12 billion. Have you seen that figure?

Mr. SHULTZ. There have been all sorts of figures bandied about. Of course, anyone can take a piece of paper and make his own estimate of what Congress will do or will not do.

Senator YARBOROUGH. I didn't make this up. I read that this came from the administration. I am not trying to make an estimate of the amount myself.

I am asking someone with a staff like yours that would have the capability to make such an estimate. Have you contemplated that a \$10 or \$12 billion deficit this year is within the realm of possibility?

Mr. SHULTZ. Mr. Chairman, there has not been a reestimate beyond the May estimate that I mentioned earlier. I can't imagine that there could possibly be a leak from any administration source of that kind. It never happens in this town that there is a leak in the Executive branch. [Laughter.]

Senator YARBOROUGH. Not even letters between the White House and Cabinet members? [Laughter.]

#### APPROPRIATION PROCESS: CONGRESSIONAL RESPONSIBILITY

Mr. SHULTZ. I think the point is this: There are some very serious questions ahead and there is time for the Congress to address itself to those questions so that we do have a budget situation with expenditures

well under full-employment revenues and a situation in which the Federal budget can be said to be under control.

Some of the things that are going to affect this are as follows: Will the Congress enact the revenue proposals that have been proposed and what is going to happen in the appropriation process?

The President has only received one appropriation bill for fiscal 1971 even though we are almost a month into that fiscal year. We are, of course, following very closely the actions of various appropriations committees and there are quite a few cases in which the sums that are being called for are very substantially above the President's budget.

We continue to hope and believe that we will have responsible action by the Congress on the budget and that things will remain under control. For that reason there are major uncertainties, and we have not made any reestimate at this time.

I might say also we will shortly have the results of fiscal 1970 and that will provide a mark on the revenue side of this issue which will be helpful in any reestimate for 1971.

Senator YARBOROUGH. Well, really under existing conditions now, mid-July, do you think this May estimate of a \$1.2 billion deficit is realistic from what you know of the economy, and the collection of taxes?

Mr. SHULTZ. I think that depends upon the way in which Congress reacts on both the revenue and expenditure side. You are certainly a far more expert person in judging that than I.

Senator YARBOROUGH. Well, don't you recognize that a bigger factor in this deficit is the recession rather than what the Congress appropriates? After all, the Congress' action in increasing appropriation requests will be minor in terms of the total percentage of Federal money spent.

The major factors are the recession and that money is not being earned which has resulted in a reduction of tax collection. Isn't the biggest single factor in the threatened deficit in the budget, failure of the economy to perform where the people aren't earning enough money to pay the taxes as projected?

Mr. SHULTZ. The May estimate took into account the lower estimate of corporate profit, which was the principal factor that was off a little in the earlier estimate.

A small deficit could result from the automatic operation of the fiscal system—that is, there are somewhat less taxes collected as a result of lower profit levels or something of that kind. That does not however, carry the sense of alarm as did the problem of inflation spurred by the deficits in 1967 and 1968, where the expenditures carry right up through the revenue producing capacity of the tax system. In that way we have trouble.

#### ESTIMATED FEDERAL REVENUES

Senator YARBOROUGH. You mentioned corporate profits being down and that the largest source of revenue to support the Federal Government comes from individual income taxes. What percent of the total moneys or revenue collected by the Federal Government comes from personal income taxes?

Mr. SHULTZ. For fiscal 1971 the original estimate was that about \$91 billion would be collected from individual income taxes.

Senator YARBOROUGH. \$91 billion?

Mr. SHULTZ. Yes.

Senator YARBOROUGH. What percent is that of the total moneys or revenue collected by the Federal Government?

Mr. SHULTZ. It is a little less than half. The estimate was that \$202 billion would be collected.

Senator YARBOROUGH. Not all of that was from taxes?

Mr. SHULTZ. Most of it, Mr. Chairman.

Senator YARBOROUGH. The individual income taxes would still be slightly under 50 percent, wouldn't it?

Mr. SHULTZ. It would vary.

Senator YARBOROUGH. What percentage of the total would corporate income taxes be?

Mr. SHULTZ. \$35 billion. Social insurance tax and contributions, \$49.1 billion; excise taxes, \$17.5 billion; estate and gift taxes, \$3.6 billion; customs duties, \$2.3 billion; and miscellaneous receipts, \$3.6 billion. That adds to a total of \$202.1 billion.

Senator YARBOROUGH. That was the original estimate?

Mr. SHULTZ. Yes.

Senator YARBOROUGH. What was the May estimate on individual and corporate income taxes?

Mr. SHULTZ. I will go down the same list as in the May estimate and again the figures are in billions of dollars; individual income taxes, \$90.5; which is a slight decline; corporation income taxes, \$34; social insurance taxes, \$49.3; and excise taxes, \$19.1. This reflects the President's proposal to tax leaded gasoline.

Estate and gift taxes are \$5.1 and that reflects the proposal to speed up the collection of excise taxes. The estimate for customs duties is \$2.5 and miscellaneous receipts \$3.8.

Senator YARBOROUGH. That \$91 billion estimated individual income taxes, was that on the rate of unemployment of last fall when the budget was being made up? Was it on the rate of unemployment then or did it project for further increases in unemployment and lowered earnings?

Is it based on the current rate of collections or was there then a projection into the future to give you that \$91 billion?

Mr. SHULTZ. It is approximately the same as our current situation.

Senator YARBOROUGH. Current now or what?

Mr. SCHULTZ. Current now.

#### EMPLOYMENT RATE

Senator YARBOROUGH. If projected into the future, there would be fewer people employed and less taxes collected?

Mr. SHULTZ. You have to remember there are actually more people employed. It is a question of how many more. That is, there is always confusion if unemployment rises a little. It is usually concluded that employment has declined, but, that is not necessarily the case.

Senator YARBOROUGH. Despite increases in many industries due to renegotiated contracts, total earnings have declined as well as take home pay to the American worker.

Mr. SHULTZ. There are various concepts involved. I am not sure I know which one you are talking about. We can take a concept like "average weekly earnings of employed workers" and adjust it by the consumer price index and see what has happened or we can take some

gross total like total personal income or something like that. Is that what you mean?

Senator YARBOROUGH. Yes, I was talking about income on which they pay taxes without regard to consumer index of what they could buy with what is left. I am dealing only with taxes collected by the Government.

Mr. SHULTZ. The particular material I have at the moment is for the first quarter. I am sure we have a second quarter figure, but in April 1970 the total personal income is \$801 billion, and reading backwards by month: 783, 778, 774, 777, 767, 763, and so on. So it is rising.

Senator YARBOROUGH. Do you think it is realistic to believe there will be as much money or revenue collected from taxes, assuming that taxes didn't go down? Do you think it is realistic to believe there will be as much personal income in the second half of 1970 as there was in the first half?

Mr. SHULTZ. Yes, I do.

Senator YARBOROUGH. You do?

Mr. SHULTZ. Yes.

Senator YARBOROUGH. I hope you are right.

Mr. SHULTZ. Well, as you know, the first quarter gross national product—real gross national product or money gross national product—has continued to rise, but if you take real gross national product inflated by price increases, there was a decline in the annual rate of that by approximately 3 percent in the first quarter and in the second quarter there was a rise.

It was so small the change was insignificant.

Instead of continuing to decline that slight amount, that process has now stopped. I think there are quite a number of other indicators, as Chairman McCracken said in testimony on Monday before the Joint Economic Committee, that suggests the economy will be expanding in the second half of the year. I think that is a fairly widely held view.

The only question is how rapidly will it expand? Of course, if it expands at all, these numbers will be greater.

Senator YARBOROUGH. I recall one of the last 2 or 3 years of the Eisenhower administration. He wanted to go out with the budget in the black and had very economical expenditures, and there was a downturn in the economy. He had a wholly unpredicted deficit of, I believe, \$7 or \$8 billion and it was not based on Government spending. He thought there would be a surplus. But when the economy is closed down, that has a worse effect on the budget deficit. A slowed-down economy has more effect on the deficit than modest appropriation increases made by the Congress over the original budget requests, doesn't it?

#### CONGRESSIONAL INCREASES

Mr. SHULTZ. It all depends on how modest or immodest they are. When you look at the kind of appropriations that the Congress seems to be talking about and combine that with the question of whether or not the increased revenue measures are passed, they add up to quite a lot.

Just to name one, the Independent Offices' HUD appropriation, by action on the Senate floor, has been increased by \$1.187 billion above the President's budget. That is quite a lot. You add that up a few

times, you have a problem and that is the problem the President tried to highlight in his statement last Saturday.

Senator YARBOROUGH. Well, I am hopeful that the same thing does not happen to us that happened in the last year of President Eisenhower's administration. It was not the Congress spending, but the downturn in the economy which accounted for a tremendous budget deficit that year.

Mr. SHULTZ. Mr. Chairman, I think I would agree with you on this idea and I think this was stated very directly by the President in his statement on Saturday—that there are times when a deficit is even a desirable thing in the interest of the operation of the economy.

As I said earlier, if you have late deficits created not by the surge of expenditures, but by tax revenues that are less than those that would be yielded by a full employment economy, you don't want to try to balance that budget. You let that automatic operation of the fiscal system go ahead because it helps turn the economy around and push it up again. That seems to be what is happening now.

Senator YARBOROUGH. If that were followed, that would stop; or if the unemployment were continuing to grow, the appropriate action of the Congress might well do more to stop that downturn and turn it back and put money into the Treasury than a more restricted spending policy, isn't that possible?

Mr. SHULTZ. We have been struggling and we now think we are on the verge of really seeing ourselves entering a healthy, growing economy. By that I mean growing at a good rate, with full employment and without these very rapidly increasing prices that have been concerning all of us. In order to achieve that, we have to keep the expenditures well within the revenue producing capacity of the tax system.

If we go up through that roof, then we really will spring a leak in our ability to keep the price line reasonably under control.

#### STAFFING OF THE EXECUTIVE OFFICE OF THE PRESIDENT

Senator YARBOROUGH. Mr. Director, at the previous hearings when taking up the Executive Office of the President, we had numerous reports of vast expansion of the number of people who work in the Executive Office of the President, not just a normal increase that goes with greater population or greater problems, but just overwhelming increases in the number of personnel working there. Therefore, at the last session I inquired about the reports received as to the expansion of personnel of the Executive Office of President into other buildings, and we were told that this was not contemplated.

We continue to hear that the Office of the President is going to spread out of the White House, out of the Old State, Navy, and War Buildings and spread out over Washington. It has gotten so vast. Is the previous testimony correct about not spreading out or are they taking over other offices?

Mr. SHULTZ. I believe my colleagues on either side can correct me if I am off base on this, but I think during the last administration a building was built which is now called Federal Office Building No. 7. It was designed, in part, to house some of the people in the Executive Office of the President.

Senator YARBOROUGH. Where is Federal Office Building No. 7?

Mr. SHULTZ. It is across Pennsylvania Avenue from the Executive Office Building—just behind the Blair House complex.

Mr. PINCKNEY. It is the sequel to the Court of Claims on the other side of Lafayette Square.

Senator YARBOROUGH. Opposite the Court of Claims Building?

Mr. PINCKNEY. Yes.

Senator YARBOROUGH. Is that the one next to the old building on the corner that was General Grant's headquarters in 1865?

Mr. SHULTZ. I am sure the chairman is an expert on General Grant.

#### EXECUTIVE OFFICE ADDRESSES

Senator YARBOROUGH. Mr. Director, we have a table reflecting the various offices within the Executive Office of the President.

We would like for you to place in the record the addresses of these different offices within the Executive Office of the President and where they are located in Washington.

Mr. SHULTZ. Yes, sir.

Senator YARBOROUGH. We would appreciate it.

(The information follows:)

Council of Economic Advisers, Executive Office Building, Washington, D.C. 20506.

Office of Management and Budget, Executive Office Building, Washington, D.C. 20503.

National Security Council, Executive Office Building, Washington, D.C. 20506.  
Office of Emergency Preparedness, Executive Office Building Annex, Washington, D.C. 20504.

National Aeronautics and Space Council, New Executive Office Building, Washington, D.C. 20502.

Office of Science and Technology, Executive Office Building, Washington, D.C. 20506.

Special Representative for Trade Negotiations, 1800 G Street N.W., Washington, D.C. 20506.

National Council on Marine Resources and Engineering Development, New Executive Office Building, Washington, D.C. 20500.

Special Representative for Trade Negotiations, 1800 G Street N.W., Washington, D.C. 20506.

Office of Intergovernmental Relations, Executive Office Building, Washington, D.C. 20500.

Council on Environmental Quality, 722 Jackson Place N.W., Washington, D.C. 20006.

Senator YARBOROUGH. Any further questions?

Senator BOGGS. No.

Senator YARBOROUGH. Thank you, Mr. Director. We welcome you to your new position. It is a difficult and important one in the Government and we wish you well in it.

Mr. SHULTZ. Thank you, Mr. Chairman.

#### CONCLUSION OF HEARINGS

Senator YARBOROUGH. This concludes the hearings on the Post Office-Executive Department appropriation bill and we will direct the staff to get material together as fast as possible, so that we can have a subcommittee markup of that bill. The subcommittee will stand in recess subject to the call of the Chair.

(Whereupon, at 12:10 p.m., Wednesday, July 22, the hearings were concluded and the subcommittee was recessed, to reconvene at the call of the Chair.)

