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PUBLIC BUILDINGS AMENDMENTS OF 1971

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HEARING

BEFORE THE

SUBCOMMITTEE ON

PUBLIC BUILDINGS AND GROUNDS

OF THE

COMMITTEE ON PUBLIC WORKS

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 10488 and related bills

TO AMEND THE PUBLIC BUILDINGS ACT OF 1959, AS AMENDED,
TO PROVIDE FOR FINANCING THE ACQUISITION, CONSTRUCTION,
ALTERATION, MAINTENANCE, OPERATION, AND PROTECTION OF
PUBLIC BUILDINGS, AND FOR OTHER PURPOSES

SEPTEMBER 22, 1971

Printed for the use of the Committee on Public Works



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CHAPTER I

The first part of the report deals with the general situation in the country and the progress of the work of the Commission.

CHAPTER II

The second part of the report deals with the general situation in the country and the progress of the work of the Commission.

PUBLIC BUILDINGS AMENDMENTS OF 1971 (H.R. 10488)

WEDNESDAY, SEPTEMBER 22, 1971

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS,
Washington, D.C.

The subcommittee met at 10:13 a.m., in room 2253, Rayburn House Office Building, Hon. Kenneth J. Gray, chairman, presiding.

Mr. GRAY. The Subcommittee on Public Buildings and Grounds will please come to order.

The subcommittee is conducting open and public hearings this morning on H.R. 10488 and companion measures, H.R. 10617, H.R. 10674, by Mr. Gray, Mr. Grover, Mr. McClure, Mr. Thomson of Wisconsin, Mr. Schwengel, and Mr. Thone.

The bills, all identical, would amend the Public Buildings Act of 1959, as amended, to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, and for other purposes.

(H.R. 10488 follows:)

(1)

92ND CONGRESS,
1ST SESSION

H. R. 10488

IN THE HOUSE OF REPRESENTATIVES

AUGUST 6, 1971

MR. GRAY (for himself, Mr. GROVER, Mr. McCLURE, and Mr. THOMSON of Wisconsin) introduced the following bill; which was referred to the Committee on Public Works

A BILL

To amend the Public Buildings Act of 1959, as amended, to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Buildings Amend-
4 ments of 1971".

5 SEC. 2. The Public Buildings Act of 1959 (73 Stat.
6 479), as amended (40 U.S.C. 601 et seq.), is amended as
7 follows:

8 (1) delete the figure "\$200,000" in subsection (b)

1 of section 4 and insert the figure "\$500,000" in lieu
2 thereof;

3 (2) delete the figures "\$100,000" and "\$200,-
4 000" in subsection (a) of section 7, and insert in each
5 case the figure "\$500,000" in lieu thereof;

6 (3) delete "and such approval has not been
7 rescinded as provided in subsection (c) of this section"
8 in subsection (a) of section 7;

9 (4) delete the word "maximum" in clause (2) of
10 subsection (a) of section 7;

11 (5) delete in such section all of subsections (b),
12 (c), and (d), and "(a)" following "SEC. 7.";

13 (6) delete in subsection (a) of section 12 the
14 following: "as he determines necessary,"; and

15 (7) in sections 11 and 12, delete "(a)" after
16 "Section 7";

17 SEC. 3. Subsection (f) of section 210 of the Federal
18 Property and Administrative Services Act of 1949, as
19 amended (40 U.S.C. 490 (f)), is amended to read as follows:

20 "(f) (1) There is hereby established in the Treasury
21 of the United States on such date as may be determined by
22 the Administrator, a fund into which there shall be deposited
23 the following revenues and collections:

24 "(a) User charges made pursuant to subsection
25 (j) (1) of this section payable in advance or otherwise.

1 “(b) Proceeds with respect to building sites au-
2 thorized to be leased pursuant to subsection (a) of this
3 section, and proceeds with respect to building sites,
4 plans, and specifications authorized to be sold pursuant
5 to subsection (h) of this section.

6 “(c) Receipts from carriers and others for loss of,
7 or damage to, property belonging to the fund.”

8 “(2) Moneys deposited into the fund shall be available
9 for expenditure for real property management and related
10 activities in such amounts and for such purposes as specified
11 in annual appropriations Acts: *Provided*, That authorizations
12 for capital expenditures may be made without regard to
13 fiscal year limitations.

14 “(3) There are hereby merged with the fund established
15 under this subsection, unexpended balances of (A) the Build-
16 ings Management Fund (including any surplus therein),
17 established pursuant to this subsection prior to its amend-
18 ment by the Public Buildings Amendments of 1971; (B)
19 the Construction Services Fund, created by section 9 of the
20 Act of June 14, 1946 (60 Stat. 259), as amended; and
21 (C) any funds appropriated to General Services Adminis-
22 tration under the headings ‘Repair and Improvement of
23 Public Buildings’, ‘Construction, Public Buildings Projects’,
24 ‘Sites and Expenses, Public Buildings Projects’, ‘Construc-
25 tion, Federal Office Building Numbered 7, Washington, Dis-

1 triet of Columbia', and 'Additional Court Facilities', in any
2 appropriation Acts for the years prior to the fiscal year in
3 which the fund becomes operational: *Provided*, That the fund
4 shall assume all the liabilities, obligations, and commit-
5 ments of the said (1) Buildings Management Fund, (2)
6 Construction Services Fund, and (3) the appropriations spec-
7 ified in (C) hereof.

8 “(4) Advances are hereby authorized to be appropri-
9 ated to the fund to carry out its purposes: *Provided*, That
10 such advances shall, within thirty years, be repaid with in-
11 terest at a rate not less than a rate determined by the Secre-
12 tary of the Treasury taking into consideration the current
13 average market yield on outstanding marketable obligations
14 of the United States with remaining period to maturity com-
15 parable to the average maturities of such advances adjusted
16 to the nearest one-eighth of 1 per centum, and: *Provided*
17 *further*, That any appropriations made to the General Serv-
18 ices Administration for the direct Federal construction of
19 public buildings after July 31, 1971, shall, within thirty
20 years from the date of obligation, be repaid as above.

21 “(5) In any fiscal year there may be deposited to mis-
22 cellaneous receipts such amount as may be specified in the
23 annual budget estimates for the fund.

24 “(6) Nothing in this section shall preclude the General
25 Services Administration from providing special services not

1 included in the standard level user charge, such as security
2 guarding, alterations and space adjustments requested by
3 and for the convenience of any agency, design and engi-
4 neering services, and similar special services, on a reim-
5 bursable basis and such reimbursements may be credited
6 to the fund established under this subsection."

7 SEC. 4. Section 210 of the Federal Property and Admin-
8 istrative Services Act of 1949, as amended (40 U.S.C. 490),
9 is amended by adding three new subsections reading as
10 follows:

11 "(j) The Administrator is authorized—

12 "(1) to charge any eligible agency furnished serv-
13 ices, space, quarters, maintenance, repair, or other facili-
14 ties (hereinafter referred to as space and services), at
15 rates to be determined by the Administrator from time to
16 time and provided for in regulations issued by him.
17 Such rates and charges shall approximate commercial
18 charges for comparable space and services: *Provided,*
19 That with respect to those buildings for which the
20 Administrator of General Services is responsible for
21 alterations only (as the term 'alter' is defined in section
22 13 (5) of the Public Buildings Act of 1959 (73 Stat.
23 479), as amended (40 U.S.C. 612 (5)), the rates
24 charged the occupant agency or agencies for such serv-
25 ices shall be fixed by the Administrator so as to recover

only the approximate applicable cost incurred by him in providing such alterations. Agencies, or activities within agencies, may be exempted from the charges provided by this subsection, if the Director of the Office of Management and Budget determines that such charges would be infeasible or impractical. To the extent any such exemption is granted, appropriations to the General Services Administration are authorized to reimburse the fund for any loss of revenue;

“(2) to alter Federal buildings;

“(3) to maintain, operate, and protect public buildings (as defined in the Public Buildings Act of 1959, as amended) and sites, and provide services related thereto, including demolition and improvement with respect to sites authorized to be leased pursuant to subsection (a) of this section, by contract or otherwise;

“(4) to rent space in buildings in the District of Columbia notwithstanding the provisions of the Act of March 3, 1877 (40 U.S.C. 34); and

“(5) to provide such fencing, lighting, guard booths, and other facilities on private or other property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to section 3056

1 of title 18, United States Code, and the Act of June 6,
2 1968, 82 Stat. 170.

3 “(k) Any other executive agency, in addition to Gen-
4 eral Services Administration, which provides to an eligible
5 agency space and services set forth in subsection (j) (1) of
6 this section, is authorized to charge the eligible agency for
7 such space and services at rates approved by the Administra-
8 tor of General Services and the Director of the Office of Man-
9 agement and Budget. Moneys derived by other agencies from
10 such rates or fees shall be credited to the appropriation or
11 fund initially charged for providing the service, except that
12 amounts which are in excess of actual operating and mainte-
13 nance costs of providing the service shall be credited to mis-
14 cellaneous receipts unless otherwise authorized by law.”

15 “(l) As used in this section—

16 “(1) The terms ‘eligible agency’ or ‘eligible agencies’
17 shall have the same meaning as the term ‘Federal agency’ as
18 defined in section 3 (b) of the Federal Property and Admin-
19 istrative Services Act, as amended (40 U.S.C. 472) and
20 include mixed ownership corporations (as defined in the Gov-
21 ernment Corporation Control Act), the government of the
22 District of Columbia, private persons, or organizations.

23 “(2) The term ‘real property management and related
24 activities’ shall include the functions of acquisition, design,
25 construction, alteration, renting, operation, maintenance,

1 protection, moving, demolition, and other like functions which
2 General Services Administration or other agencies are au-
3 thorized by law to provide eligible agencies."

4 SEC. 5. The Public Buildings Act of 1959 (73 Stat.
5 479), as amended (40 U.S.C. 601), is amended by adding
6 a new section 4 and renumbering the existing section 4 and
7 subsequent sections appropriately. The new section 4 shall
8 read as follows:

9 (a) Whenever the Administrator of General Services
10 determines that the best interests of the United States will
11 be served by taking action hereunder, he is authorized
12 to provide space for an eligible agency (as defined in section
13 210 (1) of the Federal Property and Administrative Services
14 Act of 1949, as amended (40 U.S.C. 490)) by entering
15 into purchase contracts, the terms of which shall not be
16 less than ten or more than thirty years and which shall
17 provide in each case that title to the property shall vest in
18 the United States at or before the expiration of the contract
19 term and upon fulfillment of the terms and conditions stipu-
20 lated in each of such purchase contracts. Such terms and
21 conditions shall include provision for the application to
22 the purchase price agreed upon therein of installment pay-
23 ments made thereunder.

24 (b) Each such purchase contract shall include such pro-
25 visions as the Administrator of General Services, in his dis-

1 cretion, shall deem to be in the best interests of the United
2 States and appropriate to secure the performance of the
3 obligations imposed upon the party or parties that shall enter
4 into such agreement with the United States. No such pur-
5 chase contract shall provide for any payments to be made
6 by the United States in excess of the amount necessary, as
7 determined by the Administrator, to—

8 (1) amortize the cost of improvements to be con-
9 structed plus the fair market value, on the date of the
10 agreement, of the site, if owned or acquired by the con-
11 tractor; and

12 (2) provide a reasonable rate of interest on the out-
13 standing principal as determined under (1) above; and

14 (3) reimburse the contractor for the cost of any
15 other obligations assumed by him under the contract,
16 including (but not limited to) payment of taxes, costs of
17 carrying appropriate insurance, and costs of repair and
18 maintenance if so assumed by the contractor.

19 (c) Funds now or hereafter available for the payment
20 of rent and related charges for premises, whether appropri-
21 ated directly to the General Services Administration or to any
22 other agency of the Government and received by said Ad-
23 ministration for such purpose, may be utilized by the Admin-
24 istrator of General Services to make payments becoming due
25 from time to time from the United States as current charges

1 in connection with agreements entered into under authority
2 of this section.

3 (d) With respect to any interest in real property
4 acquired under the provisions of this section, the same shall
5 be subject to State and local taxes until title to the same shall
6 pass to the Government of the United States.

7 (e) For the purpose of purchase contracts provided for
8 in this section for the erection by the contractor of build-
9 ings and improvements for the use of the United States,
10 the Administrator is authorized to enter into agreements
11 with any person, copartnership, corporation, or other public
12 or private entity, to effectuate any of the purposes of this
13 section; and is further authorized to bring about the devel-
14 opment and improvement of any land owned by the United
15 States and under the control of the General Services Adminin-
16 istration including the demolition of obsolete and outmoded
17 structures situated thereon, by providing for the construction
18 thereon by others of such structures and facilities as shall
19 be the subject of the applicable purchase contracts, and by
20 making available such plans and specifications for the con-
21 struction of a public building thereon as the Government
22 may possess: *Provided*, That projects heretofore approved
23 pursuant to the provisions of the Public Buildings Act of
24 1959, as amended (40 U.S.C. 601 et seq.), and in which
25 no substantial change in scope has been made, may be

1 constructed under authority of this section without further
2 approval, and the prospectuses submitted to obtain such
3 approval shall for all purposes, be considered as prospectuses
4 for the purchase of space.

5 (f) Except for previously approved prospectuses re-
6 ferred to in (e) above, no purchase contract shall be entered
7 into pursuant to the authority of this section until a prospec-
8 tus therefor has been submitted and approved in accordance
9 with section 8 of this Act.

10 (g) No purchase contract shall be entered into under
11 the authority granted under this section after a period of
12 three full fiscal years from the date of enactment.

13 SEC. 6. Section 210 of the Federal Property and Ad-
14 ministrative Services Act of 1949, as amended (40 U.S.C.
15 490), is further amended by (1) deleting the word "twenty"
16 in subsection 210(h) (1) and inserting the word "thirty"
17 in lieu thereof; and (2) renumbering section 210(h) (2)
18 as section 210(h) (3), and adding a new paragraph (2)
19 immediately after section 210(h) (1), as follows:

20 "(2) For the purpose of lease agreements providing for
21 the erection by the lessor of buildings and improvements for
22 the use of the United States, the Administrator may make the
23 property of the United States to be used as a site for a public
24 building (as defined in section 14(1) of the Public Build-

ings Act of 1959, as amended) available by sale to the lessor in such manner and upon such terms as the Administrator deems appropriate to the best interest of the United States, together with such plans and specifications for the construction of a public building thereon as the Government may possess: *Provided*, That projects heretofore approved pursuant to the provisions of the Public Buildings Act of 1959, as amended (40 U.S.C. 601 *et seq.*), and in which no substantial change in scope has been made, may be constructed under the authority of this section 210 (h) without further approval, and the prospectuses submitted to obtain such approval shall, for all purposes, be considered as prospectuses for the lease construction of space: *Provided further*, That in order to utilize the authority granted under this paragraph (2) with respect to such previously approved projects, the Administrator must find that a purchase contract as provided for in section 4 of the Public Buildings Act of 1959, as amended herein, is not a feasible means of providing the required space. Sections 202 and 203 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 483 and 484), shall not be applicable to property made available under this subsection. The authority granted under this paragraph (2) shall be in effect

1 for a period of three full fiscal years from enactment and not
2 thereafter.

3 SEC. 7. The maximum costs for projects heretofore ap-
4 proved by resolutions of the Public Works Committees of
5 the Senate and the House of Representatives, construction
6 of which has not yet started, are hereby waived, and the
7 amounts so approved shall be considered as estimates at the
8 time of approval only.

9 SEC. 8. To carry out the provisions of the Public Build-
10 ings Amendments of 1971, the Administrator of General
11 Services shall issue such regulations as he deems necessary:
12 *Provided*, That such regulations shall be coordinated with
13 the Office of Management and Budget, and the rates estab-
14 lished by the Administrator of General Services pursuant to
15 section 210 (j) (1) of the Federal Property and Administra-
16 tive Services Act of 1949, as amended, shall be approved by
17 the Director of the Office of Management and Budget.

18 SEC. 9. Funds available to any eligible agency may be
19 used to pay user charges established under sections 210 (j)
20 and (k) of the Federal Property and Administrative Serv-
21 ices Act of 1949, as amended.

22 SEC. 10. This Act shall become effective upon enactment.
23 The effective date of applying the rates to be charged pur-

1 suant to the regulations to be issued under subsections (j) (1)
2 and (k) of section 210 of the Federal Property and Ad-
3 ministrative Services Act of 1949, as amended, shall be as
4 determined by the Administrator of General Services but in
5 any event shall not be later than the beginning of the third
6 full fiscal year subsequent to the enactment thereof.

Mr. GRAY. We are very delighted this morning to be able to welcome a list of very distinguished witnesses, the first of which is our good friend and outstanding Administrator of the General Services Administration, Hon. Robert L. Kunzig, accompanied by the outstanding Commissioner of the Public Buildings Service, Hon. Arthur F. Sampson, and Lyn Johnson, consultant to the Administrator, former assistant to the Administrator for Administration—whatever that is. [Laughter.]

I do not know how he got in here with that big title.

We are delighted to see all of you gentlemen, administrators. It is always a pleasure to welcome you before the committee.

You may proceed in your own fashion.

STATEMENT OF HON. ROBERT L. KUNZIG, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY HON. ARTHUR F. SAMPSON, COMMISSIONER, PUBLIC BUILDINGS SERVICE, AND LYN JOHNSON, CONSULTANT TO THE ADMINISTRATOR, FORMER ASSISTANT TO THE ADMINISTRATOR FOR ADMINISTRATION

Mr. KUNZIG. Thank you, Mr. Chairman and members of the subcommittee.

Every so often in the life of a Federal agency, an event occurs or a proposal arises that catches the attention, the support, and even the excitement of the entire organization. Suddenly, there is a common recognition among the officers and employees of the agency that there is hope for a radical improvement in the way they are permitted to serve the Government of the United States and its people. That is the situation prevailing in GSA right now, and in our Public Buildings Service.

All of us know first hand the frustration and delay inherent in the present system of financing our public buildings operations. All of us labor every day under the burden of a backlog in congressionally approved Federal construction that now approaches the staggering figure of \$1 billion. All of us know that the Public Buildings Amendment of 1971, H.R. 10488, will resolve these problems, to the great benefit of both the Federal agencies who use our Government buildings and the people who rely on their services.

That is why we are especially grateful to you, Mr. Chairman, and to Mr. Grover, Mr. Schwengel, Mr. Thone, Mr. Thomson of Wisconsin, and Mr. McClure for introducing H.R. 10488 and companion bills and for affording them the earliest possible consideration. We pledge to work with you and with the subcommittee staff to achieve the maximum public benefit that these essential reforms will permit.

Just 3 months ago today, it was my pleasure to appear before your committee's Investigations and Oversight Subcommittee, and to discuss in detail the broad administrative reforms I have inaugurated in the Public Buildings Service since becoming Administrator of General Services in March of 1969. At that time, I also gave the subcommittee the first public preview of legislation, then under consideration within the administration, that would be an essential complement to our delay-and-cost-cutting management innovations.

Within weeks after my appearance before the subcommittee, that legislation took shape as the Public Buildings Amendments of 1971, and became a part of the President's legislative program for this Congress.

In addition to the generous support that this legislation has received from the chairman and members of your subcommittee, it has also enjoyed a warm reception from members on both sides of the aisle who want to see the Government's building program strengthened and improved.

Briefly stated, the Public Buildings Amendments of 1971, H.R. 10488, will establish a public buildings fund into which will be deposited user charges or "rents" collected from all Federal departments and agencies using space in GSA-operated buildings, and from which will be drawn the funds to finance the construction and operation of Government buildings.

Just as important, the bill will also permit a 3-year crash program for the construction of more than 60 public buildings already authorized by the Congress, but unfunded in whole or in part. To permit the execution of this crash program without jeopardizing present economic and budgetary planning, the bill would authorize the purchase of Federal buildings over a period of years through a purchase-contract arrangement. Purchase contracting closely tracks the now dormant lease-purchase authority your committee extended to GSA during the years just following the Korean war. At that time there was a similar backlog, and similar fiscal restraints were in order.

Finally, H.R. 10488 will preserve basic congressional controls over the building authorization and spending process, while permitting necessary administrative flexibility. I want to emphasize from the start that the Public Buildings Amendments of 1971 contemplate no change—and I emphasize, no change—in the present requirement that the House and Senate Public Works Committees approve buildings prospectuses. In addition, GSA would be required, as at present, to submit annual budget requests to the House and Senate Appropriations Committees. Thus, Congress would continue to approve construction on a building-by-building basis, and to impose spending limitations. With your permission, I should like to address the two great public building problems of the moment in some detail:

First, reform of buildings financing. Reform of the way we finance public buildings is certainly the most significant problem facing the Public Buildings Service today. I want to emphasize that nothing I shall say is intended to reflect unfavorably on any committee of the Congress involved in the authorization or funding of public buildings projects. Within the present framework, we enjoy the splendid cooperation and assistance of the Public Works, Government Operations, and Appropriations Committees of both houses.

Yet, at present, we are required to seek many separate appropriations and maintain many separate accounts for separate aspects of the construction of a single public building. For instance, we may have to start by seeking funds for a feasibility study of the project. Then, once we have gained approval of the building prospectus, maybe 2 years later, we have to come back to the Congress with a request for an appropriation to buy the site and pay the architect's fees. Often we must request funds to begin work only on the substructure, the founda-

tion. In some cases we have had to do that in two separate phases. Then we come back to the Congress again for superstructure money. All the while, we are encountering new delays and building costs keep rising. So we often have to return for more money to supplement what has already been appropriated.

In all, we may have to return as many as seven times for the dollars for a single building. I repeat, in all we may have to return as many as seven times for the dollars for a single building.

Each request means more delay for it takes time to consider our requests, of course, to assess priorities, to move an appropriations bill through the Congress. Nevertheless, each time we request more money, our request itself, and its consideration, contribute mightily to delays in construction—even though we seek funds only for buildings that have already received careful congressional study and approval in the Public Works Committees. And in the construction of buildings where each month of delay adds 1 percent or more to the cost, wasted time is indeed wasted money.

The ideal solution is a single congressional approval for all the costs of acquiring a site, designing, and constructing a building. Such a consolidated "appropriation" would expedite construction, permit earlier termination of leases with resultant savings in rental costs, and eliminate requests for supplemental appropriations. In short, one-shot funding would permit us to do our job faster and more economically.

Just as important, one-shot funding would also permit us to exploit good market opportunities—to defer or speed up contracting as market prices indicate. We would, for the first time, be able to exercise the same market-oriented judgment in letting contracts that private developers do. Right now, it takes us as long as 7 years to construct a building private industry can construct in 2 or 2½ years. If we are ever to reduce public building construction time to a level that approaches private sector construction time, total project funding must be available early in the life cycle of our project.

The logical mechanism for one-shot funding is a buildings fund to finance the acquisition, construction, alteration, maintenance, operation, and protection of all public buildings. H.R. 10488 would require Government departments and agencies to pay user charges or "rent" for the space they occupy in GSA operated buildings, rather than get it free of charge as at present. Rents would be deposited into the buildings fund, and subject to appropriate executive branch and congressional controls, GSA would be able to use the assets of the fund to finance the congressionally authorized public buildings program. The operational flexibility inherent in the fund would save months, and even years, in many construction projects.

But, it would do more. It would give the Congress and the public their first true picture of what it really costs to maintain any given Government program. It would also promote more efficient, more economical use of space by Government agencies.

At present, GSA assigns more than 200 million square feet of office, warehouse, and other Government space and provides related real property service to more than 820,000 Federal employees. Funds necessary to pay for this space and these services are appropriated almost exclusively to GSA. In fiscal year 1971, our Public Buildings Service

obligated almost \$660 million. All of this \$660 million was budgeted to GSA, even though it was spent to support hundreds of Federal programs in virtually every Government department and agency.

Budgeting the cost of furnishing all of this space to GSA is both illogical and inconsistent with the program budgeting concept that prevails elsewhere throughout the Government. To see just how illogical and how inconsistent with Government-wide policy the present system really is, all you need to do is imagine budgeting the entire Federal payroll to the Civil Service Commission.

We believe that H.R. 10488 will also result in substantial economies and efficiencies in the use of space in Government buildings. Agencies and departments that do not pay for space have no incentive to conserve space. As a matter of fact, when space is provided free, agencies and departments are much more likely to request more space than they really need. And when their space requirements in a given location diminish, they are less likely to give up the excess space than they would be if they were charged for it.

Making agencies accountable for the space they use will, we believe, cause them to use less.

GSA controls over 220 million square feet of space. The average commercial equivalent for such space is \$4.20 per square foot. Therefore, a mere 1 percent reduction in overall space needs of Government agencies would result in a space cutback of 2.2 million square feet—and an annual savings of \$9.2 million.

I would not be surprised if the imposition of user charges upon Federal departments and agencies resulted in even more substantial space reductions and savings.

Now, second subhead here is purchase-contracting for Government buildings.

Mr. Chairman, I have already mentioned the staggering backlog in congressionally approved but unfunded Federal building projects. Throughout the Nation, the needs of our health, law-enforcement, environmental, and other Federal agencies for efficient, modern facilities, are going unmet. Agencies continue to operate in inefficient and in some cases obsolete buildings. To the extent that they do, the taxpayer is penalized many millions of dollars in wasted employee time. He is also short changed in the delivery to him of the Government services he wants, needs, and pays dearly for. In addition, each passing day erodes the value of \$13.6 million he has invested in the purchase of sites and \$12.4 million he has invested in designs for 50 buildings already approved by your committee.

I would like to repeat that last sentence because that is the crux of this whole part of everything we are talking about: In addition, each passing day erodes the value of \$13.6 million he has invested in the purchase of sites and \$12.4 million he has invested in designs for 50 buildings already approved by your committee.

The history of GSA's construction appropriations since fiscal year 1959 shows that we have been able to average only \$115 million per year for new construction. At that rate, if we were to work exclusively on overcoming the present backlog—giving no attention to new requirements as they arose—it would take us 10 years to construct the buildings you have already authorized.

Mr. Chairman, we need those buildings now. On the other hand, we are in a period when fiscal restraint is the order of the day, and hope

for a \$1 billion appropriation in this or the next few fiscal years would, indeed, be wishful thinking.

The purchase-contract provisions of H.R. 10488 are an attempt to reconcile the urgent need for new Federal facilities with today's economic conditions. We are asking for purchase contracting of Federal buildings as a stop-gap expedient. I repeat, as only a stop-gap expedient.

We are so convinced that purchase contracting will help eliminate the backlog in a very short time that we are asking for this authority for only 3 years. Our short-term request is, in fact, a pledge that we can and will beat the backlog as we move to full implementation of the public buildings fund.

The purchase-contract authority we proposed would permit GSA to make regular payments over a period of from 10 to 30 years to entrepreneurs who would finance and construct buildings that meet our specifications. At the end of the contract term, title to the building would vest in the United States. During the contract term, a purchase-contract building would remain on the local tax rolls, helping to ease the burdens of the Federal presence upon the local community.

Again, an important point, a purchase-contract building would remain on the local tax rolls.

There can be no doubt that purchase contracting for Federal construction projects will increase the total dollars GSA pays out for any specific building. Nevertheless, an analysis of purchase contracting that takes into account the present value of dollars expended, national spending priorities, and the urgency of the need for these facilities convinces me that any additional costs to the Government, spread over a 10- to 30-year period, would be reasonable and warranted.

In weighing the total cost of homeownership under a mortgage, the prospective homebuyer considers many factors, including the amount of capital available to him, alternative uses for his capital—including the education of his children, the purchase of health care, transportation and other services, for his family—and the urgency of his housing needs. In the same way I believe that it is appropriate for the Federal Government to consider its overall needs in finding a way to get our public building projects underway now.

H.R. 10488 would, in certain limited situations, also permit the lease construction of Federal buildings already authorized but not yet funded. We are proposing lease construction only as a last resort. H.R. 10488 contains an implicit preference for the direct Federal construction of Federal buildings. In order to permit us to eliminate the existing backlog, it also contains an explicit, secondary preference for purchase contracting. Lease construction is a remote alternative, available only when direct Federal construction and purchase contracting are not feasible.

For almost all of our backlog buildings, the Government already owns the site and possesses a complete set of design and construction plans. Under specified circumstances, the bill would permit the sale of these sites and plans to entrepreneurs who would construct the buildings to our specifications on the sites we have selected, then lease the buildings back to the Government for a term up to 30 years.

Mr. Chairman, I have reached the conclusion of my prepared remarks. Commissioner Sampson, Mr. Johnson and I and others with

us here today will be pleased to answer any questions the subcommittee may have.

There is one final point I wish to stress. Conventional executive and congressional controls are preserved or provided for in this bill—the Public Works Committees of the Senate and House will continue to receive and consider prospectuses, and the Appropriations Committee will control the use of funds generated by the user charges. At no expense in congressional controls, your subcommittee and the Congress can provide a vastly improved system of public buildings financing.

I urge you to report the Public Buildings Amendments of 1971 for further favorable action by the Committee on Public Works and the House of Representatives.

Mr. GRAY. Thank you, Administrator. That was a very intelligent, very concise and sensible statement dealing with a very complex and difficult problem.

Putting it very simply, the Public Buildings Act of 1959, which is the vehicle that we have been using to authorize buildings since 1959, would really only be amended for a 3-year period; is this correct? Then we would revert back to the basic act of 1959?

Mr. SAMPSON. That is correct.

Mr. GRAY. This is to meet what you consider an emergency and an alternative to fund these buildings where direct appropriations are not now available?

Mr. SAMPSON. Yes, sir.

Mr. KUNZIG. The Government has an enormous investment, Mr. Chairman, in the sites and in the drawings and there they sit, getting older day by day, particularly the drawings. And it would be a crime to waste all of that money already invested. So if we do go to leasing buildings for this immediate intervening 3-year period, we should make use of those sites and make use of those drawings.

Mr. GRAY. This is true.

Mr. SAMPSON. There is another significant factor, Mr. Chairman, and that is in the buildings we are talking about, you have some 30,000 to 33,000 employees now in some 500 different locations. If you could consolidate all of these employees in a modern office space, you are certainly going to have significant improvement in the efficiency—you will save some money in leasing.

Mr. GRAY. Your point is well taken.

Are the purchase-contract provisions the same as under the old Public Buildings Act of 1954?

Mr. SAMPSON. Yes; they are very similar.

Mr. GRAY. How many purchase contracts were made? Do you have any figures on that?

How many purchase contracts were made under the old act before Congress amended the Public Buildings Act of 1959?

Mr. JOHNSON. Mr. Chairman, we have a table here that shows all of the transactions under that provision that we would like to supply for the record. It shows you those that we entered into.

Mr. GRAY. Did you study the history?

Mr. JOHNSON. Yes, sir. Those that had been paid off and those that have not been paid off.

(The data follow:)

PURCHASE CONTRACTS—PROJECT DATA (1954 Act)

Project	Date contract let	Direct Federal construction			Purchase contract data		
		Construction cost	Sites and expenses	Total	Principal	Sites and expenses	Amount of interest
Illinois: Rock Island, PO CT	May 1956	\$1,711,808	\$124,171	\$1,835,979	\$189,214	\$124,171	\$126,872
Georgia: Brunswick, PO CT	March 1958	1,005,588	104,947	1,110,535	446,835	104,947	184,487
Illinois: Benton, PO CT	June 1958	849,279	58,389	907,668	377,336	58,389	88,157
Iowa: Burlington, PO CT	March 1958	1,245,846	180,284	1,426,130	570,413	180,284	168,597
Iowa: Council Bluffs, PO CT	February 1958	1,432,822	115,471	1,548,293	628,393	115,471	286,564
Kansas: Sedan, PO FOB	May 1958	198,340	28,020	226,360	94,887	28,020	31,853
Louisiana: Jonesboro, PO CT	do	301,882	41,501	343,383	12,893	41,501	4,433
Louisiana: Lake Charles, PO CT	do	1,474,304	351,224	1,825,528	20,996	351,224	4,4484
Minnesota: Redwood Falls, PO CT	do	411,013	38,476	449,489	414,355	38,476	4,447
Mississippi: Biloxi, PO CT	March 1958	926,863	86,878	1,013,741	452,718	86,878	164,877
Mississippi: Greenville, PO FOB	May 1958	1,017,301	101,065	1,118,366	322,905	101,065	180,759
Mississippi: Laurel, PO FOB	do	709,908	70,343	780,251	37,329	70,343	110,345
Missouri: Marshfield, PO	do	296,064	37,329	333,393	21,868	37,329	4,927
New Hampshire: Durham, PO FOB	April 1958	375,220	47,606	422,826	158,048	47,606	64,388
South Carolina: Manning, PO FOB	May 1958	249,687	33,904	283,591	111,301	33,904	43,544
South Dakota: Sisseton, PO FOB	do	437,205	50,517	487,722	21,706	50,517	5,149
Tennessee: Kingsport, PO FOB	March 1958	741,983	74,252	816,235	327,669	74,252	139,883
Texas: Gainesville, PO FOB	do	523,219	70,038	593,257	229,519	70,038	93,829
Texas: McKinney, PO FOB	April 1958	319,032	42,546	361,578	25,975	42,546	13,935
Texas: Terrell, PO FOB	May 1958	2,482,807	523,132	3,005,939	256,402	523,132	427,838
Vermont: Burlington, PO CT	do	627,536	55,917	683,453	15,931	55,917	7,203
West Virginia: Mount Hope, Bureau of Mines	do	1,422,833	125,422	1,548,255	631,025	125,422	266,179
Wisconsin: Green Bay, PO FOB	March 1958	7,204,695	1,066,720	8,271,415	3,248,634	1,066,720	1,016,083
California: Sacramento, CT FOB	June 1959						
Nonprepaid projects:							
Georgia: Atlanta, Communicable Disease Center	March 1958	10,150,939	327,849	10,478,788	10,150,939	327,849	7,046,369
Kansas: Kansas City, PO CT	February 1958	1,983,892	140,087	2,123,979	1,983,892	140,087	1,477,998
Nebraska: Omaha, PO CT	March 1958	7,597,691	528,892	8,126,583	7,597,691	528,892	5,148,416
New Mexico: Albuquerque, FOB	February 1958	4,441,692	526,745	4,968,437	4,441,692	526,745	3,010,210
West Virginia: Huntington, FOB	March 1958	2,819,850	206,096	3,025,946	2,819,850	206,096	1,931,993

PURCHASE CONTRACTS—PROJECT DATA (1954 ACT)

Project	Date contract let	Purchase contract data				Total
		Amount of taxes	Prepayment	Penalty	Date	
Illinois: Rock Island, PO CT	May 1956		\$1,522,594	\$30,452	March, 1960	\$1,993,303
Georgia: Brunswick, PO CT	Mar. 1958	\$83,459	558,753	11,175	Sept. 1964	1,389,656
Illinois: Benion, PO CT	June 1958	186,431	471,943	9,440	Aug. 1964	1,091,696
Iowa: Burlington, PO FOB	Mar. 1958	153,091	675,433	13,509	Nov. 1964	1,761,327
Iowa: Council Bluffs, PO CT	Feb. 1958	209,337	804,439	16,089	do	2,060,283
Kansas: Sedan, PO FOB	May 1958	11,355	103,453	2,170	Aug. 1964	271,738
Louisiana: Jonesboro, PO CT	do		285,467		March 1960	339,467
Louisiana: Lake Charles, PO CT	do		1,413,967		do	187,552
Minnesota: Red Wood Falls, PO CT	do		372,301		do	455,738
Mississippi: Bloxt, PO CT	March 1958	96,543	512,508	10,250	August 1964	1,285,411
Mississippi: Greenville, PO FOB	May 1958	70,203	564,583	11,232	December 1964	1,380,620
Mississippi: Laurel, PO FOB	do	67,345	387,003	7,740	September 1964	965,591
Missouri: Marshfield, PO	do	5,416	274,196		July 1960	343,756
New Hampshire: Durham, PO FOB	April 1958	27,253	217,172		March 1964	514,497
South Carolina: Manning, PO FOB	May 1958	12,743	138,386	2,768	August 1964	342,646
South Dakota: Sisseton, PO FOB	do	1,003	415,499		April 1960	953,874
Tennessee: Kingsport, PO FOB	March 1958	65,941	414,314	8,286	August 1964	1,030,345
Texas: Gainesville, PO FOB	do	29,166	286,387	5,728	do	714,697
Texas: McKinney, PO FOB	April 1958		283,057		July 1960	373,313
Texas: Terrell, PO FOB	May 1958		306,175		do	379,811
Vermont: Burlington, PO CT	do	309,870	2,240,038		March 1964	3,759,280
West Virginia: Mount Hope, Bureau of Mines	do		607,867		January 1960	1,679,715
Wisconsin: Green Bay, PO FOB	March 1958	167,844	791,808	15,837	November 1964	1,956,115
California: Sacramento, CT FOB	June 1959	88,961	3,956,061	79,121	September 1966	10,247,580
Nonprepaid projects:						
Georgia: Atlanta, Community Disease Center	March 1958	3,110,583				120,635,740
Kansas: Kansas City, PO CT	February 1958	1,632,121				15,234,098
Nebraska: Omaha, PO CT	March 1958	5,235,901				118,510,900
New Mexico: Albuquerque, FOB	February 1958	1,964,680				19,943,327
West Virginia: Huntington, FOB	March 1958	1,024,142				15,962,081

¹ Includes 11 years actual payments and 14 years estimated payments.

Mr. JOHNSON. Now, we still have a relatively few of those purchase contracts that have not been paid off.

Mr. GRAY. Are you still making payments on them?

Mr. SAMPSON. Five of them.

Mr. JOHNSON. Yes, sir. But the average interest rate on those right now is 4.2 percent, which is far below the going cost of money and it would not be advantageous for the Government to pay them off right now.

Mr. SAMPSON. There were 29 buildings.

Mr. GRAY. Twenty-nine. How long did the previous authority last?

Mr. SAMPSON. I believe it was 3 years at that time.

Mr. GRAY. And you built 29 projects during that period?

Mr. SAMPSON. Yes, sir; on that basis.

Mr. GRAY. Of course, the need for Federal space has catapulted since those days. Much of it is due to the Congress establishing new agencies and giving them broader authority and this sort of thing.

Mr. KUNZIG. Increasing size of Government as against, again, increasing size of our population, Congressmen receive more letters; there are more constituents and the whole situation expands.

Mr. GRAY. What is the maximum time period that would be authorized under the purchase contract?

Mr. SAMPSON. We are proposing 30 years.

Mr. GRAY. Thirty years. You feel you would get a better rate of interest by stretching it out? Now, it is only 20; isn't it?

Mr. SAMPSON. It is only 20 now and we have found in the marketplace in certain areas and certain time periods that they would prefer 30 years. What we would do with this authority is to take bids on different time periods to find out what the differential was.

Mr. GRAY. That would be maximum, but if someone wanted to go on the market for 15 or 20 years, you would have that authority? You wouldn't be wedded to 30 years?

Mr. SAMPSON. No, sir; it goes from 10 to 30.

Mr. JOHNSON. Also, Mr. Chairman, 30 years is identical provision to the one the Post Office has been using for sometime.

Mr. GRAY. I am glad you brought up those words "post office." [Laughter.]

Do you have any figures as to how much space is being taken away from you because of the postal service? Where they have more than 55 percent postal facility in a Federal building, you have lost your jurisdiction.

Mr. SAMPSON. I think we have given up something like 50 million square feet of space; yes, 50 million.

Mr. GRAY. So that has further compounded the space requirements problem; has it not? For example, the postal service now, if they feel that a building is obsolete, they can actually sell it and kick you and the other tenants out?

Mr. SAMPSON. Yes; we have lost control. We do not have the control we used to have. We have to depend upon them. We are at their mercy in a sense.

Mr. GRAY. That is what I mean. But if in a given locality—and I certainly predict this is going to happen—they feel they want to move to a sectional center location or move out of town versus in town, and they decide they want to sell that facility and use the money to go out

some place else, they can certainly preempt everybody else and say, "Find you new space, and out you go."

Mr. SAMPSON. They have the power to do that.

Mr. GRAY. They are doing that right now. I think that was the gravest mistake Congress ever made in losing control.

What interest rate do you think you would have to pay? If you went out on the market now with these buildings, do you have any idea what the going rate of interest would be, a ball park estimate?

Mr. JOHNSON. Yes, Mr. Chairman, I think about the only way we can do is assume the entrepreneurs who build the building were prime rate men, men who could go to their bankers and get prime rate of interest. Discounting any special rate they might get because of the security of a government contract. Prime rate of interest right now would run in the neighborhood of 7 percent.

Mr. GRAY. 7 percent.

Mr. JOHNSON. Yes. Now, you may be able to shave it. And I am using a nationwide average as you realize with this many buildings in these many localities. The entrepreneur who is going to build the building, one will get x interest rate, one will get y interest rate.

Mr. GRAY. It would be your plan to sign a turnkey contract. He would have to go for interim construction financing and long-term financing? This would not be a general problem of the General Services Administration?

Mr. JOHNSON. No, sir; that is his responsibility.

Mr. GRAY. If he made you a contract and said, "We are going to build your building and the annual purchase-contract payments are going to be such-and-such," if he had bad luck on the market, this would be his tough luck?

Mr. JOHNSON. Absolutely.

Mr. GRAY. If prime rate goes up one-half of 1 percent he would have to absorb it if he were in a turnkey contract to finish that contract?

Mr. JOHNSON. Absolutely. In the history of what we had before, and I have the interest rates on all of this, they ran roughly from 4 percent and they all varied, you know, some ran 4.44, another ran 4.769, and another 4.84. But if you look at that interest rate in comparison with the prime rate existence at that time, it was very close to the prime rate of interest that that particular developer could get.

Now, on the five remaining that we have—and they are Atlanta, Ga.; Kansas City, and Omaha, Nebr.; Albuquerque, and Huntington, W. Va., they were 4.97; 4.97, 4.67, 4.74, and 4.778 was the interest rate.

This would give us leverage, you know, to push that contractor toward—or entrepreneur toward passing on, you know, as close to the interest rate that he is paying as humanly possible.

Mr. GRAY. You have never had the money to buy up those contracts?

Mr. JOHNSON. Yes; we have bought up quite a few. Out of the 29, we bought up 24. We bought them up with a penalty provision in them, which we had, of some \$223,000. But in each case, it was advantageous at that time to buy them up.

Now, the five remaining do not become eligible for purchase or prepayment until sometime next year. But, as you can readily see, if we are only paying 4.77 percent interest, there is no sense in the Treasury going out and borrowing to repay this at a greater interest rate than we are paying right now.

Mr. GRAY. That is true.

Mr. JOHNSON. So we have told Mr. Steed, Congressman Steed on the Appropriations Committee, that unless the interest rate radically changed, we would not buy them up. Because it is not advantageous. In the previous cases it was advantageous and we did buy them up.

Now, we would have, in our contracts, the same right to prepay; whether we ever exercise it or not would be a function of the monetary market.

Mr. GRAY. How many buildings could be constructed under the purchase contract method if this bill were to become law? How many do you have authorized and available for construction?

Mr. SAMPSON. There are 63 presently available, authorized.

Mr. GRAY. Sixty-three, aggregating about a billion dollars did you say?

Mr. SAMPSON. Close to a billion dollars were approved, those that have been approved.

Mr. GRAY. I am talking about now.

Mr. SAMPSON. Sixty-three.

Mr. GRAY. Could you supply for the record a list of those projects and where they are located?

Mr. SAMPSON. We certainly will.

(The following was received:)

GENERAL SERVICES ADMINISTRATION—PUBLIC BUILDINGS SERVICE

APPROVED PROJECTS

Potential purchase contracts

Arizona : Tucson, FOB	Massachusetts :
Arkansas : Batesville, PO, CT, FOB	Fitchburg, PO, FOB
California :	New Bedford, PO, FOB
Los Angeles, PF	Michigan :
San Diego, CT, FOB, PF	Ann Arbor, FOB
Santa Ana, FOB	Detroit, P.V. McNamara, FOB
Santa Rosa, FOB	Saginaw, FOB
Van Nuys, FOB	Mississippi : Hattiesburg, CT, FOB
Connecticut : New Haven, PO, FOB	Nebraska : Lincoln, CT, FOB, PF
Delaware : Dover, FOB	New Hampshire : Manchester, PO, FOB
Florida : Orlando, CT, FOB	New Mexico : Las Cruces, CT, FOB
Georgia :	New York :
Athens, PO, FOB	Albany, FOB
Atlanta, CT, FOB	Auburn, PO, CT, FOB
Griffin, PO, FOB	Hempstead, FOB
Rome, PO, CT	New York, CU, CT, FOB, Annex
Waycross, PO, CT, FOB	Syracuse, CT, FOB
Hawaii : Honolulu, CT, FOB	North Carolina : Winston-Salem, CT,
Idaho :	FOB
Moscow, PO, CT	Ohio :
Sandpoint, FOB	Akron, CT, FOB
Illinois :	Dayton, CT, FOB
Chicago, GSA, Federal Records	Oregon :
Center	Eugene, CT, FOB
Mt. Vernon, FOB	Portland, FOB
Indiana : Indianapolis, FOB	Pennsylvania : Williamsport, PO, CT,
Iowa : Iowa City, PO, FOB	FOB
Louisiana : New Orleans, CT, FOB	Puerto Rico : San Juan, CT, FOB
Maine : Waterville, PO, FOB	Rhode Island : Woonsocket, PO, FOB
Maryland : Baltimore, CT, FOB	South Carolina : Florence, PO, CT,
	FOB

GENERAL SERVICES ADMINISTRATION—PUBLIC BUILDINGS SERVICE—Continued

South Dakota :

Aberdeen, FOB

Huron, PO, FOB

Rapid City, CT, FOB

Tennessee: Nashville, CT, FOB

Texas :

Denton, PO, FOB

Fort Worth, FOB, PF

Houston, Federal Motor Vehicle Facility

Pearsall, PO, FOB

San Angelo, PO, CT, FOB

Vermont: Essex Junction, PO, FOB

Virgin Islands: Charlotte Amalie, PO, CT, FOB

Virginia: Roanoke, FOB

Washington: Wenatchee, PO, FOB

Wisconsin :

Madison, FOB

La Crosse, PO, CT

Mr. KUNZIG. They are all over, Mr. Chairman, and also many of them are where Congressmen and Senators have thought that they have gotten buildings for their home districts as many as 3 or 4 years ago or more, only to find that they have not got a piece of dirt turned over yet.

Mr. GRAY. Like telling your wife you can have a fur coat, but you don't give her the money to pay for it.

Mr. KUNZIG. Some semblance of it.

Mr. GRAY. I want to state that there are a number of members, particularly on my side of the aisle, that feel direct Federal funding is the best approach to this problem.

I am glad to see you testify to that fact, and you do feel the direct approach is best but because of our fiscal policy and all, it is not possible to get a billion dollars in an appropriation in any 1 year, or even the next 6 or 8 years.

If this becomes law, you have 63 projects and I imagine others in the pipeline, agencies requesting space; would you have any idea how long it would take to get money, rental money into a revolving fund so that these 63 projects could be paid for?

Mr. SAMPSON. It would not be necessary for us to wait for implementation of the revolving fund.

Mr. GRAY. You have to have sufficient funds to pay your annual contract payments.

Mr. SAMPSON. You would have to have money in some future budget for GSA until the new fund starts, of course.

Mr. GRAY. In other words, you would still plan on asking Congress for direct appropriations to meet the difference between what you are getting from agencies in rent and what the payments schedule would be to these private developers?

Mr. SAMPSON. Right. The way this would work, Mr. Chairman, is we have about 45 projects we could award in fiscal 1972.

Mr. GRAY. Forty-five of the sixty-three?

Mr. SAMPSON. About 45, right. These could be constructed over the next 12 to 18 months.

Mr. GRAY. Your rental would not start until the completion?

Mr. SAMPSON. Right, until much later.

Mr. GRAY. I just wondered if you had projected downstream as to how much money you would get from the agencies in rental and whether that would be sufficient to meet the annual lease or annual purchase contract?

Mr. JOHNSON. The answer to that question, Mr. Congressman, is it would, and we have projected that.

We have a delay factor in the bill, and justifiably so, on the initiation of the fund, to give agencies a chance to work these rents into their budgets to give us a chance to get the mechanics completely developed.

At the time the fund came into existence, there would be sufficient revenue from the rental or user charges to carry the cost of those buildings that we have built under the purchase-contract authority as well as—

Mr. GRAY. I would not want to say to my colleagues on the subcommittee and full committee, and certainly on the floor, "Look, I can assure you that if this bill passes, these 63 projects will be constructed." I may not be here 4 or 5 years from now, but I would not want someone to dig out the record and say, "Look, you said if we passed the bill, this would be built."

"Now I find the Congress is not giving us enough to make the annual purchase contract payments; therefore, it has not been built."

Mr. JOHNSON. If this legislation is enacted, by the time we have people in those buildings, the fund would be in existence and the agencies utilizing would be paying for them.

Mr. GRAY. How loud are these agencies going to squeal when you assess rental charges? Have you made any determination?

Mr. JOHNSON. Yes, sir. In the clearance of the bill, as you know, in executive branch, all agencies are asked to comment on the bill.

We have a digest of those agencies' comments that was prepared by OMB.

Mr. GRAY. I do not suppose they are jumping up and down with joy?

Mr. JOHNSON. No, but they are either fighting the concept.

Mr. SAMPSON. The reason for that is—and I have talked to some representatives of many agencies—they see us meeting their space requirements, and they know what a burdensome headache it is to them not to have the space they need to work in.

They are spread all over the place, all kinds of inefficiencies. And I have been told by one or two of the leading administrative officers if you are going to give me good space faster, I am for it.

Mr. GRAY. Is it not true to a certain extent, Commissioner, you are really taking it out of one pocket and putting it in the other?

Mr. SAMPSON. Right.

Mr. GRAY. \$600 million you are asking Congress which is a direct result of agency requests, so if you do not have to ask Congress for the \$600 million and they do come in with their annual line item request for appropriations to make the payments, it is really coming out of the same pocket? Not a duplication.

Mr. JOHNSON. That is right.

Mr. SAMPSON. Right.

Mr. JOHNSON. It has no net effect with respect to the total amount being appropriated or to the drain on the American taxpayer. But if you talk to some of the operating people in the agencies, they would welcome the fact that their program operators—you talk to some of the administrators, they welcome the fact the program operator has to consider his cost of space in relation to his people, his cars, his supplies, everything else. They have the same difficulty we do, whenever an organization contracts, of getting them to give up their space.

You get sort of a packrat concept; let's hold it because sooner or later we will expand again and it will be difficult to get.

If you talk to the administrative people in these agencies there, they feel a man ought to pay for what he has to do to carry out the program.

Mr. GRAY. I buy the argument, ably advanced here that these agencies ought to have to account for the space they use and ought to be willing to ask for the funds to pay for it.

I think this will give us more direct control.

Mr. JOHNSON. Mr. Chairman, you have some others, too. Remember, that for everything that the entrepreneur gets, he has to pay taxes on it, so you get part of that back. You get part of that back.

Mr. GRAY. Local real estate taxes.

Mr. JOHNSON. Plus the fact purchase-contract buildings will remain on the tax rolls of the local community. And as you know, in each of your districts you get a certain amount of screaming because the Government does not pay local taxes. These stay on the tax rolls in that particular community until the contract term is reached or the Government assumes title.

Mr. GRAY. Can we have assurance that if this law passes that GSA will select to site? GSA will not be swayed by some local person, real estate agent or someone that says, "I would like to put this down here on a lot of a friend of mine"? You are going to give the developer a set of plans and location and he is only going to put up the money and build it?

Mr. KUNZIG. That is right.

Mr. SAMPSON. In almost all of these we have the site.

Mr. GRAY. I am talking of future projects.

Mr. SAMPSON. In future projects, whenever we go to purchase-contract, there is no question about our choosing the site. If we are faced with a situation which we think is very, very remote where a purchase-contract will not work, we will have to pick from sites that are available to us from the marketplace, but we expect that to be—

Mr. GRAY. You will have to pick. I am saying you are not going to just say here is a requirement for space?

Mr. SAMPSON. Oh, no.

Mr. GRAY. Because we had a very difficult situation before our committee here recently—many of the members recall it—up in Detroit where the Internal Revenue Service wanted—and you gentlemen were in on this, wanted space and the mayor and the entire Republican and Democratic congressional delegation wanted to keep the facility in the city because there was not housing available out in the suburbs, and the Internal Revenue Service proposed that it be moved out into the suburbs because space was available out there. This would cause a tremendous transportation problem and housing problem, and many other problems. And our committee really had to, as you recall, stop the project until we could work out some kind of arrangement.

I have faith the General Services Administration is better qualified to do this than letting some developer come in and say, "I have a location over here, and I would like to see it built on this site."

Mr. SAMPSON. We will control the site.

Mr. GRAY. I wanted that very clear.

Mr. SAMPSON. Incidentally, the Detroit project is coming on very well.

Mr. KUNZIG. Inside the city.

Mr. GRAY. You recall the project very well?

Mr. KUNZIG. Inside the city.

Mr. GRAY. Yes, inside.

Can you tell us on these 63 projects, would you have any idea what the total cost is going to be?

Now, we were talking about a billion dollars for building. Have you broken it down into principal, interest, taxes, for these 63 projects, at all?

Mr. SAMPSON. We can provide those for the record.

(The following was received:)

The 63 authorized projects identified as potential purchase contracts accounted for approximately \$735 million in construction costs. The annual payment, in millions, if all these projects were let for purchase contracts at an interest rate of 7 percent for 20 years, assuming an average real estate tax rate of 4 percent, would be:

	Amount
Average annual principal-----	\$36.8
Average annual interest-----	32.7
Real estate taxes-----	29.4
Total annually-----	98.9

Mr. GRAY. We probably are talking about a billion and a half or maybe \$2 billion over the 30-year period, probably double the cost.

Mr. JOHNSON. Just about.

Mr. SAMPSON. If your construction costs between \$700,000 and a billion dollars, you may double it when you add your financing to it.

Mr. GRAY. When you figure \$20 billion payment on borrowed money on a national debt, all of these things are cranked in; so you cannot really say, "Well, it is going to cost double," because the money we spend on direct Federal appropriations is borrowed money and we are, as I say, paying almost \$20 billion on interest alone.

I wanted to bring that up, because that will be one of the arguments made against the bill; we are going to go out and let a big bonzana, windfall—it will cost us about \$2 billion to get a billion dollars worth of building.

Mr. KUNZIG. I think we have to emphasize, Mr. Chairman, as we said in the beginning, this is a compromise bill. There is no question people feel strongly they want Federal buildings built by the Government and that is the basis for the whole future after the 3-year period.

Federal buildings built with direct appropriations is what we all want. But there is also this huge backlog and there are people who want the buildings now and need the buildings now. Many people in Congress on both sides, House and Senate, want these buildings for their home districts now.

The only way we could see was compromise and put these two ideas together; namely, the 3-year period to take care of the backlog and then a whole new system which will work a thousand percent better in financing the Federal building for the future.

Mr. GRAY. In other words, we are not in any sense repealing the Public Buildings Act of 1959?

Mr. KUNZIG. No, sir.

Mr. JOHNSON. No, sir.

Mr. KUNZIG. We will make it work out many, many times better in its efficiency.

In other words, to put it simply, a 7-year building we are building today can become a 2½-year building.

Mr. GRAY. Actually the 5-year stretchout is probably costing us more than—

Mr. KUNZIG. That is why we have to come back to you all the time.

Mr. GRAY. I think the record is certainly clear on the fact that almost every building has had an overrun, almost every building has had an overrun in cost, primarily because of the long stretchout.

Mr. SAMPSON. Delay.

Mr. GRAY. Yes.

Any questions?

Mr. KLUCZYNSKI. No questions, but I would like to make a comment.

I am always happy to have the Administrator of the General Services Administration before this Subcommittee on Public Buildings and Grounds. You are doing a fine job, Mr. Kunzig. We are always happy to have you here as a witness.

I know your work. You have a splendid statement here this morning. I am very much impressed with your testimony and, first of all, I would like to find out what the unfunded projects are that you mention in your statement?

Mr. SAMPSON. These are the 63 we referred to. We are going to provide a list of those for the record. (See p. 26.)

Mr. KLUCZYNSKI. Yes; because I had a hearing; as chairman of the Small Business Committee, I went out to Colorado and New Mexico where the Defense Department is trying to put up motels and hotels there. They are going to cripple the small businessman around that whole section.

So we have had Secretary Chave report last week and have to meet with the Secretary of Defense and Secretary for the Armed Services, and also the hotel and motel people, hoping that they can work something out.

But the chairman asked how much money this would cost you. It would be in the billions of dollars—as of now—and it all depends on when you are going to start on the projects?

Mr. JOHNSON. Right now the going market, the going market on this delay factor—and I saw a contract yesterday—one of the biggest developers in the United States, if you want to buy a house on a lot from him and delay construction for 2 months—2 months—you are going to pay 2-percent increase in your contract price. You want to delay 4 months, you are going to pay 4-percent increase in your contract price. And if you want to delay over 9 months from today, you are going to add 9 percent to your construction cost.

Mr. KLUCZYNSKI. Right; that is the reason I asked that question, and it is like our subway here; they anticipate a cost of \$21½ billion and it is pretty close to \$5 billion now, the reason is the cost of construction used to go up 8 percent a year. It is now pretty close to 11 percent.

I am very much impressed, Mr. Kunzig, with your statement. You say build now and save money for the taxpayers later on.

As chairman of the Subcommittee on Roads, over the last 20 years, and also on this committee for 21 years, I remember when we had no

building program because of emergencies. There is always some kind of emergency and the first thing you do is halt construction of buildings and roads or what have you.

So in 1954 when we passed the McGregor Act, and you say that you had constructed 29 projects under that law; is that correct?

Mr. JOHNSON. Yes, sir.

Mr. KLUCZYNSKI. And did that work out all right?

We understood that it was not workable and that is why we enacted the 1959 act of direct appropriations.

Mr. JOHNSON. Sir, we got the buildings built. We got 29 buildings built under that authority. We got people in them. We saved the rent. We increased the efficiency. And five of those buildings we are still paying on; we are borrowing money cheaper that way than we could for the Treasury today going out in the open market.

Mr. KLUCZYNSKI. I am very much interested, because I am really happy that we had OK'd that project in Chicago. [Laughter.]

Put a damper on that.

I really mean it. You spent \$10 million on a hole—I don't blame you, I am talking about the administration—Democrat or Republican, I am a great American. I am neither Democrat or Republican, only on Election Day. [Laughter.]

But I really mean it. I know the history of you and you being the chief adviser, chief attorney—I really mean it; I am sincere—when you are with the Un-American Activities Committee, so I have known you a long time and you are doing a wonderful job. But I am very much interested in this building.

Bob Jones was chairman of the committee in 1959 when we enacted this legislation. I was vice chairman then. I lived with it. I am for buildings.

In Chicago alone we are paying \$3 million a year for rent—and that is why we are very happy that you and your men 2 weeks ago had OK'd the contract and notice that the bulldozers are out there right now going to do their work and the sooner they are finished, the better off Big Klu will be. [Laughter.]

I am going to have an office over there, somewhere on the top floor. I want to talk to you later on that. [Laughter.]

That is why I am saying these kind words about you.

It is always a pleasure to have you before the committee.

Mr. KUNZIG. We appreciate your frankness, sir.

Mr. KLUCZYNSKI. One thing, with General Administrative Services, I have never had trouble in 21 years; I call there and you always have answers on your fingertips. Wonderful staff here. If I did not get it right away, I would have to wait 10 minutes to get the answers.

So it is a pleasure to receive the testimony of a great Administrator. We are proud of you.

Mr. KUNZIG. Thank you.

I do not know whether we can get the top floor office in 10 minutes, but we will do our best.

Mr. KLUCZYNSKI. Be there.

Mr. GRAY. I thank my friend from Illinois.

I would like for the record to show I have had splendid cooperation out of the region 5 director, John Chapman. He is a very able administrator.

Mr. KLUCZYNSKI. Wonderful.

Mr. GRAY. He has been very helpful to me and this committee. Any questions on my left? Comments?

Mr. MIZELL. Mr. Chairman, if I may, just following Klu's comment on the office space, when you get the rent limits for congressional office space in these buildings, we would like for you to keep in mind what our allowance is for these district offices. Because we have something very much the same in mind down in our district, and I think that this would be the proper place for a congressional office.

Mr. KLUCZYNSKI. Don't they call you "Vinegar Bend"? [Laughter.]

Mr. MIZELL. Right. Mr. Chairman, if I may, you have touched on this a few moments ago and I would not want to prolong it, but just so I would be clear on it, if I understood the comment, the 63 buildings that have been authorized now, if they would be constructed, we are talking about a billion dollars worth of construction. Is that correct?

Mr. SAMPSON. Approximately.

Mr. MIZELL. And assuming that they would be constructed, what are we talking in terms of annual costs then on these contracts?

Mr. SAMPSON. Do we calculate on that?

We will provide that for the record.

Mr. MIZELL. If you would, I would appreciate it.

Mr. GRAY. Could you give us a ball park estimate of 10 percent of the total cost?

I know on real estate, you generally figure if you can get 10 to 15 percent gross on your investment—

Mr. SAMPSON. You would be talking 10 percent annually.

Mr. GRAY. So we would be talking about \$100 million for all of them.

Mr. MIZELL. For the term of the contract.

Mr. SAMPSON. Right.

Mr. MIZELL. And one question along this line, would GSA be in a position should the funds be available to buy up these contracts at any time?

Mr. JOHNSON. Yes, sir; those provisions would be in the contract.

Mr. MIZELL. All right. And on the sites that have been selected and purchased for the construction of the building, when these sites are sold, does this money go into this building fund we are talking about?

Mr. JOHNSON. Yes, sir; site money would go into this to defray and help to defray some of that \$100 million.

That is correct, Congressman, that would go in the fund, use those proceeds to help defray the costs.

Mr. MIZELL. Annual cost you are talking about?

Mr. JOHNSON. Right. Right.

Mr. MIZELL. And in the case of the Post Office, do you have some buildings now that they would actually be moving out of rather than, as has been indicated here, that they would actually sell those buildings on their own?

Mr. SAMPSON. We have an agreement with them where if they are in our building, before we ask them to move, we would give them a certain notice.

If we are in their building, they are required to give us notice in advance before we move out.

Mr. GRAY. Will the gentleman yield at that point?

Mr. MIZELL. Yes.

Mr. GRAY. They can do that?

Mr. SAMPSON. Yes.

Mr. GRAY. They can say: "get out of the building" and there is nothing we can do about it. Where under the old law, they would have to work with GSA. GSA had control. But we gave them in the Postal Service Act authority to take over any building that they occupied 55 percent or more of the space, so the 45 percent nonpostal space can be preempted. They can just say "get out."

Mr. MIZELL. All right. In the case where they own 55 percent of the building, then, is it anticipated that they leased GSA the space that you occupy in this building?

Mr. SAMPSON. Yes. We will pay them for the agencies that are in their building. They will pay us for the space they occupy in GSA buildings.

Mr. MIZELL. Could you tell us how many buildings you anticipate the Post Office selling that you are occupying part of that space now that might require additional facilities for GSA and other Government offices?

Mr. SAMPSON. I do not know how we could at the present time.

Mr. JOHNSON. Their plans I think, Mr. Congressman, are not far enough along for us to foresee the total volume of this.

As the chairman said earlier, certainly there will be cases like this, but you cannot sit here now—because of the rapid evolution of the Post Office's construction facilities building program.

Mr. GRAY. If the gentleman will yield at that point, I think I can shed a little light here to verify what I have said.

There are 17 projects that we know of where the Post Office and GSA were going together in what we call a multipurpose building. They have already notified GSA they are pulling out of those new buildings. So if buildings that are going to be built to specifications for their needs and other Government agencies' needs, are now being abandoned, you can certainly know they are going to abandon the old buildings.

Mr. MIZELL. I am aware of those projects and you are really touching on the point that I was trying to get to. And that is, with this legislation, we are really trying to move toward your crash program to meet the needs for office space for our Government agencies now, and so I was just trying to get an idea of while we may catch up on this backlog, what kind of new needs are we going to have because of the shift in policy here with the postal authorities?

Mr. JOHNSON. We admit there will be needs and there will be emerging needs over and above the bill we are talking about or the backlog this morning.

Those needs are not easily foreseeable 18 to 24 months in advance, and neither is the Post Office's, you know, facilities program, which buildings they want to go in, which they want to go out as they move more toward less downtown facilities and more urban or perimeter facilities like they have in Honolulu. It is just hard to see at this time. Their program is not that clear. But there will be some impact, there will be some impact from what you mentioned.

Mr. SAMPSON. We are having difficulty answering your question because we are not privy to the Postal Service's plans for buildings in the future.

Mr. KUNZIG. They have not exactly shared all of their innermost thoughts. [Laughter.]

Mr. GRAY. If misery likes company, join the club. [Laughter.]

They will not even answer the phone. [Laughter.]

That is true.

Mr. BAKER. It may be against the law. [Laughter.]

Mr. MIZELL. And the other point I was trying to make is that the space that we might be losing because of the policy of the new postal cooperation, would we also in some cases where they might be moving out of your buildings be able to obtain space?

I know you have a problem of needing space in an area——

Mr. JOHNSON. That is possible and could be probable, but the Post Office's language really gives them the right to sell that facility.

Now, you know, as to what we can negotiate for purchase right now, we would be in a difficult position to negotiate for purchase because we do not have any purchase money for appropriations. If this program were now in existence, if it were agreed to buy the building, we would buy the building.

Mr. MIZELL. If I understand the lease arrangement that would be worked out with your different agencies, in the case of the Highway Department or the Corps of Engineers, or the Veterans' Administration, or any of these, that you in turn would assess them rent on the space that they occupy?

Mr. SAMPSON. Right.

Mr. MIZELL. And this, in turn, would sustain the cost of the financing for these purchases; is that correct?

Mr. JOHNSON. That is correct. Not only the cost of financing these projects, but the cost of maintaining the whole public buildings environment.

Mr. SAMPSON. Maintenance, protection, cleaning.

Mr. MIZELL. I realize some of my questions would be difficult for you to answer, but I do certainly appreciate your response and this has certainly been informative to me, being really a freshman member on this committee.

Thank you, Mr. Chairman, for the time.

Mr. GRAY. We are pleased to have the very helpful member from North Carolina, and we appreciate his service on the committee.

Any questions or comments?

Mr. Baker.

Mr. BAKER. Would this purchase contract reasonably extend to the TVA and Postal Service?

Mr. JOHNSON. The Postal Service has this authority now, has this authority built in, has had it for some time very similar to this.

In this particular bill, it would not extend the TVA, but I would like to make sure from my counsel that that is correct.

No. The purchase-contract authority would not apply to TVA.

Mr. BAKER. Would it be reasonable or do you care to make comment in that area?

Mr. JOHNSON. Well, if you are talking about—I think we might be competent if you are talking about office space for TVA; but if you are talking about dams or that type of thing, we are not competent.

Mr. BAKER. Office space, economizing.

Mr. JOHNSON. Office space, the same principle would prevail on TVA that prevails that we have been talking about this morning.

Mr. GRAY. If the distinguished gentleman will yield, I would like to point out TVA has authority given by the Congress to sell bonds which these gentlemen do not have. They therefore have more of a financial ability to provide all the facilities than General Services Administration can't supply.

Mr. JOHNSON. Now, we provide space, Mr. Congressman, for TVA now and TVA pays for it. This bill would not affect them because they are Government corporations.

Mr. GRAY. They can also build their own with bonds.

Mr. JOHNSON. Yes; that is correct.

Mr. BAKER. They have been leasing considerable space.

This purchase-contract arrangement appeals to me in thinking of—because so much TVA owned property in my district is not subject to taxes and you have got the arrangements that are necessary to be made, this would eliminate conflict I think from the local government.

Mr. JOHNSON. That is right. I was just down in your district a couple of weeks ago and I heard some of the arguments against this taxwise. It would indeed.

One of the advantages we pointed out earlier is this keeps the property on the local tax rolls.

Mr. BAKER. Right. Right.

Mr. JOHNSON. And that is a big item today.

Mr. BAKER. Just as a matter of information, now, we have talked about congressional offices and previously the arrangement has been if they are available in the Post Office Building, we would use the Post Office facility. If not, we will rent in the private sector.

What is the situation now where our offices are in Post Office buildings that are controlled by Postal Service?

Mr. JOHNSON. Very clear, Mr. Baker. By agreement with the Post Office, we will pay Post Office the rent for each of the office spaces you have in postal facilities, out of GSA's appropriations.

Now, if this bill became enacted, in my opinion there are two ways of providing this thing in the future. One would be to put the Congress on the same basis as any other Government agency and let the Congress pay for the space members use in any Government building. The other way, and there is provision in here that will allow us to put this in the base cost and distribute it to the rest of the Government, in our cost price, and still provide it free.

See, we provide now to each Congressman under the law, without charge to him, two offices in his own home district.

Mr. BAKER. But I was only concerned about the position now of the Postal Service versus GSA as it has developed in the new postal arrangement.

Mr. JOHNSON. We have agreement with the Post Office. We will pay them for any Congressman's space in one of their buildings. This is in carrying out the self-sufficiency aspect of the new postal reform.

Mr. GRAY. If the gentleman will yield, this will not repeal the congressional authority to give two free office spaces?

Mr. JOHNSON. No, it would not. No, sir.

Mr. SAMPSON. Postal Service has said, however, they will no longer house Congressmen or Senators. They want us to do it. I think they are housing a small number right now. But the total housing now for Congressmen will come under GSA.

Mr. BAKER. Thank the gentleman.

Mr. GRAY. Yes, sir, Mr. Mizell.

Mr. MIZELL. In your statement, Mr. Kunzig, you say you are averaging about \$115 million a year in new construction right now.

Should this bill be enacted and procedure set up for 3 years, would you still be asking for this new money for construction?

Mr. SAMPSON. Yes, we will ask for some.

There is a category of buildings that would not lend themselves to the purchase-contract technique. A monumental type building, for example, or a border station. We will come to Congress for those kinds of buildings and ask for direct Federal construction.

Mr. GRAY. Would you not believe it would be appreciably less than this amount?

Mr. JOHNSON. Very, very much so. Very, very much so.

Mr. MIZELL. And that is the thing, to me this would certainly be a selling point for the program. Because your request for new construction would be less while your other agencies would have to request funds for the leased space.

Mr. JOHNSON. That is right.

Mr. MIZELL. But the objective is to get the building constructed.

Mr. JOHNSON. This bill, Mr. Mizell, has no overall impact on the resources being utilized. It does have an impact on where you appropriate those resources.

Mr. MIZELL. Right. That is it.

Mr. GRAY. Is it not also true that if we started these 63 buildings we would generate thousands of jobs?

Mr. SAMPSON. Oh, yes.

Mr. GRAY. This will save unemployment benefits and save many other side benefits?

Mr. SAMPSON. Right.

Mr. GRAY. We appropriated just recently on a crash basis a billion dollars to fund public service jobs.

I know what is going to happen in some cases, a lot of these municipalities are going to lay off employees, say they do not need them; in a couple of months they will put them back on Government payrolls. We are not generating new employment.

If you put in a new building, you would put to work 200 or 300 people on each job.

This would have a direct effect in generating employment for the unemployed.

Mr. JOHNSON. You have a byproduct in all of the trades; increase new jobs, but you also build up your suppliers, your producers, right on back.

Mr. GRAY. Any other questions or comments?

Mr. THONE. Only one, Mr. Chairman.

Mr. GRAY. Yes.

Mr. THONE. I would like to echo what has just been said about Mr. Kunzig. I guess I have known Bob for a long time. I think he has

really taken hold of GSA down there and with an excellent staff is really getting things done.

I would also like to compliment you, Mr. Gray, for taking a hold of this thing. I do not know who dreamed this up, I assume it was Mr. Kunzig and some of his legal eagles; but it would have been easy for you to push this thing aside, politics being what it is. But I think you are to be congratulated for getting a hold of this thing.

With all of the power a freshman has got, if there is any way we can help on the other side of the aisle, I assure you you will have full cooperation. If Mr. Kunzig can get the mechanics, we can get the projects moving.

In my home town of Lincoln, we are paying a half million dollars in rent a year.

What you said about the inefficiency in spreading all over the city is so true there.

The sooner we can get this moving, the better the Government will be off, I am sure, in my hometown and others, 63 places.

Mr. GRAY. He is one of the cosponsors of the legislation. He is being very modest.

Mr. THONE. I saw you put one in and I jumped fast. [Laughter.]

Mr. GRAY. There being no further questions or comments, we thank you, gentlemen. As usual, you have outdone yourselves.

Thank you very much. We appreciate your coming.

Mr. SAMPSON. Thank you, Mr. Chairman.

Mr. KUNZIG. Thank you, Mr. Chairman.

Mr. GRAY. Our next witness is one of our very distinguished colleagues and very good friend, very able Member of the House. I want to thank him, before I call him to our witness table, for his patience.

Protocol always calls for Members of Congress to be called before any other witness. He kindly yielded to accommodate the Administrator.

I would like to ask our friend, Congressman Vernon W. Thomson, Third District of Wisconsin, to please come forward.

It is always a pleasure, Governor, to see you and deeply appreciate your interest in this subject and your help.

I would like the record to show that you have displayed a great interest in this bill and have been tremendously helpful to the committee.

You may proceed in your own fashion.

STATEMENT OF HON. VERNON W. THOMSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. THOMSON. Thank you very much, Mr. Chairman and members of the committee.

I am delighted to have the opportunity to appear before the committee on this very important piece of legislation.

I would like to file my statement for the record, Mr. Chairman.

Mr. GRAY. Without objection, it will appear in its entirety at this point in the record.

(Prepared statement of Mr. Thomson follows:)

Mr. Chairman and Members of the Subcommittee: This morning we are considering an important piece of legislation. This bill, the Public Buildings Amend-

ments of 1971, calls for fulfillment of promises made by the Federal Government to 62 local governments to build Federal buildings that will fill important local needs. This bill will also help stimulate sluggish local economies and create new jobs. And, finally, this bill incorporates a mechanism that avoids a misstep on the tightrope of sound economic policy.

I want to emphasize that, while this is a bold proposal, its elements are both familiar and time-tested. The Congress has, after all, already authorized the buildings that would be constructed under the terms of this bill. This bill offers an expeditious way to carry out the intent of the Congress in its authorization.

The Congress has also approved, in the past, the basic method of financing called for in this legislation. In the years following the Korean war, when a similar backlog of public building construction has accumulated, the Congress enacted lease-purchase legislation to speed construction. This program of purchase-contract construction closely parallels the earlier lease-purchase legislation.

This bill authorizes a 3-year crash construction program to eliminate the backlog of more than sixty public building projects that has accumulated. Public works projects have always been important tools in stimulating the economy, and I am certain that this bill would create employment in communities needing an economic shot in the arm. In my district, in the city of La Crosse, the Congress has authorized construction of a building to serve several federal departments and also lease space to the U.S. Postal Service. La Crosse is a high unemployment area. Certainly, construction of the La Crosse Federal building will create far more jobs in La Crosse than the 15 funded under the recent Emergency Employment Act's disbursements to areas of high unemployment.

It is important to keep in mind that the vast benefits of this legislation can be realized without the immediate cash outlays that would further enlarge the national debt. Our national economic gameplan is fully as important as meeting our commitments to the citizens of La Crosse and the 61 other cities concerned. Fortunately, we can do both. We can keep down Federal spending through the purchase-contract method of financing the construction, and we can provide these badly-needed public buildings for our citizens.

I urge your speedy and favorable action on this bill. Thank you.

Mr. THOMSON. This bill, the Public Buildings Amendments of 1971, calls for a fulfillment of promises made by the Federal Government to 62 local governments to build a Federal building.

It is simply a matter of keeping the Government's word with these communities.

I want to give you one example. The city of La Crosse, Wis., is in my district. I talked to the postmaster out there this morning and he told me of a newspaper store there in 1923, about an expected new postal and Federal building facility. The building they occupy was built in 1888.

Mr. GRAY. 1888?

Mr. THOMSON. Yes; the postal facilities require the postal employees to work under almost inhuman conditions.

There is no adequacy for the Federal space that exists in the building. It is obsolete. It is inadequate. And so there is a great interest in this community for a new Federal building.

Now, your committee has authorized a new building. The Congress authorized it. The plans are almost completed for the Federal building.

The city, of course, was elated. They created in their downtown section a new civic center. Their urban renewal program acquired the land that they needed and GSA now owns that site. The city has built in that civic center a new city hall.

The county board tore down their old building and built a new county courthouse.

There are several blocks lying vacant waiting for the new Federal building in that city.

La Crosse citizens feel terribly frustrated that the Government cannot act any faster. The renewal agency acquired the land in 1966. It has been lying vacant for the last 5 years, an ugly scar amidst the beautiful, new civic center.

I think this bill is the last real chance that at least these 62 communities in America will have to get a Federal building in the next decade, and so I am very enthusiastically in support of this bill.

I think the Administrator did an excellent job in outlining the benefits and answers to any possible criticism of this emergency program.

I see no objection to it at all. I am very hopeful and I commend the committee and the chairman for taking an interest in this badly needed program.

Public buildings do not have any great public appeal in the contest in the Congress for funding. If this was environmental, there would be a great outcry for it. Or education or welfare, or you can name any number that we pass on every day.

Today we are going to talk about OEO, the war on poverty. They are going to get this year twice as much money as would be needed to build these buildings all over the country. But there will be no public buildings in these 62 communities unless this committee can convince the Congress of the need and the benefits of this program. So I am enthusiastically in favor of it and I urge prompt consideration shortly to the Congress.

Thank you for the opportunity to appear here.

Mr. GRAY. Thank you, Mr. Thomson.

As usual, you made a very outstanding statement. We deeply appreciate your assistance, as I said in introducing you a moment ago.

Any comments or questions of our distinguished colleague?

Mr. MIZELL. Just one comment on the legislation that will be before us today, and this was along the lines of the statement of the chairman a little earlier.

The war on poverty certainly would be helped by creating the jobs to build facilities that are needed, so I think that higher priority should be given to these facilities.

Mr. THOMSON. Oh, there is no question about it.

Under the recent legislation that the chairman mentioned, these emergency jobs in this community of La Crosse, which has a high unemployment rate, there will be 15 new jobs created. Well, this one Federal building project there would create 10 times that.

Mr. GRAY. At least.

Mr. THOMSON. Ten times that number for a very reasonable amount of money.

It will be a stimulus to the economy, no doubt about it.

Mr. MIZELL. Yes, sir.

Mr. GRAY. I agree with both of you.

Any other questions?

Mr. THOMSON. Thank you, Mr. Chairman.

Mr. GRAY. I thank my friend for coming. We appreciate it. Next, with his statement, is Representative James McClure, from the State of Idaho.

STATEMENT OF HON. JAMES A. McCLURE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. McCLURE. Mr. Chairman, I appreciate the opportunity to present this statement in support of this legislation. My interest is twofold. A Federal building in Sandpoint and a Federal building in Moscow, both of which will be constructed if the bill becomes law. I might add that there would be a certain reassurance for me personally that the processes of our democracy are still responsive to the public welfare.

The need for the Federal building in Sandpoint is beyond question, but for sheer desperation, you would have to look hard to find anything that beats the situation in Moscow. The city suffers from cramped and antiquated postal facilities and a critical shortage of judicial space.

The Post Office was built in 1911 and is still in use, with 30 employees handling up to 20,000 pieces of outgoing mail daily in about 1,800 feet of space. The Post Office has resorted to renting space in an abandoned garage two blocks away in order to have room to handle the parcel post.

Meanwhile, up a couple of long flights of steep stairs is the courtroom. Perhaps the best way to illustrate its usefulness is to note that when court is in session, they have to move employees and equipment of the Soil Conservation Service out into the hall. Judges have grumbled about its inadequacies so long that the district judges have refused to hold court there.

When an appropriation of \$1,201,000 to construct a new Federal office building was approved in 1966, it was natural to assume that the facility would be built. But the project was affected by building delays and budget freezes during 1967 and 1968. In July of 1969, the design was completed, but the General Services Administration said that escalating construction costs and design changes had increased the construction costs. Unfortunately, I was not told of this and, in response to a newspaper inquiry, I called the Post Office Department about the status. The answer was encouraging: Bids would be issue within 3 days. Naturally, this made big headlines in Moscow. A week later, I was informed that the project had been tabled for an indefinite time.

Since then, it has been a series of running battles with the Post Office Department and the GSA. I thought perhaps one solution might be for the Post Office to put up the needed additional funds in return for an agreement to reduce their leasing commitment to the GSA by a like amount. I made a number of other suggestions, but all fell on deaf ears. Throughout this time, the Post Office has grown so desperate that it threatens to pull out and build its own facility. That, of course, would doom any thoughts of a new Federal building serving all governmental needs in the city.

The solution probably lies in swift passage of the legislation pending before this committee. I cannot speak for the other States affected, but as far as the people of Idaho are concerned, we will be eternally grateful if you give it your endorsement.

I would like to append to my remarks letters and telegrams I have received from some of Moscow's most distinguished citizens urging

that the legislation be approved. They are from Mayor Larry Merk; Chamber of Commerce President A. J. Marineau; Ernest W. Hartung, president of the University of Idaho; Albert R. Menard, dean of the University's College of Law; and George B. Hatley, executive secretary of the Appaloosa Horse Club.

Mr. GRAY. Without objection, the items referred to will appear in the record at this point.

(Items referred to follow:)

[Western Union telegrams]

MOSCOW, IDAHO,
September 28, 1971.

Representative JAMES MCCLURE,
U.S. House of Representatives,
House of Public Works Committee, Washington, D.C.

GENTLEMEN: The city of Moscow, Idaho has waited for too long for construction of Post Office/Federal Building. We have justified the need for this facility by considerable correspondence and personal visits. Urgently request favorable report from your Committee on Senate Bill, S. 2479.

LARRY MERK, Mayor.

MOSCOW, IDAHO,
September 28, 1971.

Congressman JAMES A. MCCLURE,
Public Works Committee, U.S. House of Representatives,
Washington, D.C.

GENTLEMEN: We would like to enter testimony in the records of your public hearing regarding Senate Bill S. 2479 for GSA funding for Federal buildings. We urge speedy passage of the proposed legislation. About ten years ago a new Federal building was designed for Moscow. It would provide quarters for the Federal District Court, Post Office, and many Federal offices. The Post Office is severely overloaded. Its mail volume is running at 5-6 times the volume of 1940. That was considered capacity for the building. The Federal District Court located in the present Post Office Building, stands empty. The Federal judges have refused to hold court in the inadequate structure again. A multitude of Federal offices are located in the county court building, and all over downtown, in available office spaces. The proposed new building was approved by Congress and funded in the amount of \$1,201 million in 1966. The project was frozen by President Johnson in 1968. An additional \$300,000 is required now to cover increases in building costs. At present the U.S. Postal Service is threatening to build their own structure outside of Moscow, rather than wait for the Federal Building to be constructed.

We don't want this to happen. We still strongly favor the original planned structure with Post Office, Federal Court, and Federal offices if Congress would appropriate \$300,000. The building could be funded with the previously appropriated \$1,201 million. If Congress will enact the proposed Senate Bill S. 2479 the Federal Building complex could be financed by lease-purchase. Either way we need action as soon as possible. We appreciate your efforts to expedite passage of Senate Bill S. 2479.

Respectfully, submitted for the board of directors

A. J. MARINEAU, President.

UNIVERSITY OF IDAHO,
MOSCOW, IDAHO,
September 28, 1971.

HON. JAMES MCCLURE,
House of Representatives,
Washington, D.C.

Urge speedy passage of Senate Bill S. 2479.

Dr. EARNEST W. HARTUNG, *President.*

STATEMENT OF DEAN ALBERT R. MENARD, JR., COLLEGE OF LAW, UNIVERSITY OF
IDAHO, MOSCOW, IDAHO, IN SUPPORT OF SENATE 2479

The absence of adequate facilities in Moscow, Idaho for holding sessions of the Federal District Court for the State of Idaho has resulted in a discontinuance of federal trials in the city, although this city is designated by statute as a place where the Court may be held, see Title 28 United States Code Section 92. This absence of federal trials has had a detrimental effect on the growing use of clinical legal educational techniques by the College of Law of the University of Idaho, which is located in Moscow. Thus it would advance the condition of legal education in Idaho and the Pacific Northwest as well as contribute to the administration of federal justice for a substantial area if construction of an adequate federal building could be expedited. I urge the Congress to consider favorably Senate 2479 which provides a method that could accelerate the construction of the currently planned federal building.

APPALOOSA HORSE CLUB, INC.,
MOSCOW, IDAHO,
September 28, 1971.

JAMES A. MCCLURE,
Public Works Committee, U.S. House of Representatives,
Washington, D.C.

We urge immediate passage of S. 2479 to finance Moscow Federal Building-
Post Office.

GEORGE B. HATLEY, *Executive Secretary.*

Mr. GRAY. Thank you, Mr. McClure. Are there further witnesses on this legislation?

If not, this subcommittee stands adjourned.

(Whereupon, at 11:25 a.m., the meeting was adjourned.)

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