

Y4
Ap 6/1
Ap 6/2 | 975-2

1011

9314
Ap 6/1
Ap 6/2
975-2

URGENT SUPPLEMENTAL APPROPRIATION BILL, 1975

GOVERNMENT
Storage

DOCUMENTS

FEB 1 1975

THE LIBRARY
KANSAS STATE UNIVERSITY

HEARINGS BEFORE SUBCOMMITTEES OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

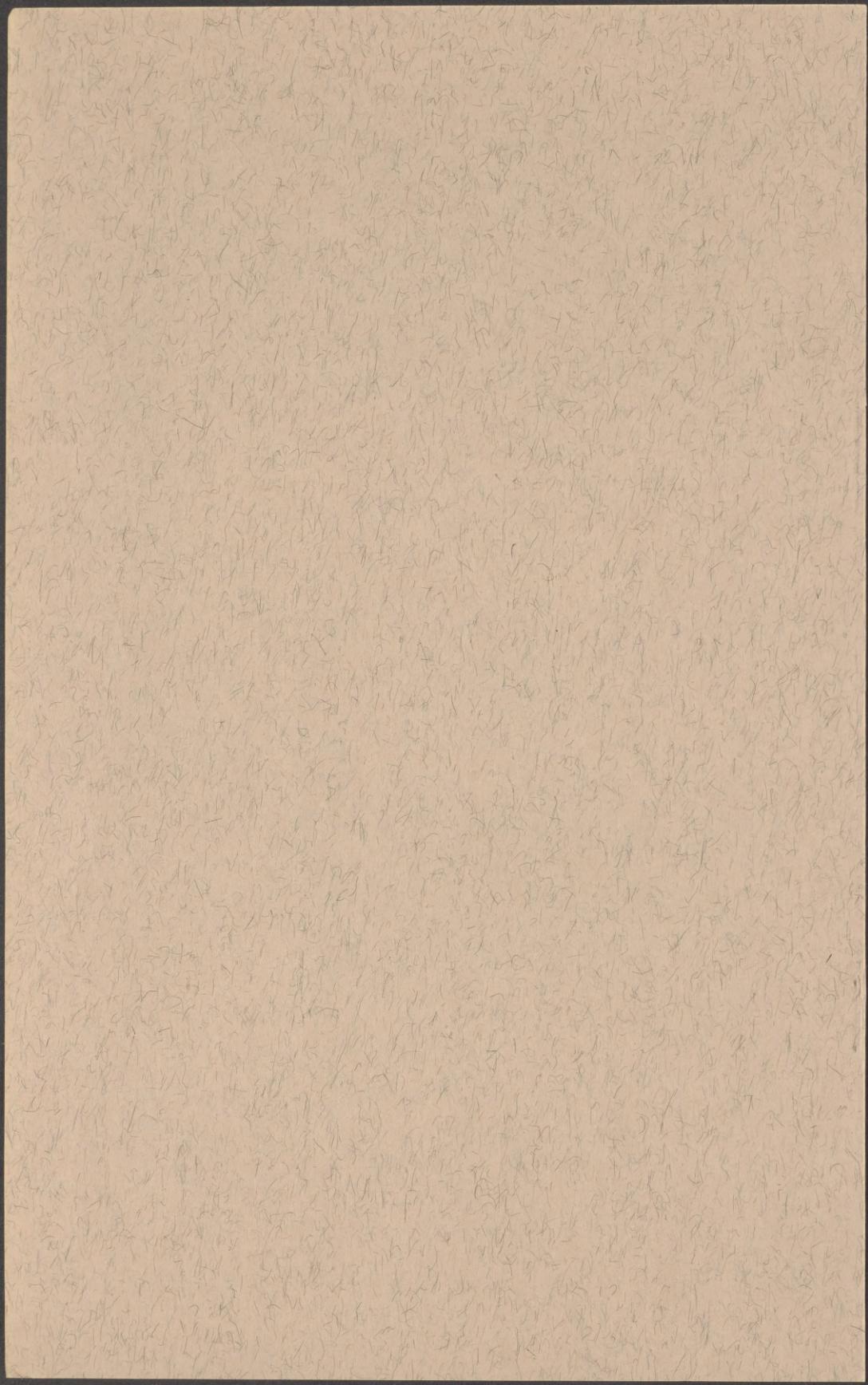
Printed for the use of the Committee on Appropriations

KSU LIBRARIES



552254 0011A
A11900 452255





URGENT SUPPLEMENTAL APPROPRIATION BILL, 1975

HEARINGS
BEFORE
SUBCOMMITTEES OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS
SECOND SESSION

Printed for the use of the Committee on Appropriations



U.S. GOVERNMENT PRINTING OFFICE

48-477 O

WASHINGTON : 1974

COMMITTEE ON APPROPRIATIONS

GEORGE H. MAHON, Texas, *Chairman*

JAMIE L. WHITTEN, Mississippi	ELFORD A. CEDERBERG, Michigan
JOHN J. ROONEY, New York	WILLIAM E. MINSHALL, Ohio
ROBERT L. F. SIKES, Florida	ROBERT H. MICHEL, Illinois
OTTO E. PASSMAN, Louisiana	SILVIO O. CONTE, Massachusetts
JOE L. EVINS, Tennessee	GLENN R. DAVIS, Wisconsin
EDWARD P. BOLAND, Massachusetts	HOWARD W. ROBISON, New York
WILLIAM H. NATCHER, Kentucky	GARNER E. SHRIVER, Kansas
DANIEL J. FLOOD, Pennsylvania	JOSEPH M. McDADE, Pennsylvania
TOM STEED, Oklahoma	MARK ANDREWS, North Carolina
GEORGE E. SHIPLEY, Illinois	LOUIS C. WYMAN, New Hampshire
JOHN M. SLACK, West Virginia	BURT L. TALCOTT, California
JOHN J. FLYNT, Jr., Georgia	WENDELL WYATT, Oregon
NEAL SMITH, Iowa	JACK EDWARDS, Alabama
ROBERT N. GIAIMO, Connecticut	WILLIAM J. SCHERLE, Iowa
JULIA BUTLER HANSEN, Washington	ROBERT C. McEWEN, New York
JOSEPH P. ADDABBO, New York	JOHN T. MYERS, Indiana
JOHN J. McFALL, California	J. KENNETH ROBINSON, Virginia
EDWARD J. PATTEN, New Jersey	CLARENCE E. MILLER, Ohio
CLARENCE D. LONG, Maryland	EARL B. RUTH, North Carolina
SIDNEY R. YATES, Illinois	VICTOR V. VEYSEY, California
BOB CASEY, Texas	LAWRENCE COUGHLIN, Pennsylvania
FRANK E. EVANS, Colorado	C. W. BILL YOUNG, Florida
DAVID R. OBEY, Wisconsin	
EDWARD R. ROYBAL, California	
LOUIS STOKES, Ohio	
J. EDWARD ROUSH, Indiana	
GUNN MCKAY, Utah	
TOM BEVILL, Alabama	
EDITH GREEN, Oregon	
ROBERT O. TIERNAN, Rhode Island	
BILL CHAPPELL, Florida	
BILL D. BURLISON, Missouri	

KEITH F. MAINLAND, *Clerk and Staff Director*

STAFF ASSISTANTS

GORDON E. CASEY	AMERICO S. MICONI	KAREN J. SCHUBECK
NICHOLAS G. CAVAROCCHI	DEMPSEY B. MIZELLE	EARL C. SILSBY
GEORGE E. EVANS	ENID MORRISON	G. HOMER SKARIN
ROBERT B. FOSTER	PETER J. MURPHY, Jr.	C. WILLIAM SMITH
JOHN M. GARRITY	HENRY A. NEIL, Jr.	CHARLES W. SNODGRASS
AUBREY A. GUNNELS	ROBERT C. NICHOLAS III	HUNTER L. SPILLAN
CHARLES G. HARDIN	BYRON S. NIELSON	PAUL E. THOMSON
F. MICHAEL HUGO	JOHN G. OSTHAUS	GEORGE A. URIAN
THOMAS J. KINGFIELD	FREDERICK F. PFLUGER	DEREK J. VANDER SCHAAF
ROBERT L. KNISELY	JOHN G. PLASHAL	EUGENE B. WILHELM
EDWARD E. LOMBARD	EDWIN F. POWERS	J. DAVID WILLSON
RICHARD N. MALOW	SAMUEL R. PRESTON	
MILTON B. MEREDITH	DONALD E. RICHBOURG	

SURVEYS AND INVESTIGATIONS

C. R. ANDERSON, *Chief*

DAVID B. SCHMIDT, *Director*

DENNIS F. CREEDON, *First Assistant*

MARION S. RAMEY, *Second Assistant*

NOTE.—This Surveys and Investigations supervisory staff is supplemented by selected personnel borrowed on a reimbursable basis for varying lengths of time from various agencies to staff up specific studies and investigations. The current average annual full-time personnel equivalent is approximately 42.

ADMINISTRATIVE SUPPORT

BARBARA L. CHAMBERS	MARCIA L. MATTS	CHRISTINE STOCKMAN
GERARD J. CHOUINARD	FRANCES MAY	ANN M. STULL
PAUL V. FARMER	GENEVIEVE A. MEALY	BETTY LOU TAYLOR
SANDRA A. GILBERT	JANE A. MEREDITH	RANDOLPH THOMAS
EVA K. HARRIS	LAWRENCE C. MILLER	GEMMA M. WEIBLINGER
PATRICIA A. KEMP	DALE M. SHULAW	
VIRGINIA MAY KEYSER	AUSTIN G. SMITH	

URGENT SUPPLEMENTAL APPROPRIATION BILL, 1975

SUBCOMMITTEE ON HUD-SPACE-SCIENCE-VETERANS

EDWARD P. BOLAND, Massachusetts, Chairman

JOE L. EVINS, Tennessee

BURT L. TALCOTT, California

GEORGE E. SHIPLEY, Illinois

JOSEPH M. McDADE,

J. EDWARD ROUSH, Indiana

Pennsylvania

ROBERT O. TIERNAN, Rhode Island

WILLIAM J. SCHERLE, Iowa

BILL CHAPPELL, Florida

EARL B. RUTH, North Carolina

ROBERT N. GIAIMO, Connecticut

G. Homer Skarin, Richard N. Malow, and Paul E. Thomson, Staff Assistants

DECEMBER 17, 1974.

VETERANS' ADMINISTRATION

WITNESSES

R. L. ROUDEBUSH, ADMINISTRATOR

J. J. MULONE, ACTING CHIEF BENEFITS DIRECTOR

J. J. CORCORAN, GENERAL COUNSEL

C. R. HOFFMAN, CONTROLLER

J. Q. BINFORD, DIRECTOR, BUDGET SERVICE

A. H. THORNTON, DIRECTOR, EDUCATION AND REHABILITATION SERVICE

C. G. GREENLAND, DIRECTOR, BUDGET STAFF, DVB

J. H. MAYER, SPECIAL ASSISTANT TO THE ADMINISTRATOR

MR. BOLAND. The committee will come to order.

The Veterans' Administration has requested a 1975 supplemental appropriation of \$811,700,000 for readjustment benefits. The additional amount is required to finance the increased GI benefits provided in Public Law 93-508, the Vietnam Era Veterans Readjustment Assistance Act of 1974. There are very few options, as all of us know, available to the committee in connection with this request. The Congress has approved these entitlement increases and we are now obliged to fund them. All of us on this subcommittee are generally in favor of the law.

The Veterans' Administration has also requested a \$2 million supplemental for general operating expenses, largely to administer a new educational loan program.

GENERAL STATEMENT

We will place the Administrator's statement in the record at this point.

[The statement follows:]

Mr. Chairman and gentlemen of the committee, it is a pleasure to appear before you to discuss the Veterans' Administration's supplemental request for fiscal year 1975 as transmitted by the President on December 4, 1974. This request provides supplemental funding for:

General operating expenses.....	\$2,000,000
Readjustment benefits.....	811,700,000
Total	813,700,000

These requirements are the result of enactment on December 3, 1974, of Public Law 93-508, the Vietnam Era Veterans Readjustment Assistance Act of 1974.

I would like to identify the major items covered by this legislation. It provides for:

Increases in benefit rates of 22.7 percent for veterans and their beneficiaries and 18.2 percent for veterans receiving vocational rehabilitation training.

Supplementary assistance through direct loans by the VA up to a maximum of \$600 per academic year.

Up to 9 months of additional entitlement for veterans pursuing a program leading to a standard undergraduate college degree.

Veterans serving after World War II and before the Korean conflict or after Korean conflict to receive the same war time vocational rehabilitation benefits as those granted veterans of World War II and Korean conflict. Eligibility requirements would change from a 30 percent disability rating to a 10 percent or more disability rating.

Removal of limitation on the number of veteran/students the VA may utilize under the work-study program and increases the maximum a veteran may receive for such work from \$250 to \$625.

General operating expenses

The request of \$2 million for the general operating expenses appropriation provides for:

The \$3 reporting allowance for joint apprenticeship training committees acting as training establishments.....	\$500,000
The costs for administering the veterans and dependents education loan program.....	1,500,000

Readjustment benefits

The request of \$811,700,000 for the readjustment benefits appropriation will provide funding for the following items:

The 22.7 percent increase in educational assistance allowances for certain individuals in institutional training, and 18.2 percent for vocational rehabilitation trainees.....	\$651,100,000
The cost of counting the initial 6 months active duty training toward educational benefits.....	700,000
Refresher training during military service.....	3,100,000
The increase in the veterans' work-study program.....	8,300,000
The cost of farm cooperative training for wives, widows and children	400,000
The increase in tutorial assistance benefits.....	800,000
The provision of 9 additional months of entitlement for certain post-Korean conflict veterans pursuing an undergraduate degree	26,300,000
The modification of eligibility requirements for vocational rehabilitation benefits.....	36,600,000
The modification of the counting of absences in the case of courses not leading to standard college degrees.....	4,100,000
The provision of the student education loan.....	80,300,000
Total	811,700,000

The current funds for the readjustment benefits appropriation will be insufficient to process the recurring payments at the end of February 1975. These additional funds will therefore be needed not later than February 24, 1975, in order to continue normal processing of educational payments. The general operating expenses funds requested will permit us to proceed with implementation of the student loan program and other changes provided for in this legislation on a timely basis without detrimental impact on other ongoing programs.

This concludes my statement and we are available for any questions you may have concerning this request.

JUSTIFICATIONS

Mr. BOLAND. We will place in the record at this point the appropriate part of House Document 93-401 and the justification material.
[The material follows:]

VETERANS' ADMINISTRATION

READJUSTMENT BENEFITS

For an additional amount for "Readjustment Benefits," \$811,700,000, to remain available until expended.

GENERAL OPERATING EXPENSES

For an additional amount for "General operating expenses", \$2,000,000.

The proposed supplemental appropriations would provide for:

Readjustment Benefits: to meet educational assistance benefit payments for post-Korean veterans and survivors. Public Law 93-508 raised most education and training program benefits 22.7 percent, and the rest by 18.2 percent. Additionally, a new direct education loan program was created, and nine more months of entitlement was granted. Eligibility requirements were lowered to allow slightly disabled post-Korean conflict veterans to become eligible for the full tuition program. The work-study program was increased, and other minor changes were included.

General Operating Expenses: to meet the administrative costs primarily related to the creation of the direct education loan program. An additional increase will be required to provide for other changes in the new amendments.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

VETERANS ADMINISTRATION
READJUSTMENT BENEFITS

Program and Financing (in thousands of dollars)

Identification code	1975 actual	1975 estimate	1975 estimate
29-00-0137-1-1- 702			
	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
Program by activities:			
1. Education and training:			
(a) Post-Korean conflict veterans	2,494,079	3,234,379	740,300
(b) Sons and daughters	106,106	128,206	22,100
(c) Wives and widows	19,184	23,484	4,300
Total education and training	2,619,369	3,386,069	766,700
2. Special assistance to disabled veterans:			
(a) Vocational rehabilitation..	66,300	111,300	45,000
(b) Housing grants	11,375	11,375	...
(c) Automobiles or other convey- ances for disabled veterans	5,000	5,000	...
Total special assistance to disabled veterans	82,675	127,675	45,000
Total program costs, funded	2,702,044	3,513,744	811,700
Changes in selected resources:			
Beneficiary overpayments, advances and prepayments .....	...	...	...
10 Total obligations	2,702,044	3,513,744	811,700

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

VETERANS ADMINISTRATION
READJUSTMENT BENEFITS

Program and Financing (in thousands of dollars)

Identification code		1975 actual	1975 estimate	1975 estimate
29-00-0137-1-1-702				
		<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
<u>Financing:</u>				
21	Unobligated balance available, start of year (-)	- 26,044	- 26,044	...
24	Unobligated balance available, end of year .....	...	...	...
<u>Budget authority (appropriation)</u>		2,676,000	3,487,700	811,700
<u>Relation of obligations to outlays:</u>				
71	Obligations incurred, net	2,702,044	3,513,744	811,700
72	Obligated balance, start of year	134,044	134,044	...
74	Obligated balance, end of year	- 80,088	- 80,088	...
90	Outlays	2,756,000	3,567,700	811,700

VETERANS ADMINISTRATION
 READJUSTMENT BENEFITS

Program and Performance

A supplemental appropriation of \$811,700,000 is required due to the enactment of PL 93-508, approved December 3, 1974. This legislation will:

	1975 (In thousands of dollars) Authority/Outlays
o Increase by 22.7% the educational assistance allowances for certain individuals in institutional training, and 18.2% for subsistence allowances and other benefits payable under Title 38, U.S.C.	651,100
o Count initial six months active duty training towards educational benefits in certain instances	700
o Permit certain veterans to pursue refresher training under chapter 34 of Title 38 U.S.C.	3,100
o Liberalize the veterans' work-study program by raising the maximum allowance payable and the maximum number of hours a veteran-student may work	8,300
o Permit eligible persons training under chapter 35 of Title 38 to pursue programs of farm cooperative training	400
o Increase tutorial assistance to \$60 per month with an overall maximum of \$720, increase the number of months available to twelve months and extend the program to chapter 31 trainees	800
o Provide nine additional months of entitlement for certain post-Korean conflict veterans pursuing an undergraduate degree	26,300
o Modify the eligibility requirements for disabled post-Korean conflict veterans training under chapter 31, Title 38, U.S.C., in order to provide benefits equivalent to those available to World War II and Korean conflict veterans	36,600
o Modify the counting of absences in the case of courses not leading to standard college degrees	4,100
o Provide education loans of up to \$600 per school year for certain post-Korean veterans training under chapter 34, Title 38, U.S.C. and certain dependents training under chapter 35	80,300
Total.....	811,700

STANDARD FORM 300
 July 1964, Bureau of the Budget
 Circular No. A-11, Revised.
 300-102

VETERANS ADMINISTRATION
 READJUSTMENT BENEFITS

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 75 actual	19 75 estimate	19 75 estimate
29-00-0137-1-1-702	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
41.0 Grants, subsidies, and contributions	2,630,744	3,397,444	766,700
42.0 Insurance claims and indemnities	71,300	116,300	45,000
Total costs, funded	2,702,044	3,513,744	811,700
94.0 Change in selected resources ..	...	...	...
99.0 Total obligations	2,702,044	3,513,744	811,700

VETERANS ADMINISTRATION
READJUSTMENT BENEFITS

Additional funds in the amount of \$811.7 million will be required to supplement the initial appropriation for FY 1975. Obligations incurred against these funds arise by operation of law and as such are not administratively controllable.

This additional requirement is due solely to the enactment of PL 93-508 enacted December 3, 1974. This new law makes a number of significant changes in the current Readjustment Benefits program. The most costly provision is the increase in educational assistance and subsistence allowances. Below is a detailed analysis of these changes in rate structures:

Vocational Rehabilitation (Chapter 31, Title 38, U.S.C.)

Increased Monthly Subsistence Allowances Provided by PL 93-508

<u>Institutional</u>	No Dependents	One Dependent	Two Dependents	Each Additional
Full-time	\$201	\$249	\$293	\$21
Three-quarter	151	188	221	17
Half	100	125	147	11
<u>Farm coop., apprentice, other on-job</u>	175	212	245	17

Prior Rates, Chapter 31 (PL 92-540)

<u>Institutional</u>				
Full-time	\$170	\$211	\$248	\$18
Three-quarter	128	159	187	14
Half	85	106	124	9
<u>Farm coop., apprentice, other on-job</u>	148	179	207	14

The new rates represent an 18.2% increase of over those previously in effect. Approximately 25,500 veterans will benefit at a cost of \$7.5 million in FY 1975, based upon the September 1, 1974 effective date provided in the law. (This amount excludes the cost for the 12,200 trainees with 10%-20% service-connected disabilities who were made eligible by section 101 of the new law; this provision is discussed separately).

Post-Korean Conflict Veterans (Chapter 34, Title 38, U.S.C.)
and
Dependents Educational Assistance (Chapter 35, Title 38, U.S.C.)

Increased Educational Assistance Allowances Provided by PL 93-508

	Chapter 34, No Dependents/ All Chapter 35	Chapter 34		
		One Dependent	Two Dependents	Each Additional
<u>Institutional</u>				
Full-time	\$270	\$321	\$366	\$22
Three-quarter	203	240	275	17
Half	135	160	182	11
<u>Cooperative, Chapter 34</u>				
only	217	255	289	17
<u>Cooperative, Chapter 35</u>				
only	209	...	...	..
<u>Farm Cooperative</u>				
Full-time.....	217	255	289	17
Three-quarter	163	191	218	13
Half	109	128	145	9
<u>Apprentice/Other On-Job</u>				
First 6 Months	189	212	232	9
Second 6 Months	142	164	184	9
Third 6 Months	95	117	137	9
Fourth & Any Succeeding 6-Month Periods	47	70	90	9
<u>Active Duty Trainees, Chapter 34, & Persons Training Less Than Half-time</u>				
		Tuition and fees, not to exceed \$260 per month for a full-time course		
<u>Correspondence, Chapter 34,35 & Flight Training, Chapter 34</u>				
		90% of established charges with one month of entitlement deducted for each \$260 paid to veteran		

Prior Rates, Chapters 34 and 35 (PL 92-540)

<u>Institutional</u>				
Full-time	\$220	\$261	\$298	\$18
Three-quarter	165	196	224	14
Half	110	131	149	9
<u>Cooperative</u>	177	208	236	14
<u>Farm Cooperative(Chapter 34 only)</u>				
Full-time	177	208	236	14
Three-quarter	133	156	177	11
Half	89	104	118	7

	Chapter 34, No Dependents/ All Chapter 35	Chapter 34		
		One Dependent	Two Dependents	Each Additional
<u>Apprentice/Other On-Job</u>				
First 6 months	\$160	\$179	\$196	\$8
Second 6 months	120	139	156	8
Third 6 months	80	99	166	8
Fourth & Any Succeeding 6-Month Periods	40	59	76	8

Active Duty Trainees, Chapter 34, & Persons Training Less Than Half-time, Chapter 34, 35

Tuition and fees, not to exceed \$220 per month for a full-time course

Correspondence, Chapter 34, 35 & Flight Training, Chapter 34

90% of established charges, with one month of entitlement deducted for each \$220 paid to veteran

The new institutional rates for chapters 34 and 35, as well as the chapter 34 cooperative and cooperative farm rates, represent an increase of approximately 22.7% over those previously in effect. (The cooperative farm program has been extended for the first time to chapter 35 beneficiaries, who will receive the same monthly allowances as a veteran with no dependents). All other new rates listed above have been increased by 18.2% over the prior levels. Approximately 1.6 million post-Korean conflict veterans in institutional, cooperative and farm cooperative training will receive an estimated additional \$589.0 million in 1975, given the September 1, 1974 effective date. Sons and daughters in these categories number nearly 66,000, while almost 15,000 wives and widows are expected to benefit. The additional cost for these two groups for the final ten months of 1975 should approximate \$19.2 million and \$3.2 million respectively. Apprentice and other on-job training rate increases (18.2%) are expected to benefit nearly 230,000 veterans and dependents at a cost of \$32.2 million. No significant cost increase will be incurred for persons in types of training not covered above. These persons will continue to receive payments equivalent to either the tuition charges or 90% of the established charges for the course, as the case may be.

Other Provisions of PL 93-508

In addition to the increased rates, this Act makes a number of substantive changes in the Readjustment Benefits program, as highlighted below:

- o Inclusion of the period of active duty for training (usually 6 months) in the computation of educational entitlement in the case of veterans who subsequently serve on active duty for a consecutive period of at least one year. FY 1975 cost: \$0.7 million.
- o Provision for a "refresher training" period of up to 6 months in order to compensate the veteran for lost knowledge and technological changes in his field since he entered on active duty. FY 1975 cost: \$3.1 million.
- o Removal of the limitation upon the number of veteran-students the VA may hire under the work-study program; provisions for increasing the maximum hours that a veteran may work (per semester, etc.) from 100 to 250 and for increasing the maximum payment for such work from \$250 to \$625. FY 1975 cost: \$8.3 million.
- o Provisions for increasing the maximum monthly payment for tutorial

assistance from \$50 to \$60 and for increasing the maximum amount any one veteran may receive overall from \$450 to \$720; extension of the benefit to disabled veterans in the vocational rehabilitation program. FY 1975 cost: \$0.8 million.

- o Assistance of cooperative farm training benefits to dependents training under chapter 35, Title 38, U.S.C. FY 1975 cost: \$0.4 million.
- o Removal of the requirement that post-Korean conflict veterans with compensable service-connected disabilities rated less than 30% exhibit a "pronounced employment handicap" in order to be eligible for the vocational rehabilitation program. This change makes the eligibility requirements for post-Koreans equivalent to those applicable to World War II and Korean conflict veterans. FY 1975 cost: \$36.6 million.
- o Provision for nine additional months of educational entitlement for post-Korean conflict veterans pursuing a standard undergraduate college degree. FY 1975 cost: \$26.3 million.
- o Liberalization of permissible absences from courses not leading to a standard college degree, by not counting as absences customary vacation periods established by institutions in connection with legal holidays. FY 1975 cost: \$4.1 million.
- o Provisions for education loan of up to \$600 per academic year to certain post-Korean conflict veterans training under chapter 34 and certain dependents training under chapter 35. (Applicants must demonstrate need for additional funds and must be unable to obtain a loan, in the full amount needed, under the provisions of part B of Title IV of the Higher Education Act of 1965, as amended). FY 1975 cost: \$80.3 million.

The total cost in 1975 of these other provisions is \$160.6 million, which, when added to the \$651.1 million required for the rate increase, accounts for the total budget authority requested of \$811.7 million.

Analysis of Proposed Supplemental for FY 1975
(\$'s in thousands)

	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Difference</u>
<u>Education and training</u>			
Post-Korean conflict veterans...	\$2,494,079	\$3,234,379	\$740,300
Sons and daughters	106,106	128,206	+22,100
Wives and widows	19,184	23,484	+4,300
Total Education & Training..	<u>2,619,369</u>	<u>3,386,069</u>	<u>+766,700</u>
<u>Special Assistance to Disabled Veterans</u>			
Vocational Rehabilitation	66,300	111,300	+45,000
Other	<u>16,375</u>	<u>16,375</u>	<u>.....</u>
Total special assistance to disabled veterans	82,675	127,675	+45,000
Total program costs/obligations.	2,702,044	3,513,744	+811,700
Unobligated balance available			
start of year	<u>-26,044</u>	<u>-26,044</u>	<u>.....</u>
Appropriation requirements	\$2,676,000	\$3,487,700	\$811,700

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

Program and Financing (in thousands of dollars)

Identification code	1975	1975	1975
29-00-0151-1-1-705			
	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
<u>Program by activities:</u>			
Direct program			
1. General administration	46,528	46,528	...
2. Data management	29,076	29,076	...
3. Veterans benefits:			
(a) Executive direction	8,225	8,225	...
(b) Systems development	1,200	1,200	...
(c) Veterans services	66,129	66,129	...
(d) Compensation, pension and education	92,494	93,694	1,200
(e) Loan guaranty	33,414	33,414	...
(f) Insurance	6,880	6,880	...
(g) Office services	118,128	118,928	800
4. National cemetery system	18,161	18,161	...
Total, direct program	420,235	422,235	2,000
Reimbursable program			
1. General administration	88	88	...
2. Data management	190	190	...
3. Veterans benefits:			
(c) Veterans services	120	120	...
(e) Loan guaranty	25	25	...
(f) Insurance	810	810	...
(g) Office services	45	45	...
Total reimbursable program ..	1,278	1,278	...
Total program costs, funded	421,513	423,513	2,000
Change in selected resources (undelivered orders)	- 235	- 235	...

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

Program and Financing (in thousands of dollars)

Identification code	19 75	19 75	19 75
29-00-0151-1-1-705			
	Presently Available	Revised Estimate	Proposed Supplemental
10 Total obligations	421,278	423,278	2,000
Financing:			
11 Receipts and reimbursements from Federal funds	- 1,278	- 1,278	...
40 <u>Budget authority</u> (appropriation)	420,000	422,000	2,000
Relation of obligations to outlays:			
71 Obligations incurred, net ...	420,000	422,000	2,000
72 Obligated balance, start of year	41,721	41,721	...
74 Obligated balance, end of year	-27,108	-27,108	...
90 Outlays, excluding pay raise..	434,613	436,613	2,000

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

Program and Performance

The Vietnam Era Veterans' Readjustment Assistance Act of 1974 contains two provisions which impact on fund requirements in the General Operating Expenses appropriation.

1. Within Title II--Educational Assistance Program Adjustments--the eligibility to receive a reporting fee is expanded to include "any joint apprenticeship training committee acting as a training establishment." This legislation permits reimbursement to these committees where the services they perform are the same as those performed by other educational institutions. It is estimated that approximately 166,000 veterans will be involved at an estimated cost of \$500,000.
2. Under Title III of this Act a new "Veterans and Dependents Education Loan Program" has been established. This section authorizes loans to certain eligible trainees to cover the cost of attendance at institutions of higher learning. The loan amount may not exceed \$600 in any one regular academic year. Applications for these loans will be processed through the Regional Offices. In 1975 it is estimated that 142,500 loan applications will be received which will require 130 manyears of employment to process at a cost of \$1,500,000.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 75	19 75	19 75
	Presently Available	Revised Estimate	Proposed Supplemental
29-00-0151-1-1-705			
Personnel compensation:			
11.1 Permanent positions	280,340	281,290	950
11.3 Positions other than permanent.	3,160	3,160	...
11.5 Other personnel compensation...	3,177	3,627	450
Total personnel compensation..	286,677	288,077	1,400
Direct obligations:			
Personnel compensation	286,324	287,724	1,400
12.1 Personnel benefits: Civilian ..	26,992	27,092	100
21.0 Travel and transportation of persons	6,754	6,754	...
22.0 Transportation of things	2,282	2,282	...
23.0 Rents, communications and utilities	51,462	51,462	...
24.0 Printing and reproduction	3,872	3,872	...
25.0 Other services	30,968	31,468	500
26.0 Supplies and materials	5,785	5,785	...
31.0 Equipment	4,395	4,395	...
32.0 Lands and structures	1,351	1,351	...
42.0 Insurance claims and indemnities	100	100	...
Subtotal	420,285	422,285	2,000
95.0 Quarters and subsistence charges	- 50	- 50	...
Total direct obligations	420,235	422,235	2,000

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-102

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 75	19 75	19 75
29-00-0151-1-1-705			
	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
Total reimbursable obligations	1,278	1,278	...
Total costs, funded	421,513	423,513	2,000
94.0 Change in selected resources ...	- 235	- 235	...
99.0 Total obligations	421,278	423,278	2,000

Personnel Summary

Identification code	1973 Actual	19 74 Actual	19 75 Revised Estimate
29-00-0151-1-1-705			
Total number of permanent positions ..	20,769	23,127	23,932
Full-time equivalent of other positions	545	628	575
Average paid employment	20,532	20,903	23,687
Average GS grade	7.14	7.00	6.95
Average GS salary	\$11,744	\$12,037	\$12,145

VETERANS ADMINISTRATION
GENERAL OPERATING EXPENSES

Supplemental Language

For an additional amount for General Operating Expenses, \$2,000,000.

Introduction

This volume contains justification data for the non-medical administrative support costs. These costs are funded through the General Operating Expenses appropriation and support activities organized within four segments: General Administration, Department of Data Management, Department of Veterans Benefits, and National Cemetery System.

An additional \$2,000,000 is requested to fund administrative requirements of the Vietnam Era Veterans' Readjustment Assistance Act of 1974.

Summary of Requirements
(\$'s in thousands)

	<u>FY 1974</u> <u>Actual</u>	<u>FY 1975</u> <u>Presently</u> <u>Available</u>	<u>FY 1975</u> <u>Revised</u> <u>Estimate</u>	<u>Proposed</u> <u>Supplemental</u>
<u>General Administration:</u>				
Average employment	1,942	2,041	2,041	...
Total costs	\$ 39,182	\$ 46,616	\$ 46,616	...
<u>Dept. of Data Management:</u>				
Average employment	1,583	1,703	1,703	...
Total costs	\$ 23,586	\$ 29,266	\$ 29,266	...
<u>Dept. of Veterans Benefits:</u>				
Average employment	17,154	19,478	19,565	87
Total costs	\$267,227	\$327,470	\$329,470	\$2,000
<u>National Cemetery System:</u>				
Average employment	763	988	988	...
Total costs	\$ 14,588	\$ 18,161	\$ 18,161	...
<u>Grand Total:</u>				
Average employment	21,442	24,210	24,297	87
Total net costs	\$344,583	\$421,513	\$423,513	\$2,000
Chg. in selected resources	+ 6,489	- 235	- 235	...
Total obligations	351,072	421,278	423,278	2,000
Reimbursements	- 1,272	- 1,278	- 1,278	...
Unoblig. Bal. lapsing	+ 9	...	...	...
Budget authority	349,809	420,000	422,000	2,000

Department of Veterans Benefits
General Highlights

The Vietnam Era Veterans' Readjustment Assistance Act of 1974 contains the following new provisions which impact on fund requirements in the General Operating Expenses appropriation.

- o Within Title II--Educational Assistance Program Adjustments--The eligibility to receive a reporting fee is expanded to include "any joint apprenticeship training committee acting as a training establishment." This legislation permits reimbursements to these committees where the services they perform are the same as those performed by other educational institutions. It is estimated that approximately 166,000 veterans will be involved at an estimated cost of \$500,000.
- o Under Title III of this Act a new "Veteran and Dependents Education Loan Program" has been established. The purpose of this provision is to assist the eligible trainee whose attendance at school is resulting in a financial hardship. The loan amount may not exceed \$600 in any one regular academic year. The aggregate amount an eligible veteran or eligible person may borrow under this program may not exceed \$270 multiplied by the number of months such veteran or person is entitled to receive educational assistance. In FY 1975 it is estimated that 142,500 loan applications will be approved which will require 87 manyears of employment to process at a cost of \$1,500,000.

Compensation, Pensions and Education

General

Education Loan Program:

This program will be involved in making adjudicative determinations on applications for the "Education Loan Program." It is anticipated that 142,500 applications will be certified for payment. This process will include a review of the applicants financial status, the courses being carried, and availability of Guaranteed Student Loans.

Besides eligibility determinations, the amount of the loan must also be established for each applicant, as the maximum loan may not exceed \$600 in any one regular academic year. The aggregate amount an eligible person may borrow, may not exceed \$270 times the number of months such person is entitled to receive educational assistance.

Reporting Allowance Fee:

The Veterans Readjustment Assistance Act also includes a provision expanding the number of institutions which are eligible for receiving a fee for filing reports on veteran trainees. Certain joint apprenticeship training committees who perform the same services as regular training establishments are now eligible to receive the \$3 per trainee reporting allowance. This item is costed through this program. It is expected that approximately 166,000 veterans would be involved, resulting in a cost of \$500,000.

Summary of Requirements

	1974 <u>Actual</u>	1975		
		<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
Average employment	4,499	4,660	4,705	+ 45
<u>Costs</u>				
Personnel comp.	\$65,507,412	\$65,369,000	\$66,002,000	\$+ 633,000
Personnel benefits	<u>5,899,113</u>	<u>5,683,000</u>	<u>5,950,000</u>	+ <u>67,000</u>
Total personal svcs. and benefits	71,406,525	71,252,000	71,952,000	+ 700,000
Travel and transp. of persons	806,342	920,000	920,000	...
Other services	<u>16,950,455</u>	<u>20,322,000</u>	<u>20,822,000</u>	+ <u>500,000</u>
Total costs	89,163,322	92,494,000	95,694,000	1,200,000

Office ServicesGeneral

This revised request estimates that an additional 42 manyears of finance and administrative support will be required to process the anticipated 142,500 loan approvals. In order to maintain currency with an anticipated huge volume of initial loan applications, an additional \$450,000 is requested for overtime to assure that initial applications can be processed in a timely manner.

Summary of Requirements

	1974 <u>Actual</u>	Presently <u>Available</u>	1975	
			<u>Revised Estimate</u>	<u>Proposed Supplemental</u>
Average employment	6,685	6,680	6,722	\$+ 42
<u>Costs</u>				
Personnel compensation	\$59,551,692	\$58,896,000	\$59,663,000	+767,000
Personnel benefits....	<u>5,422,106</u>	<u>5,209,000</u>	<u>5,242,000</u>	<u>+ 33,000</u>
Total personal svcs. and benefits.....	64,973,798	64,105,000	64,905,000	+800,000
Travel and transp. of persons	1,240,982	1,401,000	1,401,000	...
Transp. of things.....	<u>1,233,610</u>	1,150,000	1,150,000	...
Rents, comm. and utilities	15,065,172	41,450,000	41,450,000	...
Printing and repro.	2,348,868	2,500,000	2,500,000	...
Other services	4,918,056	4,272,000	4,272,000	...
Supplies & materials	2,959,160	2,990,000	2,990,000	...
Equipment	<u>1,483,382</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>...</u>
Total costs	94,223,023	119,268,000	120,068,000	+800,000
Common svc. adj.	<u>-1,589,000</u>	<u>- 1,475,000</u>	<u>- 1,475,000</u>	<u>...</u>
Net costs	92,634,028	117,793,000	118,593,000	+800,000

Mr. BOLAND. You may summarize your statement, if you like, Mr. Roudebush.

SUMMARY OF STATEMENT

Mr. ROUDEBUSH. Thank you very much, Mr. Chairman and gentlemen of the committee.

First I want to say it is always a pleasure to appear before this subcommittee, and the purpose of this appearance today is to make a supplemental request on fiscal year 1975 as transmitted by the President on December 4. This request provides supplemental funding, as the chairman has pointed out, of \$2 million for our general operating expenses and then \$811,700,000 for readjustment benefits, for a total of \$813,700,000 to carry out the provisions of Public Law 93-508. Vietnam Era Veterans' Readjustment Act of 1974.

I would like to briefly identify some of the major items covered by the legislation. It provides money to pay for (1) increases in benefit rates of 22.7 percent for veterans and their beneficiaries, and 18.2 percent for veterans receiving vocational rehabilitation training, (2) supplemental assistance through direct loans by the Veterans' Administration up to a maximum of \$600 for the academic year, (3) up to 9 months of additional entitlement for veterans pursuing a program leading to a standard undergraduate college degree, (4) veterans serving after World War II and before the Korean conflict, or after the Korean conflict, to receive the same wartime vocational rehabilitation benefits as those granted to the veterans of World War II and the Korean conflict. Eligibility requirements would change from 30 percent disability rating to 10 percent or more disability rating, and (5) removal of limitation on the number of veteran/students the Veterans' Administration would utilize in our work-study programs and increases the maximum a veteran may receive for such work from \$250 to \$625 per year.

GENERAL OPERATING EXPENSES

I mentioned a moment ago \$2 million of this money is for general operating expenses. The requested \$2 million for the general operating expense provides in part for the \$3 reporting allowance for joint apprenticeship training committees acting as training establishments. That amounts to an aggregate of \$500,000. Costs for administering the veterans and dependents education loan program are \$1.5 million. The big part of the request is \$811,700,000 for Readjustment Benefits appropriation funding.

Mr. BOLAND. You break the \$811,700,000 into the various categories.

Mr. ROUDEBUSH. That is true.

Mr. BOLAND. The \$3 reporting allowance under general operating expenses, as I understand it, goes to the institution; is that correct?

Mr. ROUDEBUSH. That is correct.

It is money which we pay to the institution.

Mr. BOLAND. The bulk of the funds requested are for the 18 to 22 percent increases in educational allowances, \$651,100,000. Will these benefits be retroactive to September 1, 1974?

Mr. ROUDEBUSH. They will, sir. In fact, the checks are already in the mail to be paid on the retroactive benefits. We are receiving many, many complimentary phone calls from veterans who are in training that they have already received their supplemental checks.

NUMBER OF TRAINEES

Mr. BOLAND. When we had the Veterans' Administration up here testifying on the regular 1975 budget last spring, the indication was that the Vietnam era recipients would drop by 454,000, from 2,450,000 in 1974 to 1,996,000 in 1975. We are nearly 6 months into the fiscal year and almost 4 months into the academic year. Is this request based on 1.9 million trainees in 1975? Has your predicted decline in the 1975 recipients been realized to date?

Mr. ROUDEBUSH. Mr. Chairman, I would like for my chief benefits director, Mr. Mulone, to respond to that question.

Mr. MULONE. No; we have not realized the reduction in the number of veterans in training. Actually we have had an increase. This increase over the estimate of 1,996,000 is approximately 500,000 for the additional caseload related to Public Law 93-337, 2 year extension of the delimiting date.

Mr. BOLAND. There has been an increase?

Mr. MULONE. Yes, sir.

Mr. BOLAND. To what?

Mr. MULONE. Over the original estimate it is approximately 500,000 due to Public Law 93-337.

Mr. BOLAND. This 1,996,000 figure that you gave us last spring you now are updating to 2,500,000?

Mr. MULONE. Yes, sir.

Mr. BOLAND. How did this occur?

Mr. HOFFMAN. The increases you are alluding to pertain to the 2-year delimiting date extension which had the effect of bringing in an additional 500,000 trainees.

Mr. ROUDEBUSH. I might say economic conditions have spurred enrollment in many education courses.

Mr. BOLAND. The increase is due to the delimiting period; is that true? You are getting people to take advantage of the extension of the delimiting date with the result there will be more veterans and wives and widows now coming in for assistance?

Mr. ROUDEBUSH. That is true.

Mr. BOLAND. Does that account for the increase?

Mr. BINFORD. Yes, sir. Approximately 500,000 trainees.

Mr. BOLAND. What is the figure now? 2,500,000 or 3 million?

Mr. BINFORD. 2.5 million trainees.

Mr. HOFFMAN. There will be a later supplemental covering the needs for the 2-year delimiting date. That has not been submitted to the Congress.

ADDITIONAL FUNDS NEEDED

Mr. BOLAND. Let me ask about that.

I understand the cost for that 2-year delimiting period will run \$618 million and that no request has been made by the Veterans' Administration for any moneys for this program. Is that true?

Mr. HOFFMAN. That is true.

Mr. BOLAND. Is there a plan by the Administration to request a rescission of the delimiting period? Is there some draft in the works that would rescind the delimiting period?

Mr. HOFFMAN. Yes, Mr. Chairman. The rescission documents were sent up on the 26th of November, requesting action be taken effective January 1, 1975. The effect of this would be to reduce our \$618 million requirements to \$318 million.

Mr. BOLAND. As a matter of fact, won't you use at least \$300 million in this area before any rescission can be acted upon?

Mr. HOFFMAN. That is true.

Mr. BOLAND. Why didn't you ask for \$300 million then?

Mr. HOFFMAN. We have asked the OMB and this will appear as a budget item in the 1976 budget transmittal.

Mr. BOLAND. For how much?

Mr. HOFFMAN. That I don't know, sir, at this point.

Mr. BOLAND. What is it?

Mr. HOFFMAN. My guess would be it would be less the \$300 million.

Mr. BOLAND. The cost of extending the delimiting period is \$618 million?

Mr. HOFFMAN. For the full year, yes, sir. Half of that would be \$300 million.

AVAILABILITY OF FUNDS

Mr. BOLAND. What is going to happen for the remaining period? What will happen to those people if you don't get the \$618 million?

Mr. HOFFMAN. Supplemental funding will be required if the rescission is not approved.

Mr. BOLAND. I presume the only reason you are not asking for the additional funds at this time is because OMB has not OK'd it.

Mr. HOFFMAN. The need is not urgent at this time. Had there not been an increase of 22 percent, we would probably not have had the need for the money until the latter part of this fiscal year.

LETTER TO CHAIRMAN

Mr. BOLAND. In a letter to Chairman Mahon dated December 12, 1974, the Director of OMB indicates the preadjustment benefits appropriation will be depleted by the middle of February. We will insert that letter in the record at this point.

[The letter follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

DEC 12 1974

Honorable George H. Mahon
 Chairman, Committee on Appropriations
 House of Representatives
 Washington, D. C. 20515

Dear Mr. Chairman:

This letter provides information which explains the need for early passage of the President's request for the following FY 1975 supplemental appropriations for the Veterans Administration:

Readjustment Benefits	\$811.7 million
General Operating Expenses	2.0 million
	<u>\$813.7 million</u>

The need is most acute with respect to the Readjustment Benefits appropriation. The current FY 1975 appropriation for this program is \$2.676 billion. Of that amount, \$1,669,400,000 remained unobligated on October 31. Prior to the enactment of P.L. 93-508, "Vietnam Veterans Readjustment Assistance Act of 1974," VA estimated the November and December payments at \$686.5 million.

P.L. 93-508 now requires VA payment of an additional \$315 million consisting of retroactive payments for September through December. The total VA payments in November and December now required, \$1,001,500,000, would leave a December 31 balance of \$667.9 million.

January payments, including amounts for the recent amendment, are expected to be \$439.3 million, leaving a January 31 balance of \$228.6 million. February payments are estimated at \$473.4 million, which would leave a deficit of \$244.8 million. Therefore, enactment of the requested supplemental is required by the middle of February.

I believe the above information supports the request for expeditious action.

Sincerely,

Roy L. Ash
 Director

EXTENT OF CURRENT AVAILABILITY

Mr. BOLAND. How long can you continue to make payments utilizing your transfer authority?

Mr. HOFFMAN. As we look at it, Mr. Chairman, we will have a requirement of \$245 million in excess of available funds for February obligations. With the transfer authority we would still be short \$40 million.

OBLIGATIONS BY MONTH

Mr. BOLAND. What are the projected obligations for readjustment benefits by month until the end of the fiscal year? Supply that for the record if you don't have it available.

[The information follows:]

READJUSTMENT BENEFITS—STATUS OF FISCAL YEAR 1975 FUNDS

[In thousands of dollars]

	Obligations	Balance
July to October.....	1,032,620	1,669,424
Estimated:		
November.....	375,700	1,293,724
December regular.....	310,800	982,924
September to December retroactive.....	315,000	667,924
January.....	439,300	228,624
February.....	473,400	(244,776)
If \$811,700,000 supplemental received in December:		
July to December.....	2,034,120	1,479,624
Estimated:		
January.....	439,300	1,040,324
February.....	473,400	566,924
March.....	441,600	125,324
April.....	343,100	(217,776)
May.....	227,000	(444,776)
June.....	183,224	(628,000)

STUDENT LOAN PROGRAM

Mr. BOLAND. Included in the \$811,700,000 is \$80,300,000 to provide direct educational loans of up to \$600 per student per academic year. As I understand it, an applicant is not eligible for this loan unless he is able to demonstrate that he cannot obtain a higher education loan elsewhere. Is that correct?

Mr. ROUDEBUSH. That is correct.

Mr. BOLAND. You estimate 142,500 loan applications will be approved under this program in fiscal year 1975. Is that correct?

Mr. MULONE. Yes, sir.

Mr. BOLAND. How did you arrive at this estimate?

Mr. GREENLAND. Ten percent of the institutional trainees are expected to qualify for loans.

Mr. BOLAND. That is really a guess, isn't it? Couldn't be anything else?

Mr. ROUDEBUSH. There is no question, it is a guess.

Mr. GREENLAND. We have no experience in this area.

GOE AVERAGE EMPLOYMENT

Mr. BOLAND. With respect to employment, what is the current average employment under the general operating expense account?

Mr. HOFFMAN. Average employment for the month of November, under general operating expenses, was 24,399.

Mr. BOLAND. What was it for the same period of time in 1973. What was the average under the general operating expense account? We gave you additional employees in the fiscal year 1975 budget in this area of somewhere in the neighborhood of 3,000.

Mr. HOFFMAN. Mr. Chairman, that was 21,236 for November 1973.

Mr. BOLAND. How many positions are you currently over last year?

Mr. HOFFMAN. That would be roughly 3,000.

Mr. BOLAND. Where are most of them assigned?

Mr. HOFFMAN. Most of those were assigned to the vet rep program. About 2,000.

Mr. BOLAND. 2,000. The others you assigned to regional offices. Is that true? We gave you additional employees in order to overcome some of the problems that the administration was experiencing with respect to veterans benefits and checks and what not. There was an additional 1,000 that this committee gave that would be assigned to regional offices to help counter the problem there. Is that correct?

Mr. GREENLAND. That is correct.

Mr. BOLAND. You don't need this. How many additional employees did you say would be put on as a result of this increase in GOE?

Mr. HOFFMAN. Eighty-seven man-years, and an equivalent of 43 in overtime.

POTENTIAL FOR ABSORBING NEW WORKLOAD

Mr. BOLAND. Why do you need \$1,500,000 in additional operating expenses? Why can't you absorb this? You say most of the people are going to be attached to the loan program. Why can't people who are doing the readjustment benefits and educational program work pick up this program in the ordinary course of their duties? That would seem to me to be something very easy for them to do.

Mr. MULONE. At the present time, with the program expanding slightly as it has, our average employment for the Department for the month of November was 19,740. That is divided into the 58 regional offices that we have. With present workload, this average employment is just able to stay with the workload and handle it expeditiously.

In addition to that, we found it necessary on a week-to-week basis in some of the larger offices to spend overtime in order to process the educational workload.

Mr. BOLAND. One of the problems is that you put people on the payroll to take care of an urgent problem—the whole check problem didn't rest with the Veterans' Administration, a lot of it rested with the GI's themselves and with the schools—you put them on and once you have got over the hurdle, they stay on.

What makes this program so terribly difficult? Why do you need additional employees once you have hit that plateau where everything is working smoothly? That is the purpose of the on-campus representative, to assist the veterans, I would presume, and in assisting the

veterans the applications are made out properly. At the regional offices, if that is where they go, there should be little or no problem with them.

Is that a fair summation or isn't it?

Mr. MULONE. I don't think it is, sir, for this one reason: What we are requesting here is an addition to our present workloads. We have given you what we think is a fair summation on our average employment, and that summation is based on workload standards that we have for certain selected end products within our organization.

It is better than a top-of-the-head figure that we are giving you. We think that it is rather a scientific figure and that we are dealing in terms of the productivity of individual employees that we have.

Mr. BOLAND. It is difficult for me, sitting here, where we have to supply the money for the employees, to reconcile a need for additional employees because you say the workload has increased. Really how much has the workload increased?

You are extending particular programs, with the exception of the loan program. All you are doing is increasing the amounts the veterans are getting. The programs are standard programs. It would appear to me that the people who are handling these programs should be sufficient to handle this. You don't need any more people just to change the figures around when the veteran gets the increase or applies for the loan program.

Mr. MULONE. The loan program is entirely new to the regional offices. It will have to be established as a new program. New procedures are presently being written to take care of that. We have never had that before.

Mr. BOLAND. It is a veterans program that is rather closely tied to the programs that you now have on readjustment benefits. The person to qualify files his application and if he cannot get assistance for higher education loans anywhere else, he can apply for the assistance under this loan program. That is just another application that comes in, that is all. All you have is 142,500.

EMPLOYEE TURNOVER

Mr. MULONE. There is another dimension that has to be considered here; that is the number of people that we are losing, over normal turnover rate, due to retirements. Our loss, as far as retirements this year, will be very high. This brings about a training project that is necessary for us in order to move the workload with knowledgeable people. Many of our old-line employees, those that you described as knowledgeable employees, that are really very effective and efficient employees, many of them are going off our rolls right now.

VET REP PROGRAM

Mr. BOLAND. You are training all the others. We spent how much money to train the on-campus vet-rep?

You have a big book here that indicates that program is working very well.

Mr. MULONE. It is working extremely well. The veteran representative on campus is not part of the processing procedure in the regional office.

Mr. BOLAND. I understand that. He is on a campus or he is riding circuit to a lot of the campuses. We gave you additional employees for the regional offices in this year's budget, close to 1,000 of them. What do they do? What are you doing with the 1,000 we gave you? I presume you took them aboard and they are now employed as a result of the increase in the 1975 fiscal year budget for regional office employees.

Mr. MULONE. They were distributed among the operational activities in the regional office. Most of them went into the adjudication-processing activity.

BASIS FOR READJUSTMENT BENEFITS ESTIMATE

Mr. BOLAND. Go back to the \$811,700,000 request. Is that request based on 1,900,000 trainees or on the 2,500,000 trainees that you have?

Mr. GREENLAND. It is based on a total training load of 2.5 million.

Mr. BINFORD. Correspondence courses, servicemen, and flight trainees are not involved in the rate increase because their courses are paid for in lieu of allowances. That is why we use the 1.9 million figure as the number of trainees receiving rate increases.

Mr. BOLAND. The \$811,700,000 figure is based on 2.5 million total trainees?

Mr. MULONE. Right.

Mr. BOLAND. That figure is sufficient to cover the current trainee caseload, is that correct? Do you have enough money with the \$811,700,000 to cover the current trainee caseload?

Mr. ROUDEBUSH. For the balance of the fiscal year?

Mr. BOLAND. You are requesting \$811,700,000.

Mr. BINFORD. It covers the rate increase for the total caseload. It will not provide for the additional trainees because of the 2-year extension.

Mr. BOLAND. I understand that. It will provide for the current trainee caseload and the other increases?

Mr. BINFORD. That is correct.

Mr. BOLAND. Is that the figure that was requested of the OMB?

Mr. BINFORD. Yes, sir.

Mr. TIERNAN. Thank you, Mr. Chairman.

First of all, I want to take this opportunity to welcome the new Administrator and congratulate him on his new appointment.

Mr. ROUDEBUSH. Thank you.

AVERAGE EMPLOYMENT ESTIMATES

Mr. TIERNAN. Under the "General Operating Expenses" account you indicated 24,399 average employment, is that correct?

Mr. HOFFMAN. Right.

Mr. TIERNAN. How does that compare with the figure that appears in the supplemental justifications you supplied, where you have listed on page 7, personnel summary, total number of permanent positions, revised estimate for 1975, 23,932. Am I missing something here?

Mr. BINFORD. This includes vacant positions, and does not include other than permanent positions. The average employment is on page 8.

Mr. TIERNAN. Page 8, average employment, your figure is 24,297. You are saying 24,399. Also you gave for 1974 21,236 and in this table it appears as 21,442.

Mr. HOFFMAN. The figure of 21,236 for 1974 may have been misunderstood. This was the average employment for GOE for the month of November 1973. The average of 21,442 appearing on page 8 is the actual average employment for fiscal year 1974.

Mr. TIERNAN. You gave 21,236 for 1974.

Mr. HOFFMAN. That was November 1973 average employment.

Mr. TIERNAN. When you say average employment, what does that mean? During the 12 months of the year it will average out to 24,297? Is that a revised figure for 1975?

Mr. HOFFMAN. That is correct.

Mr. TIERNAN. Your request submitted to the committee was what for 1975?

Mr. HOFFMAN. Initially?

Mr. TIERNAN. Yes.

Mr. HOFFMAN. 21,623 when we first appeared here. We later amended our request.

Mr. TIERNAN. What did you end up with?

Mr. HOFFMAN. We requested 2,530 additional positions. This request was substantially reduced.

VETERAN COMPLAINTS

Mr. TIERNAN. As you know, Mr. Administrator, last year we had quite a bit of difficulty with the complaints being received from the students. As a result of that, this new program came along and we increased personnel. What was your experience this past fall, September, October, November?

Mr. ROUDEBUSH. I would say 100 percent improvement, Mr. Tierman. In fact, I see all the congressional mail as well as complaints we receive from our regional offices. We have minimized complaints of men failing to receive educational checks. It has been a good experience. As the chairman pointed out, our vet-rep program has worked very, very well.

Mr. TIERNAN. Where were the complaints concentrated this year?

Mr. ROUDEBUSH. We only had a few in comparison. This year the concentration was mostly in New York and Los Angeles. I would say they had the bulk of the complaints. Usually in the large metropolitan areas.

EDUCATION ENROLLMENT EXPERIENCE

Mr. TIERNAN. Did you have any difficulties with the educational institutions as we had experienced in the past?

Mr. ROUDEBUSH. No. I think nearly all the universities and colleges, as well as junior colleges improved after the vet reps were placed on the campuses.

Mr. TALCOTT. Mr. Administrator, I want to congratulate you, too, and offer my condolences for your problems ahead. The Veterans' Administration will have lots of problems.

My impression of the vet rep successes is a little different; that the vet reps on campus were really bright, young, capable, competent people who did a good job, but they still ran into the same old, tired problems with the regional offices.

One college in my district had about 159 late advance payments, and after trying very hard 50 percent were still late because of inadequate, incompetent people in the regional offices.

Is your impression different than that?

Mr. ROUDEBUSH. Much different than that. I would say the same type problems you define as the old, tired problems were run into. I think these were typical problems that affect veterans but our experience hasn't been the lengthy delays in resolving these problems and statistically I would say our program is highly successful.

We resolved nearly all the problems encountered by our vet reps in a very speedy manner. As I used the term with Mr. Tiernan, we had minimized the complaints received on campus.

I think in the payment of education checks, the efficiency has improved 100 percent.

Mr. TALCOTT. It is an improvement, but some places had a lot more than 100 percent to go to be up to the minimum of what you would expect of a governmental agency.

Mr. ROUDEBUSH. I am not satisfied yet, Mr. Talcott. I don't think we can ever be satisfied until we reach perfection. We haven't reached it.

Mr. TALCOTT. Some of the colleges in my area had vet reps and they did a good job. They were there to expedite relief of problems. It saved Members of Congress an extraordinary job. However, they still had difficulty with the regional offices.

You still have a long way to go to improve the regional offices so they can provide the kind of services the vet reps should expect, and really require.

Mr. ROUDEBUSH. I agree with you partially, Mr. Talcott. As the chairman pointed out, you also gave us money to beef up our regional offices. I think the time of resolution of a complaint on nonpayment of checks, has diminished greatly.

I don't want to leave the impression we have reached perfection, but we have improved the situation. I don't say that our complaints on nonreceipt of checks are nil, but when you figure the number of veterans we have in training it is very small.

PROPOSED RESCISSION OF DELIMITING EXTENSION

Mr. TALCOTT. I have a general question. How can the President rescind or suggest rescinding a part of this program? Congress passed the program, the veterans are eligible for it and it is a matter of computation.

If they show up for educational benefits, aren't you required to pay those? How can the President rescind that kind of a program?

Mr. ROUDEBUSH. I would say in answer to your question, Mr. Talcott, we are paying exactly the benefits voted by Congress. The part of the rescission that was mentioned a moment ago in our discussion is the extension of the delimiting date. The President has sent down suggested legislation that will be considered by the new Congress.

IMPACT OF PROPOSED DELIMITING RESCISSION

Mr. TALCOTT. What the President is suggesting is that the authorizing committee modify the extension in some way.

Mr. ROUDEBUSH. I would say you are right.

Mr. BOLAND. I think the problem is whether or not a request by the Administration to repeal the delimiting period would pass. Then I suppose there could be a rescission.

Mr. Counsel, is that a correct statement, the one I just made? A bill has been passed by the Congress where the Government has an obligation to take care of all those who would apply.

Mr. CORCORAN. Yes; the proposal does have a provision which would permit those veterans, who in reliance on the present provision of law, have enrolled and are pursuing a course of education on the effective date of the proposed amendment to complete the semester or quarter they are then attending or in some cases the end of the course or 12 weeks whichever is the lesser.

Mr. TALCOTT. Ordinarily when there is a new program you can compute what the entitlements would be and you just add that on, but in this case should you not be telling us the status of the program before, and how good was your projection?

1975 TRAINING ESTIMATES

Some thought your projections were fairly high and that not as many veterans were taking advantage of the programs, so that therefore you could actually absorb a considerable portion of the increase.

Mr. ROUDEBUSH. I think the record will show we under estimated the number of trainees.

Mr. TALCOTT. I don't think the record shows anything.

Mr. ROUDEBUSH. Our request in the 1975 budget, could be insufficient, when current economic conditions are considered.

Mr. TALCOTT. Do we have any evidence of that?

Mr. ROUDEBUSH. Yes, sir. In certain localities.

Mr. TALCOTT. Has any statement been submitted to us?

IMPACT OF ECONOMY ON VETERAN ENROLLMENT

You know you could guess that there are more students on campus; you could guess there is a slight recession, so veterans are going back to school instead of getting jobs. You could guess that the college enrollment is up a little bit across the Nation and therefore a large percentage of that is due to veterans, but have you submitted anything to Congress to justify that?

Mr. MULONE. No, sir. Our monthly reports do indicate we are up over the same period of last year.

Mr. TALCOTT. So there are more veterans attending school and using their benefits. Can we assume there is no opportunity to absorb any of this amount?

Mr. ROUDEBUSH. That is correct.

Mr. MULONE. We expect that to increase somewhat. One example is the Detroit Regional Office. They have had an experience within the last 6 weeks where their applications have increased considerably.

PURPOSE OF GI BILL

Mr. TALCOTT. What is happening to our educational benefits? It was intended to permit a veteran whose education was interrupted to go back and complete his education. But now you are suggesting because there is an unemployment problem, or a recession, that veterans are using this not just for educational benefits, but for subsistence.

Mr. ROUDEBUSH. I think we are describing a phenomenon that has existed. We can't look into the reasoning in the crannies of a veteran's mind as to whether he will use his GI bill. I think we can say at the committee level here when men are unable to find work, many of them find school more attractive. I don't think it is an unemployment matter with them. I think they say, "Gentlemen, I can't find a job so this is a fine time for me to continue my education."

I don't think there is anything sinister about it or I don't think we are deceiving anybody, but we can't ask each individual why he wants to continue his education. It is a benefit voted by Congress.

Mr. TALCOTT. I have long been an advocate of GI benefits. I have always thought of it as being an investment in the future and that the more education a person can get, the better it is for his family, his future, and his country.

Mr. ROUDEBUSH. I know you have, sir.

Mr. TALCOTT. However, I think we are receiving more and more questions, more and more complaints about veterans who are using their GI bill for subsistence and giving minimal attention to getting education. Perhaps enrolling for a time, then dropping out after they have used a considerable amount for their subsistence, attending a minimum number of classes and using this money for subsistence rather than education. Do you have any ideas about that?

STUDENT DROPOUT RATE

Mr. ROUDEBUSH. I can answer that somewhat. Unquestionably this probably happens in some cases. I don't think any honest person could deny it, but I would say to you, sir, that our dropout rate is no higher now than it was. In other words, we have no great phenomenon of people going to school and dropping out under the GI bill more than has occurred in the past.

We notice no syndrome of that type at all.

Mr. TALCOTT. They wouldn't be dropping out now; they would probably be staying in, but doing a minimal amount of work. Do you find that?

Mr. ROUDEBUSH. We haven't noticed anything along that line.

Mr. MULONE. I can tell you this, sir: In the past, after World War II, the universities insisted on taking the roll at every class that they had. This has changed.

They no longer call the roll at every session. The requirement the university itself has set up is that this is up to the student. The student must appear for a final examination and take the examination and, as a result of having taken that examination, he receives an unsatisfactory or satisfactory grade.

IMPACT OF GI BILL ON UNIVERSITIES

Mr. TALCOTT. After World War II there was a scandal which developed in that many colleges actually increased their tuition with the avowed purpose of taking advantage of the GI student. The GI bill paid the student's entire tuition. So college administrators, almost fraudulently taking advantage of the bill, increased their tuition to get the money from the Government. Is that right?

Mr. MULONE. I think the scandal was related more to those schools that were under the college level. As I recall, it was proprietary schools established for shoe repair, tailoring and so forth.

Mr. TALCOTT. I do think we should be concerned about the possible abuse of this because it is important that the program be continued. If it loses the respect and confidence of the taxpayers, the nonveteran students going to school, or if the people in the community feel that somehow someone is taking advantage of the program, it will be hurtful to the whole program.

Mr. ROUDEBUSH. We would like to think every man going to school under the GI bill is going for one purpose, to increase his knowledge, and make him more employable and acceptable in society. I am afraid that is not true.

We have fellows going to school simply because they can't find work. I think we have to admit this.

Mr. TALCOTT. Can you give this problem some consideration so that when you come back for your 1976 appropriations we can have a better handle on the situation?

Mr. ROUDEBUSH. I will be happy to. In fact, it would be not too difficult a job for us to do some spot checking on this and come up with some statistics that might be quite revealing. We will be happy to do it.

AVERAGE EMPLOYMENT INCREASE

Mr. TALCOTT. Ordinarily, in the general operating expense account the principal reason for asking for more money is because there are more benefits. Veterans are getting a rate increase. For example, instead of getting a check for \$265, a veteran is now going to get a check for \$325. Why do you need more people just because the size of the check has increased?

Mr. ROUDEBUSH. We have been plagued with the accelerated retirements, losing many, many key personnel in our regional offices. In addition to that, as was pointed out a few moments ago, our loan program is a completely new requirement. We have no experience to use as a basis, to determine how many applications we will have for loans.

The chairman was quite correct when he said these loans will be available only to those people who are unable to secure loans from sources other than the Veterans' Administration.

All we can do is make the best guess possible but it will take people to administer the program. In fact, the way the bill is written by Congress where it puts this additional requirement on the VA to investigate each loan, it will take more people and we intend to administer this program as Congress passed it.

I don't want to say we will be frugal with the money, but we want to make sure it goes to the most worthwhile areas. It takes people to do this.

Mr. BOLAND. Mr. Administrator, you have a new addition to the congressional liaison office, Mr. Mayer. I want the committee to meet him. Jim is sitting in the back row. If you will supply some background for the record, please.

[The information follows:]

BIOGRAPHY OF JAMES H. MAYER

James H. Mayer, special assistant to Richard L. Roudebush, Administrator of Veterans Affairs, is a 29-year-old native of St. Louis, Mo., is single, and now makes his home in Washington, D.C. He graduated from Southeast Missouri State University in June 1968 with a bachelor's degree in business administration.

Mr. Mayer is a disabled Vietnam combat veteran and former president of the National Association of Concerned Veterans, having enlisted in the Army in September 1968. Seven months later he became a double leg amputee victim of an enemy landmine while on combat patrol; he was discharged from service in March 1970.

He returned to Southeast Missouri State University under VA's rehabilitation program and obtained a second bachelor's degree in business education in June 1972. While there he became president of the University's Veteran Corp. and then was named executive secretary of the National Association of Collegiate Veterans, which later became the National Association of Concerned Veterans. In May 1972 he was elected president of the NACV and served two terms as chief executive of that organization.

As special assistant to the Administrator, he will serve in a special liaison capacity with Vietnam era veterans and will be responsible for presenting the views of younger veterans to other top VA officials.

Mr. BOLAND. Thank you very much, Mr. Roudebush.

This is your first appearance here as the Administrator and like most Administrators, you come looking for vast sums but they are sums which are required by the law the Congress passes.

With your background in the House and as Deputy Administrator in the Veterans' Administration, and with your long experience in the veterans organizations, I am sure you will find this position not only challenging, but one that you will get to know and I am sure like very much.

Mr. ROUDEBUSH. I appreciate very much your comment. I will say I have found it challenging. I am just so pleased with the way the employees of the VA have responded to, let's say, the new leadership I have provided.

I mentioned a moment ago on this tremendous job, nearly 1,900,000 veterans entitled to a change in the amount of benefits they receive, we are trying to get these checks all in the mail in 2 weeks.

As I also stated, we are getting many, many complimentary phone calls, "Thank you, VA, for getting this check to me," and it is sort of a revelation and sort of a change of pace to some of the abuse heaped on us in the past several years.

Mr. BOLAND. With the change in law and the change in benefits veterans and their dependents are getting, it does create an additional workload.

Our concern, as is the concern of the Veterans' Administration itself, is that there be no delays in administration of these programs because these checks going to the veterans are so necessary and so help-

ful at the time they need them. We would hope there would be no repeat of the problems that were experienced earlier this year.

Mr. TIERNAN. As I understand the benefits will be retroactive to September 1st, so you will be covering September, October and November in the checks you are sending out, plus the checks for December.

Mr. ROUDEBUSH. That is correct.

Mr. TIERNAN. What would be the amount going out in total from the Veterans' Administration?

Mr. HOFFMAN. We estimate \$300 million.

Mr. TIERNAN. That is a pretty good shot in the arm for the economy.

Mr. ROUDEBUSH. I think it is a wonderful shot in the arm.

Mr. TALCOTT. This committee wants to urge you to speed these checks to the veterans.

Mr. ROUDEBUSH. We have a great desire to get these checks in the hands of the veterans before Christmas if we possibly can. I would like to compliment also the Department of the Treasury, who issues these checks, and the Postal Service that has delivered them. They have cooperated in a wonderful, wonderful manner with the Veterans' Administration and the checks are going out.

Mr. TALCOTT. That is the first good comment the United Postal Service has received since it became the Postal Service a few years back.

Mr. ROUDEBUSH. They have been most cooperative, Mr. Chairman. I am pleased to say that.

Mr. BOLAND. Thank you, gentlemen.

**SUBCOMMITTEE ON AGRICULTURE—ENVIRONMENTAL AND
CONSUMER PROTECTION**

JAMIE L. WHITTEN, Mississippi, Chairman

GEORGE F. SHIPLEY, Illinois	MARK ANDREWS, North Dakota
FRANK E. EVANS, Colorado	ROBERT H. MICHEL, Illinois
BILL D. BURLISON, Missouri	WILLIAM J. SCHERLE, Iowa
WILLIAM H. NATCHER, Kentucky	J. KENNETH ROBINSON, Virginia
NEAL SMITH, Iowa	
BOB CASEY, Texas	

George E. Evans, Robert B. Foster, and Charles Snodgrass, Staff Assistants

DECEMBER 17, 1974.

**U.S. DEPARTMENT OF AGRICULTURE
COMMODITY FUTURES TRADING COMMISSION**

WITNESSES

**RICHARD E. FELTNER, ASSISTANT SECRETARY FOR MARKETING
AND CONSUMER SERVICES**

**ALEX C. CALDWELL, ADMINISTRATOR, COMMODITY EXCHANGE
AUTHORITY**

**CHARLES E. ROBINSON, ACTING ASSOCIATE ADMINISTRATOR, COM-
MODITY EXCHANGE AUTHORITY**

**JEROME A. MILES, DIRECTOR OF FINANCE, DEPARTMENT OF AGRI-
CULTURE**

Mr. WHITTEN. We called this informal hearing on short notice to consider as an urgent supplemental the \$2,473,000 requested to implement the Commodity Futures Trading Commission Act of 1974. This amount was actually submitted as a budget amendment to the Senate, but it arrived after Senate consideration of the 1975 bill. Therefore, this is the first chance we have had to act. Normally, we would not have acted until next year, but because of the urgency, we decided to make an exception in this case. I think it would be well to include in the record at this point a copy of the budget justification.

Mr. CALDWELL. I would be glad to do that.
[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE COMMODITY EXCHANGE AUTHORITY

Budget appendix page	Heading	1975 request pending	1975 proposed amendment	1975 revised request
131	Commodity exchange authority. For necessary expenses to carry into effect the provisions of the Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.) and Public Law 93-463, enacted October 23, 1974, including not to exceed [\$20,000] \$200,000 for employment under 5 U.S.C. 3109.	\$4,309,000	\$2,473,000	\$6,782,000

U.S. DEPARTMENT OF AGRICULTURE
COMMODITY EXCHANGE AUTHORITY, 1975 BUDGET AMENDMENT

Budget page	Heading	Request pending	Proposed amendment	Revised request
131	Commodity Exchange Authority.....	\$4,309,000	\$2,473,000	\$6,782,000

PURPOSE AND NEED FOR BUDGET AMENDMENT

An increase of \$2,473,000 to meet the costs for the implementation and administration of the amendments to the Commodity Exchange Act contained in P.L. 93-463, the Commodity Futures Trading Commission Act of 1974, enacted on October 17, 1974.

U.S. DEPARTMENT OF AGRICULTURE—COMMODITY EXCHANGE AUTHORITY

JUSTIFICATION OF BUDGET AMENDMENT FOR "COMMODITY EXCHANGE AUTHORITY"

An additional \$2,473,000 is requested to implement and administer the provisions of Public Law 93-463, the Commodity Futures Trading Commission Act of 1974. The Commodity Exchange Authority is not in a position to absorb the additional costs which will be required to implement this new legislation within 180 days after enactment. This request also includes funds for the operation of the Commission during the balance of the fiscal year.

The new authorities, responsibilities and functions which must be implemented and administered and which require additional personnel and funds include: establishment of a new independent regulatory commission; development of a customer reparation procedure; definition of hedging; extension of regulation to all agricultural and other commodities traded on exchanges; regulation of commodity trading advisors and commodity pool operators; establishment of qualifications standards for futures commission merchants, floor brokers and their associates; determination on whether dual trading by floor brokers and futures commission merchants should be permitted; registration of persons associated with any futures commission merchants; multiple delivery point authority; approval or disapproval of contract market rules; injunction authority; authority to change contract market rules; rulemaking authority with respect to non-member registrants; authority to order exchanges to take emergency action; regulation of margin contracts for gold and silver; promulgation of regulations on options trading; review of exchange disciplinary actions; investigation of cash markets; establishment of research and information programs; approval and supervision of futures associations; and study of need for insurance of customer accounts.

DEPARTMENT OF AGRICULTURE
 COMMODITY EXCHANGE AUTHORITY

A-11-39B

Program and Financing (in thousands of dollars)

Identification code	1975 XXXXX	1975 XXXXX	1975 XXXXX
05-42-1900-5-1-352	Request <u>pending</u>	Proposed <u>amendment</u>	Revised <u>request</u>
<u>Program by activities:</u>			
Administration of the Commodity Exchange Act (costs-obligations).	4,309	2,473	6,782
<u>Financing:</u>			
Budget authority (appropriation)..	4,309	2,473	6,782
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net.....	4,309	2,473	6,782
Obligated balance, start of year..	379	....	379
Obligated balance, end of year....	-478	-61	-539
Outlays, excluding pay raise supplemental.....	4,200	2,412	6,612
Outlays from civilian pay raise supplemental.....	10	....	10

STANDARD FORM **304**
 May 1969, Bureau of the Budget
 Circular No. A-11, Revised.
 504-103

DEPARTMENT OF AGRICULTURE
 COMMODITY EXCHANGE AUTHORITY

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 75	19 75	19 75
	XXXXXX	XXXXXX	XXXXXX
05-42-1900-5-1-352			
	Request	Proposed	Revised
	<u>pending</u>	<u>amendment</u>	<u>request</u>
Personnel compensation:			
11.1 Permanent positions	2,977	1,190	4,167
11.3 Positions other than permanent	90	53	143
11.5 Other personnel compensation	55	....	55
11.8 Special personal services payments			
Total personnel compensation	3,122	1,243	4,365
Personnel benefits:			
12.1 Civilian	259	131	390
13.0 Benefits for former personnel			
21.0 Travel and transportation of persons	116	60	176
22.0 Transportation of things	4	30	34
23.0 Rent, communications, and utilities	473	324	797
24.0 Printing and reproduction	37	40	77
25.0 Other services	257	215	472
26.0 Supplies and materials	37	30	67
31.0 Equipment	4	400	404
32.0 Lands and structures			
33.0 Investments and loans			
41.0 Grants, subsidies, and contributions			
42.0 Insurance claims and indemnities			
43.0 Interest and dividends			
44.0 Refunds			
99.0 Total obligations	4,309	2,473	6,782

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

DEPARTMENT OF AGRICULTURE
COMMODITY EXCHANGE AUTHORITY

A-11-34A

PERSONNEL SUMMARY

Identification code	19 75	19 75	19 75
	XXXXX	XXXXX	XXXXX
05-42-1900-5-1-352	<u>Request pending</u>	<u>Proposed amendment</u>	<u>Revised request</u>
Total number of permanent positions....	217	280	497
Full-time equivalent of other positions	8	....	8
Average paid employment.....	216	84	300
Average GS grade.....	8.1	9.2	9.2
Average GS salary.....	\$13,743	\$14,704	\$14,704

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

A-11-35

DEPARTMENT OF AGRICULTURE
COMMODITY EXCHANGE AUTHORITY
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM
FUNDS AVAILABLE TO THE COMMODITY EXCHANGE AUTHORITY
DETAIL OF PERMANENT POSITIONS

	1975	1975	1975
	<u>Request</u> <u>pending</u>	<u>Proposed</u> <u>amendment</u>	<u>Revised</u> <u>request</u>
Executive level III.....	....	1	1
Executive level IV.....	....	4	4
Executive level V.....	....	2	2
Subtotal.....	....	7	7
GS-18.....	....	2	2
GS-17.....	1	2	3
GS-16.....	1	11	12
GS-15.....	6	5	11
GS-14.....	11	25	36
GS-13.....	21	22	43
GS-12.....	35	41	76
GS-11.....	10	34	44
GS-9.....	12	23	35
GS-8.....	1	8	9
GS-7.....	26	28	54
GS-6.....	12	37	49
GS-5.....	30	38	68
GS-4.....	27	12	39
GS-3.....	15	-10	5
GS-2.....	6	-4	2
GS-1.....	3	-3	....
Subtotal.....	217	278	495

STANDARD FORM 306
 July 1968, Bureau of the Budget
 Circular No. A-11, Revised.
 506-103

DEPARTMENT OF AGRICULTURE
 COMMODITY EXCHANGE AUTHORITY
 CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM
 FUNDS AVAILABLE TO THE COMMODITY EXCHANGE AUTHORITY
 DETAIL OF PERMANENT POSITIONS

A-11-35
 p. 2

	<u>19 75</u> 1975	<u>19 75</u> 1975	<u>19 75</u> 1975
	<u>Request</u> <u>pending</u>	<u>Proposed</u> <u>amendment</u>	<u>Revised</u> <u>request</u>
Ungraded.....	- -	+2	2
Total permanent positions.....	217	280	497
Unfilled positions, June 30.....	-8	1	-7
Total permanent employment, end of year....	209	281	490

Mr. WHITTEN. As I noted, the President requested money in the budget amendment of November 26, 1974 (Senate Doc. 93-129). The Senate took final action on the 1975 bill on November 25, and therefore, couldn't include the budget amendment which arrived too late. Since the bill was signed on October 23, why did it take so long to get a budget amendment?

Mr. CALDWELL. The CEA submitted a proposed budget amendment to the Department on November 1. The CEA proposal was carefully considered by the Department and submitted to the Office of Management and Budget on November 11.

Mr. WHITTEN. The bill provides for a Chairman and four commissioners. When do you expect these Commissioners to be appointed?

Mr. CALDWELL. I am told the White House plans to select the chairman and the commissioners sometime in January 1975. There will, of course, have to be full field personnel security investigations which take approximately five weeks. Then, nominations will have to be submitted to the Senate for confirmation.

Mr. WHITTEN. The budget request provided for a 130 percent increase in staff, from 217 to 497 positions. When do you expect to begin recruiting and what controls are you implementing to insure only quality people are hired?

Mr. CALDWELL. We plan to begin recruiting as soon as funds are available. We shall use the same care in selecting new personnel that we have used in obtaining quality personnel for CEA.

Mr. WHITTEN. What will be the full year cost of 497 positions?

Mr. CALDWELL. We estimate salaries, benefits and other personnel compensation will be \$8,646,000 for the first full year.

Mr. WHITTEN. How many additional positions do you anticipate you will need in future years?

Mr. CALDWELL. Our needs for additional positions in future years will depend entirely on the growth in the futures trading industry and the regulatory workload generated.

Mr. WHITTEN. The budget estimate provides for many supergrade positions. Has approval for these positions been received from the Civil Service Commission?

Mr. CALDWELL. No. However, the supergrade positions included in the budget estimate are authorized by section 410, Public Law 93-463.

Mr. WHITTEN. The law requires implementation of the act within 180 days of passage on October 23, 1974. This would mean implementation in late April. What must be done prior to April and will the April deadline be met?

Mr. CALDWELL. Commissioners must be appointed, confirmed and on duty. Approximately 37 additional contract markets must be designated. Twenty thousand to twenty-five thousand associated persons, 100 new futures commission merchants, 150 floor brokers, and several hundred commodity advisers and pool operators must be registered. The April deadline will be met if funds are made available.

Mr. WHITTEN. What is the basis for the request for \$400,000 for equipment and does this include computers?

Mr. CALDWELL. The request is for furniture and equipment for the new employees and does not include computers. The automatic data

processing needs of the agency are met through rental contracts that have been made in prior years.

Mr. WHITTEN. \$200,000 is requested for consultants. Why is such a large amount required and what controls will you have to assure that there are no abuses in this area? Will the need for consultants decline in future years?

Mr. CALDWELL. This was requested to give the Commissioners the utmost flexibility during the first year of operation when special skills are needed on a nonrecurring basis. Prior to the signing of any contract, there will be a positive determination that the work is essential and that the contractor is fully qualified. The need for consultants will decline in future years.

Mr. WHITTEN. The President's budget request says: "I will submit further recommendations at a later date to offset the increased outlay necessitated by this proposal." Do you now know where these offsetting reductions will be made?

Mr. MILES. On November 26 the President submitted a message to the Congress requesting reductions in spending. These reductions involved requests regarding pending appropriations bills, proposed Executive actions under the current law and proposed rescissions and deferrals. Approval of all of these actions would reduce outlays in the Department of Agriculture in fiscal year 1975 by approximately \$650 million. These proposals more than offset the increases we are requesting.

Mr. WHITTEN. The Act requires the Secretary of Agriculture to set up an office to maintain liaison with the Commission. Has this office been established? How large is it? What will be its duties?

Mr. CALDWELL. The office has not been established. We expect it to consist of two positions—a liaison officer and a secretary. The liaison office will represent the interest of the Department of Agriculture and provide a channel for the flow of information between the Commission and the Department.

Mr. WHITTEN. What is the significance of section 101(6) (E) of the act which states: "There are hereby reserved to the Commission its functions with respect to revising budget estimates and with respect to determining the distribution of appropriated funds according to major programs and purposes."

Mr. CALDWELL. I interpret this as a limitation on the authority of the Chairman with respect to the revision of budget estimates and the distribution of funds. These matters are reserved to the full Commission.

Mr. WHITTEN. Please explain your interpretation of the significance of section 101(12) (c) which states: "All of the expenses of the Commissioners, including all necessary expenses for transportation incurred by them while on official business of the Commission, shall be allowed and paid on the presentation of itemized vouchers therefore approved by the Commission."

Mr. CALDWELL. I interpret this section to mean that such expenses shall be paid if reasonable and proper, in accordance with all applicable laws, and if appropriated funds are available.

Mr. WHITTEN. Thank you very much for your fine testimony.

**SUBCOMMITTEE ON DEPARTMENT OF TRANSPORTATION
AND RELATED AGENCIES**

JOHN J. McFALL, California, Chairman

SIDNEY R. YATES, Illinois

SILVIO O. CONTE, Massachusetts

TOM STEED, Oklahoma

WILLIAM E. MINSHALL, Ohio

JULIA BUTLER HANSEN,

JACK EDWARDS, Alabama

Washington

EDWARD P. BOLAND,

Massachusetts

Thomas J. Kingfield and Charles G. Hardin, Staff Assistants

TUESDAY, DECEMBER 17, 1974.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

WITNESSES

ASAPH H. HALL, ACTING FEDERAL RAILROAD ADMINISTRATOR
DONALD W. BENNETT, CHIEF COUNSEL

OFFICE OF THE SECRETARY

WALTER R. BOEHNER, DIRECTOR OF BUDGET

Mr. McFALL. The committee will come to order.

This morning we will hear testimony on a supplemental request to provide operating assistance to the Penn Central and certain other railroads in the Northeast and Midwest regions.

We are pleased to have Mr. Asaph H. Hall, the Acting Federal Railroad Administrator, to discuss this request. You may proceed with your statement, Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman.

Before I read my prepared statement I would just like to make one comment. I would like to express my thanks and that of the Department for your willingness and the willingness of this committee to hear this request this morning. We recognize the time pressures that you all are in these last few days of the session and I can assure you that we are only here because of the urgency of the request.

We thank you very much.

Mr. McFALL. We appreciate your comments.

GENERAL STATEMENT

Mr. HALL. Mr. Chairman.

I appear before you today to urge further appropriations in the amount of \$10.2 million to implement section 213 of the Regional Rail

Reorganization Act of 1973. Section 213 authorizes the Secretary of Transportation, pending the implementation of the Final System Plan now being prepared by the United States Railway Association, to insure continued provision of essential transportation services in the Northeast and Midwest region through Federal assistance to trustees of railroads in reorganization.

A total of \$85 million is authorized to be appropriated pursuant to section 213. To date, \$74.8 million has been appropriated. Of this amount, a total of \$66.1 million either has been made available or obligated to these railroads as follows:

	<i>Million</i>
Penn Central-----	¹ \$50.5
Lehigh Valley-----	3.0
Central Railroad of New Jersey-----	12.2
Reading-----	0
Lehigh & Hudson River-----	.4
Ann Arbor-----	0
	66.1

¹Includes \$30,000,000 committed for December 1974, but awaiting court approval.

The court is scheduled to hear the petition of the Penn Central Trustees for authority to enter into and implement this grant agreement on December 18.

Thus, \$8.7 million of appropriated funds remains available. We expect this amount, plus the \$10.2 million being requested today, to be required before the end of January 1975 to ensure the continued provision of essential transportation services pursuant to the act. We are therefore urging that the additional \$10.2 million be appropriated by this Congress, since it is unlikely that the 94th Congress will be able to act in time to prevent the possible cessation of services by some of the railroads in reorganization.

This situation comes about because the cash position of the railroads in reorganization, particularly the Penn Central, has been severely weakened by a loss of carrier revenues due to the unique combination of two principal factors:

The coal strike, including reduced carloading of ore, steel and related commodities affected by the strike; and

Sharp reductions in the level of shipments of autos and parts resulting from the current downturn in that segment of the economy, with no apparent relief in sight.

With respect to the Penn Central specifically, carloadings in November were down by 19 percent, and even with the resumption of coal shipments, we see little improvement during December. The railroad currently is facing an estimated cash deficit of \$15.7 million at the end of December and a further cash drain of about \$30 million during the month of January, for a total estimated cash deficit of approximately \$46 million between now and the end of January 1975.

The \$30 million, section 213 grant recently committed by the Department to the Trustees of the Penn Central will help, in part, to get the railroad through this immediate cash emergency—but even with effective cash management and belt tightening by the trustees it may not be enough, particularly if unusually severe winter weather hampers operations. The prospects are very real that the Penn Central situa-

tion could be much worse, rather than better. Realistically, we believe that we should be prepared to deal with such a possibility.

In addition to the Penn Central, we presently have a request from the trustee of the Lehigh Valley for approximately \$2.8 million in funds in order to operate through January. Additionally, we estimate that the Ann Arbor may need as much as \$1.0 million during this same period.

Mr. Chairman, I urge the prompt and favorable action of your subcommittee on this request so that the Department can respond to any cash emergencies during this critical 2-month period. Now I will be pleased to answer any questions you may have.

INTERIM OPERATING ASSISTANCE BUDGET REQUEST

Mr. McFALL. Thank you, Mr. Hall, for your statement.

We shall insert the budget request, which is contained in House Document 93-409, at this point in the record.

[The information follows:]

PROPOSED SUPPLEMENTAL APPROPRIATION
FOR FISCAL YEAR 1975 FOR THE
DEPARTMENT OF TRANSPORTATION

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

PROPOSED SUPPLEMENTAL APPROPRIATION FOR FISCAL
YEAR 1975 FOR THE DEPARTMENT OF TRANSPORTATION



DECEMBER 12, 1974.—Referred to the Committee on Appropriations
and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

THE WHITE HOUSE,
Washington, December 12, 1974.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I ask the Congress to consider a proposed supplemental appropriation for the fiscal year 1975 amounting to \$10,200,000 for the Department of Transportation. This proposal will increase 1975 outlays by that amount.

Details of this proposal are outlined in the enclosed letter from the Director of the Office of Management and Budget, with whose comments and observations I concur.

Respectfully,

GERALD R. FORD.

[Estimate No. 94, 93d Cong., 2d sess.]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., December 12, 1974.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit for your consideration a proposed supplemental appropriation for the fiscal year 1975 in the amount of \$10,200,000 for the Department of Transportation, as follows:

DEPARTMENT OF TRANSPORTATION
FEDERAL RAILROAD ADMINISTRATION
INTERIM OPERATING ASSISTANCE

For necessary expenses for "Interim operating assistance" under the Regional Rail Reorganization Act of 1973, \$10,200,000 to remain available until expended.

The Regional Rail Reorganization Act of 1973 authorizes the Secretary of Transportation to provide Federal payments to railroads in reorganization, in order to insure continuation of essential rail service, pending implementation of the Final System Plan.

Of the \$85 million authorized, \$74.8 million has been appropriated and \$36.1 million has been obligated. The \$10.2 million supplemental represents the unappropriated balance. This amount, combined with the \$38.7 million appropriated and not yet obligated, would cover the estimated \$48 million required through January. A heavy and unexpected demand on these funds is being caused by the coal strike and the decline in auto shipments. This proposal will increase 1975 outlays by \$10.2 million.

Approval of this supplemental is necessary during this session of Congress, to prevent service and employee cutbacks, which would adversely affect the economy of the region, and eventually the nation.

I have carefully reviewed the proposal for appropriations contained in this document and am satisfied that the request is necessary at this time. I recommend, therefore, that this proposal be transmitted to the Congress.

Respectfully,

ROY L. ASH, Director.

CURRENT AND PROJECTED OBLIGATIONS

Mr. McFALL. We have appropriated a total of \$74.8 million for interim operating assistance. How much of this amount has been obligated?

Mr. HALL. We have obligated a total of \$66.1 million.

Mr. McFALL. That leaves what?

Mr. HALL. A balance of \$8.7 million remains uncommitted.

Mr. McFALL. How much do you plan to obligate this month and next month and for what purposes?

Mr. HALL. Based on the present cash projections submitted by the railroads in reorganization it appears that the remaining \$8.7 million of appropriated funds, plus the \$10.2 million being requested today, will be needed before the end of January 1975. This would include the balance required for the Penn Central through January which as of our current estimate looks like \$46 million less the \$30 million grant awaiting court approval; approximately \$2.8 million for the Lehigh Valley; and up to \$1 million for the Ann Arbor.

Mr. McFALL. Have all of the funds obligated to date gone to the Penn Central?

Mr. HALL. No; the list on page 1 of my statement shows where the funds to date have been obligated. Roughly \$50 million has gone to the Penn Central out of the \$66 million obligated.

SUPPORTING DOCUMENTATION

Mr. McFALL. What analyses and other documentation have you received from the Penn Central to support their requests for funds?

Mr. HALL. We received at the end of November a fairly detailed cash estimate through the first quarter of calendar 1976. That estimate showed approximately a \$280 million shortfall by that period.

However, the information the Trustees provided also contained various assumptions on volume levels, rate increases, and increased labor costs, and we are in the process of analyzing that cash forecast in some depth.

The other railroads have not given us information much beyond the first quarter of calendar 1975 as yet.

FRA REVIEWS OF SUPPORTING DOCUMENTATION

Mr. McFALL. What reviews and audits do you conduct to determine whether or not these requests are sound? You have given us some detail as to what you do with Penn Central. Would you tell us further what you do with Penn Central and with other railroads?

Mr. HALL. Yes.

Pursuant to our agreements with the bankrupt railroads they submit at the beginning of every month a daily cash forecast for that month.

Our financial people then evaluate the reasonableness of those estimates. We also track the actual daily cash against the forecast as we go through the month. For example, in the case of Penn Central, as of yesterday they were forecasting a cash balance of positive \$24.8 million whereas the actual balance is \$20.6 million; thus they are running approximately \$4 million less than their forecast. We similarly follow the cash position of each of the railroads that are eligible for assistance

under section 213. Our grant agreements with the railroads allow us to go back on a postaudit with our own auditors and the GAO also has the authority to go in and do a postaudit.

Mr. McFALL. Do you have any auditors that are there on a continuing basis to verify these figures?

Mr. HALL. At the moment we do not have auditors there on a continuing basis, but we do have the right under our grant agreements to put somebody physically on the property of each railroad on a continuing basis.

Mr. McFALL. Is that necessary in your opinion?

Mr. HALL. Up to the present time we haven't seen the necessity to have someone on the property of these railroads on a continuing basis. For the most part the forecasts which the various trustees have submitted to their respective reorganization courts have proven to be fairly reasonable.

Mr. McFALL. There is no basis for believing that any of these figures are in any way other than accurate for you and the court?

Mr. HALL. That is right, yes.

PENN CENTRAL'S MONTHLY OPERATING DEFICITS

Mr. McFALL. What has been Penn Central's monthly operating deficit for each of the past 10 months? You may put that in the record.

Mr. HALL. We will, sir.

Mr. McFALL. What is the total?

Mr. HALL. Yes, sir, we will include that in the record. We anticipate Penn Central will have about a \$200 million deficit for the year. I think they were \$125 million through 9 months, something like that. But we will put that in the record.

[The information follows:]

<i>Penn Central operating deficits for 1974</i>		<i>Millions</i>
1974:		
January	-----	(\$34.2)
February	-----	(24.2)
March	-----	(9.8)
April	-----	(19.3)
May	-----	(10.0)
June	-----	(6.0)
July	-----	(6.7)
August	-----	(8.0)
September	-----	(6.6)
October	-----	(5.4)
	Total loss—10 months 1974-----	(130.2)

CONTROL OF OPERATING EXPENSES

Mr. McFALL. Is the Penn Central taking any actions to pull down its operating expenses? You detailed in your statement the problem they are having with their revenues, and that is understandable in view of the present economic situation. What are they doing about operating expenses?

Mr. HALL. We think that they are doing about as good a job as they can as far as keeping their operating expenses within bounds. There are obviously other things they could do, however. They have suggested

to us that they could begin laying off people, they could stop procuring materials for their maintenance programs, and so forth, in calendar 1975, which we don't find to be acceptable solutions because in the marginal condition that the railroad is now in, any reduction of maintenance below their current level would be in our view disastrous.

ROADBED MAINTENANCE

Mr. McFALL. That is the next question I was going to ask you. It has been alleged that the Penn Central's track has been allowed to deteriorate during the past year to the extent that some parts of its system are no longer safe. This morning's paper indicates that during the first 10 months of 1974 there were 2,553 derailments on the Penn Central, an increase of 80 percent from 1 year earlier.

Why isn't Penn Central adequately maintaining its track, if it is not, as these statements seem to indicate? How much, if any, of the interim operating assistance appropriations have been used for roadbed maintenance?

Mr. HALL. The current 1974 level for the Penn Central maintenance program in total is about \$307 million. That is a large number and we do have some question on why the results from that program are not more apparent. Consequently we have had a group of chief engineers from solvent railroads outside the northeast region, such as the Southern Pacific and Santa Fe, do an on-site study of Penn Central's maintenance situation.

They have recently completed a comprehensive physical inspection of the Penn Central system and have come up with some very large estimates as to what it will take to turn the deteriorating condition of that railroad around and start to bring it back to where it should be.

Their estimate, for instance, for calendar 1975 is about a \$630 million maintenance program as opposed to, let us say, Penn Central's normal maintenance program of about \$307 million.

I think the answer to your question, Mr. Chairman, is that Penn Central is a railroad that perhaps over the past 15 years or so has allowed itself to deteriorate and we are now at a point that this deterioration has begun to adversely affect the operations of the railroad.

Mr. McFALL. I rode on an Amtrak train from Philadelphia to Washington several weeks ago and there was pointed out to me certain track that appeared to be deteriorating.

Mud and water had started the deterioration of the roadbed, and the switches were also deteriorating. I believe someone said that the track had all been rebuilt around 1962.

Is that correct?

Mr. HALL. During the period of the 1960's I think until about 1967 they were rebuilding that Washington-New York stretch.

Mr. McFALL. With a Federal grant, as I recall the statement.

Mr. HALL. No, sir.

I think that was Penn Central's money, if I recall correctly. The Federal grant you may be thinking of was the Metroliner demonstration program where we helped to fund the equipment, but the roadbed, the track work, was all Penn Central expenditure.

TAX LAW AND RAILROAD ACCOUNTING PROCEDURES

Mr. McFALL. What is the tax law situation with reference to railroads? Sometime in the past a Federal Railroad Administration official pointed out to me that the tax laws did not give the railroads the same kind of a break on the money that they put into track as they got on the money spent for equipment.

Is this also a factor?

Mr. HALL. Mr. Bennett, our chief counsel, will answer that.

Mr. BENNETT. Although I don't profess to be a tax lawyer, I think the difficulty results from the tax laws coupled with the ICC accounting procedures. Track improvement expenditures beyond normal maintenance are considered to be capital expenses that cannot be depreciated.

As I recall, Mr. Ingram testified the last time he was here to that point.

Mr. McFALL. Does this inhibit the ability of the railroads to be able to maintain the tracks? Is this an unfavorable tax situation as far as the railroads are concerned?

Mr. HALL. I don't know that I would call it an unfavorable tax situation. I think their accounting procedure that they have chosen to use may be—

Mr. McFALL. Would you just verify this answer and let us have something this afternoon that we might put in the record on this point?

Mr. HALL. Yes, sir.

[The information follows:]

Under the present Federal income tax laws, expenditures by railroads for current track maintenance are considered an item of expense and deductible against any earned income. Expenditures for upgrading and betterments of the track structure are considered capital items for which no allowance for depreciation is permitted. The initial investment in track structures is also not depreciated. These facts may discourage railroads in expending moneys for upgrading of track. However, the primary factor influencing the amount of moneys expended by railroads on track maintenance and upgrading is the availability of income and cash.

Mr. BENNETT. I think the main point here, Mr. Chairman, is that Penn Central's maintenance problems are related more to shortage of cash than to current tax laws.

LOAN GUARANTEE FUNDS

Mr. McFALL. Their problems are much more basic than that.

At the present moment I was just endeavoring to find out how we got into the situation where we are. We are now taking care of whatever Penn Central's problems are with the U.S. Railway Association, but other railroads might also have this same problem and we might be in a better position to recommend some sort of changes in the tax laws.

In our hearing last spring, we discussed the possibility of using the loan guarantee funds which were authorized by section 215 of the Regional Rail Reorganization Act. There was, as I recall, \$150 million provided under that section. Have any of these funds been used?

Mr. HALL. Yes, sir.

We just completed an agreement with the Lehigh Valley for \$3.4 million of section 215 funds to buy locomotives to be used by the Lehigh Valley. The remainder of that money has been somewhat held up pending the Supreme Court decision which was announced yesterday, and the selection by U.S. Railway Association of those lines that have a high probability at least of being contained in the final system plan.

My understanding is that U.S.R.A. officials plan to present an entire 215 program to the Board of Directors of U.S.R.A. in mid-January, and I think at this point that money will then become available.

SUPREME COURT DECISION

Mr. McFALL. What was that Court decision?

Mr. HALL. Basically the Court decision that came down yesterday was a 7-to-2 decision which upheld the constitutionality of the Regional Rail Reorganization Act.

The creditors had brought suit seeking injunctive relief on the theory that the act would result in an unconstitutional taking of their property.

The Court ruled that the Rail Act was constitutional, finding that a Tucker Act remedy was available to: (1) provide just compensation for any "erosion taking" effected by the Rail Act; and (2) cover any shortfall between the consideration the railroads receive for their rail properties finally conveyed under the Rail Act and the constitutional minimum.

Mr. McFALL. We can proceed with this as they go ahead?

Mr. HALL. That is correct. It takes the cloud off the process.

Mr. McFALL. Mr. Conte, do you have any questions?

Mr. CONTE. The Penn Central has a lot of subsidiaries, some of which are very profitable ventures. Is the profit from these ventures combined with the Penn Central's operation?

Mr. HALL. My understanding is that they are, that they are talking about a consolidated profit and loss statement of the Penn Central Transportation Co., which includes the income from their leased lines and operating subsidiaries.

TIMING OF BUDGET REQUEST

Mr. CONTE. Why couldn't this wait until next year?

Mr. HALL. Well, our feeling is that there is a high probability that the money requested will be needed during January in order to keep Penn Central and one or two of these other railroads in reorganization operating through January into February.

Mr. CONTE. When did you first submit this?

Mr. HALL. We sent our request over to OMB on November 29 and I believe it came up here last week.

Mr. CONTE. Why did you wait so long? We want to go home for Christmas, too.

Mr. HALL. The situation developed very rapidly at the end of November with the coal strike and the very rapid downturn in the automobile industry about the middle of November. It wasn't until the last week in November that Penn Central and the other railroads came into us and showed us their revised cash forecasts for the next month or so.

Up until that point we had been looking at cash forecasts which seemed to indicate there was no problem getting through the first quarter of calendar 1975.

USE OF SECTION 215 LOAN GUARANTEE FUNDS

Mr. CONTE. Couldn't they use the section 215 loan guarantee funds to meet the cash requirements?

Mr. HALL. The act provides that these funds are to be used for upgrading and modernization of plant and facilities, and as such they are not available for the operating cash deficits which we are talking about here to meet payroll, fuel costs, and similar operating expenses.

In any event, the 215 program, because of the need for U.S.R.A. to identify the projects that are to be carried out, will probably not be implemented until February.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. McFALL. Mr. Yates.

PENN CENTRAL'S HOLDING COMPANY

Mr. YATES. May I follow up Mr. Conte's question?

Penn Central has a number of profitable real estate holdings, does it not?

Mr. HALL. Yes, it does.

Mr. YATES. Does the income from those holdings go into the pot?

Mr. HALL. Yes, income generated by the subsidiaries of the Penn Central Transportation Co. is included in the company's consolidated income statement.

Mr. YATES. Were these properties originally the property of the Penn Central Railroad rather than the holding company?

Mr. HALL. I don't know that I can really answer that. We will check that for the record.

[The information follows:]

The Penn Central Transportation Company ("PCTC") is a holding company comprised of 164 corporate subsidiaries. A chart showing the intercorporate structure of the PCTC can be found on page 368 of the December 1972 Report to the Senate Commerce Committee by its staff on the Penn Central and other railroads.

The PCTC is, of course, the result of the 1968 merger of the Pennsylvania Railroad and the New York Central. As the 1972 Senate Commerce Committee staff report details (see pages 73-77, and 388-430) both of these railroads had traditionally possessed substantial real estate holdings which contributed to the consolidated earnings of the railroads. The Pennsylvania Railroad did embark on a specific diversification program in late 1962, and the New York Central made a limited effort to diversify in 1966. The PCTC was heir to the rail and nonrail assets of these railroads. In 1969 the PCTC created its own holding company, the Penn Central Company—which is comprised of the PCTC, two oil companies, and another wholly owned subsidiary.

CREDITORS CLAIMS AGAINST HOLDING COMPANY

Mr. YATES. Do the creditors of the railroad have any rights against the properties that are in the holding company?

Mr. HALL. The creditors of the PCTC only have a claim against assets owned by PCTC.

CLAIMS OF FEDERAL GOVERNMENT

Mr. YATES. Does the United States have any claim against the properties in the holding company as a result of the funds that we are providing?

Mr. BENNETT. We have a lien as a result of the title V loans that the Interstate Commerce Commission made sometime ago. In addition, we have a lien as a result of the obligations which were guaranteed by the Secretary under the Emergency Rail Services Act of 1970. In making these guarantees we acquired a claim of the first priority against the entire estate.

Mr. YATES. Against the entire estate, including the real estate?

Mr. BENNETT. Yes.

Mr. YATES. I thought I remembered that in the legislation we passed.

Mr. BENNETT. Yes.

Mr. YATES. But that assurance to the United States does not run as well to the funds that U.S. Government puts up for operating expenses?

Mr. HALL. That is correct.

The section 213 grants do not involve any liens.

Mr. YATES. And there is no possible way the United States could be recompensed for that?

Mr. HALL. No; the funds provided are strictly grants to cover cash deficits.

DEFICIT ATTRIBUTABLE TO PAYMENTS ON RAILROAD SECURITIES

Mr. YATES. How much of the deficit is attributable to payments on the securities of the railroad?

Mr. HALL. We will have to submit that for the record.

[The information follows:]

For the year 1973, Penn Central's income statement reflected accrued charges of approximately \$76.3 million for interest in default. From a cash standpoint, however, no actual payments of interest on funded debt have been made since the beginning of the bankruptcy. Therefore, this item is not a part of the cash deficits currently being incurred by Penn Central.

Mr. HALL. Since the beginning of the reorganization proceeding, Penn Central has not made any payments of principal or interest on its funded debt. They are, of course, continuing to make payments on their equipment obligations.

Mr. YATES. They have to pay that. Otherwise they lose their equipment.

Mr. HALL. Yes.

DEFICIT ATTRIBUTABLE TO SALARY COSTS

Mr. YATES. What about salaries?

Mr. HALL. We will have to submit that for the record, sir. I don't have that number.

[The information follows:]

Of the total of approximately \$1.6 billion in operating expenses incurred by Penn Central in 1973, the total amount of employee compensation charged to these operating expenses was approximately \$1.0 billion—about 65 percent. Em-

ployee compensation thus is a major element in the cash deficits being incurred by Penn Central. However, it is not practical to actually apportion these deficits between the costs for compensation and other costs such as materials and fuel, which have to be incurred to keep the railroad in operation.

DEFICIT ATTRIBUTABLE TO REPLACEMENT OF EQUIPMENT

Mr. YATES. What portion of the deficit is attributable to replacement of equipment?

Mr. HALL. We will have to submit that for the record also.

[The information follows:]

At present, Penn Central is replacing little, if any, equipment. The equipment it has acquired since the bankruptcy has mainly been through leasing. In 1974, however, no new leases were executed and it is our understanding that the trustees' present plans do not include any new leases in the immediate future. Penn Central's income statement does include charges for depreciation of equipment (approximately \$54.3 million in 1973). But this is not an actual outlay of cash and, therefore, not a part of the current cash deficits.

ROADBED MAINTENANCE

Mr. YATES. In response to the chairman's question you indicated that the payment of approximately \$300 million a year had not been adequate to maintain the roadbed.

What assurance is there with the payment of \$600 million that there will be adequate maintenance of the roadbed?

Mr. HALL. Well, the best thing that we have to go on right now in that regard is the report by the chief engineers from the other railroads. In addition to that, however, USRA, as part of its overall planning process, is making a very in-depth analysis and on-site review of all the facilities of the bankrupt railroads.

USRA has hired a number of engineering consultants who have gone out and physically walked the track. This will provide an independent analysis of what it takes to properly maintain and upgrade the railroad. I presume this will be included as part of the USRA's preliminary system plan which is scheduled to be released on February 26 next year.

The chief engineer's analysis indicates that roughly \$600 million in maintenance should be performed in 1975, with additional amounts needed in each of the succeeding 7 years.

Mr. YATES. An 8-year program, \$600 million a year?

Mr. HALL. It tails off at the end. The total is a \$4.6 billion program over 8 years, of which about \$2.5 billion would be the normal Penn Central maintenance program and on top of that is the \$2.1 billion increment that they recommend being added.

Mr. YATES. Did your supervisor group of engineers agree that the amount spent had been inadequate, or had there been an improper application of the funds toward maintaining the roadbed?

Mr. HALL. If I could paraphrase what they told us, they said that they did not feel there was anything wrong going on as far as the way the Penn Central was pursuing their maintenance program.

However, due to the deteriorated condition of the railroad, Penn Central's current maintenance program is basically a firefighting kind of a maintenance program. In other words, they have to go in and replace ties and rail on sort of a spot basis just to keep the railroad

running, which is a much more expensive maintenance program than to plan ahead and get out ahead of the problem.

For that reason the group of chief engineers said that \$300 million would merely keep the railroad operating, but, would never get to that point where you could finally plan a normalized maintenance program with some degree of assurance.

Mr. YATES. Do you have an estimate as to what it is likely to cost the Government to put the Penn Central in shape?

Mr. HALL. Not at this time, sir. That is one of the, I think, critical items that USRA will develop in its final system plan.

Mr. McFALL. Will you yield there?

Mr. YATES. Be glad to.

SOURCE OF MAINTENANCE FUNDS

Mr. McFALL. With reference to the \$4.6 billion total in the next 8 years, you indicated that \$2.5 billion of that would come as part of Penn Central's normal maintenance program.

Mr. HALL. \$300 million a year or so.

Mr. McFALL. Presumably, if this railroad is put in good operating condition under the plan of the U.S. Railway Association, these moneys would come out of operating revenues.

Mr. HALL. That is correct. That would be an internally generated sum.

Mr. McFALL. Assuming that it is a viable operating company.

Mr. HALL. That is right.

Also, the increment of additional cost would by no means have to be Federal money. There is no reason why this railroad, once it begins to be more efficient, could not generate more revenues and to a larger extent pay for that extra \$2 billion.

Mr. McFALL. It could be repaid out of the bonds which would be guaranteed under the legislation.

Mr. HALL. There are several ways to do it.

Mr. YATES. When is it expected the railroad will become more efficient?

Mr. HALL. It is not an overnight proposition, obviously.

The chief engineer's estimate was that it would take 8 years to bring it back up the point where the railroad could operate with a normal maintenance program.

Of course during that period you would be increasing efficiency each year as you improve various parts of the railroad.

CONDITION OF EQUIPMENT

Mr. YATES. What is the condition of the equipment of the company?

Mr. HALL. Some is fairly good. Some is quite bad.

Mr. YATES. The Metroliner equipment is fairly good?

Mr. HALL. Yes.

Mr. YATES. What is the condition of the rest of the railroad system? Does Penn Central only operate between Boston and Washington?

Mr. HALL. Oh, no. It is a huge system.

Mr. YATES. Then it operates passenger service between other points as well?

Mr. HALL. We are talking primarily freight service, sir. The inter-city passenger service is a contractual relationship between Amtrak and Penn Central. It is a very minimal part of the Penn Central's operations. Amtrak owns all their own equipment.

Mr. YATES. When you are talking about losing revenues it only pertains to freight revenues?

Mr. HALL. That is right. We are basically assuming that the passenger cost will be fully reimbursed either by Amtrak or by the regional commuter agencies who also have contractual relationships with Penn Central for the operation of commuter trains.

TOTAL PASSENGER AND FREIGHT DEFICIT

Mr. YATES. Does anybody know what the total deficit, both passenger and freight, is likely to be for the year?

Mr. HALL. That \$200 million figure is the ball park number for 1974.

Mr. YATES. Just for the freight?

Mr. HALL. Yes, but that also includes any passenger-related deficits.

Mr. YATES. \$200 million for all operating expenses. This is the deficit.

Mr. HALL. This is the estimated deficit for the total operation. That is the total loss.

Mr. YATES. Thank you, Mr. Chairman.

COST OF DERAILMENTS

Mr. STEED. Mr. Hall, in your statement you said the reason you are here asking for this additional appropriation was principally because of two factors, the coal strike and the situation in the auto industry which had an impact on carloadings. The chairman in his statement pointed out that the morning newspaper says that for the first 10 months of 1974 this railroad had 2,553 derailments, an 80-percent increase. Do you have any figures on what these derailments have cost this railroad so far this year?

Mr. HALL. I don't have a dollar figure, sir, but it is undoubtedly true that it has cost money.

Mr. STEED. Could you get a dollar figure on it?

Mr. HALL. We can certainly try to come up with one.

Mr. STEED. Some of these railroad accidents you read about are bound to be extremely expensive wrecks, and it would seem to me that you might be having more of an impact on their operating deficit due to wrecks than you are because of the loss of a few carloadings. It is a total loss when you have a wreck.

Mr. HALL. That is correct. That is a significant number.

Mr. STEED. Could you provide something for the record?

Mr. HALL. Yes, sir.

[The information follows:]

In 1973, total dollar damages incurred by reported derailments on the Penn Central amounted to \$4,597,941. There were 446 reportable derailments (an accident is reported as a derailment or a collision when a minimum of \$750 damage to equipment, track or roadbed, excluding cost of clearing the wreck results). These same 446 derailments also resulted in 3 fatalities and 44 injuries.

FUNDING REQUIREMENTS

Mr. McFALL. Mr. Boland.

Mr. BOLAND. Mr. Administrator, you indicated that there was \$85 million authorized under the act and the \$74.8 million has been appropriated. Of the sum appropriated, \$8.7 million remains unobligated. That amount and this \$10.2 million would give you \$18.9 million unobligated. You also indicated that the cash deficit which the Penn Central faces will be \$15 million by the end of December and \$30 million by the end of January 1975. Is that true?

Mr. HALL. It is really \$45 million by the end of January because it is 15 plus 30.

Mr. BOLAND. How much?

Mr. HALL. \$45 million or \$46 million.

Mr. BOLAND. By the end of January?

Mr. HALL. Yes.

Mr. BOLAND. You also indicated of the \$74.8 million that has been appropriated, \$50.5 million was obligated to the Penn Central and that you just recently committed some \$30 million. Does that take care of part of the cash deficit which is facing Penn Central?

Mr. HALL. Yes, sir, it does. According to our current estimates, the \$30 million would take the Penn Central perhaps through the middle of January. They anticipate a \$15.7 million deficit by the end of December 31. The \$30 million will cover this deficit, leaving roughly \$14 million to go on into January. Based upon their current forecasts they are estimating a \$30 million cash drain during the month of January, so \$14 million of our \$30 million grant will apply to that cash drain and then we need additional money to make up the difference to get them through.

PENN CENTRAL SYSTEM

Mr. BOLAND. You have two other railroads that are facing a cash deficit, the Lehigh Valley at \$2.8 million by the end of January and the Ann Arbor at \$1 million by the end of January. How many miles of track does the Penn Central operate over?

Mr. HALL. Roughly road miles are about 20,000, track miles about 40,000.

Mr. BOLAND. In how many States? Will you list for the record the number of States that it operates in? Also, will you list for the record the number of States that the other bankrupt railroads operate in, the Lehigh Valley, Central Railroad of New Jersey, Reading, Lehigh and Hudson River, and Ann Arbor?

Mr. HALL. Yes, sir.

[The information follows:]

The States in which Penn Central and the other railroads in reorganization operate are as follows:

Illinois;	Delaware;
Michigan;	New Jersey;
Indiana;	Connecticut;
Ohio;	Massachusetts;
West Virginia;	Rhode Island;
Virginia;	Kentucky;
Pennsylvania;	Wisconsin;
New York;	Quebec; and
Maryland;	Ontario.

Mr. BOLAND. That is all.
Thank you.
Mr. McFALL. Mr. Edwards.

RESPONSIBILITIES OF FEDERAL RAILROAD ADMINISTRATION

Mr. EDWARDS. Thank you, Mr. Chairman.

What do you see as the responsibility of the Federal Railroad Administration in scrutinizing the operation of the Penn Central?

Mr. HALL. From my perspective, sir, I think we have a great responsibility, whichever funds we are talking about, whether it is 213 or 215 type funds, to make sure that those funds are applied effectively either in their operation or in their capital program.

The only experience we have had so far is under the 213 program. We believe that we husbanded those funds as tightly as we could during the past year and as far as I can tell from looking at what has happened under existing grant agreements, the grant funds have been used as the railroads said they would be used.

Mr. EDWARDS. You are talking about the moneys that you give to them under one of these programs. I thought the import of what you were saying earlier was that you assumed that because they were under court order the court was riding herd on their operation and that that was a basic assumption on your part. That is what I understood you to be saying.

Is that true? Do you only see your responsibility as following the money that you provide, or do you see your responsibility to determine in fact that the railroad is being operated in such a way that there is indeed a real need for the money?

Mr. HALL. I believe the latter statement is more appropriate. I think Secretary Brinegar is very concerned about the management of these railroads and whether in fact management really has control over what is going on. We have, I would say, a very close working relationship with the top managements of all these bankrupt railroads and both Secretary Brinegar and Deputy Secretary Barnum are very much personally involved in that, as I am.

On the other hand, I would say that with our resources we are certainly unable to participate in the day-to-day management of these railroads. There is no way we can do that. We have to rely on the existing management structure of each of the railroads.

Mr. EDWARDS. Is there a need in your opinion to participate to a greater extent in the day-to-day management?

Mr. HALL. Not if we have confidence in the management.

Mr. EDWARDS. Do you?

Mr. HALL. For the most part; yes. I think in some cases we would have to say that the management is thin. One of the recommendations of the chief engineers' group which looked at the Penn Central was that there was no lack of enthusiasm and competence at the upper and middle management levels, but they were very thin and they were probably suffering because of that.

Mr. EDWARDS. But Penn Central has the court, the ICC, the Federal Railroad Administration, to name three. Are there others that have responsibility in one way or another?

Mr. HALL. The State commissions, of course, regulate each of the railroads in their States.

Mr. EDWARDS. Would you have to say that the court in the final analysis is the leader of all those agencies, the lead agency, if you can call a court an agency?

Mr. HALL. I am not sure I want to answer that question.

RESPONSIBILITY FOR OVERSEEING PENN CENTRAL'S OPERATIONS

Mr. EDWARDS. I am trying to find out where the responsibility is. It is one thing for you to say to us you need \$10 million because they have had a decrease in traffic. It is another thing to testify that, in fact, Penn Central has done all those things that need to be done to minimize their losses to the extent that this is a legitimate request on your part. We are counting more on your good faith than that of Penn Central. That is why I am interested in pinpointing responsibility.

Mr. HALL. With respect to the court, the court has a dual main function of protecting the public's interest in continued rail operation and second, to insure that the creditors of the railroad are protected. We, on the other hand, are primarily interested in insuring that railroad continues to provide essential transportation services in an efficient manner.

The ICC also has a very definite role in insuring that the service being provided by the railroad to shippers and customers is adequate.

Sometimes a conflict develops between the various interest groups in evaluating whether particular rail operations should be discontinued because they do not make economic sense. There is obviously a dilemma in terms of what is an appropriate public policy regarding such operations. However, I would not say that the court is the leader in resolving this issue. I can say that very definitely.

Mr. EDWARDS. You mentioned everybody's interest but that of the taxpayer. I imagine that is us. That is why I think we need to be sure that the railroad, in fact, is doing all it can and it is not just business as usual on the old railroad.

Mr. HALL. I would agree wholeheartedly.

DECREASE IN CARLOADINGS

Mr. EDWARDS. Finally, then, on page 2, as you were reading your statement, in the last paragraph you say that "carloadings in November were down by 17 percent." You later said 19 percent. Is there a change?

Mr. HALL. That is correct, sir. I should have mentioned that when I was reading. We checked this morning to verify that number. Seventeen was about 1 week old. We checked this morning and the actual results in November indicate a 19 percent decrease.

Mr. CONTE. This is Mr. Minshall's last meeting. He has been a very valuable member of this committee and has made many contributions. We shall miss him greatly. It will create a tremendous void which will be difficult to fill.

Mr. McFALL. I agree. We have all enjoyed our association with you, Mr. Minshall.

Mr. EDWARDS. I heartily concur in the remarks of my colleagues.

Mr. MINSHALL. I appreciate all of those kind comments, gentlemen.

Mr. McFALL. Thank you very much, Mr. Hall and gentlemen.

SUBCOMMITTEE ON DEPARTMENTS OF LABOR AND HEALTH,
EDUCATION, AND WELFARE APPROPRIATIONS

DANIEL J. FLOOD, Pennsylvania, Chairman

WILLIAM H. NATCHER, Kentucky ROBERT H. MICHEL, Illinois
NEAL SMITH, Iowa GARNER E. SHRIVER, Kansas
BOB CASEY, Texas SILVIO O. CONTE, Massachusetts
EDWARD J. PATTEN, New Jersey J. KENNETH ROBINSON, Virginia
DAVID R. OBEY, Wisconsin
EDITH GREEN, Oregon

Henry A. Neil, Jr., Frederick Pfluger, Robert L. Knisely, and Nicholas
Cavarocchi, Staff Assistants

TUESDAY, DECEMBER 17, 1974.

DEPARTMENT OF LABOR

MANPOWER ADMINISTRATION

WITNESSES

WILLIAM H. KOLBERG, ASSISTANT SECRETARY FOR MANPOWER
WILLIAM B. HEWITT, ASSOCIATE MANPOWER ADMINISTRATOR,
OFFICE OF POLICY EVALUATION AND RESEARCH
PIERCE A. QUINLAN, ASSOCIATE MANPOWER ADMINISTRATOR,
OFFICE OF MANPOWER DEVELOPMENT PROGRAMS
T. JAMES WALKER, CHIEF, DIVISION OF BUDGET FORMULATION
AND ANALYSIS, OFFICE OF ADMINISTRATION AND MANAGE-
MENT
LAWRENCE E. WEATHERFORD, Jr., ACTING ASSOCIATE MANPOWER
ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE
ALFRED M. ZUCK, ACTING ASSOCIATE MANPOWER ADMINIS-
TRATOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
RICHARD E. MILLER, COMPTROLLER
TRAVIS A. KNIGHT, ASSISTANT COMPTROLLER FOR BUDGET

STATEMENT OF CHAIRMAN

Mr. FLOOD. The Committee will now proceed with the hearings on the Department of Labor, Manpower Administration, and we will have a discussion of temporary employment assistance, Federal unemployment benefits and allowances, advances to the extended unemployment compensation account, grants to States for unemployment insurance and employment services, and program administration.

This is a hearing on a 1975 supplemental budget request. As a matter of fact at this minute we do not have before us the actual Presidential budget request.

The presentation will be made by the Assistant Secretary for Manpower, William H. Kolberg. I see you have a prepared statement. Maybe you would have some other comments to make generally on the situation before that or any way you wish to proceed.

[The biographical sketch follows:]

William H. Kolberg was nominated by President Nixon as Assistant Secretary of Labor for Manpower on March 19, 1973. The nomination was confirmed by the Senate on April 2, 1973.

In this position, Mr. Kolberg administers federally funded manpower training and work-experience programs and the Federal-State Employment Security System.

Mr. Kolberg served as assistant director for program coordination of the Office of Management and Budget (OMB) in Washington, D.C., from October 1970 to April 1973.

From August 1968 to October 1970, Mr. Kolberg worked as Associate Manpower Administrator for Policy, Evaluation and Research in the Department of Labor. He was Deputy Assistant Secretary of Labor for Administration for the 9 months prior to his appointment as Associate Manpower Administrator.

Before joining the Department of Labor, Mr. Kolberg served in various capacities with the U.S. Bureau of the Budget from 1951 to 1967.

Mr. Kolberg started in the Federal Government in 1951 as a junior management assistant with the Department of the Interior.

Mr. Kolberg has received numerous awards for outstanding Government service. In 1970, the Secretary of Labor presented him with the Department of Labor's Award for Distinguished Achievement.

Mr. Kolberg was born May 7, 1926, in Lead, S.D. He received his B.A. degree (Phi Beta Kappa) in political science in 1949 and his M.S. degree in government management in 1950 from the University of Denver.

Mr. KOLBERG. Thank you very much, Mr. Chairman We appreciate the committee giving us this opportunity to come before you in a rather unusual way.

Mr. FLOOD. That is an understatement.

Mr. KOLBERG. Yes.

Let me first introduce my colleagues. I think you know them but to refresh your memory.

On my immediate right, Mr. William B. Hewitt, Associate Manpower Administrator, Office of Policy Evaluation and Research. On his right, Lawrence E. Weatherford, Jr., Acting Associate Manpower Administrator, Unemployment Insurance Service. On my left a man you know well, Mr. Alfred Zuck, Acting Associate Manpower Administrator, Office of Administration and Management. And to his left, Mr. Pierce Quinlan, Associate Manpower Administrator, Office of Manpower Development Programs.

Mr. FLOOD. All right. Merry Christmas.

Mr. KOLBERG. Merry Christmas, to you, Mr. Chairman.

AUTHORIZING LEGISLATION

If I may, let me make a few opening comments on the status of the bill. We are really talking about two separate bills that are before the Congress, Mr. Chairman. The first bill, H.R. 17597 passed the House last week, passed the Senate yesterday, and is now back in the House, perhaps for floor action today. The Senate made one minor amendment that we hope the House will accept and so then that bill would go to the President. This is the bill that provides an additional 13 weeks for those that have exhausted their benefits under UI programs and changes the trigger for the extended UI program.

Mr. FLOOD. The title is the Emergency Unemployment Compensation Act of 1974, almost self-definitive.

Mr. KOLBERG. That is right. So I would expect that would be cleared through the Congress today or no later than tomorrow and would be on its way to the President.

The other act is in conference as of now. Both Houses obviously passed quite a bit different bills. The conference met yesterday and met again this morning.

Mr. FLOOD. I might say the hour of our meeting now is 2 p.m. on this date.

Mr. KOLBERG. I understand the conference has agreed, but I am afraid we are not in any position to inform this committee on what the final conference report will look like. A few of the conferees I gather are still reluctant to sign the conference report, so there are still some items that are open. As I told you a little earlier, Mr. Chairman, on the telephone—

Mr. FLOOD. About an hour ago.

Mr. KOLBERG. About an hour ago. I was asked to call you on behalf of the administration and the President to say from what we know now about what the conference has done the President has some serious doubts about whether he would want to sign such a bill. The conference has apparently agreed on several provisions that would add something over \$1 billion to the cost of that legislation beyond what came out of the House and what the administration has sent up here.

So at the moment, Mr. Chairman, I—

Mr. FLOOD. The question in doubt—we use the term “trigger” having to do with the unemployment benefits. I suppose that is what you have in mind.

Mr. KOLBERG. What I have in mind, yes, Mr. Chairman, is title II of the bill we are speaking of which provided as it came out of the House that for those that had never been covered under the regular UI program that they receive coverage under that bill in areas where unemployment was 6½ percent or more. That was the way we had proposed it to the Congress and the House bought that. The Senate on the other hand had a provision that essentially made it nationwide, that everyone who had never been covered and who met the test was eligible for benefits. By our calculations that would add somewhere over \$1 billion to the cost of that bill for the life of the bill.

Mr. FLOOD. The House had actually put what we call a trigger in the bill.

Mr. KOLBERG. That is correct.

Mr. FLOOD. And the Senate for all intents and purposes removed the trigger.

Mr. KOLBERG. Removed the trigger and made it nationwide.

Mr. FLOOD. And you are suggesting the removal of the trigger your people feel would cost \$1 billion more. Is that it in round numbers?

Mr. KOLBERG. In round numbers, yes. When we are talking about people who had never been covered in the system before they are obviously estimates and pretty raw estimates. It is a substantial cost of probably over \$1 billion. That is one of the items the President is particularly concerned about.

It is the President's intention, or was certainly when we put this together, to come forward to the Congress with a \$4-billion supplemental request, and that is what we are here today, Mr. Chairman—to present to you the detailed rationale justification for that \$4 billion request.

Mr. FLOOD. Suppose we go ahead on that basis.

Mr. KOLBERG. I think that would be useful as I am sure we will come to each of the pieces of appropriations language we are suggesting to the committee to provide the caveat that unless the bills are passed and signed the appropriation is moot. I think that is a wise caveat to have in appropriation language as we go through here.

If I may, then, Mr. Chairman, I will read my prepared statement.

Mr. FLOOD. Suppose you do that.

OVERVIEW OF REQUEST

Mr. KOLBERG. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today, and present the supplemental budget requests totaling \$4 billion to carry into effect the provisions of the Emergency Jobs and Unemployment Assistance Act, and the Emergency Unemployment Compensation Act of 1974. The supplemental requests are as follows:

Temporary employment assistance, \$1 billion. That is to carry out the Public Service employment title. Federal unemployment benefits and allowances, \$2 billion; advances to the extended unemployment compensation account, \$750 million; Grants to States for Unemployment Insurance and Employment Services, \$249 million; program administration, \$1 million.

These requests recognize the severity of the present unemployment problem in the Nation and acknowledge the situation may become worse before it improves. Our estimates reflect a moderate increase in unemployment over the next few months, averaging 6.9 percent for the remainder of the fiscal year.

Although it is difficult to predict with any certainty what the extent of the unemployment problem in the Nation will be, these requests provide, for the most part, funding which will be sufficient to finance these programs into the fourth quarter of calendar year 1975. It is because of this uncertainty that we request 2-year funding. If economic conditions warrant it, however, we will request whatever additional resources may be required.

The new temporary employment assistance appropriation requests \$1 billion for an emergency jobs program, as authorized under the Emergency Jobs and Unemployment Assistance Act, and will provide those areas in the Nation hardest hit by unemployment with 111,100 12-month public service jobs. We feel this amount together with the \$1 billion already available for public service jobs will be sufficient to meet the Nation's needs at this time, and that any additional funds for this activity will be more than the prime sponsors will be able to effectively administer during this period.

The \$2 billion being requested in the Federal unemployment benefits and allowances appropriation will provide unemployment assistance to experienced workers who are not covered by other unemployment compensation programs but who are also affected by adverse

economic conditions in areas of aggravated unemployment. These individuals will be eligible to receive up to a maximum of 26 weeks of unemployment compensation. In addition, the funds requested would also cover possible increases in unemployment compensation payments to Federal employees, ex-servicemen, and other individuals compensated from this appropriation.

To finance the extended and temporary unemployment compensation costs associated with the Emergency Unemployment Compensation Act, and the modifications to the Federal-State Extended Unemployment Compensation Act, \$750 million is needed for advances to the account from which the Federal portion of these payments are made. Total program costs are estimated to total \$2,100 million, of which \$1,600 million will be federally financed. Of the \$1,600 million Federal costs, we are requesting a \$350 million transfer in budget authority from revolving fund advances to the Employment Security Administration account, \$750 million in new budget authority, and the remaining \$500 million will be financed from Federal Unemployment Tax Act receipts now in the account.

To administer these programs an estimated \$249 million will be needed for grants to States for unemployment insurance and employment services which will provide the State employment security agencies with 16,300 man-years of employment to carry out their responsibilities under the Emergency Jobs and Unemployment Assistance Act, and the processing of extended and temporary unemployment claims. Federal staff costs total \$1 million and will provide 70 positions needed to implement the new unemployment compensation programs under the Emergency Unemployment Act of 1974 and the Emergency Jobs Unemployment Assistance Act.

This concludes my statement, Mr. Chairman, my staff and I will be happy to answer any questions you may have.

[Additional information follows:]

SUPPLEMENTAL APPROPRIATIONS FOR EMERGENCY JOBS AND UNEMPLOYMENT ASSISTANCE ACT AND
EMERGENCY UNEMPLOYMENT COMPENSATION ACT

[Dollars in millions]

Appropriation	Amount	Explanation
Temporary employment assistance.....	\$1,000.0	111,000 public service employment jobs.
Federal unemployment benefits and allowances.....	2,000.0	
Workers not otherwise eligible.....	(1,730.0)	1,900,000 beneficiaries, 25,500,000 weeks compensated.
Additional 13 weeks of benefits for former Federal employees and ex-servicemen and regular and extended benefits.	(270.0)	100,000 beneficiaries, 1,700,000 weeks compensated.
Advances to extended unemployment compensation account (providing advances to finance a total \$2,150,000,000 program).	750.0	3,800,000 beneficiaries, 34,300,000 weeks compensated.
Grants to States for unemployment insurance and employment services.	249.0	15,050 man years for unemployment insurance services (\$228,000,000). 1,225 man years for employment services (\$21,000,000).
Program administration.....	1.0	70 Federal positions.
Total.....	\$4,000.0	

NEW POSITIONS

Mr. FLOOD. You are requesting a total of 70 jobs to implement the manpower program that you have included in the supplemental. How

did you arrive at that figure? Did you pick it off the left field wall or what?

Mr. KOLBERG. I don't know whether I would characterize it that way, Mr. Chairman.

Mr. FLOOD. Then the right field wall.

Mr. KOLBERG. Frankly, to put together an estimate of this kind before the legislation is through requires some informed judgment on our part. Here we are talking about \$4 billion which gets us through this year, but the program extends for another year so we are talking about a \$7 to \$8 billion program.

It is a much more complex program than we have administered before. We cover 12 million people for instance under the UI program that had never been covered before, but it is going to take an additional Federal staff in our field offices to cope with that new responsibility.

Mr. FLOOD. This is an appropriations committee, you know. How much of this increase in workload you are suggesting do you expect as a result of the new program?

Mr. KOLBERG. I think the best way to look at this, Mr. Chairman, is to look at the table in your justification material.

Mr. FLOOD. The workload on the new program?

Mr. KOLBERG. For the temporary employment assistance program, there would be another 111,100 12-month public service jobs. This would require us to work with 403 prime sponsors and make them available to them through the regional offices. The Federal Unemployment Benefits and Allowances under the workers that have not been eligible before, under this estimate we expect 1.9 million new beneficiaries we have never paid benefits to before. In the 13 weeks of additional benefits under the regular UI program, we would expect 100,000 beneficiaries and 1.7 million weeks compensated.

Finally, in the advance to the extended Unemployment Compensation Account, another 3.8 million additional beneficiaries.

The workload breaks between the Federal Government and the State government in the UI-type program. We are asking for 15,050 additional man-years for unemployment insurance services to carry out the additional workload I have just talked about.

We are asking for 1,225 additional man-years for employment services to carry out the programs that I have talked about.

Now back to the 70 positions. The 70 positions will all be in our 10 regional offices.

Mr. FLOOD. Let me ask the question this way: How many of the new jobs will go to the regional offices?

Mr. KOLBERG. All 70 of the jobs will go to the regional offices. They will be broken about evenly between carrying out the new UI responsibilities and additional responsibilities for public service jobs.

Mr. FLOOD. By what date do you expect to have all of these positions filled?

Mr. KOLBERG. I expect it would take us about 90 days from this time.

Mr. FLOOD. What lapse rate did you apply in arriving at the total personnel compensation dollars needed to support this program?

Mr. KOLBERG. Let me ask Mr. Zuck.

Mr. ZUCK. We have applied, roughly, a 50-percent lapse rate because we have provided in the costing additional funds for overtime and temporary employment, because in order to get the program underway initially, we will probably have to do a substantial amount of temporary employment.

Mr. FLOOD. I see. This is always a problem. What percentage of the time will each of these new people spend traveling? How much travel money do you have in the budget on a per job basis?

Mr. KOLBERG. Have we broken out travel funds?

Mr. ZUCK. We have requested, as part of the million dollars, \$280,000 for travel. On a 70-position basis, that is an average of \$4,000 per position. However, we will have to be using a fair amount of our existing staff in the regional offices to meet with prime sponsors and so the \$280,000 does not relate only to the additional positions but will cover substantially increased travel all of the staff in the Manpower Administration will be incurring.

Mr. FLOOD. How many trips per person does this represent?

Mr. ZUCK. I don't know that we have broken it down by trips per person. We can give you that detail, however.

Mr. FLOOD. We would like something in the record out of an abundance of caution to protect your flanks.

[The information follows:]

The travel figure breaks down to approximately 12 trips per person for the following functions:

1. Visits to title I prime sponsors for planning and budgeting.
2. Onsite visits to prime sponsors to develop worksites and program operation.
3. To follow up on prime sponsors to assure that eligible individuals are being hired and regulations are being followed.
4. Visits to State employment security agencies to train and communicate requirements related to intake, registration, and other procedures for unemployment assistance to recipients newly covered by this legislation.

Mr. KOLBERG. We think our regional office staff ought to be in the field somewhere between 40 and 50 percent of the time. We don't need them in the desks in the regional headquarters. They are supposed to be out working with prime sponsors and State agencies. So the travel cost is significant.

PUBLIC SERVICE JOBS APPROPRIATION

Mr. FLOOD. Let's talk about the temporary employment assistance. How much has been appropriated for public service employment since June 1974? What I am talking about here is the second supplemental for 1974 and the 1975 regular bill.

Mr. KOLBERG. A combination of those appropriations, Mr. Chairman, is, in round numbers \$1 billion.

Mr. FLOOD. Of that, how much has been allocated to prime sponsors as of 2 this afternoon?

Mr. KOLBERG. All but \$50 million that became available in the bill signed last Sunday by the President.

NUMBER OF PUBLIC JOBS

Mr. FLOOD. How many new jobs were in this money already appropriated in calendar year 1974?

Mr. KOLBERG. You want a break between the 1974 and 1975?

Mr. FLOOD. In the calendar year 1974.

Mr. KOLBERG. Let me answer in two ways.

The billion dollars, Mr. Chairman, would pay for about 200,000 jobs. We said the prime sponsors should get people on and cover them through the end of fiscal 1975. If they were to do that now, it would be over 200,000. As best we can estimate, now, there are somewhere between 25,000 and 50,000 actually on the payroll.

Mr. FLOOD. This is a big question: How many people are currently employed in public service jobs as of 2 this afternoon?

Mr. KOLBERG. I can't give you an exact number, and I wish I could, but it is no more than 50,000.

Mr. FLOOD. No more than 50,000.

Mr. KOLBERG. We have a data problem. We have 403 sponsors. Many of them are new and it is tough to accumulate the data.

Mr. FLOOD. I know what you mean.

Mr. KOLBERG. To put it the other way around, there is money for 150,000 jobs out there that is sitting there unused.

SLOW FILLING OF JOBS

Mr. FLOOD. We understand that sponsors are not filling these jobs as fast as they did under the old Emergency Employment Act program. If that is true, and the scuttlebutt seems to say that it is, what is your idea? Tell us why aren't these jobs being quickly filled, the circumstances being what they are.

Mr. KOLBERG. We think there are three main reasons.

First off is the startup time. These sponsors have been in business for 9 months, many of them.

Mr. FLOOD. You mean to start?

Mr. KOLBERG. Administrative startup time. Here we have a group of counties, cities, and particularly the counties, that are new at this business, and just the administrative startup time is a problem for them apparently.

Second, they are telling us that the requirements that the jobs lead to regular employment either in the Government or outside in private unsubsidized employment, the so-called transition period, are very difficult for them to meet. They are unwilling to bring people on if they can't see that they can transition them into regular jobs. That is point No. 2.

Point No. 3. There is a maintenance of efforts. In other words, the Congress wrote in language in the legislation and we are concerned too about paper layoffs. Don't just lay somebody off and hire him tomorrow. So they say the maintenance of efforts has slowed them down. We think it is a combination of those three as the major reasons and many, many more reasons that are probably unique to one or two sponsors.

Mr. FLOOD. All of those things being true, why do you need another billion dollars right now if these sponsors are not rapidly utilizing the currently available funds?

Mr. KOLBERG. We are going to take steps, Mr. Chairman, and we think the sponsors will, to rapidly increase the pace of hiring over what they have had in the past. Although we haven't decide to do it,

one thing we could do, and certainly will do, unless the pace increases a great deal, is say to sponsors all of your spots have to be filled by the end of January or we will exercise our authority and reallocate funds to sponsors capable of utilizing them.

Mr. FLOOD. Does the Congress have the right to believe you are as concerned with the answer to that question as we are?

Mr. KOLBERG. Yes, sir. The Secretary and I have used every opportunity we can in talking to prime sponsors, and the field staffs are concerned about it, and we are doing all we can to make this point. We think it has to pick up and be a lot better than it is now and that it will. Therefore, we believe another billion dollars can be utilized well.

REQUEST FOR ADDITIONAL FUNDS

Mr. FLOOD. You are asking here today for an additional billion dollars for the public service jobs. Why that particular amount? Do you want to settle for half that amount or do you want twice that amount? What is sacred about that amount?

Mr. KOLBERG. There is nothing sacred about that amount. I wouldn't want the committee to think it is kind of a scientific judgment on our parts. We think it will take a while for the Congress to get organized again. There will be a 3- or 4-month period where the funds will be put in place and utilized. Unemployment is rapidly growing. Certainly the sponsors are becoming more capable and, second, more sensitive to this problem, and we think the money can be well utilized. We are asking for a billion dollars now because we think we can utilize that billion dollars before the Congress could come back and look at the problem again. We are going to keep looking at it and if more money is necessary, we will be back.

Mr. FLOOD. Tell us again how many new jobs will be supported by this particular request.

Mr. KOLBERG. 111,100.

Mr. FLOOD. Over how many months?

Mr. KOLBERG. We think the legislation finally emerging from Congress will be 12 months.

Mr. FLOOD. If necessary, you could accelerate the spending rate?

Mr. KOLBERG. Yes, sir, we could do it.

AVERAGE COST OF EACH JOB

Mr. FLOOD. What is the average cost of a job and how does that compare with the earlier requests you have made for public jobs?

Mr. KOLBERG. The average cost here is \$9,000, which is significantly above the cost we have had heretofore. Jobs on the average under EEA ran between \$7,000 and \$7,500. The average is now about \$8,800 in the title II program and CETA.

Mr. HEWITT. That is just wages, not the average cost. The average cost of the job, \$9,000, is fringe benefits and administrative costs as well as wages. Average wages would be \$7,500.

NEW AUTHORIZING LEGISLATION

Mr. FLOOD. That is good. Just so everybody is sure we know what we are talking about, will you explain as best you can, in fairness to

you, the provisions of the authorizing legislation under which you will spend the money? In other words, we want to be sure we know about any major changes now from the current law. I don't want you to recite this thing from memory but you know what I mean. We have to have them.

Mr. KOLBERG. I know what you are asking.

Mr. FLOOD. That is why I ask you.

Mr. KOLBERG. We will do the best we can.

Mr. FLOOD. Do what you can now and especially for the record.

Mr. KOLBERG. This estimate was put together on the basis of the House bill. Clearly the conference says this will be somewhat different than the House bill. Perhaps the best way to answer would be like tomorrow. I think the conference report will be filed later today. We will summarize the bill for the record if you like.

Mr. FLOOD. It is a rough question under all the circumstances that exist. I admit that. But the record certainly must show the answer to the question with particular reference to the half a dozen things which stand out like a sore thumb. I think we can have those. We want those.

[The information follows:]

The Emergency Jobs Program while delivered through the standard CETA prime sponsor system contains several differences from titles I and II of CETA.

The allocation formula for title VI is based on different elements but will provide all title I prime sponsors with public service employment funds. Additional funds are provided to title I prime sponsors for title II areas.

The types of activities conducted under the program will include all those authorized under titles I and II, but primary interest will be directed at public service projects which can hire large numbers of unemployed persons within a short time frame.

While title VI contains the same local flexibility found in titles I and II, the Manpower Administration will monitor the eligible applicant's ability to quickly provide employment to a maximum number of individuals within the limited time period (12 months) of the program. To the extent eligible applicants are unable to fully utilize the funds allocated, the excess will be deobligated and made available to another part of the same State where they are needed.

PERMANENT NATURE OF PUBLIC SERVICE EMPLOYMENT

Mr. FLOOD. About the public service employment, do you think this is a temporary idea or is it here to stay? You know in Washington there is nothing more permanent than a temporary building or agency. That is the most permanent thing we have here. What about this?

Mr. KOLBERG. Title II as you know, Mr. Chairman, is a part of permanent legislation, and CETA under which we have the billion dollars I consider permanent legislation. The purpose of that title is to provide funds to the governments, to the prime sponsors so they can in fact provide a good on-the-job training experience to an unemployed, disadvantaged person and finally move them into regular employment, either subsidized or unsubsidized, in outside jurisdiction. That is permanent legislation. The way the administration has viewed public service employment for this temporary period we are talking about, another bill will emerge from the Congress. The purpose here is to use manpower policy as a way of quickly sopping up hundreds of thousands of unemployed, not for the purposes of providing on-the-job training experience and finding jobs permanently in the jurisdiction,

but for the purpose of providing some public good, some public works for the individuals providing some income maintenance.

I would see and I would hope in the long run that kind of a program is turned on in periods of economic distress and is turned off when the economy gets back to normal.

Mr. FLOOD. That is the philosophy. All right.

MAGNITUDE OF UNEMPLOYMENT

How many people are currently unemployed in this country?

Mr. KOLBERG. 6 million.

Mr. FLOOD. If Congress approves this budget request, how many public service jobs will there be, counting the ones already in place?

Mr. KOLBERG. Approximately 310,000, Mr. Chairman.

Mr. FLOOD. You see what I am getting at. Isn't this program just a drop in the bucket as far as the whole situation of unemployment is concerned? In other words, it seems we would have to appropriate \$50 billion in order to take care of everyone who is unemployed.

Mr. KOLBERG. Our view, Mr. Chairman, and I believe it is the view of the Congress, is that the first line of defense on the unemployment is the unemployment insurance program and not public service jobs. The workload figures that I recited to you earlier show that by our estimates there will be something like 4 to 5 million people receiving unemployment compensation over the next year assuming the economy continues to deteriorate.

That is why you take care of the biggest bulk of the unemployed and provide income maintenance and keep them in the private job market until things get better. It is true 310,000 public service jobs related to 6 million unemployed is not a large impact on the unemployment rolls.

At the same time I would point out, Mr. Chairman, the very high cost of public service employment. If you get 110,000 jobs for every \$1 billion, you can multiply it out. It is about \$10 billion for every million unemployed if you are going to take care of them through public service jobs.

Mr. FLOOD. We always get back to yardsticks now, and I suppose this is tough. You need a crystal ball for this one. What is your projection of the unemployment rate through the end of the calendar year 1975? What is an educated guess on that? Or can you do better than that?

Mr. KOLBERG. We put these estimates together, Mr. Chairman, on a basis of an average 6.9 percent unemployment rate between now and the fourth quarter of calendar 1975.

Mr. FLOOD. 6.9 until the fourth quarter of 1975.

Mr. KOLBERG. Which means that unemployment would peak in May or June at over 7 percent and then come back down.

POTENTIAL FOR ANOTHER SUPPLEMENTAL

Mr. FLOOD. Are you going to be back here in 3 months?

Mr. KOLBERG. If we are wrong, we will be back for more money.

Mr. FLOOD. By Washington's birthday?

Mr. KOLBERG. I don't believe so. If we are on the low side, we will be back in the summertime without a doubt.

AMOUNT OF BENEFITS FOR UNCOVERED WORKERS

Mr. FLOOD. On the unemployment benefits and allowances section of your presentation, you are requesting a supplemental of \$2 billion for Federal unemployment benefits and allowances. How much of that money relates to workers who were not previously covered by the State unemployment compensation programs? You have the amount. How was the amount calculated?

Mr. KOLBERG. The amount is \$1.73 billion to cover about 1.9 million beneficiaries for 25.5 million compensated weeks. I think I better ask Mr. Weatherford for a little help on exactly how that was arrived at.

Mr. WEATHERFORD. Mr. Chairman, we anticipated that, of the unemployed workers that would come in under this program, the average duration would be 9 weeks of unemployment. Thirteen weeks for those that were not previously covered, 9 weeks for those that were in the program prior to that. We calculated the amount based on the State average weekly benefit amounts we anticipate under the regular program. So we used a \$66-a-week payment as an average for all workers, which equates to the regular program, and we anticipated this group would average 13 weeks' duration.

NEW GROUPS OF COVERED WORKERS

Mr. FLOOD. This is an important question in our presentation, I think, on the floor. What are the new groups of workers covered by the new law, and how many workers are involved?

Mr. KOLBERG. Larry, you help me on this.

Mr. FLOOD. I mean, new groups of workers.

Mr. KOLBERG. There are approximately 12 million workers now outside the unemployment insurance system. The largest group of uncovered are employees of State and local governments. They amount to something over 8 million, as I recall. Another large group are domestic workers, and the final large group are farm workers. There is a smattering beyond that, but those are the large ones.

EFFECTIVE DATE OF NEW COVERAGE

Mr. FLOOD. When will the new coverage become effective?

Mr. KOLBERG. Assuming the law passes and is signed within the next week, I think the first benefits become available January 5. I believe that is correct.

Mr. WEATHERFORD. That is true. We don't know exactly what will come out of the conference. It could be they will be eligible for benefits the week of December 23, next Monday. But we have a question up as to whether the effective date would not be the first full week in January.

Mr. FLOOD. That is not very far off.

Mr. KOLBERG. That is not very far off. That is correct.

FORMER FEDERAL EMPLOYEES

Mr. FLOOD. How much money out of this request is for the additional benefits for former Federal employees and ex-servicemen?

Mr. KOLBERG. That is \$270 million, Mr. Chairman.

Mr. FLOOD. How did you arrive at that figure?

Mr. KOLBERG. 100,000 beneficiaries and 1.7 million weeks compensated. I will ask Mr. Weatherford.

Mr. WEATHERFORD. This is predicated on our projections of total unemployment, and of that total unemployment, this represents the number in ex-servicemen.

Mr. FLOOD. Still talking about the 6.9?

Mr. WEATHERFORD. Yes, sir.

UNEMPLOYMENT RATE ASSUMPTION

Mr. FLOOD. What rate of unemployment did you assume in developing those estimates? I suppose it is the 6.9?

Mr. KOLBERG. Yes.

UNEMPLOYMENT IN NOVEMBER 1974

Mr. FLOOD. For the record I will put in here what you call table A. That shows the unemployment situation as of November 1974.

Mr. KOLBERG. Correct.

[The table follows:]

NEWS



U. S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS



Table A. Highlights of the employment situation (seasonally adjusted data)

Selected categories	Quarterly averages					Monthly data		
	1973		1974			Sept. 1974	Oct. 1974	Nov. 1974
	III	IV	I	II	III			
	(Millions of persons)							
Civilian labor force	89.0	89.9	90.5	90.6	91.4	91.9	92.0	91.7
Total employment	84.8	85.7	85.8	86.0	86.3	86.5	86.5	85.7
Adult men	48.1	48.5	48.5	48.4	48.5	48.6	48.7	48.4
Adult women	29.5	29.7	29.7	30.1	30.5	30.3	30.3	30.0
Teenagers	7.2	7.6	7.6	7.4	7.3	7.6	7.6	7.4
Unemployment	4.2	4.2	4.7	4.7	5.0	5.3	5.5	6.0
	(Percent of labor force)							
Unemployment rates:								
All workers	4.7	4.7	5.2	5.1	5.5	5.8	6.0	6.5
Adult men	3.1	3.0	3.5	3.5	3.7	3.9	4.3	4.6
Adult women	4.8	4.7	5.1	5.0	4	5.7	5.6	6.6
Teenagers	14.3	14.3	15.3	15.1	15.1	16.7	16.9	17.3
White	4.2	4.2	4.7	4.7	5.0	5.3	5.4	5.8
Negro and other races	9.0	8.6	9.4	9.0	9.5	9.8	10.9	11.7
Household heads	2.7	2.8	3.0	3.1	3.2	3.4	3.7	3.9
Married men	2.1	2.1	2.4	2.4	2.7	2.8	2.9	3.3
Full-time workers	4.2	4.3	4.6	4.6	5.0	5.3	5.6	6.2
State insured	2.6	2.6	3.3	3.4	3.4	3.4	3.6	4.3
	(Weeks)							
Average duration of unemployment	9.7	9.9	9.5	9.7	9.9	9.6	10.0	9.8
	(Millions of persons)							
Nonfarm payroll employment	77.1	77.8	78.0	78.3	78.7	78.8	78.8p	78.4p
Goods-producing industries	24.8	25.0	24.9	24.9	24.8	24.7	24.6p	24.2p
Service-producing industries	52.3	52.8	53.1	53.5	53.9	54.1	54.2p	54.2p
	(Hours of work)							
Average weekly hours:								
Total private nonfarm	37.1	36.9	36.7	36.7	36.7	36.7	36.6p	36.2p
Manufacturing	40.7	40.6	40.4	39.9	40.1	40.0	40.1p	39.5p
Manufacturing overtime	3.8	3.7	3.5	3.2	3.4	3.3	3.2p	2.7p
	(1967=100)							
Hourly Earnings Index, private nonfarm:								
In current dollars	147.8	150.3	152.7	156.2	160.3	162.1	163.1p	164.0p
In constant dollars	110.0	109.3	107.8	107.4	107.9	106.7	106.5p	N.A.

o preliminary.
N.A. - not available.

SOURCE: Tables A-1, A-3, A-4, B-1, B-2, and B-4.

REASON FOR 2-YEAR APPROPRIATION

Mr. FLOOD. In your justification you indicated that between a billion and a billion and a half will be needed in fiscal year 1975 and then the remainder of the request would be needed for fiscal 1976. Why can't you defer the amount here for 1976?

Mr. KOLBERG. We could, Mr. Chairman. It was our judgment we ought to—clearly we have come for a round number based upon estimates that we have been talking about. We believe we ought to have the flexibility to continue the program right on through, and we need 2-year authority to do that. When you are paying a benefit-by-right program, as this committee well knows, the funds need to be there when the benefit needs to be paid.

Mr. FLOOD. Couldn't part of the request be handled in the next supplemental or for that matter in the 1976 budget?

Mr. KOLBERG. It certainly could, Mr. Chairman. We would prefer to have 2-year authority and have enough funds to continue to operate on into 1976.

Mr. FLOOD. I understand.

TRIGGERS IN NEW LAW

Mr. FLOOD. Will you describe for the record the triggers contained in the new law and how they work?

Mr. KOLBERG. We will do that for the record.
[The information follows:]

SPECIAL UNEMPLOYMENT ASSISTANCE PERIOD

SEC. 204. (a) A special unemployment assistance period shall commence in an area designated by the Secretary with the third week after the first week for which the Secretary determines that there is an "on" indicator for such area, and shall terminate with the third week after the first week for which the Secretary determines that there is an "off" indicator for such area except that no special unemployment assistance period shall have a duration of less than 13 weeks.

(b) The Secretary shall designate as an area under this section areas served by an entity which is eligible to be a prime sponsor under section 102(a) of the Comprehensive Employment and Training Act of 1973 (Public Law 93-203).

(c) There is an "on" indicator in an area for a week if for the most recent 3 consecutive calendar months for which data are available the Secretary determines that—

(1) the rate (seasonally adjusted) of national unemployment averaged 6 per centum or more; or

(2) the rate of unemployment, in the area averaged 6.5 per centum or more.

(d) There is an "off" indicator for a week, if for the most recent 3 consecutive calendar months for which data are available the Secretary determines that both subsections (c) (1) and (c) (2) are not satisfied.

(e) The determinations made under this section shall take into account the rates of unemployment for 3 consecutive months, even though any or all of such months may have occurred not more than 3 complete calendar months prior to the enactment of this Act.

ADVANCES TO EXTENDED UNEMPLOYMENT ACCOUNT

Mr. FLOOD. On that part of your presentation having to do with the advances to the extended unemployment compensation account, here

you are requesting a supplemental of \$750 million for advances to the extended unemployment compensation account.

Here we go again with the trigger. How much of this is based on the State trigger and how much is based on the national trigger?

Mr. ZUCK. Let me try it this way: There are two components of this request. One is the Federal-State extended unemployment compensation program which is a shared cost program. There are two parts of it. The legislation, at least in the House bill, reduced the trigger from 4.5 percent to 4 percent. By the lowering of that trigger, the bill would provide for full Federal financing. That would cost \$100 million. The extension and the increased coverage of the Federal-State extended program has a total cost of \$1.1 billion. That is shared equally between the Federal Government and the States. It is a 50-50 program. So the Federal cost is \$550 million.

Then the new temporary unemployment compensation program is 100 percent federally financed, and we are estimating that cost at roughly \$950 million for total cost of \$2.1 billion, of which the Federal cost is \$1.6 billion. However, we already have Federal available tax receipts of \$500 million and we are asking for authority to transfer unobligated funds from a revolving fund of \$347 million. So our net request for new obligational authority is \$750 million.

NUMBER OF BENEFICIARIES

Mr. FLOOD. How many beneficiaries are involved and how did you arrive at that. Do you have a State-by-State breakdown estimate?

Mr. ZUCK. We could furnish that.

Mr. FLOOD. Do that for the record.

Mr. KOLBERG. A total of 3.8 million beneficiaries nationally, and we will furnish State-by-State breakdown.

[The information follows:]

[Clerk's note: The information could not be provided in time for printing.]

REPAYMENT TO GENERAL FUND

Mr. FLOOD. When will these eventually be repaid to the general fund? Do you have any idea?

Mr. ZUCK. I don't know the answer, Mr. Chairman. They would be repaid as sufficient funds were available from the Federal tax receipts. That would be over a period of years.

STATES PAYING EXTENDED BENEFITS

Mr. FLOOD. How many States right now qualify for the extended benefits?

Mr. WEATHERFORD. Fourteen States qualify and 10 are paying, Mr. Chairman. As you recall, the States have the option of waiving what we call the 120-percent requirement, and there are four States that have not accepted that option. Ten of them are paying it.

STATES FORCED TO BORROW FUNDS

Mr. FLOOD. How many States have already exhausted their reserves and are unable to pay any benefits at all?

Mr. WEATHERFORD. We have three States that have borrowed money from the loan fund, and we anticipate at least one other one in the next quarter.

STATEWIDE TRIGGER

Mr. FLOOD. We get a lot of questions about this: Does an entire State have to show this high unemployment rate or just areas within the State?

Mr. WEATHERFORD. Under the extended program, the one we are talking about, the entire State has to qualify, Mr. Chairman. The legislation that was passed by both the House and the Senate has a statewide triggering device in it and unemployment benefits under this program would not be paid on an area basis but on a State-by-State basis. That is not the case in the other legislation.

EFFECT OF DELAYING APPROPRIATION

Mr. FLOOD. Especially in view of the circumstances we are facing today what would happen if this appropriation were delayed? Would the benefits be delayed?

Mr. KOLBERG. Yes, sir.

Mr. WEATHERFORD. Mr. Chairman, there are upwards of over 150,000 people exhausting their benefits in the country every month, and some of those are in States paying extended benefits but many are not.

UNCONTROLLABLE APPROPRIATION

Mr. FLOOD. We have touched on this briefly. Do you consider the program as being uncontrollable under the new law? In other words, is the Federal Government required to advance payments in order to provide the benefits?

Mr. KOLBERG. That is correct.

DIVERSION OF EMPLOYMENT SERVICES STAFF

Mr. FLOOD. On the Grants to States for Unemployment Insurance and Employment Services—and believe me when we come to this one you are coming to a subject that generates about as much mail around here as everything else put together.

As we used to say in show business, I happen to have here a verse and chorus. I happen to have here a letter from the Secretary of Labor in the State of Pennsylvania in which he describes the current situation in Pennsylvania in regard to the staffing of the State employment offices and his principal concern is the diversion of the employment service staff to the unemployment insurance activities in the offices. In other words, the unemployment claims load has become so heavy it has become necessary to rob the employment service staff just to keep up. I will insert at this point in the record a copy of the letter from the Secretary of Labor of the Commonwealth of Pennsylvania, Paul Smith, on that matter.

[The information follows:]



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF LABOR AND INDUSTRY
HARRISBURG, PENNSYLVANIA 17120

THE SECRETARY

DEC 10 1974

December 6, 1974

Honorable Daniel J. Flood
108 Cannon House Office Building
Washington, D. C. 20515

Dear Representative Flood:

As you know, the Administration in Washington is attempting to identify items in their fiscal 1975 budget to cut in order to achieve a 5 billion dollar saving in expenditures. We are informed that one possible area of savings being considered is a substantial cut or diversion in appropriations for the administration of employment security programs in the states.

Any contemplated cut or diversion in funding for the administration of the state unemployment insurance and employment service programs at this time would have disastrous implications and should be strongly resisted by Congress.

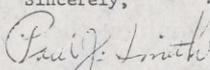
The reality is that the Administration's request for the financing of state employment security operations was inadequate in the first place. It was based on the assumption of an average weekly unemployment insurance claims load of 1.8 million. The Senate increased the funding to provide financing for an average weekly claims load of 2.2 million, but the actual level of average weekly claims is now approaching 2.9 million. It may well reach 3.6 million if present trends and developments continue as evidenced by the continuing energy crisis, uncertainties over the length of the coal strike, layoffs in autos and steel and in firms supplying parts to the auto industry.

Pennsylvania has already been hard hit by layoffs and is experiencing a substantial diversion of employment service staff to process unemployment insurance claims. October unemployment insurance claims in Pennsylvania were up 108,612 over September. Mid-November figures indicated a weekly claims increase of 23,691 since the end of October. For the week ending November 22, a total of 214 additional unemployment insurance claims-taking positions were necessary to meet the increased workloads. This can only mean a further diversion of employment service staff to take claims at a time when job placement efforts in behalf of the unemployed should be increased not reduced.

Instead of trying to cut employment security funding levels, or to divert employment service staff to take unemployment insurance claims, the Administration and the Congress should be increasing appropriations so that claims are promptly taken and paid and so that laid-off workers, and those already unemployed, will be referred to available jobs and publicly financed training and work experience programs.

We hope that you will look into this serious problem and join with the entire Pennsylvania Congressional Delegation not only to prevent ill-timed and ill-advised cuts or diversions in employment security funding, but to secure increases in such funding consistent with the State's and the nation's need for an efficient claims payment system and an effective job placement operation. No other single action would be more appropriate and reassuring to a frightened and disillusioned American citizenry.

Sincerely,

A handwritten signature in cursive script that reads "Paul J. Smith".

Paul J. Smith

Mr. FLOOD. What is this budget request going to do to alleviate that situation, especially if the unemployment situation worsens?

Mr. KOLBERG. This request, Mr. Chairman, would be pointed at that particular situation. It would alleviate it immediately. We have asked for \$228 million for Unemployment Insurance Administration to take care of the rising claims load.

We are as concerned as Mr. Smith is about diversion from the employment service. It is a highly undesirable thing to take place. We ought to be funding these State unemployment programs adequately.

We thought we were. The Congress just made another \$65 million available in the regular bill. We think that by and large there has not been much diversion from the employment service. There should not be. If there is, this request will stem that kind of tide.

CLAIMS WORKLOAD

Mr. FLOOD. How does the current unemployment claims workload compare with, first, your original estimate for 1975 and the actual workload for 1974?

Mr. KOLBERG. Let me ask Mr. Zuck or Mr. Weatherford. You are talking about the assumptions on which our budgets are based.

Mr. FLOOD. That is right. For the two periods.

Mr. ZUCK. The 1975 level, as reflected by the appropriations just enacted, for that we have financing for an average weekly volume of 2.9 million claims if I am correct.

Mr. WEATHERFORD. Our original request was 1.5 million.

Mr. ZUCK. But with the appropriation we have 2.9. For 1974 I believe it was about 2.0 on average weekly claims.

FUNDS AVAILABLE FOR UNEMPLOYMENT INSURANCE

Mr. FLOOD. All right. Now how do the funds currently available for the unemployment insurance activities together with funds proposed in the request you are making now, how does that compare with the original 1975 budget estimate and the actual amount available in 1974? Do you see what I mean?

Mr. ZUCK. I don't have that with me, Mr. Chairman.

Mr. FLOOD. You have funds available for unemployment insurance activities.

Mr. ZUCK. That is right.

Mr. FLOOD. Now together with the funds that you are asking for in this request, how does that compare with your original 1975 budget request and the actual amount available in 1974?

Mr. ZUCK. Our original 1975 request was \$910 million. The 1975 presently available as a result of the appropriations is \$993 million.

The Congress added funds to the President's request for grants to States. The 1974 actual appropriation was \$963 million. Here we are now requesting an additional \$249 million.

SITUATION IN LOCAL OFFICES

Mr. FLOOD. I do not like to keep coming back to this, but it is a can of worms. What do your people tell you about the situation in these local offices?

Are these places almost in a state of chaos? We are led to believe this.

Mr. KOLBERG. I don't believe the word "chaos" is the proper word to use. There have been rapid increases in unemployment claims. What is the increase over the last 2 months, Larry?

Mr. WEATHERFORD. The average people that we paid benefits to in September was 1.8 million, just under that. For the month of November, we paid benefits to 2½ million people. I do not know what percent increase that is, but it represents an increase of 700,000 people in a 2-month period.

Mr. KOLBERG. It takes the State agencies a while to hire people to take care of these. So in a number of these offices you have a chaotic situation with long lines and long waiting. It is not that the funds are not available. It just takes a leadtime to get people in the system to handle the workload.

Mr. HEWITT. There are States like Michigan and some others where the unemployment is much, much higher than it was. It is very spotty.

Mr. FLOOD. You are aware, then.

Mr. KOLBERG. Yes, I think we get as much mail as you do.

Mr. FLOOD. I doubt that.

MAN-YEARS AVAILABLE

Well, how many man-years are available for the unemployment insurance services and how does that compare with your original 1975 budget estimate and the actual availability in 1974?

Mr. ZUCK. Mr. Chairman, I will have to supply that for the record. [The information follows:]

MAN-YEARS OF EMPLOYMENT

	1974 (actual)	1975 estimate	1975 estimate revised ¹
Unemployment insurance services.....	32,746	38,500	49,400
Employment services.....	28,800	28,800	29,500
Total.....	61,546	67,300	78,900

¹ Includes current supplemental request.

Mr. FLOOD. How many additional man-years will be provided to the States under this request for, first, unemployment insurance and, second, employment services?

Mr. ZUCK. 15,000 man-years more for unemployment insurance and 1,200 man-years for the employment service.

ALLOCATION OF MAN-YEARS

Mr. FLOOD. Would you describe for us how you allocate these man-years by States?

What do you use for a yardstick or yardsticks?

Mr. ZUCK. The funds are allocated, Mr. Chairman, on the basis of the workload.

In the unemployment insurance program, the number of claims that the State has estimated that they will be taking and there are stand-

ards, unit times, that have been established for the financing for each of the activities within the unemployment insurance service. So that is estimated workload times that produces salaries whatever the State's units are and related costs.

Mr. KOLBERG. You have heard us talk about the cost model studies that have been going on. They will be instituted January 1. They provide times and standards for each in the unemployment insurance operation.

Mr. FLOOD. Whoever thought that one up ought to get a medal, if it works?

Mr. KOLBERG. I agree.

TRUST FUND LANGUAGE

Mr. FLOOD. We know your appropriation language relates entirely to the trust funds. What legal authority do you have to use these trust funds? Trust funds are a pretty sacred cow in law. What authority do you have for taking the trust funds to provide for processing of unemployment claims for those persons who have, up to now, not been eligible for the benefits under State laws? What is your authority? Here is a trust fund, a very sacred thing in the eyes of the law. What about that?

Mr. KOLBERG. I do not know that we can cite the authority here. In times past we have covered out of the trust funds for administration items of this kind.

Mr. FLOOD. I know the practice. Let's talk about this particular thing. I am sure this will arise. If you cannot off the top of your head now, we would certainly like legal justification for tapping the trust funds to do what you are doing.

Mr. KOLBERG. We will give that to you along with the precedent for doing that.

Mr. FLOOD. That would be a good thing to do.

DERIVATION OF WORKLOAD ESTIMATES

This is always an interesting thing. How did you arrive at the workload estimates associated with the new legislation? This is both for newly covered workers and this emergency extension of benefits for the presently covered workers.

Mr. KOLBERG. Mr. Weatherford answered that to some degree before. Why don't we go back through that, Larry, the process of how we come to the estimates for these?

Mr. WEATHERFORD. We have good data on total unemployment in small areas throughout the country. We also have specific data on those people who are covered by the unemployment insurance program. Our approach here in trying to develop the workload was to take the residue from the total unemployment, subtract from that those people covered by the program and the remaining of the 6 million unemployed we determined to be potential recipients under this new program. Then, looking at each individual area throughout the country in terms of which ones would likely trigger on we have determined a workload level in terms of the number of people.

You go beyond that to estimate what the duration and weekly amounts would be to arrive at the dollar figures.

Mr. FLOOD. That is a good answer.

LEGAL AUTHORITY FOR USE OF TRUST FUNDS

Mr. ZUCK. Mr. Chairman, if I could in response to your earlier question concerning what authority do we use trust fund moneys, section 901 of the Social Security Act provides the authority for financing from Federal trust funds of any Federal unemployment act benefit programs. We have in the past, all of the Federal unemployment compensation programs for Federal employees, ex-servicemen, et cetera, have been funded under this same provision of the Social Security Act out of Federal unemployment trust funds.

Mr. FLOOD. Mr. Michel.

ADEQUACY OF REQUEST

Mr. MICHEL. Thank you. Mr. Kolberg, in the bill that is currently in conference and which has not really been finalized, I think it is probably fair to state that the level of authorization will be above what you are proposing here in appropriated amounts, right?

Mr. ZUCK. That is correct.

Mr. MICHEL. To ward off any fears or questions that might be raised when we get to the full committee and on the floor, can you give me assurance that what you are proposing here will be more than adequate to meet our requirement as we go into the new year? Congress, you know, doesn't come back in the new year until the 14th of January. We will have no problem here meeting our requirements with the levels you are proposing, will we, between now and when Congress would have another opportunity to assess the situation in January?

Mr. KOLBERG. I do not believe we do. The chairman and I had a colloquy on where we are now in spending the billion dollars out there now.

In some we estimate about one-quarter of the jobs actually filled with money available to create 200,000 jobs or something like 50,000 actually created. So there is a big job to be done to use up and obligate enrollees with the money out there.

We estimate this additional money will keep us very busy until sometime in 1975.

We cannot say exactly when but there are certainly adequate funds to do all that I think the system can, between now and the time the Congress is available to take another look at the situation.

Mr. MICHEL. Could it go until March?

Mr. KOLBERG. Certainly.

DURATION OF UNEMPLOYMENT

Mr. MICHEL. What is the average length of unemployment according to your last figures?

Mr. KOLBERG. The average duration?

Mr. MICHEL. The average duration of unemployment for those suffering that plight.

Mr. KOLBERG. In November it was 9.8 weeks.

Mr. MICHEL. What is that compared to 6 months before?

Mr. KOLBERG. The duration seems to be about steady. It was 9.7 in 1973 and between 9.7 and 9.9 for the earlier quarters of 1974. September was 9.6, October was 10, 9.8 in November. So it is within the range of 9.6 to 9.9.

Mr. MICHEL. What makes the plan for extended unemployment benefits so urgent then?

Mr. KOLBERG. That is the average. The numbers of people actually exhausting their entitlement to benefits has risen substantially. I think Mr. Weatherford testified earlier that it is running to 150,000 a month.

Mr. WEATHERFORD. The people that exhaust average duration is around 23 weeks.

Mr. HEWITT. These are BLS total averages, not unemployment averages we are talking about. When you are talking about large numbers laid off recently that brings the number down.

Those unemployed now who stay unemployed for some months will bring the average up. So a few months from now the average will be considerably above what it is now.

ADMINISTRATIVE COSTS

Mr. MICHEL. I see you are asking for 70 Federal positions. Of course there will be a lot of additional people involved at the State level, right?

Mr. KOLBERG. Correct.

Mr. MICHEL. In the item of \$1 billion for temporary employment assistance, is there any limit for administration you can apply to that?

Mr. KOLBERG. Are you talking about Federal administration or administration by prime sponsors?

Mr. MICHEL. Let's take it either way.

Mr. KOLBERG. That \$1 billion is public service employment. I think our regulations set a limit of 20 percent for administration. I think that, by and large, the plans have come in that way. I am sorry. This will have a 10 percent.

Mr. MICHEL. Did we do that by statute?

Mr. KOLBERG. Yes.

Mr. ZUCK. There are no Federal administrative costs in that \$1 billion.

TYPES OF PUBLIC SERVICE JOBS

Mr. MICHEL. Now these 111,000 public service employment jobs, have we got a breakdown of the type of jobs these are specifically going to be—job description.

Mr. KOLBERG. We can furnish for the record the general types of jobs that have been filled before.

Mr. MICHEL. Would you put that in the record?

Mr. KOLBERG. Yes, sir.

[The information follows:]

Based on recent information, the most frequently funded jobs under title II of CETA in descending order are: clerical, custodial and maintenance, policemen,

laborer, administrative assistant, social and community worker, firemen, mechanic, teacher's aide, municipal services operator, vehicle truck driver, equipment operator, medical aide, teacher, security guard, recreation aide, practical nurse, accountant, and animal control officer.

"PAPER" LAYOFFS

Mr. MICHEL. What are you doing about the problem of paper layoffs? You know that was discussed in the authorizing debate and we had quite an extended hassle over it. How do you prevent layoffs as a means of capitalizing on the program?

Mr. KOLBERG. It is a real concern. Under Title II, CETA, there is a requirement that you must be unemployed 30 days. In addition, both the laws and our regulations say that if we can draw a direct corollary between laying people off so that they could be picked up in the public service jobs, that is forbidden.

So the maintenance of effort goes to that point. As the new bill came out of the House, the 30-day requirement was cut to 7 days. We would have preferred the 30 days.

I don't know how it is going to come out of conference. I understand the conference is talking about 15 days. We are more comfortable with 30 days to get at the very problem you are talking about.

Mr. MICHEL. Do you have any figures at all that shed any light on this problem? With me it is just gut reaction. I know it is happening. I know it is going on. I am trying to put my finger on it.

Mr. KOLBERG. I don't know that we know it is going on, sir. I don't know what kind of figures we can give you on it. The prime sponsors keep telling us one of the reasons they are so slow in filling these jobs is that they are concerned about the maintenance of effort. They are very worried about staying within the letter and regulations of the law.

AVERAGE COST PER JOB

Mr. MICHEL. Now your estimates, of course, are based on \$9,000 per job for the temporary employment assistance program. Earlier, we had used the \$7,000 figure, as I recall.

Mr. KOLBERG. That is correct.

Mr. MICHEL. What do you base the jump on?

Mr. KOLBERG. I guess inflation, Mr. Michel. The average is rising, as we look back over the 4 years.

Mr. QUINLAN. The \$9,000 is based on \$7,500 salary plus fringe benefits and administrative costs to come up with the \$9,000.

The \$7,000 we talked about before is equitable to the \$7,500 which is a salary cost.

Mr. KOLBERG. There cannot be any doubt that it costs more.

Mr. MICHEL. When I saw the difference between seven and nine and looking back to where you last testified, I thought, it has been bad but has it been that bad? Why do you now take into account fringe benefits where you didn't before? Is that just something you dreamed up or thought it would make it look better?

Mr. QUINLAN. We look upon it as an opportunity to identify the full costs for those jobs.

Mr. MICHEL. Is that a very practical, realistic figure?

Mr. KOLBERG. We think it is.

PROVISIONS OF NEW LAW

Mr. MICHEL. Would you spell out in our record here, how this new temporary assistance program will fit into the existing CETA authority?

Mr. KOLBERG. As soon as we get the new conference report, we will do that.

[CLERK'S NOTE: see page 74 for this information.]

Mr. HEWITT. We expect it will be like title VI amending CETA. It will be roughly the same type of program and probably some waivers for transition provisions, but essentially it will operate through the same system, through the same people running the program out there now.

MAGNITUDE OF UNEMPLOYMENT

Mr. MICHEL. Now, the temporary employment assistance program to which you have addressed yourself here would reach what portion or what percentage of the total unemployed?

Obviously we are not going to touch all of them. Do you have a meaningful figure as to what portion of that group will be touched?

Mr. KOLBERG. If we can count the \$1 billion out there now plus the billion dollars we have asked for will provide a total of about 311,000 jobs. The total unemployment is about 6 million.

Mr. HEWITT. It is about 5 percent.

Mr. MICHEL. Does it follow, then, if we are taking care of 5 percent of the unemployed with an expenditure of \$2 billion, you need to double that—you need \$4 billion—if you are going to put 10 percent of the unemployed in public service jobs?

Mr. HEWITT. If you want to put them in work and provide for a yearlong job it will cost more than that.

The reason you get the jobs now is that the prime sponsors are told to spend it this fiscal year.

The concept the administration sent this new bill up on was that the first line defense to put money in the unemployed pockets so they can continue to pay their living expenses is the unemployment assistance benefits. Public service jobs is the final remedy for those who cannot get the unemployment assistance benefits or have exhausted those benefits.

We do not expect to put all the jobless into public employment or any major proportion of them.

Mr. KOLBERG. I think 1 million public service jobs would cost about \$10 billion a year. That would pick up about one-sixth of the unemployment.

Mr. MICHEL. \$10 billion for 1 million and that picks up one-sixth of those currently unemployed.

Mr. KOLBERG. That is correct.

UNEMPLOYMENT RATE ASSUMPTION

Mr. MICHEL. Do I understand that in earlier colloquy with the chairman you testified that you are expecting unemployment to average 6.9 percent in 1975?

Mr. KOLBERG. Our estimates are based on 6.9 percent.

Mr. MICHEL. Peaking out at something over 7 percent, in May.

Mr. KOLBERG. About that, yes.

Mr. MICHEL. At least you are predicating your testimony upon those kinds of figures?

Mr. KOLBERG. Yes, sir.

Mr. MICHEL. What direction do you go if your estimates prove to be overly conservative?

Mr. KOLBERG. The current estimates, if they are correct, take us into the second quarter of fiscal 1976. The more we are off, the more it comes this way. In other words, if we are too conservative it comes back into the first quarter of fiscal 1976 and perhaps then back toward the end of fiscal 1975.

ALLOCATION FORMULA

Mr. MICHEL. I would like you, just for the record, to explain just how this temporary employment assistance money will be allocated.

Mr. KOLBERG. I would like to be able to answer that. Are you talking about the allocation formula?

Mr. MICHEL. Yes.

Mr. KOLBERG. I understand the conference committee has agreed on a formula.

My understanding is that the formula is based 50 percent on the number of unemployed in prime sponsor areas across the United States. That is the way it was in the House bill, 50 percent based upon that; 25 based upon the numbers of unemployed over a 4½ percent rate and 25 percent of those unemployed over a 6½ percent rate. You recall the House bill had 50 percent for national and the other 50 for the 4½ percent. We understand that is the way it has come out of conference.

Mr. MICHEL. Do you like that better or worse?

Mr. KOLBERG. I like that better.

Mr. FLOOD. I like the way it came out of conference better than the House bill.

Mr. KOLBERG. We like the Senate bill better than the compromise. Let me explain. Our preference would be to focus all the funds by area based upon unemployment rates the way we do in title II with CETA, 6½ percent trigger.

Mr. MICHEL. Where the need is most urgent to address yourself first in priorities.

Mr. KOLBERG. Yes.

AREA OF "AGGRAVATED" UNEMPLOYMENT

Mr. MICHEL. In the areas of unemployment benefits, what is the definition of an "area of aggravated unemployment"?

Mr. HEWITT. We proposed that that would be a prime sponsor jurisdiction, that is to say, a major political jurisdiction like a CETA prime sponsor that had a 6½ percent unemployment rate for an average of 3 consecutive months.

Mr. MICHEL. Does anything less than that qualify as aggravated?

Mr. HEWITT. Not in the bill the way it was sent up, no, sir.

Mr. MICHEL. How did you arrive at this \$2 billion estimate in your justification?

Mr. KOLBERG. We have talked about the assumptions we have used, Mr. Michel, in the various categories and the workload assumptions behind them.

I don't know whether you want us to respond in any more detail than that. We have put it in the record.

Mr. MICHEL. All right. That is good enough.

DIFFERENCE IN PUBLIC EMPLOYMENT ENROLLEES

Going back for a moment to public employment, I am somewhat concerned over the basic concept of public employment as contrasted with job training programs. What kind of people get picked up through public service employment? Are these people for the most part who are trained?

Mr. KOLBERG. Under the CETA program they are the disadvantaged. That is by law. They must have been unemployed for 30 days. They must meet other disadvantaged criteria. Under the new bill that is coming out of conference, priority will be given to unemployment insurance exhaustees and those with long-term unemployment as defined by 15 weeks.

There will be some difference in the clientele between these two programs.

I don't think the difference as it finally works out will be very significant but there is a difference.

Mr. MICHEL. Of course it is the unskilled and those who have the long period of extended unemployment who are hurt most. Is it your feeling that this public service job program addresses itself to that need?

Mr. KOLBERG. We have talked about two different kinds of public service employment, the regular public service employment under CETA which is defined for disadvantaged workers who need on-the-job training and work experience.

We think the public service employment program is well designed to do that and get them into permanent employment. That is the permanent public service employment.

Now, the temporary program we are talking about here is much different. It is a temporary program. It goes on and expands as the economic conditions become very much worse and then it goes back down. It is much more focused on the experienced workers, the man or woman who had exhausted unemployment insurance benefits.

Mr. MICHEL. Really the thrust of this is to take on some pretty skilled people in some cases.

Mr. KOLBERG. That is right.

It is a very important conceptual difference.

Mr. MICHEL. I think it is important to make that distinction, too. Thank you.

Mr. FLOOD. Mr. Natcher.

Mr. NATCHER. No questions.

Mr. FLOOD. Mr. Shriver.

NEW POSITIONS

Mr. SHRIVER. I thought of the 70 additional employees who are requested, that 25 are GS-12 and 20 are GS-11 and 25 go down to GS-5. What kinds of jobs are these?

Mr. KOLBERG. The 25 are the clerical people. The 11's and 12's are really the journeymen levels of our field people. They will all be out in the field offices.

Mr. SHRIVER. They are paid what?

Mr. KOLBERG. \$18,000 to \$20,000, somewhere in there.

It is \$15,000 as a base for the GS-11.

PUBLIC EMPLOYMENT APPROPRIATION

Mr. SHRIVER. You said you have \$1 billion out there now. That is in the public service program?

Mr. KOLBERG. That is correct. That is under title II of the Comprehensive Employment and Training Act.

Mr. SHRIVER. It was appropriated when?

Mr. KOLBERG. The 1974 appropriations were made available in June of 1974. The 1975 funds we had under continuing resolution. They were made available by direction of the President in September and October.

Mr. SHRIVER. How about recently?

Mr. KOLBERG. Recently there is another \$50 million the Congress has made available that we have not gotten out there.

Mr. SHRIVER. Now you are asking for an additional \$1 billion.

Mr. KOLBERG. That is right.

Mr. SHRIVER. What is the total?

Mr. KOLBERG. Somewhere around \$2.1 billion by the time we get all the funds out there that the Congress has already appropriated and this additional \$1 billion.

STATES WITH EXHAUSTED RESERVES

Mr. SHRIVER. You mentioned there were a certain number of States that have exhausted their unemployment reserves. You didn't name them. We may be asked about this.

Mr. KOLBERG. Mr. Weatherford, do we have the names?

Mr. WEATHERFORD. Yes. We can furnish that for the record.

[The information follows:]

Three States have borrowed funds from the Federal Unemployment Account of the Unemployment Trust Fund: Connecticut, Vermont, and Washington. It is expected that the State of New Jersey will apply for a loan in January 1975.

Mr. SHRIVER. You say they are obligated to pay the money back.

Mr. WEATHERFORD. That is correct.

Mr. SHRIVER. Past history shows they have?

Mr. KOLBERG. I believe that is true.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten.

NEED FOR INNOVATION

Mr. PATTEN. We spoke last February when the Secretary was here about leadership. We find ourselves with a number of problems. We have the fuel crisis, the automobile situation, and the high cost of living. A lot of people think that in the Congress or the administration we cannot be much of a think factory and we are not coming up with anything special. Here we are working on the unemployment and we are doing the two obvious things, extending unemployment benefits and giving people work. I am an old depression period man.

I went through the WPA, CCC, and N. Y. A.

Why is consideration not being given to the fact that in 1956 we had 5½ million babies born. They are 18 years old now.

As I meet them in the district, they are the greatest numbers of unemployed. They have just finished high school. Fortunately, we have over 10 million in college. This is much higher than our estimates. If that extra 1½ million didn't go to college, they might be on the unemployed lists, too.

Are there any smart ideas around that we are not using that we could use as we look at the particular problems instead of saying it is just like the depression?

Is there a bigger picture that we ought to face as leaders of the country as we realize we have 30 million babies born in 1955, 1956, 1957, 1958, 1959? They are coming along. They are not in the workforce yet. Is this something we should be considering? Is it your responsibility in your department to make recommendations?

If a fellow works in a factory and the factory slows up and lays off 300, that is under the areas you have suggested, but these young people present a new problem. I think our style of living is different than in 1933.

The fellow I meet unemployed is not like the fellow I met in 1931. It is a little bit different picture now. In most cases, I have a fellow physically fit, high school graduate who speaks English. He has culture. He would like to live the good life. There is something different about the picture. This is the nuclear space age. The want ads are full of requests for persons to fill jobs. In New Jersey they tell me the firms have to go shopping for executives. They cannot fill their requirements. Is anything cooking or are we just going the old route?

This is no new bold venture to give heart to millions of young people or to give heart to those who fear they are going to lose their job or to those who have lost their job.

Mr. KOLBERG. I suppose what you do first is the things that are tried and true and this is what that is.

The unemployment insurance program is 40 years old. It has been tried in tough times and good times. It works. We know how to make it work. It seems to me that clearly ought to be the first thing you do.

Public service jobs we have experimented with for 4 years, as the committee knows well. It seems to work. We are expanding it. I hope that does not exhaust all the good ideas that we have or that you have. I would suggest to the committee that \$4 billion worth of good ideas today is just about all that we probably can come up with.

That is a lot of good ideas and a lot of money. We should not lose track of the fact that we have a manpower program out there in your

State and in your community that provides a whole range of services if your local mayors and county commissioners want to spend it.

It is their call under the new CETA program to decide what kind of training is needed and how they can provide it. The new ideas do not just have to come from the Federal Government. They can come from the mayor of Hoboken if he wants to treat the problems differently from the way they have been treated in the past.

PROGRAM REGULATIONS

Mr. PATTEN. Are these people going to know the rules? Are they going to have the guidelines or in a couple of years will you penalize them and take away the money?

Mr. KOLBERG. We will have the rules of the game ready by the time the first dollar goes out. We will have them converted into regulations within a week or two afterwards, assuming the Congress passes the acts we are talking about. The rules of the game will be made well known and I hope we do not get into the same kinds of problems that you and I talked about before.

Mr. FLOOD. I would like to make an observation. When you were talking with Mr. Michel a few moments ago about the employment of a high quality type of worker, the inference was made in the old WPA about leaf-raking. I was on the Appropriations Subcommittee in 1946 for State, Justice, and Commerce and Related Agencies. One of the related agencies was the Bureau of Federal Roads just taken over from Interior and put in Commerce. That was the first year.

Do you know that the original plans for those great highways from Montreal to New Orleans were prepared by top engineers employed by the WPA? That will tell you about leaf-rakers. They were done by WPA top-flight people.

Mr. KOLBERG. I didn't say anything about leaf-raking. If I did, I would like to have it struck from the record.

Mr. FLOOD. Mr. Conte.

CIVILIAN CONSERVATION CORPS

Mr. CONTE. I will submit some questions, but tell me, is the administration thinking at all about putting in the old CCC-type job program that we had during the depression?

They did some of the best work in my part of the country, conservation work, cleaning up the forests and some of the best parks we have were done by the Conservation Corps.

Mr. KOLBERG. We have thought about it, Mr. Conte. One of the proposals we made has not been accepted so far but I think we agree with you that reforestation and work in the parks and that sort of thing is a natural. At some point perhaps we will come forward with those kinds of proposals.

I think they are certainly good ideas and things that ought to be reconsidered. I think at this stage we thought we ought to go with the public service employment program that we have on the books.

Mr. CONTE. Isn't this limited, though?

How many of those jobs can we produce?

Mr. KOLBERG. I don't know that we can give you a precise answer, maybe not even a good answer. I think we will have to have more

experience to know whether there is an outside limit. I think there is. I think at some point along the way it would be more desirable, to put it that way, to spend some of our public service employment money through the Federal agencies, through the Forest Service and Park Service to actually take care of some of the work that needs to be done out there rather than funnel it through the State and local prime sponsors.

I cannot tell you when we will reach that point but I think we could well reach it.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Obey.

OPINION OF PUBLIC SERVICE EMPLOYMENT

Mr. OBEY. Mr. Kolberg, did you happen to see the article in the Post this last Sunday on public service jobs?

Mr. KOLBERG. Yes, I did.

Mr. OBEY. I thought it was fairly negative on the whole idea. What would your response be to that article?

Mr. KOLBERG. I would not have characterized it the way you have, Mr. Obey. I did not come away feeling it was negative. It certainly was not a glowing account of our experiences.

My personal feeling about the permanent title II type of public service employment is that it is one of our better programs. It has worked very well. The work sites that have been provided by the State and local governments provide good work experience. The transitioning of people from these jobs into permanent jobs was done very well under EEA.

If memory serves me correctly, I think 70 percent of the enrollees under EEA were enrolled in permanent jobs. I think as prime sponsors get more experience, we will see a good program emerging. I am very comfortable with that.

The thing I think prime sponsors need more work on is the concept of the temporary quickly expandable public service jobs pointed more toward the long-term unemployed who has exhausted benefits, the kind of antirecession program we have here where we are asking them to quickly expand their public service employment program for people who in the long haul have no interest in working for that Government and need a job and need to be tided over until they go back to the private job they left, they are really on layoff.

I think that is an open question, whether in fact these prime sponsors can gear up and learn how to quickly expand and then contract and get out of that program. The concept we have been trying to get across all along is that there are two purposes and two kinds of public service employment and we ought to be quite clear about what the purposes are. The kind of program we are headed into now is really an antirecession program. One can point, for instance, to the experience that the Swedish nation has had where at any point in time they have anywhere from 2 to 4 percent of their labor force involved in manpower and public service employment programs. They expand and contract rather easily. They have a lot of experience. It seems to me that kind of experience is what we are beginning to talk about and conceptualize.

Mr. OBEY. Following up on Mr. Conte's discussion of the old CCC camps, my Dad worked in one of those CCC camps. It turned him completely around.

FUTURE ALTERNATIVES

You mentioned that you think there is probably some outside limits to how far we can go with public service jobs. Did you say that your recommendations now were prepared based on 6.9 percent estimates?

Mr. KOLBERG. These estimates are based on an average of 6.9 percent.

Mr. OBEY. How far realistically do you think we can go? Say we hit unemployment of 8 or 8.5 percent, how far do you think we can realistically go with public service jobs before we have to go to something which gives more help to more people such as CCC or any other kind of program?

Mr. KOLBERG. Again you are asking me for a precise number and I would not want to give you one.

Mr. OBEY. No. I want your ideas.

Mr. KOLBERG. To take your scenario, 8 to 8½ percent. I think under those kinds of circumstances, we are going to be looking at a number of things we are not now doing.

Some of those residential experiences do turn people around and are desirable. Whether or not we would go to a Job Corps type of operation and at what point, I don't know. I think as unemployment rises we will have to look at those other kinds of programs in addition to what we have.

Mr. OBEY. You mentioned the Scandinavian experience. Do you think it is practical for us to consider having as many as 2 to 4 percent of our work force in jobs of that nature?

Mr. KOLBERG. I don't think it is practical now with what we know about and I think what the country is willing to pay for. Four percent of our labor force would be something like 3½ to 4 million people engaged in manpower training and public service employment. That is an annual bill of \$20 to \$25 billion or more. I cite the Swedish experience with a labor force of only 4 million to show that at least it has been done, with a much smaller labor force and a more homogenous labor force than we have and obviously a smaller country. But there has been a good deal of experience with expanding and contracting manpower programs.

They also related it to seasonal unemployment. In Sweden they have a lot of seasonal unemployment. Every year they adjust manpower programs to sop up the seasonal unemployment.

Mr. OBEY. I would personally encourage you to look at whatever opportunities might be available under operations such as Forest Service or Department of Interior because I know from having served on that subcommittee that there is a lot of work that can be done in that area.

I think especially for young people there is a tremendous demand for that type of work and it would constructively use our dollars.

Mr. NATCHER. Mr. Robinson.

ADEQUACY OF PRESENT JOBS PROGRAM

Mr. ROBINSON. You made the comment that public service employment is a good idea. You said that out of the jobs authorized you have about 25 percent of them filled.

Mr. KOLBERG. That is correct.

Mr. ROBINSON. This brings me to my first question. How many of those jobs are in the category of those that go to the disadvantaged and how many are in the category of those that are skilled and out of work and looking for something to do on more or less a temporary basis? I would imagine that a high proportion of them are in the CETA category, are they not?

Mr. KOLBERG. That is correct.

Mr. ROBINSON. Is there any significant percentage in the other category?

Mr. KOLBERG. I would be surprised if there is a significant percentage in the other category. Certainly many of them would meet the 30-day unemployment requirement so a few more would be coming on the last several months.

Mr. ROBINSON. I would like to express the feeling that at least in my observation you will continue to find problems in filling these jobs in the public service category because in the climate we have in this country there is going to be an unwillingness to go in that direction to an extent that I think the exploration of other areas of public service employment such as you have mentioned like the old CCC program and others are certainly in order and are much more applicable to a lot of the individuals that are going to be unemployed than are public service employment opportunities just because of the psychological makeup and educational backgrounds and experience of the persons who are going to be unemployed.

"PAPER LAYOFFS"

Now I have another question that pertains to a specific situation that arose as a result of a colloquy during the debate on the authorization bill last week. In my home State of Virginia we have a congressional mandate against going in the red, against the unbalanced budget concept. Our Governor is prepared to implement that mandate and lay off people that are on the State payroll. I do not want to see pressure brought to bear on my Governor to put people back on the Federal payroll, essentially speaking, by eliminating people from the State payroll and putting them on the Federal payroll as public service employees because they are out of work.

We established this, I think, pretty well in terms of legislative history but I would like to have your reaction to that situation as well.

Mr. KOLBERG. I agree completely. Just substituting one payroll for another does not accomplish anything at all. That is certainly not the purpose of the Federal program to pick up the cost of regular State employees. At the same time, under the law if they are actually unemployed for 30 days and they were not laid off for the express purpose of being put over on the public service rolls, then by law they certainly meet the requirements. So the Governor could hire back, it is perfectly appropriate to hire back some of the people he lays off if in fact they meet these requirements.

Mr. ROBINSON. So the pressure could be brought to bear on him on an individual basis by a person who is unemployed to be put on the payroll under the public service employment program.

Mr. KOLBERG. That is correct. As the bill came out of the House, as you may recall, that 30-day requirement was lowered to 7 days under the new bill.

So there was only 1 week's waiting time between the time the layoff could take place and the time the Governor could put somebody back on the public service rolls.

Mr. ROBINSON. But it is nonetheless not the intent of the law that this should be the case?

Mr. KOLBERG. That is correct. I assume what the Congress has in mind here is net new job creation. The purpose of these acts are net new job creation.

EXHAUSTION OF BENEFITS

Mr. ROBINSON. Do you have any figures that would indicate how many people we might find or perhaps already have found that see fit to exhaust their full unemployment compensation opportunities before they even try to get a public service job or any other kind of a job?

Mr. KOLBERG. I don't know that we have a figure on something like that.

Mr. ROBINSON. What is your reaction?

Mr. KOLBERG. We talked earlier about the 150,000 a month now who exhaust their unemployment. You are asking about how many stop short of exhausting and get a public service job.

Mr. HEWITT. The average duration of those who exhaust their unemployment insurance is considerably less. It runs about 18 to 19 weeks, and the average duration of those who are entitled to payments, something over 23 weeks.

Mr. ROBINSON. How do you reduce that to percentage figures?

Mr. HEWITT. The bulk of the people do not exhaust their benefits before they go back to work and get off unemployment insurance.

The average duration of unemployment insurance claimants now is about 13 weeks total for a year, that being more than one spell. In non-recession times it runs 7 or 8 weeks. In bad economic times like it is getting to be now, it is up to 13 weeks of total benefits time over the course of the year. That is considerably less than the 23 weeks they are entitled to.

Again these are both averages. It has to be a pretty small percent that do not go back to work until they purposely don't go until they exhaust benefits.

Mr. ROBINSON. If you find that you have the statistics to reduce that to a percentage that do versus those that do not, I wish you would put it in the record at this point. That is all, Mr. Chairman.

REASON FOR \$1 BILLION REQUEST

Mr. CONTE. The bill authorizes \$2 billion for emergency job programs but only \$1 billion has been requested. Considering the total unemployment rise of 800,000, why are you requesting \$1 billion?

Mr. KOLBERG. The \$1 billion and the 111,100 additional public service employment jobs that we are now requesting will supplement the 200,000 public service employment jobs and the \$1.020 billion of funds already appropriated under the Comprehensive Employment and Training Act of 1973. We feel this total amount will be sufficient to

meet the nation's needs at this time, and that any additional funds for this program will be more than the prime sponsors will be able to effectively administer at this time.

NUMBER OF JOBS FUNDED AND FILLED

Mr. CONTE. Congress has already appropriated \$1.020 billion that is supposed to be providing 160,000 public service jobs. How close are we to this goal and how many jobs will be provided by the additional \$1 billion you are now requesting? How many jobs would be provided if we appropriated the full authorization?

Mr. KOLBERG. The \$1.020 billion already appropriated will provide an estimated 200,000 jobs. At this time about 25 percent or 50,000 of the jobs have been filled. The additional \$1 billion now requested will provide an additional 111,100 12-month jobs. The \$2 billion authorized in the House Bill would provide 222,200 12-month jobs if this amount were appropriated.

ALLOCATION DATE

Mr. CONTE. Assuming Congress enacts this supplemental by the end of this week, how soon will disbursements be made and how soon will the public jobs be filled?

Mr. KOLBERG. If the supplemental appropriation is enacted before the end of this week, the funds for the public service employment jobs will probably be allocated to the prime sponsors before the end of December with the jobs being hopefully filled by the prime sponsors as soon as possible after they receive the funds.

JOBS IN MASSACHUSETTS

Mr. CONTE. As you are probably aware, I have several pockets of high unemployment in my district. The Springfield metropolitan area has an unemployment rate of almost 8 percent and the Ware Labor Market Area has a rate of around 12 percent. I realize your disbursement formula is complicated and will take some time to implement. But I would appreciate it if you can supply me in the near future, assuming your request is granted, how many jobs will be provided for: (a) New England; (b) Massachusetts; and (c) Western Massachusetts.

Mr. KOLBERG. We can give you some preliminary estimates of the number of jobs that might be funded in New England and Massachusetts by this \$1 billion supplemental but we do not have an estimate for Western Massachusetts alone, so instead, I will give you a breakdown of jobs by prime sponsor for the entire state of Massachusetts.

[The information follows:]

Area	Number of jobs
New England.....	9, 740
Massachusetts	5, 890
Boston	830
Cambridge Consortia.....	340
New Bedford Consortia.....	230
Springfield Consortia.....	420
Worcester Consortia.....	170
Lowell Consortia.....	280
Balance of Massachusetts.....	3, 620

Mr. FLOOD. We will want to make it very clear from all these conversations and examining and testimony today and referring back to former programs of this kind that this is not just employment of males. When you talk about carrying over the WPA, you are talking about just men and that is certainly not the intent of your operation.

Mr. KOLBERG. That is correct.

Mr. FLOOD. Thank you very much.

Justification of the Budget Estimates

MANPOWER ADMINISTRATION

PROGRAM ADMINISTRATION

For an additional amount for "Program Administration," \$500,000, together with \$500,000 to be expended from the Employment Security Administration account in the Unemployment Trust Fund: Provided, That this appropriation shall become available upon enactment of H.R. 16596 or similar legislation by the 93rd Congress.

STANDARD FORM 300
 Form 114, Bureau of the Budget
 Circular No. A-11, Revised
 300-101

DEPARTMENT OF LABOR
 MANPOWER ADMINISTRATION
 PROGRAM ADMINISTRATION

Program and Financing (in thousands of dollars)

Identification code	19 75	19 75	19 75
12-05-0172-1-1-504			
	Presently Available	Revised Estimate	Proposed Supplemental
<u>Program by activities:</u>			
1. Planning, evaluation and research	5,275	5,275	...
2. Manpower program administration	36,414	36,914	500
3. Apprenticeship services	9,961	9,961	...
4. U.S. employment service.....	13,534	13,534	...
5. Unemployment insurance service.	8,921	9,421	500
6. Investigation and compliance...	1,760	1,760	...
7. Executive direction and management	20,309	20,309	...
Total obligations.....	96,174	97,174	1,000
<u>Financing:</u>			
Receipts and reimbursements from:			
Trust funds	-28,165	-28,665	-500
Budget authority.....	68,009	68,509	500
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net.....	68,009	68,509	500
Obligated balance, start of year	22,472	22,472	...
Obligated balance, end of year	-22,726	-22,731	-5
Outlays	67,755	68,250	495
	(Memo cast. 1)	(Memo cast. 2)	(Memo cast. 3)

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

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
PROGRAM ADMINISTRATION

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 12-05-0172-1-1-504	1975	1975	1975
	Presently Available	Revised Estimate	Proposed Supplemental
Personnel compensation:			
11.1 Permanent positions.....	59,748	60,169	421
11.3 Positions other than permanent.....	578	681	103
11.5 Other personnel compensation.....	579	676	97
11.8 Special personal services payments.....			
Total personnel compensation.....	60,905	61,526	621
Personnel benefits:			
12.1 Civilian.....	5,481	5,537	56
13.0 Benefits for former personnel.....			
21.0 Travel and transportation of persons.....	4,073	4,353	280
22.0 Transportation of things.....	219	222	3
23.0 Rent, communications, and utilities.....	7,953	7,958	5
24.0 Printing and reproduction.....	963	973	10
25.0 Other services.....	15,915	15,925	10
26.0 Supplies and materials.....	289	299	10
31.0 Equipment.....	376	381	5
32.0 Lands and structures.....			
33.0 Investments and loans.....			
41.0 Grants, subsidies, and contributions.....			
42.0 Insurance claims and indemnities.....			
43.0 Interest and dividends.....			
44.0 Refunds.....			
99.0 Total obligations.....	96,174	97,174	1,000
Working Capital Fund included above	(12,119)	(12,119)	(---)

STANDARD FORM 500
 July 1968, Bureau of the Budget
 Circular No. A-11, Revised.
 506-103

PA-SUPPL.-5

DEPARTMENT OF LABOR
 MANPOWER ADMINISTRATION
 PROGRAM ADMINISTRATION
 CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM FUNDS
 AVAILABLE TO MANPOWER ADMINISTRATION
 DETAIL OF PERMANENT POSITIONS

	19 75	19 75	19 75
	Presently Available	Revised Estimate	Proposed Supplemental
Executive Level IV	1	1	...
Executive Level V	1	1	...
Sub-total	2	2	...
GS-18	3	3	...
GS-17	10	10	...
GS-16	29	29	...
GS-15	249	249	...
GS-14	419	419	...
GS-13	695	695	...
GS-12	597	622	25
GS-11	206	226	20
GS-10	2	2	...
GS-9	141	141	...
GS-8	26	26	...
GS-7	169	169	...
GS-6	282	282	...
GS-5	558	583	25
GS-4	249	249	...
GS-3	77	77	...
GS-2	7	7	...
GS-1	1	1	...
Sub-total	3,720	3,790	70
	(Mono cast: 16.3)	(Mono cast: 4.9)	(Mono cast: 4)

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
PROGRAM ADMINISTRATION
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM FUNDS
AVAILABLE TO MANPOWER ADMINISTRATION
DETAIL OF PERMANENT POSITIONS

	19 75	19 75	19 75
	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed Supplementa</u>
Total permanent positions	3,722	3,792	70
Unfilled positions, June 30 (-).....	-213	-218	-5
Total permanent employment, end of year	3,509	3,574	65
	(Mono cast: 4.9)	(Mono cast: 4.9)	(Mono cast: 4)

MANPOWER ADMINISTRATION
 Program Administration
 Summary of Changes

	Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1975 Presently Available.....	1,073	\$28,165,000	2,419	\$68,009,000	3,492	\$96,174,000
1975 Revised Estimate.....	1,108	28,665,000	2,454	68,509,000	3,563	97,174,000
1975 Proposed Supplemental.....	+35	+500,000	+35	+500,000	+70	+1,000,000
<u>Program Items</u>						
To provide overall leadership, direction and procedural guidance for the implementation of the Emergency Jobs and Unemployment Assistance Act of 1974.....	+35	+500,000	+35	+500,000	+70	+1,000,000
Total Increase.....	+35	+500,000	+35	+500,000	+70	+1,000,000

Activity 2. MANPOWER PROGRAM ADMINISTRATION (1975 Presently Available, \$36,414,000, Pos. 1,378;
1975 Revised Estimate, \$36,914,000, Pos. 1,413)

Narrative Description of Program

This activity provides for the direction of manpower training and employment programs in the national and regional offices. National office staff are responsible for:

- ..the development and maintenance of regulations and procedures pertaining to the operation of manpower programs,
- ..development of technical assistance materials to assist program sponsors in operating manpower programs,
- ..development of alternative program models and the design of training or employment components to enable an adequate operational structure depending upon local requirements,
- ..development of proper grant administration practices to facilitate compliance with Federal grant requirements,
- ..analysis of operational and evaluative data for the purpose of developing modifications or new technical assistance materials, regulations or other operational procedures.

Regional office staff are responsible for implementing manpower programs, specifically:

- ..negotiation and administration of grant agreements,
- ..review and monitoring of grantee performance,
- ..communicating Federal requirements and procedures to grantees,
- ..providing technical assistance to grantees regarding all aspects of the grantee program, including planning, budgeting, design of program, compliance with EEO and merit staffing requirements, management information, accounting and sub-grant monitoring and evaluation.

Changes for 1975

<u>Program changes</u> amount to.....	+ \$500,000
Positions.....	+ 35

Emergency Jobs and Unemployment Assistance Program

Regional office requirements for the Emergency Jobs program include activities related to implementing the program with 403 Title I prime sponsors. Most of these activities can be coordinated with existing activities associated with CETA Title I or II grants. However, emphasis

will be directed to getting eligible individuals hired rapidly within the hiring priorities established in the legislation and within Equal Employment Opportunity and merit staffing requirements. To obtain the rapid response incumbent upon the Manpower Administration will require a more vigorous effort by Federal management than had been applied under existing public service employment programs, particularly in areas of excessively high unemployment. Specifically, Regional office activities will include:

- .. Communicating Federal Requirement to 403 prime sponsors regarding operations requirements, data and reporting standards, accounting and fiscal standards, personnel and staffing practices : 1 Position
- .. Coordinate planning and budgeting functions through plan reviews and negotiation by field visits: 1 Position
- .. Review and assess performance of prime sponsors operating the special public service employment programs to determine the technical assistance needs. Assessments will be performed through desk reviews, on-site reviews and the development of corrective action plans: 2 Positions
- .. Communicate Federal requirements to prime sponsors for hiring eligible individuals within the Equal Employment Opportunity and merit staffing requirements: 1 Position
- .. Monitor the expanded labor market information data required under the Act; review the State data for accuracy and completeness, insuring that proper areas are covered and follow-ups are made on any delinquent reports:... 5 Positions
- .. Negotiation and modification of 403 grants: 2 Positions
- .. Assistance in developing job creation programs, especially programs in excessively high unemployment areas for which capital improvement and rehabilitation projects are emphasized: 3 Positions
- .. Communicating and providing technical assistance in budgeting, planning and addressing hiring priorities required by the Act: 5 Positions
- .. Clerical supportive services for the additional functions: 15 Positions.

To effectively carry out the additional responsibilities under the Act in fiscal year 1975, thirty-five positions and \$500,000 will be needed in the regional offices.

Activity 5. UNEMPLOYMENT INSURANCE SERVICE (1975 Presently Available, \$8,921,000, Pos. 277;
1975 Revised Estimate, \$9,421,000, Pos. 312)

Narrative Description of Program

The Unemployment Insurance Service is responsible for the direction, evaluation and appraisal of the performance of the unemployment insurance program. To meet these responsibilities Federal staff provide leadership and technical assistance to all States in the development and administration of their unemployment insurance laws.

The national office and regional office unemployment insurance staff have substantial responsibilities for the administration of the Federal unemployment insurance program. The national office staff are responsible for:

- ..developing specifications for Federal regulations,
- ..preparing procedures, guidelines and training material and
- ..interpreting guides and developing methods for monitoring States' Federal requirements and expenditure of Federal funds.

The regional office staff are responsible for:

- ..insuring compliance with Federal interpretation and instructions,
- ..assisting and providing technical assistance to States in processing of unemployment insurance claims.

Changes for 1975

<u>Program changes</u> amount to	+500,000
Positions	+ 35

Emergency Jobs and Unemployment Assistance Act
and Emergency Unemployment and Compensation Act

The new unemployment assistance program will be separate from but supplemental to the existing Federal-State Unemployment Insurance System and is designed to provide cash benefits both for the unemployed who have exhausted their benefits under current State laws and for workers who are not otherwise eligible for benefits under the unemployment insurance law of their States.

The regional office staffing requirements for implementing and directing the administration of the program will include: assisting State agencies in implementing and operating the new Federal Program; conducting training of State agency staff; providing technical assistance to the States; informing the national office of problem areas requiring policy guidance or direction; and monitoring and conducting on-site and off-site review of State performance in administering these programs. Thirty-five positions, twenty-five professionals and ten clericals, will be required for implementing the additional responsibilities.

To effectively carry out the additional responsibilities under the Act in fiscal year 1975, thirty-five positions and \$500,000 in regional offices are required.

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
TEMPORARY EMPLOYMENT ASSISTANCE

For financial assistance as authorized by Title I of the Emergency Jobs and Unemployment Assistance Act of 1974, \$1,000,000,000 to remain available until December 31, 1975: Provided, That this appropriation shall be available only upon enactment into law of H.R. 16596 or similar legislation enacted by the 93rd Congress.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
500-107

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
TEMPORARY EMPLOYMENT ASSISTANCE

Program and Financing (in thousands of dollars)

Identification code	19 75	19 75	19 75
	actual	estimate	estimate
	<u>Presently available</u>	<u>Revised estimate</u>	<u>Proposed supplemental</u>
<u>Program by activities:</u>			
Temporary employment assistance.....	...	350,000	350,000
Total program costs, funded....	...	350,000	350,000
Change in selected resources (undelivered orders) .....	...	650,000	650,000
Total obligations (object class 41.0).....	...	1,000,000	1,000,000
<u>Financing:</u>			
Budget authority (proposed supple- mental appropriation) .....	...	1,000,000	1,000,000
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net .....	...	1,000,000	1,000,000
Obligated balance, end of year....	...	-650,000	-650,000
Outlays .....	...	350,000	350,000
	(Where used: F, E)	(Where used: A)	(Where used: B)

MANPOWER ADMINISTRATION

Temporary Employment Assistance

Summary of Changes

1975 Presently available	---
1975 Revised estimate	<u>\$1,000,000,000</u>
1975 Proposed supplemental	+ 1,000,000,000
<u>Program Increase:</u>	
To provide an additional 111,100 12-month public service employment jobs at an estimated cost of \$9,000 per job	+ <u>1,000,000,000</u>
Total Change	+ <u>1,000,000,000</u>

Activity. TEMPORARY EMPLOYMENT ASSISTANCE (1975 Presently Available, -0-;
1975 Revised Estimate, \$1,000,000,000)

Narrative Description of Program

This activity provides for an expansion of the public service employment program that is already operating under title II of the Comprehensive Employment and Training Act of 1973. The program is in response to the growing concern over the worsening unemployment prospects for the economy and will provide additional jobs for unemployed persons through programs of public service employment. The program is authorized under title I of the Emergency Jobs and Unemployment Assistance Act of 1974 which amends the Comprehensive Employment and Training Act of 1973 by inserting a new title VI pertaining to emergency job programs.

This activity provides financial assistance to prime sponsors qualified under title I of the Comprehensive Employment and Training Act of 1973 and to Indian tribes on Federal or State reservations. Priority in the program will be given to unemployed persons who have exhausted their unemployment insurance benefits, to unemployed persons who are not eligible for such benefits and to the long term unemployed who have been unemployed for fifteen or more weeks.

Ninety percent of the total funds appropriated for this activity are allocated to eligible prime sponsors in accordance with the following formula: one fourth of the funds are distributed on the basis of the number of unemployed in one area compared to the number of unemployed in all areas; three-fourths gives due weight to the severity of unemployment, as well as the number of the unemployed, by a distribution based on the number of unemployed in excess of 4.5 percent. The remaining ten percent of the total funds appropriated for this activity may be distributed by the Secretary of Labor at his discretion.

Funds allocated for public service employment under this activity are generally covered by the provisions of title II of the Comprehensive Employment and Training Act of 1973. However, funds allocated to prime sponsors having unemployment rates in excess of 7 percent may be used for public service employment without regard to certain provisions of title II of the Comprehensive Employment and Training Act of 1973. Programs in these areas do not need to comply with the various provisions which are designed to facilitate transition from subsidized jobs into regular employment. Furthermore, these areas may use their funds for making payments to public employers to expand job opportunities, and for payment of wages for unemployed and underemployed persons working on community capital improvement projects. Hiring in these areas is also excluded from the generally applicable requirement that the person be unemployed for 30 days before being employed. The 30 day period is shortened to 7 days, to mitigate the hardship of the unemployed provided that the provision of section 208(a)(8), title II of the Comprehensive Employment and Training Act of 1973 relating to the prohibition of paper layoffs applies to such employment.

Changes for 1975

Program changes amount to+\$1,000,000,000

Proposal: To provide for an expanded public service employment program to help alleviate the impact of rising unemployment.

The Need: In consideration of the rise in the unemployment rate from 6.0 percent in October to 6.5 percent in November, there is a need for a program which will help alleviate this condition. The initiation of temporary public service employment programs by State and local governments is an effective tool for creating jobs with a minimal impact on inflation. The added cost of public service employment may be offset somewhat by reduced demand for food stamps, welfare payments, and by some increase in tax receipts from employees in these programs. Furthermore, jobs provided by these projects help to cushion the loss of income due to unemployment while enabling State and local governments to provide their citizens with a socially useful product.

The Program: The purpose of this request is to provide an additional 111,100 twelve month public service employment jobs at an estimated cost (including salaries, fringe benefits and administrative costs not to exceed ten percent) of \$9,000 per job or a total cost of \$1,000,000,000. These jobs will supplement the 113,300 public service employment jobs and the \$1,020,000,000 of funds already appropriated under the Comprehensive Employment and Training Act of 1973. Ninety percent of the \$1,000,000,000 or \$900,000,000 will be made available to prime sponsors on the basis of the formula prescribed by the new Act. The remaining \$100,000,000 will be distributed at the discretion of the Secretary taking into consideration areas which have experienced increases in unemployment since the base period that was used in making the formula distribution. The \$1,000,000,000 will be needed for obligation and expenditure prior to December 31, 1974 in order that the funds can be allocated to prime sponsors no later than January 1975.

This \$1.0 billion request is for the immediate implementation of title I of the Emergency Jobs and Unemployment Assistance Act of 1974 in order to help alleviate the current unemployment situation. This action does not preclude the possibility of a request for additional funds next year should a further worsening of the unemployment situation warrant a need for additional public service employment jobs.

U.S. DEPARTMENT OF LABOR

MANPOWER ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

For an additional amount for "Federal unemployment benefits and allowances," including payments accruing after enactment of this appropriation under Title II of the Emergency Jobs and Unemployment Assistance Act of 1974, \$2,000,000,000; to remain available until September 30, 1976: Provided, That this appropriation shall be available only upon enactment of H.R. 16596 or similar legislation enacted by the 93rd Congress.

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

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Program and Financing (in thousands of dollars)

Identification code 12-05-0326-1-1-603	FY 1975	FY 1975	FY 1975
	Presently Available	Revised Estimate	Proposed Supplemental
<u>Program by activities:</u>			
1. Payments to Federal employees	121,200	121,200	---
2. Payments to ex-Postal Service employees.....	19,000	19,000	---
3. Payments to ex-servicemen...	209,700	209,700	---
4. Trade adjustment assistance..	34,100	34,100	---
5. Special unemployment assistance and payments under other Federal unemployment programs.....	---	1,300,000	1,300,000
Total program costs, funded-obligations.....	384,000	1,684,000	1,300,000
<u>Financing:</u>			
Receipts and reimbursements from:			
Off-budget Federal agencies....	-19,000	-19,000	---
Unobligated balance available, end of year.....	---	700,000	700,000
<u>Budget authority (appropriation)</u>	365,000	2,365,000	2,000,000
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net.....	365,000	1,665,000	1,300,000
Obligated balance, start of year..	12,536	12,536	---
Obligated balance, end of year....	-12,536	-12,536	---
Outlays.....	365,000	1,665,000	1,300,000
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

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

DEPARTMENT OF LABOR
 MANPOWER ADMINISTRATION
 FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 12-05-0326-1-1-603	FY 1975	FY 1975	FY 1975
	Presently Available	Revised Estimate	Proposed Supplemental
Personnel compensation:			
11.1 -- Permanent positions.....			
11.3 -- Positions other than permanent.....			
11.5 -- Other personnel compensation.....			
11.8 -- Special personal services payments.....			
Total personnel compensation.....			
Personnel benefits:			
12.1 -- Civilian.....			
13.0 Benefits for former personnel.....	349,900	349,900	---
21.0 -- Travel and transportation of persons.....			
22.0 -- Transportation of things.....			
23.0 -- Rent, communications, and utilities.....			
24.0 -- Printing and reproduction.....			
25.0 -- Other services.....			
26.0 -- Supplies and materials.....			
31.0 -- Equipment.....			
32.0 -- Lands and structures.....			
33.0 -- Investments and loans.....			
41.0 Grants, subsidies, and contributions.....	34,100	1,334,100	1,300,000
42.0 -- Insurance claims and indemnities.....			
43.0 -- Interest and dividends.....			
44.0 -- Refunds.....			
.....			
.....			
99.0 Total obligations.....	384,000	1,484,000	1,300,000

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

SUMMARY OF CHANGES

	<u>Direct Appropriation</u>	<u>Estimated Reimbursement</u>	<u>Total Available</u>
1975 Presently available.....	\$365,000,000	\$19,000,000	\$384,000,000
1975 Revised estimate.....	<u>2,365,000,000</u>	<u>19,000,000</u>	<u>2,384,000,000</u>
1975 Proposed supplemental.....	<u>+2,000,000,000</u>	---	<u>+2,000,000,000</u>

Program Items:

Increase:

To provide for special unemployment compensation to individuals who are not otherwise eligible under current Federal and State programs and for increases in unemploy- ment compensation under other Federal programs.....	+2,000,000,000	---	+2,000,000,000
---	----------------	-----	----------------

<u>Activity 5.</u>	<u>SPECIAL UNEMPLOYMENT ASSISTANCE AND PAYMENTS UNDER OTHER FEDERAL UNEMPLOYMENT PROGRAMS</u>	(1975 Presently Available, \$-0-; 1975 Revised Request, \$2,000,000,000)
--------------------	---	---

Narrative Description of Program

This activity provides for the payment of special unemployment assistance as authorized under HR 16596, the payment of extended unemployment compensation to former Federal employees, ex-Postal Service employees, and ex-servicemen as authorized under HR 17597, and compensation and allowances to unemployed individuals under any other Federal law.

Changes for 1975

Program changes amount to.....+\$2,000,000,000

Although it is difficult to predict what the extent of the unemployment problem in the nation will be, available information indicates that the total unemployment rate will peak at about 7.0 percent by early calendar year 1975. Based on this assumption, we estimate that approximately 1,350,000 individuals will be eligible for special unemployment assistance under HR 16596. In addition, approximately 100,000 former Federal employees, ex-Postal Service employees and ex-servicemen will be eligible for 13 weeks of unemployment compensation under the Federal-State Extended Unemployment Compensation Act, and 13 weeks under HR 17597, the Emergency Unemployment Compensation Act of 1974, for a total of 26 additional weeks of unemployment compensation.

It is estimated that between \$1,000,000,000 and \$1,500,000,000 will be used for the purposes described above during the remainder of fiscal year 1975, depending upon the severity of the economic situation during this period. It is for this reason, specifically, that the flexibility of two year funding is mandatory. It is important that adequate funding be provided to ensure that the nation's jobless receive prompt payment of unemployment compensation.

These funds are needed for obligation and expenditure immediately.

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

Advances to the Extended Unemployment
Compensation Account

For making repayable advances to the extended unemployment compensation account in the Unemployment Trust Fund, as authorized by Section 905(d) of the Social Security Act, as amended, to remain available until September 30, 1976, \$750,000,000: Provided, That amounts for necessary advances, repayable to the general fund as provided in said Section 905(d), shall first be derived from balances in the revolving fund established by Section 901(e) of the Social Security Act: Provided further, That the Secretary of the Treasury shall make such repayable advances at such times as he may determine, in consultation with the Secretary of Labor, that the amount in the extended unemployment compensation account is insufficient for the payments required by law to be paid therefrom to States: Provided further, That this appropriation shall be available upon enactment of H.R. 17597 or similar legislation enacted by the 93rd Congress.

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

DEPARTMENT OF LABOR
 MANPOWER ADMINISTRATION

AEUCA SUPPL. -2

ADVANCES TO THE EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

Program and Financing (in thousands of dollars)

Identification code	FY 1975	FY 1975	FY 1975
12-05-0327-1-1-603			
	Presently Available	Revised Estimate	Proposed Supplemental
<u>Program by Activity:</u>			
Extended unemployment compensation benefits (costs, funded-obligations) (object class 42.0).....	---	500,000	500,000
<u>Financing:</u>			
Unobligated balance transferred from other accounts.....	---	-347,231	-347,231
Unobligated balance available, end of year.....	---	597,231	597,231
<u>Budget authority (appropriation) (indefinite).....</u>	---	750,000	750,000
<u>Relation of obligations to outlays:</u>			
Obligations incurred, net.....	---	500,000	500,000
Outlays.....	---	500,000	500,000
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 23)	(Mono cast: 4.9)

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

Advances to the Extended Unemployment Compensation Account

SUMMARY OF CHANGES

	<u>Amount</u>
1975 Presently available.....	---
Proposed transfer from other accounts.....	\$347,231,000
1975 Proposed supplemental.....	<u>750,000,000</u>
Total change.....	<u>1,097,231,000</u>

Mandatory Item:

Increase:

To provide for the Federal share of extended and emergency unemployment benefits as specified in the Federal-State Extended Unemployment Compensation Act of 1970, as amended, and the Emergency Unemployment Compensation Act of 1974.....

+1,097,231,000

EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS (1975 Presently Available, \$-0-;
1975 Revised Estimate,
\$1,097,231,000)

Narrative Description of Program

This budget request provides for repayable advances to the Extended Unemployment Compensation account of the Unemployment Trust Fund to finance the Federal portion of Federal-State Extended Unemployment Compensation as authorized under Public Law 91-373, as amended, and Emergency Unemployment Compensation as authorized under Public Law 92-224, as amended by HR 17597.

Changes for 1975

Mandatory changes amount to..... +\$1,097,231,000

Public Laws 91-373 and 92-224 authorize the payment to the States for the Federal portion of extended and emergency benefit payments from the Extended Unemployment Compensation account of the Unemployment Trust Fund. The account receives, under law, a specified percentage of net Federal unemployment tax collections each month. However, when revenues are insufficient to finance the Federal portion of the benefit costs, the law further provides for repayable advances from general revenue, which are to be repaid without interest by transfers from the account to the general fund of Treasury, at such times as the amounts in the Extended Unemployment Compensation account are adequate for such purposes. It is these general revenue advances which constitute this request.

Federal-State Extended Unemployment Compensation

It is estimated that \$1,200,000,000 in extended unemployment compensation will be paid to 1,900,000 individuals covered by State unemployment compensation laws between the period January - December 1975, depending on the severity of the unemployment problem in the nation. Of this amount, approximately \$650,000,000 will be paid from Federal sources. HR 17597 allows all States to pay extended benefits when the national rate of insured unemployment is 4 percent rather than 4.5 percent for three consecutive months, and that any State electing to put the extended unemployment compensation program into effect at the 4 percent level will be paid in full rather than 50 percent as authorized in the original law. It is estimated that this change will cost \$100,000,000. The remaining \$1,100,000,000 is estimated to be sharable with \$550,000,000 to be financed from the State accounts of the Unemployment Trust Fund and \$500,000,000 to be financed from available trust funds in the Extended Unemployment Compensation account, leaving a net need of \$50,000,000 to be appropriated from general revenue as repayable advances to the Advances to the Extended Unemployment Compensation Account. (See Page 6)

Temporary Unemployment Compensation

It is estimated that \$947,231,000 in temporary compensation will be paid to 1,900,000 individuals covered by State unemployment compensation laws between the period January - December 1975, depending again on the severity

of the unemployment problem in the nation. HR 17597 allows all States to pay an additional 13 weeks of unemployment compensation when the national rate of insured unemployment is 4 percent or higher for three consecutive months or individual States when the insured unemployment rate in the State is 4 percent or higher for three consecutive months. The costs of temporary unemployment compensation is 100 percent Federally funded.

Proposed transfer from Other Accounts

This supplemental requests the authority to transfer an unobligated balance of \$347,231,000 from the Advances to the Employment Security Administration Account. This advances account was established by the Employment Security Act of 1960 for the purpose of financing Federal and State administrative costs of the employment security programs on a repayable basis from the beginning of a year until the Federal Unemployment tax receipts became available. Two pieces of legislation have altered the need for these funds. First was the quarterly tax collection provision of Public Law 91-53, dated August 7, 1969, which set into motion the changes of tax collections from an annual to a quarterly basis. The second was Public Law 91-373, dated August 10, 1970, which authorized the retention in the Employment Security Administration account of a balance equal to 40 percent of the amount appropriated by the Congress from that account. For each of the fiscal years beginning July 1, 1973 and July 1, 1974, the maximum balance was retained in the Employment Security Administration account, thereby making advances unnecessary. It is not likely in the foreseeable future that such advances will be needed and therefore we request the transfer of the unobligated balance.

Transfers to States

These benefit payments will be made by the States from the individual State accounts of the Unemployment Trust Fund. Since the law requires reimbursements to the States for these payments, it is necessary that the funds be made available as soon as possible to limit the impact these additional benefit payments will have on the State accounts. Some States are running low of resources to finance their base period benefits, and several States have already borrowed funds from the Federal Unemployment Account — an account established by law for that purpose. Therefore it is imperative that no State suffers a delay in receiving its portion of the Federal share of extended and emergency compensation.

Estimated Extended Unemployment Compensation Account

Transactions
(dollars in thousands)

	<u>Costs</u>		
	<u>Total Program</u>	<u>State</u>	<u>Federal</u>
Federal-State Extended Unemployment Compensation			
Non-sharable.....	\$ 100,000	\$ ---	\$ 100,000
Sharable.....	1,100,000	550,000	550,000
Temporary Unemployment Compensation.....	<u>947,231</u>	<u>---</u>	<u>947,231</u>
Total.....	\$2,147,231	\$550,000	\$1,597,231
Unobligated balance transferred from other accounts.....			-347,231
Available Federal tax act revenues			-500,000
Supplemental request.....			\$ 750,000

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

Advances to the Extended Unemployment Compensation Account

Table of Contents

	<u>Page</u> <u>No.</u>
Language.....	1
Schedules.....	2
Summary of Changes.....	3
Activity:	
1. Extended Unemployment Insurance Benefits.....	4

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

Advances to the Extended Unemployment
Compensation Account

For making repayable advances to the extended unemployment compensation account in the Unemployment Trust Fund, as authorized by section 905(d) of the Social Security Act, as amended, to remain available until June 30, 1976, \$750,000,000: Provided, That amounts for necessary advances, repayable to the general fund as provided in said section 905(d), shall first be derived from balances in the revolving fund established by section 901(e) of the Social Security Act: Provided further, That the Secretary of Treasury shall make such repayable advances at such times as he may determine, in consultation with the Secretary of Labor, that the amount in the extended unemployment compensation account is insufficient for the payments required by law to be paid therefrom to States.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
500 - 101

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
ADVANCES TO THE EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

AEUCA SUPPL -2

Program and Financing (in thousands of dollars)

Identification code 12-05-0327-1-1-603	FY 1975	FY 1975	FY 1975
	Presently Available	Revised Estimate	Proposed Supplemental
Program by Activity:			
Extended unemployment compensation benefits (costs, funded-obligations) (object class 42.0).....	---	500,000	500,000
Financing:			
Unobligated balance transferred from other accounts.....	---	-347,231	-347,231
Unobligated balance available, end of year.....	---	597,231	597,231
<u>Budget authority (appropriation) (indefinite).....</u>	---	750,000	750,000
Relation of obligations to outlays:			
Obligations incurred, net.....	---	500,000	500,000
Outlays.....	---	500,000	500,000
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION

Advances to the Extended Unemployment Compensation Account

SUMMARY OF CHANGES

	<u>Amount</u>
1975 Presently available.....	---
Proposed transfer from other accounts.....	\$347,231,000
1975 Proposed supplemental.....	<u>750,000,000</u>
Total change.....	<u>1,097,231,000</u>

Mandatory Item:

Increase:

To provide for the Federal share of extended and emergency unemployment benefits as specified in the Federal-State Extended Unemployment Compensation Act of 1970, as amended, and the Emergency Unemployment Compensation Act of 1974.....	+1,097,231,000
---	----------------

EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS (1975 Presently Available, \$-0-;
1975 Revised Estimate,
\$1,097,231,000)

Narrative Description of Program

This budget request provides for repayable advances to the Extended Unemployment Compensation account of the Unemployment Trust Fund to finance the Federal portion of Federal-State Extended Unemployment Compensation as authorized under Public Law 91-373, as amended, and Emergency Unemployment Compensation as authorized under Public Law 92-224, as amended by HR 17597.

Changes for 1975

Mandatory changes amount to..... +\$1,097,231,000

Public Laws 91-373 and 92-224 authorize the payment to the States for the Federal portion of extended and emergency benefit payments from the Extended Unemployment Compensation account of the Unemployment Trust Fund. The account receives, under law, a specified percentage of net Federal unemployment tax collections each month. However, when revenues are insufficient to finance the Federal portion of the benefit costs, the law further provides for repayable advances from general revenue, which are to be repaid without interest by transfers from the account to the general fund of Treasury, at such times as the amounts in the Extended Unemployment Compensation account are adequate for such purposes. It is these general revenue advances which constitute this request.

Federal-State Extended Unemployment Compensation

It is estimated that \$1,200,000,000 in extended unemployment compensation will be paid to 1,900,000 individuals covered by State unemployment compensation laws between the period January - December 1975, depending on the severity of the unemployment problem in the nation. Of this amount, approximately \$650,000,000 will be paid from Federal sources. HR 17597 allows all States to pay extended benefits when the national rate of insured unemployment is 4 percent rather than 4.5 percent for three consecutive months, and that any State electing to put the extended unemployment compensation program into effect at the 4 percent level will be paid in full rather than 50 percent as authorized in the original law. It is estimated that this change will cost \$100,000,000. The remaining \$1,100,000,000 is estimated to be sharable with \$550,000,000 to be financed from the State accounts of the Unemployment Trust Fund and \$500,000,000 to be financed from available trust funds in the Extended Unemployment Compensation account, leaving a net need of \$50,000,000 to be appropriated from general revenue as repayable advances to the Advances to the Extended Unemployment Compensation Account. (See Page 6)

Temporary Unemployment Compensation

It is estimated that \$947,231,000 in temporary compensation will be paid to 1,900,000 individuals covered by State unemployment compensation laws between the period January - December 1975, depending again on the severity

of the unemployment problem in the nation. HR 17597 allows all States to pay an additional 13 weeks of unemployment compensation when the national rate of insured unemployment is 4 percent or higher for three consecutive months or individual States when the insured unemployment rate in the State is 4 percent or higher for three consecutive months. The costs of temporary unemployment compensation is 100 percent Federally funded.

Proposed transfer from Other Accounts

This supplemental requests the authority to transfer an unobligated balance of \$347,231,000 from the Advances to the Employment Security Administration Account. This advances account was established by the Employment Security Act of 1960 for the purpose of financing Federal and State administrative costs of the employment security programs on a repayable basis from the beginning of a year until the Federal Unemployment tax receipts became available. Two pieces of legislation have altered the need for these funds. First was the quarterly tax collection provision of Public Law 91-53, dated August 7, 1969, which set into motion the changes of tax collections from an annual to a quarterly basis. The second was Public Law 91-373, dated August 10, 1970, which authorized the retention in the Employment Security Administration account of a balance equal to 40 percent of the amount appropriated by the Congress from that account. For each of the fiscal years beginning July 1, 1973 and July 1, 1974, the maximum balance was retained in the Employment Security Administration account, thereby making advances unnecessary. It is not likely in the foreseeable future that such advances will be needed and therefore we request the transfer of the unobligated balance.

Transfers to States

These benefit payments will be made by the States from the individual State accounts of the Unemployment Trust Fund. Since the law requires reimbursements to the States for these payments, it is necessary that the funds be made available as soon as possible to limit the impact these additional benefit payments will have on the State accounts. Some States are running low of resources to finance their base period benefits, and several States have already borrowed funds from the Federal Unemployment Account — an account established by law for that purpose. Therefore it is imperative that no State suffers a delay in receiving its portion of the Federal share of extended and emergency compensation.

Estimated Extended Unemployment Compensation Account

Transactions
(dollars in thousands)

	Costs		
	Total Program	State	Federal
Federal-State Extended Unemployment Compensation			
Non-sharable.....	\$ 100,000	\$ ---	\$ 100,000
Sharable.....	1,100,000	550,000	550,000
Temporary Unemployment Compensation.....	<u>947,231</u>	<u>---</u>	<u>947,231</u>
Total.....	\$2,147,231	\$550,000	\$1,597,231
Unobligated balance transferred from other accounts.....			-347,231
Available Federal tax act revenues			<u>-500,000</u>
Supplemental request.....			\$ 750,000

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
GRANTS TO STATES FOR UNEMPLOYMENT
INSURANCE AND EMPLOYMENT SERVICES

For an additional amount to be expended for "Grants to States for Unemployment Insurance and Employment Services," from the Employment Security Administration Account in the Unemployment Trust Fund, \$249,000,000 to remain available until September 30, 1976, which shall be available only to the extent necessary to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic grant was based, which cannot be provided for by normal budgetary adjustments: Provided, That this appropriation shall be available upon enactment of H.R. 16596, H.R. 17597, or similar legislation by the 93rd Congress.

GRANTS SUPPL-2

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
500-101

DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE
AND EMPLOYMENT SERVICES

Program and Financing (in thousands of dollars)

Identification code 12-05-0179-1-1-504	FY 1975 Presently Available	FY 1975 Revised Estimate	FY 1975 Proposed ^{1/} Supplemental
<u>Program by activities:</u>			
Direct program:			
1. Unemployment insurance services.....	515,600	515,600	---
2. Employment services.....	448,700	448,700	---
3. Contingency.....	86,709	255,109	168,400
Total, direct program....	1,051,009	1,219,409	168,400
Reimbursable program:			
2. Employment services.....	22,398	22,398	---
Total program costs, funded-obligations (object class 41.0)....	1,073,407	1,241,807	168,400
<u>Financing:</u>			
Receipts and reimbursements from:			
Federal funds.....	-22,398	-22,398	---
Trust funds.....	-986,609	-1,055,009	-168,400
<u>Budget authority (appropriation).....</u>	64,400	64,400	---

1/ These funds to remain available until September 30, 1976.

(Mono cast: 21.3)

(Mono cast: 3)

(Mono cast: 3)

(Mono cast: 4.9)

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

DEPARTMENT OF LABOR
 MANPOWER ADMINISTRATION
 GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE
 AND EMPLOYMENT SERVICES

GRANTS SUPPL-3

Program and Financing (in thousands of dollars)

Identification code	FY 1975	FY 1975	FY 1975
12-05-0179-1-1-504	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Proposed ^{1/} Supplemental</u>
Relation of obligations to outlays:			
Obligations incurred, net.....	64,400	64,400	---
Outlays.....	64,400	64,400	---
<p><u>1/</u> These funds to remain available until September 30, 1976.</p>			
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

DEPARTMENT OF LABOR

MANPOWER ADMINISTRATION

Grants to States for Unemployment Insurance
and Employment ServicesSUMMARY OF CHANGES

	<u>Amount</u>
1975 Presently available.....	\$993,300,000
Unobligated balance available from prior year.....	<u>57,709,000</u>
1975 Availability.....	1,051,009,000
1975 Revised estimate.....	<u>1,300,009,000</u>
1975 Proposed supplemental <u>1/</u>	<u>+249,000,000</u>

Program Items:Increases:

To provide for increased costs of administration resulting from increases in the number of unemployment insurance claims filed and claims paid.....	+73,600,000
To provide for the administrative costs associated with the payment of unemployment compensation to individuals not otherwise eligible under Federal or State unemployment insurance programs.....	+154,700,000
To provide employment services to individuals eligible for special unemployment compensation.....	<u>+20,700,000</u>
Total Change.....	+249,000,000

1/ These funds are to remain available until September 30, 1976.

Activity 3. CONTINGENCY FUND (1975 Presently Available, \$86,709,000;
1976 Revised Request, \$335,709,000)

Narrative Description of Program

The Contingency Fund assures that funds will be available to meet unforeseen increases in the costs of administration resulting from changes in a State law, increases in the number of unemployment insurance claims filed and claims paid, or increased salary costs resulting from changes in State salary compensation plans which cannot be provided for by normal budgetary adjustments.

Changes for 1975

<u>Program changes</u> amount to.....	+ \$249,000,000
Man-Years (State).....	+ 16,277

In the Unemployment Insurance area additional administrative funds are to provide for the costs associated with the processing of unemployment compensation claims relative to recently enacted legislation. The new legislation provides (1) a maximum of 26 weeks of special unemployment compensation to eligible workers who become unemployed and who are not otherwise eligible for unemployment benefits under any other Federal or State law, (2) a modification of the national trigger provision of the Federal-State Extended Unemployment Compensation Act of 1970, which allows 13 weeks of unemployment compensation to insured individuals who have exhausted all rights to regular compensation, and (3) an additional 13 weeks of unemployment compensation to insured individuals who have exhausted all rights under regular and extended compensation. Individuals not covered by any Federal or State unemployment compensation plan will be eligible for a maximum of 26 weeks of unemployment compensation and insured individuals will be eligible under specified economic conditions for a maximum of 52 weeks of unemployment compensation.

The program will provide funds for the State administrative costs associated with the processing of unemployment claims under the Emergency Jobs and Unemployment Assistance Act of 1974, the administrative costs associated with the modification of the national trigger provision of the Federal-State Extended Unemployment Compensation Act of 1970, and the 13 weeks of additional compensation for individuals who have exhausted their regular and extended benefits provided by the Emergency Unemployment Compensation Act of 1974.

In the Employment Services areas the Emergency Jobs and Unemployment Assistance Act of 1974 provides for a program of temporary unemployment compensation for unemployed individuals not covered by any unemployment insurance law who were last employed in areas of high unemployment. The criteria of eligibility set forth in the Act includes the requirement that the applicant must be able to work, available for work, and seeking work within the meaning of or as required by the applicable State law. This

-2-

requirement is interpreted as meaning registration with the State employment service. It is estimated that 2,400,000 individuals will apply for compensation during the program's duration in fiscal years 1975 and 1976. While some of these individuals would normally register with the employment service for assistance in obtaining employment, many would not ordinarily have done so.

Two year availability has been requested because the indicators of unemployment levels are insufficient under current conditions to accurately predict the specific dollar amounts required by individual fiscal year. Because of this degree of uncertainty, it would be necessary to increase the total required for fiscal year 1975 to insure adequate resource availability.

Funds are needed for obligation and expenditure immediately.

...to determine the extent of the ...
...it is ...
...the ...
...the ...

The ...
...the ...
...the ...
...the ...

...the ...

LIST OF WITNESSES

	Page
Bennett, D. W.....	47
Binford, J. Q.....	1
Boehner, W. R.....	47
Caldwell, A. C.....	37
Corcoran, J. J.....	1
Feltner, R. E.....	37
Greenland, C. G.....	1
Hall, A. H.....	47
Hewitt, W. B.....	65
Hoffman, C. R.....	1
Knight, T. A.....	65
Kolberg, W. H.....	65
Mayer, J. H.....	1
Miles, J. A.....	37
Miller, R. F.....	65
Mulone, J. J.....	1
Quinlan, P. A.....	65
Robinson, C. E.....	37
Roudebush, R. L.....	1
Thornton, A. H.....	1
Walker, T. J.....	65
Weatherford, L. E., Jr.....	65
Zuck, A. M.....	65

LIST OF WITNESSES

No.	Name
1	James D. W.
2	Richard J. O.
3	Robert W. H.
4	William J. S.
5	George J. T.
6	Thomas M. B.
7	Edward L. G.
8	John A. H.
9	David W. P.
10	William G. R.
11	Charles K. S.
12	Robert W. H.
13	James J. M.
14	William A. N.
15	John S. P.
16	George J. T.
17	Thomas M. B.
18	Edward L. G.
19	John A. H.
20	David W. P.
21	William G. R.
22	Charles K. S.
23	Robert W. H.
24	James J. M.
25	William A. N.
26	John S. P.
27	George J. T.
28	Thomas M. B.
29	Edward L. G.
30	John A. H.
31	David W. P.
32	William G. R.
33	Charles K. S.
34	Robert W. H.
35	James J. M.
36	William A. N.
37	John S. P.
38	George J. T.
39	Thomas M. B.
40	Edward L. G.
41	John A. H.
42	David W. P.
43	William G. R.
44	Charles K. S.
45	Robert W. H.
46	James J. M.
47	William A. N.
48	John S. P.
49	George J. T.
50	Thomas M. B.
51	Edward L. G.
52	John A. H.
53	David W. P.
54	William G. R.
55	Charles K. S.
56	Robert W. H.
57	James J. M.
58	William A. N.
59	John S. P.
60	George J. T.
61	Thomas M. B.
62	Edward L. G.
63	John A. H.
64	David W. P.
65	William G. R.
66	Charles K. S.
67	Robert W. H.
68	James J. M.
69	William A. N.
70	John S. P.
71	George J. T.
72	Thomas M. B.
73	Edward L. G.
74	John A. H.
75	David W. P.
76	William G. R.
77	Charles K. S.
78	Robert W. H.
79	James J. M.
80	William A. N.
81	John S. P.
82	George J. T.
83	Thomas M. B.
84	Edward L. G.
85	John A. H.
86	David W. P.
87	William G. R.
88	Charles K. S.
89	Robert W. H.
90	James J. M.
91	William A. N.
92	John S. P.
93	George J. T.
94	Thomas M. B.
95	Edward L. G.
96	John A. H.
97	David W. P.
98	William G. R.
99	Charles K. S.
100	Robert W. H.

INDEX

D	Page
Department of Agriculture.....	37-46
Commodity Futures Trading Commission.....	37
Department of Labor.....	65-139
Manpower Administration.....	65
Advances to extended unemployment compensation account.....	79
States paying extended benefits.....	80
Adequacy of supplemental request.....	85
Administrative costs.....	86
Authorizing legislation.....	66, 73
Exhaustion of benefits.....	97
Federal unemployment benefits and allowances.....	68-76
Unemployment in November, 1974.....	77
Grants to States for unemployment insurance and employment services.....	81
Claims workload.....	82
Funds available.....	82
Man-years available.....	83
Trust funds, use of.....	84, 85
Workload estimates.....	84
Justification material.....	100
Program administration.....	69
Positions, new.....	69, 91
Program regulations.....	93
"Paper" layoffs.....	87, 96
Summary of request.....	68, 69
Temporary employment assistance.....	71
Adequacy of budget request.....	97
Adequacy of present jobs program.....	95
Allocation of funds.....	89
Civilian Conservation Corps.....	93
Former Federal employees.....	77
Jobs in Massachusetts.....	98
Magnitude of unemployment.....	88
Number of jobs funded and filled.....	98
Public service jobs.....	71, 86, 94
Authorizing legislation.....	73
Provisions of new law.....	88
Triggers in new law.....	79
Cost per job.....	87
Enrollees.....	90
States with exhausted reserves.....	91
Two-year appropriation.....	79
Unemployment, duration of.....	85
Department of Transportation.....	47-64
Federal Railroad Administration:	
Interim operating assistance to railroads.....	47
Funding requirements.....	62
Loan guarantee funds, use of.....	55, 57
Obligations, current and projected.....	52

Department of Transportation—Continued
 Federal Railroad Administration—Continued
 Interim operating assistance to railroads—Continued

	Page
Penn Central Railroad :	
Carloadings	64
Control of operating expenses	53
Derailments, cost of	61
Holding company	57
Operating deficits	53, 58
Passenger and freight deficit	61
Penn Central System	62
Roadbed maintenance	54, 59
Responsibilities of FRA	63
Supporting documentation of funds requested	42
Supreme Court decision	56
Tax law and railroad accounting procedures	55
Timing of budget request	56
Veterans' Administration	1-35
Additional funds needed	23
General operating expenses	2, 21
Absorption of new workload	26
Employee turnover	27
Employment, average increase	26, 28, 33
Justification material	3, 22
Veteran representatives on campus program	27
Letter from Office of Management and Budget	23
Readjustment benefits	2, 21
Availability of funds	23, 25
Basis for supplemental estimate	28
Education enrollment experience	29
GI bill	32, 33
Justification material	3
Number of trainees	22, 31
Obligations by month	25
Rescission of delimiting extension	22, 30
Student dropout rate	32
Student loan program	25
Training estimates	31

