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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR 1978

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

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

DANIEL J. FLOOD, Pennsylvania, *Chairman*

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PART 1

DEPARTMENT OF LABOR
RELATED AGENCIES

Printed for the use of the Committee on Appropriations

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U.S. GOVERNMENT PRINTING OFFICE
86-338 O WASHINGTON : 1977

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR FISCAL YEAR 1978

THURSDAY, FEBRUARY 3, 1977.

RELATED AGENCIES

ACTION

WITNESSES

RONALD E. GEREVAS, ACTING DIRECTOR
KENNETH L. HILL, ACTING ASSOCIATE DIRECTOR FOR DOMESTIC AND ANTIPOVERTY OPERATIONS
HARRY J. HOGAN, ASSISTANT DIRECTOR FOR POLICY AND PLANNING
EMERSON MARKHAM, DIRECTOR, BUDGET DIVISION

Mr. FLOOD. The committee will come to order.

We will begin the hearings today for fiscal year 1978. This is known as the Committee for Labor-Health, Education and Welfare, and related agencies. You are one of the related agencies.

Now, I think you have been around before and I think you got the word about the limit of 10 minutes for an opening statement. Of course, you can submit a lengthier statement for the record.

We have before us the Acting Director of ACTION, Ronald Gerevas. Mr. Gerevas, I suppose you would like to introduce the people with you.

Mr. GEREVAS. Thank you, Mr. Chairman.

To my right is the Budget Director of the Agency, Emerson Markham. To my left, Ken Hill, the Acting Associate Director for Domestic Operations and to his left, Mr. Harry Hogan, the Assistant Director for our Office of Policy and Planning.

BIOGRAPHICAL SKETCH

Mr. FLOOD. Mr. Gerevas, I see we have a biographical sketch of you here. We will insert that at this point in the record.

[The biographical sketch follows:]

Ronald E. Gerevas, 37, is acting director of ACTION, the Federal agency for volunteer service. Formerly, he was ACTION's associate director for domestic and antipoverty operations, a position he assumed in August 1975.

As acting director, Gerevas supervises the activities of more than 236,000 volunteers serving in ACTION programs throughout the United States and in 65 developing countries overseas. These programs include the Peace Corps, Volunteers in Service to America (VISTA), foster grandparent program, retired senior volunteer program (RSVP), senior companion program and university year for ACTION.

Gerevas came to ACTION in July 1972, as assistant director for public affairs. In September 1973, he was named director of ACTION's office of recruitment and communications, then a new division which combined the agency's former offices of citizens placement and public affairs.

As associate director for domestic and antipoverty operations, Gerevas was responsible for all ACTION domestic volunteer activities and a budget of $100 million. Nearly 230,000 ACTION volunteers are serving in domestic programs in all 50 States, the Virgin Islands, Guam, American Samoa and Puerto Rico.

Gerevas is a native of Fairfield, Calif. and a graduate of California State University in San Jose. He received his bachelor's degree in public administration in 1962 and remained at the university to earn his master's degree in business administration in 1964.

For the next 8 years Gerevas worked for the J. Walter Thompson advertising agency. He joined the New York office as a management trainee and within 1 year became personnel manager of its creative department. In 1970, he moved to Los Angeles to become account supervisor on major west coast accounts.

Gerevas, his wife Rosalie and their children, Michelle, 9, and Stephen, 5, reside in Alexandria, Va.

STATEMENT OF THE ACTING DIRECTOR

Mr. FLOOD. I also see that you have a prepared statement. How do you want to handle that?

Mr. GEREVAS. Mr. Chairman, I would like to also submit that. I have an abbreviated version because of the 10-minute rule that I would like to read.

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

[The prepared statement follows:]

Mr. Chairman, members of the subcommittee, I am pleased to have the opportunity to discuss with you today ACTION and its domestic volunteer service programs. We are here to explain the Agency's appropriation request for fiscal year 1978 and to answer questions concerning the proposed budget and possible amendments to it. No new legislation is being proposed. (We are suggesting that legislation previously proposed be withdrawn.)

With me are a number of our key staff, including: Ken Hill, Acting Associate Director for Domestic and Anti-Poverty Operations: Harry Hogan, Assistant Director for Policy and Planning; and Emerson Markham, Director of Budget.

With me also are the directors of ACTION's major domestic programs: Victor Hruska, Deputy Associate Director for older American Volunteer programs; Joe Garcia, Deputy Associate Director for VISTA/ACTION Education programs; and James Mayer, Director, Special Volunteer programs.

Our request for appropriations is consistent with minimum amounts currently being considered by the new administration. This request is not yet final since further changes are being considered by the President. We expect to submit any such adjustments at least by February 15. In addition, as you know, the President has not yet nominated a Director or any other officials for the Agency. We understand that these nominations are imminent but even when made will require Senate confirmation. We anticipate that the Director, when appointed and confirmed, will want to completely review this budget and may wish to request reconsideration of the appropriation being recommended today.

Before explaining this budget request and addressing specific items, I would like briefly to review for you ACTION's purpose and the present year's plans for continued effective program operations.

THE PURPOSES OF ACTION

ACTION was created by Reorganization Plan No. 1 of 1971. The Domestic Volunteer Service Act of 1973 (Public Law 93–113) later provided a statutory basis for the agency and entrusted to it the administration of several domestic volunteer programs. The act also authorized the agency to develop and support innovative programs for full-time volunteers, for students, for the elderly, and for those with business experience.

We believe that the Agency has been effective in this leadership role and continues to accomplish its mission by its program management and administrative improvements.

In fiscal year 1977 ACTION's major domestic programs are experiencing expansion. This will give added strength and visibility through expanding citizen volunteer service into new areas of activity. The Agency provides opportunities to Americans from all backgrounds and ages. Many lives are touched by each volunteer. It is expected that the number of volunteers participating in the Agency's domestic programs will increase from 216,000 at the end of fiscal year 1976 to almost 255,000 by the end of fiscal year 1977. And as the numbers of volunteers increase, so do the benefits to the communities they serve.

Local communities continue to become more and more interested in utilizing ACTION volunteers in an effort to solve their problems and are sharing an increasing portion of the costs of the programs. The 1976 amendments to the Domestic Volunteer Service Act of 1973 permit cost-sharing by local sponsors in the VISTA program. Prior to fiscal year 1977 ACTION funded all direct program costs. This added program flexibility is expected to expand the VISTA program over what could be possibly without cost-sharing.

ACTION'S BUDGET REQUEST

The appropriation requested by the new administration for ACTION's domestic programs will be at least $113,910,000, which is an increase of $4,800,000 above ACTION's estimated fiscal year 1977 obligation level. Increased funding is proposed specifically for the Older American Volunteer programs, from $56,800,000 to $61,600,000, an increase of $4,800,000.

The appropriation request will support an estimated 24,100 full-time and 252,000 part-time volunteers, an increase of about 200 full-time and 21,000 part-time volunteers over the number we plan to support in fiscal year 1977.

VISTA

Since 1965, the VISTA program has provided full-time volunteers to help communities in working on the problems of poverty. During this time about 50,000 Americans have had the chance to serve as volunteers for one or more years of their lives. They have worked for numerous kinds of sponsors; their services have allowed sponsors to reach many poor people.

We have made continuous efforts to increase the quality and effectiveness of the services our volunteers provide. For example, ACTION will enlist more locally recruited volunteers from low-income communities. The resource mobilizer concept has been introduced, which concentrates on helping the community generate its own part-time volunteers and financial and material resources. The application of cost-sharing and grant mechanisms to VISTA projects requires sponsors to provide a greater share of the resources and expertise needed to operate a volunteer program.

The VISTA story has been a successful demonstration of how Americans willing to volunteer their talents full-time can provide useful, innovative and necessary service to the poor communities they serve. For example, VISTA has long recognized the pressing problems of native Americans and migrant farm laborers. We have convened two task forces during the past year to provide communication and liaison services, set priorities and provide technical assistance to both of these groups. VISTA has initiated in fiscal year 1977 one new project to assist migrants and four new projects to serve native Americans.

VISTA volunteers in Cabin Creek, W. Va., provided accounting and marketing expertise to a crafts co-op, which returned $80,000 to local residents living below the poverty level. VISTA's in Rolla, Mo., organized student and faculty volunteers in a project that winterized homes for the elderly. Cost-shared VISTA volunteers north of the Arctic Circle in Alaska are providing needed technical skills in business, law, and communications. These are only a few accomplishments of VISTA volunteers.

The Agency's budget request for VISTA in fiscal year 1978 will fund 4,267 volunteer work years, 3,503 of which will be for traditional directly administered service and 394 of which will be under cost-shared contracts, and 370 of which will be for service under cost-shared grants.

SERVICE LEARNING PROGRAMS

The service learning programs have proven to be highly successful by providing an opportunity to link the interests and energies of the student population with the community in a continuing effort to eliminate poverty. Major accomplishments in fiscal year 1977 will be:

The Service Learning Resource Center at the University of Kentucky will continue to provide technical assistance and materials development and dissemination in areas of service learning for volunteers;

The University of Oklahoma's university year for ACTION program reached all of the Indian tribes in that State, by providing legal evaluation and research to interested individuals, tutoring children, and identify financial aid for students;

University year for ACTION volunteers in Wilkes-Barre, Pa., helped develop transportation plans and new child learning approaches for rural ethnic communities; and

A component of the youth challenge program in Hopkins, Minn., has been so successful in training and placing high school students in health classes for first graders in local elementary schools, that the Red Cross will use it as a national model for teaching health care to young children;

The national student volunteer program continued in fiscal year 1977 to provide technical assistance materials, consultation services, and training seminars for secondary and post-secondary school officials.

In fiscal year 1978, the university year for ACTION program will continue to fund 49 educational institutions which will produce 1,452 volunteer years of service. The national student volunteer program will remain at the same level as in fiscal year 1977. The youth challenge program will enlist an estimated 2,250 part-time volunteers in six continuation and nine new projects.

OLDER AMERICAN VOLUNTEER PROGRAMS

This year has been one of expansion and maturation for the older American volunteer programs (OAVP). The foster grandparent program (FGP) expanded from 157 projects as of June 30, 1975 to 184 projects as of September 30, 1976. The senior companion program (SCP) increased from 18 projects as of June 30, 1975 to 43 projects as of September 30, 1976. The number of retired senior volunteer program (RSVP) projects expanded from 660 as of June 30, 1975 to 679 by September 30, 1976.

The older American volunteer programs are highly successful and very popular. The OAVP projects are successful primarily because they are administered by local sponsors. Local administration of older American projects helps to assure that projects are managed effectively and that volunteers serve locally defined needs. Some examples of local involvement in older American volunteer programs are:

The State of Washington in coordination with ACTION has developed a new senior companion project, a new foster grandparent project, and two new retired senior volunteer projects utilizing only State funds. Existing projects within the State will also be enlarged from local funding;

Retired senior volunteers in Virginia repaired clothing for the children of migrant farmworkers in the Tidewater area, and operated a book exchange for the inmates of the Giles County jail.

Foster grandparents may now serve children through the age of 20. Mentally retarded persons beyond the age of 20 who are already served by foster grandparents may continue to be served by their foster grandparent if the relationship continues to be mutually beneficial to both the foster grandparent and the person served.

By September 30, 1977, we anticipate that there will be almost 246,000 older American volunteers providing their time and talents for the service of others in a wide variety of circumstances. In fiscal year 1977, 10 additional foster grandparent projects are scheduled to be funded and continued growth of existing retired senior volunteer projects is anticipated.

No new projects are planned during fiscal year 1978, but the number of volunteers in the retired senior volunteer program will continue to grow and should have 250,000 volunteers enrolled by the end of that fiscal year. The requested increase of $4,800,000 would provide funding for all OAVP at their full operational level.

SPECIAL VOLUNTEER PROGRAM

The special volunteer programs (SVP) budget request for fiscal year 1978 is $2,500,000, which is the same as the fiscal year 1977 appropriation. These programs will continue to demonstrate innovative approaches by which volunteers can fulfill community needs.

Through the volunteer mobilization programs, resources will be provided to:

Promote, coordinate, and assist volunteer efforts in State and local, public and private agencies by supporting 16 continuation and 7 new statewide grants at a Federal cost of $1 million.

Fund $500,000 in minigrants to support more than 179 community projects involving an estimated 500,000 volunteer hours in fiscal year 1978:

Strengthen existing non-Federal initiatives by providing $400,000 for technical assistance to support private voluntarism; and

Provide $130,000 to continue efforts in two cities to test the feasibility of recruiting and training local volunteers to provide technical assistance to neighborhood business people.

In the special emphasis programs, plans are to provide $470,000 to field test the use of volunteers in the areas of justice, business, mental retardation, and homemaker service opportunities. These are efforts to continue focusing on certain areas of concern where volunteers can make a special contribution in solving human and social problems.

ADMINISTRATIVE SUPPORT

ACTION's fiscal year 1978 request for supporting costs will provide the same level of support as in fiscal year 1977, for a slightly increased program level. ACTION will continue to make productive use of the funds provided for administrative support in an effort to hold down costs. However, we are committed to providing efficient and responsive service to ACTION projects and volunteers.

CONCLUSION

Mr. Chairman, I appreciate the opportunity to discuss the ACTION budget request with the committee today. On October 10, 1976, President Carter delivered a speech on human rights before the Law School of the University of Notre Dame. In that speech the President discussed what he termed "a new era of voluntarism." He stated:

I hope to bring a new spirit of optimism, patriotism, and self-sacrifice to America,

* * * I hope that one manifestation of this renewed national spirit would be a new era of voluntarism with Americans working to help others on an unprecedented scale * * * I would like to see an outpouring of volunteer effort without our own country. We all know that there are needs, very deep needs.

ACTION advocates and urges participation in this critical effort. I believe that our fiscal year 1978 budget request will assist the President in achieving this goal. We are hopeful that you will continue to support us in our effort to mobilize the country's great national resource of citizen volunteers and provide service opportunities to them.

Mr. Chairman, we will try to answer any of your questions.

Mr. GEREVAS. Mr. Chairman and members of the subcommittee, we appear before you this morning with a budget request which the Office of Management and Budget only yesterday authorized us to present. The latest revisions in our request for an appropriation for ACTION's domestic programs came too late to permit us to revise thoroughly the material submitted earlier to your subcommittee in explanation and support of our budget request. Consequently, the documents in your possession relating to our budget request are not current in many important respects. We shall provide you with the required revisions as soon as possible.

I should expect a new director of ACTION, whose appointment, I believe, is imminent, will undoubtedly wish to review this budget completely and he may wish to seek consideration of changes in the appropriation request which we present today.

We are asking for ACTION's domestic programs for fiscal year 1978 an appropriation of $116,860,000, an increase of $7.8 million from the anticipated fiscal year 1977 level. The additional dollars requested do not provide for any significant expansion of our programs beyond the levels to be attained during the current fiscal year. This year some program expansion is taking place. The number of volunteers participating in the Agency's domestic programs will increase from 216,000 at the end of fiscal year 1976 to approximately 255,000 at the end of fiscal year 1977.

The budget we present today is designed to continue most of our domestic programs in the next fiscal year at the levels of the current year. To do so will be more costly next year principally because we shall then be paying fully for several programs that are in the process of development this year, and for programs funded in the transition quarter which do not require additional money from the fiscal year 1977 appropriation but will need refunding in fiscal year 1978.

An additional reason for increased cost when program levels remain constant is, of course, diminished purchasing power of the dollar.

This budget will permit some increase in the volunteer force in our three older American programs: Foster Grandparents, Senior Companions, and Retired Senior Volunteers. It will maintain the number of VISTA volunteers at the current years' level. It means some decline in our education programs: University year for ACTION and the youth challenge program. The funding level for our special volunteer programs to mobilize volunteers and demonstrate innovative approaches for utilization of volunteers remains the same. The requested appropriation for administrative support is slightly increased.

Mr. Chairman, on October 10, 1976, President Carter delivered a speech on human rights before the Law School of the University of Notre Dame. In that speech the President discussed what he termed a "new era of voluntarism." He stated:

> I hope to bring a new spirit of optimism, patriotism and self-sacrifice to America, . . . I hope that one manifestation of this renewed national spirit would be a new era of voluntarism with Americans working to help others on an unprecedented scale . . . I would like to see an outpouring of volunteer effort without our own country. We all know that there are needs, very deep needs.

ACTION advocates and urges participation in this critical effort. I believe that our fiscal year 1978 budget request will assist the President in achieving this goal.

Mr. Chairman, this is probably my last appearance before your subcommittee. I cannot let the occasion pass without expressing my thanks—and those of all in the ACTION agency—for your deep interest in our programs, your understanding, patience, and support in all our dealings with you.

Now, we shall be pleased to respond to questions.

With me at the table are Kenneth Hill, Acting Associate Director for Domestic and Antipoverty Operations; Harry Hogan, Associate Director for Policy and Planning; and Emerson Markham, Director of Budget.

And behind us are several ACTION officials ready to help in providing responses if needed.

Mr. FLOOD. Thank you very much.

I can say we think you have been very helpful indeed. These presentations are good evidence of that.

Because of the size of this subcommittee, I want to try this year a different method of proceeding on time. I would like to begin by taking no more than 10 minutes myself. Then I will yield to Mr. Michel for 10 minutes. Then I will take two of the members to my left for 10 minutes each. There are so many subcommittees of the Appropriations Committee that the members have added responsibilities. I think this would be a great help to everybody.

NUMBER OF VOLUNTEERS

How many volunteers do you actually have in your total program?

Mr. GEREVAS. At the beginning of the fiscal year we had approximately 228,000. That includes all full-time and part-time volunteers.

Mr. FLOOD. What is the breakdown between the full-time and the part-time volunteers?

Mr. GEREVAS. The breakdown is approximately 22,000 in full time and 206,000 in part time.

1978 FORMAL BUDGET REQUEST

Mr. FLOOD. When can we expect a formal budget amendment on your 1978 budget?

Mr. GEREVAS. Mr. Chairman, I think it would be appropriate at this time to read a paragraph from a letter that I received only yesterday from the President. This memorandum was addressed to all heads of executive departments and agencies. I think it would be helpful not only in your hearing our testimony but in helping to answer that question from others that come before you today.

> We are planning to send a revised 1978 budget to the Congress in mid-February. I ask each of you to make a prompt review of the budget requests sent to the Congress by the previous administration. Director Lance of the OMB is providing you with suggestions in program areas that are likely candidates for budget revision. Because we need to act quickly it will generally be necessary to limit changes to programs covered by the policy guidance or to extension of existing programs as specified by the Congress in the actions of the 1977 budget.

Therefore, the specific answer to your question is in mid-February the President expects to send his revised budget to Congress.

Mr. FLOOD. How much do you expect will be included in the formal request for each of the major programs?

Mr. GEREVAS. Mr. Chairman, do you mean the budget levels I bring before you today?

Mr. FLOOD. Yes.

Mr. GEREVAS. The major program areas include for the VISTA program, an appropriation of $25,350,000; for the older American program, $61,600,000; the service learning programs, $5,500,000, and the special volunteer programs, $2,500,000.

Mr. FLOOD. Do you have any figures on what may come up here, as you indicate, maybe February 15 or February 17?

Mr. GEREVAS. These figures I just gave you are those revisions we received yesterday. We have been working very closely with OMB. This brings us up to the minimum level that would maintain our

current program strength as consistent with the President's remark to all executive heads.

Mr. FLOOD. That being so, are you going to have enough money in the formal request to maintain your existing programs at the operating level?

Mr. GENEVAS. Yes, Mr. Chairman.

Mr. FLOOD. Will there be any new programs or expansion of existing programs?

Mr. GEREVAS. None other than the levels that are presented to you today. As I mentioned, a new Director is imminent, and he may well take a look at this budget and make suggestions to the President before the final budget comes to you in mid-February. But this represents the agency's appropriation request at this time.

OLDER AMERICANS

Mr. FLOOD. Now, these proposed increases you talked about in the budget before us, they are primarily in the Older Americans program. Is there any real increase there or are they just required to annualize existing programs?

Mr. GEREVAS. Mr. Chairman, the proposed increases annualize all three of our Older American programs.

VISTA VOLUNTEERS

Mr. FLOOD. Taking a look at the VISTA programs, tell us what types of volunteers you have in this VISTA program. Are they predominantly skilled people or are they just liberal arts AB's just out of college or what?

Mr. GEREVAS. Well, Mr. Chairman, they cut across the board. I would like to have the Acting Associate Director of Domestic Operations answer that more fully.

Mr. HILL. Mr. Chairman, the types of VISTA volunteers range from skilled specialists in areas such as architecture and law, to local people who are enrolled as VISTA volunteers working in their own communities, many of whom are low income, locally recruited volunteers. The job the local sponsor wishes the volunteers to do determines what type of person is recruited to do that job. There is a great variety of types of VISTA volunteers.

RECRUITMENT PROCESS

Mr. FLOOD. Tell us something about your VISTA recruitment process. How does it work? What kind of administrative setup do you have for recruitment?

Mr. HILL. There are two recruitment processes. In one, the local sponsor will recruit volunteers. These are termed the locally recruited volunteers and they constitute about 60 percent of the VISTA program. The remainder are volunteers recruited by our national recruiting mechanism which consists of five service centers located in five Federal regional cities and a number of area offices.

These offices are given goals and objectives to achieve specified numbers of volunteer applications. They then proceed to place these applicants for service in the VISTA program.

Mr. FLOOD. Are your standards pretty high or can anybody become a VISTA volunteer?

Mr. HILL. I think our standards are high. They are high in terms of motivation and the character of the volunteer as expressed in the references we gather on the volunteer. There are obviously some legal requirements that the volunteers must meet and some medical requirements that they must meet.

I believe quality of the VISTA volunteers both in terms of skill and motivation is very high.

Mr. FLOOD. How many applicants do you have for each VISTA slot, just a round number?

Mr. HILL. Currently we are trying to recruit a little over two people for each position that is available. We recently instituted a new recruitment mechanism for our full-time programs. We are no longer recruiting thousands and thousands of people, raising their expectations and then not placing them. We are trying to recruit with the specific request in hand and trying to find somebody to match that request.

ORIENTATION AND TRAINING

Mr. FLOOD. What kind of orientation program do you have and how do you train these VISTA volunteers?

Mr. HILL. We have a relatively standard 10-day orientation for the VISTA volunteers. The first 2 and, in some cases, 3 days of that orientation will be spent in a central location. That phase covers the policies and procedures of the VISTA program; that is, what is generally expected of the volunteers, their right as well as obligations, the nature of the VISTA program as a national program and similar issues. The remaining 7 or 8 days are spent in on-the-job training at the site where the volunteer will be working.

Mr. FLOOD. Who provides the training, contractors or your agency staff?

Mr. HILL. Our agency staff usually provides the initial orientation. In some cases, we do use some people on a consulting basis who are well acquainted with our program. But we do require that the basic orientation to the VISTA program, the nature of the program and the rights and obligations of the volunteers, be conducted by our staff.

BENEFITS FOR VOLUNTEERS

Mr. FLOOD. What about benefits? Can you tell us about the benefits that are paid to or paid on behalf of these VISTA volunteers? What are they and what kind and how much?

Mr. HILL. VISTA volunteers are reimbursed for expenses in traveling to and from their assignments. They are given a food and lodging amount averaging $209 per month to cover their living expenses on site while they are serving as volunteers. They also receive a living allowance of $75 per month to cover incidental expenses. They are given health benefits. They are given a stipend of $50 per month for each month of volunteer service which they receive at the end of their service to help them readjust to new careers after volunteer service. These allowances are all subject to income taxes.

Mr. FLOOD. Thank you.

Mr. Michel?

SALARIES AND STIPENDS

Mr. MICHEL. Mr. Chairman, I might pick up where you left off.

Your justifications show a total of about 24,000 full-time volunteers. That is what you have testified to here today. Do they all receive salaries or stipends of some sort?

Mr. GEREVAS. Yes, they do.

Mr. MICHEL. Can you break down for us what the average stipend amounts to? Does it vary by program activities?

Mr. GEREVAS. Mr. Michel, our budget director will respond.

Mr. MARKHAM. VISTA volunteers receive at the end of their service a stipend of $50 a month and a living allowance of $75 a month. Food and lodging would average $209 a month.

For university year for ACTION which is a full-time program, the end-of-service stipend would be $50 a month but there the living allowance averages only $35 a month. The food and lodging is averaging about $195 a month at the moment.

The other full-time program is the ACTION cooperative volunteer program. We are phasing that out this year. Those figures are comparable to the VISTA allowances. Foster Grandparents and Senior Companions receive a stipend of $1.60 an hour.

Mr. MICHEL. How about the part-time volunteers; what do they get?

Mr. MARKHAM. They get no direct stipends but they get transportation and sometimes meals furnished by the sponsors.

NON-FEDERAL CONTRIBUTIONS TO ACTION

Mr. MICHEL. For all the domestic programs which ACTION administers, how much in the way of non-Federal funds are provided, do you have any idea? Why don't you just put that in the record. I would like to know whether or not there has been any increase in the last couple of years on the non-Federal contribution to ACTION programs.

In other words, if a certain program is generally considered good, and basically represents seed money to stimulate something in the private sector; how effectively is it doing that?

[The information follows:]

The following table is an estimate of the non-Federal share between fiscal years 1976 and 1978 by domestic program:

NON-FEDERAL SHARE

	Fiscal year—		
	1976	1977	1978
VISTA	$8,342,000	$8,725,000	$9,125,000
UYA	2,313,000	2,989,000	2,754,000
YCP	663,000	224,000	224,000
RSVP	10,606,000	10,563,000	11,182,000
FGP	4,771,000	7,031,000	7,134,000
SCP	640,000	615,000	1,071,000
SVP	1,252,000	2,116,000	676,000
Total	28,587,000	32,263,000	32,166,000

Decreases in the non-Federal contribution in some years is attributable to decreases in the overall program size and in the case of RSVP a change in the cost-sharing formula.

Generally, the programs funded under part C of title I of the Domestic Volunteer Service Act of 1973 have not shown any significant change in the percentage of non-Federal contributions. An exception to this is the statewide program. Since 1974, the program has provided grants to State governments on a 75–25 percent matching basis for funding over $50,000 in the first year of operation, and on a 50–50 matching basis in the second and third years. Because more programs are now in their third and fourth year of funding, the percent of non-Federal funding has increased from 30 percent in fiscal year 1976 to a projected 46 percent in fiscal year 1977.

Mr. MICHEL. Have there been any projects in the recent years which have become self-sustained where non-Federal programs pick up the tab after a certain period of Federal funding?

Mr. GEREVAS. We have an example in the State of Washington where they have funded with State funds a new foster grandparent project, a senior companion project, and two new RSVP projects.

Mr. MICHEL. Is that the only one?

Mr. GEREVAS. Within the university year for ACTION program we have 16 projects that have gone through the entire funding period. Of those 16, 11 have picked up the tab and have institutionalized various components of the program. Therefore, there now exists on those campuses service learning activities with volunteers receiving stipends.

VOLUNTEERS ATTACHED TO LOCAL SPONSORS

Mr. MICHEL. Are all the VISTA volunteers attached to local sponsors or projects?

Mr. GEREVAS. Yes; they are.

Mr. MICHEL. Do we have any idea as to the total number of such sponsors of projects in the VISTA area?

Mr. GEREVAS. We have approximately 600.

Mr. MICHEL. Feel free to add to that for the record. I want to get a ball park figure.

[The information follows:]

There are 586 VISTA projects as of January 1, 1977.

Mr. MICHEL. What is the average proportion of the total VISTA cost paid by local sponsors? Why don't you supply that for the record and whether or not that has been increased in the past year or two.

[The information follows:]

The concept of an average cost to a sponsor for support of a VISTA volunteer is misleading because support costs vary so greatly from sponsor to sponsor. It can cost thousands of dollars to set up a support system for a professional volunteer. Medical clinics and legal offices have been developed as a result of the appearance of VISTA volunteers. On the other hand, many poor, grass-roots groups operate with volunteer supervisors and VISTA's work from members' homes or other such facility that results in no overhead costs whatsoever.

Our best estimate of the average sponsor cost of support of a standard VISTA volunteer is as follows:

Supervision of volunteers (salary, fringe benefits, travel)	$768
Supplies, materials, printing, etc	74
General and administrative overhead (rent, utilities, telephone, etc.)	658
On-job-transportation for volunteers (varies widely from 0 to 2,000 miles per month per volunteer. We believe average may be 700 miles per month at 12 cents per mile)	1,000
Total per volunteer	2,500
Less ACTION contribution to supervision and on-job-contribution	−500
Average sponsor overhead cost per volunteer	2,000

For the last 2 years, VISTA contributions to supervision and on-job-transportation have remained approximately constant. Therefore, sponsor contributions may be assumed to have increased in line with inflation of salary and transportation costs since January, 1975.

As previously discussed, sponsor costs will also be increased as a result of the VISTA cost-share and grant programs which, in fiscal year 1977, will result in $1,455,000 of sponsor contributions to what were previously ACTION costs.

LEGAL SERVICES VOLUNTEERS

Mr. MICHEL. Your justification break down the primary activities of the VISTA volunteers into seven major categories. I was particularly struck by the fact that by far the largest percentage of volunteers, 42 percent, are concentrated in the social and legal service category. Why do we need to pay VISTA volunteers to provide legal services when we have a Legal Services Corporation established for that?

Mr. GEREVAS. I would like to direct that question to Mr. Joe Garcia, Director of VISTA.

Mr. GARCIA. I am Joe Garcia, Director of VISTA. In the rural communities we have a lot of VISTA lawyers and attorneys because the poor often can't afford private legal help and are often unaware of their rights. They need the assistance. That is why we are out there in those numbers.

Mr. MICHEL. Aren't you saying that the Legal Services Corporation which has been established isn't doing the job?

Mr. GARCIA. I don't have an answer to that, sir.

Mr. GEREVAS. Mr. Hogan?

Mr. HOGAN. Mr. Michel, many of our VISTA volunteers work under an arrangement with the Legal Services Corporation in such places as Portland, Oreg. and elsewhere. Our volunteers are providing legal services not in an unstructured fashion but in cooperation with the programs which Congress has approved. They do it as paraprofessionals very frequently, but also many recent graduates of law school do participate.

Mr. MICHEL. Have any of the cases in which these folks have been involved resulted in suits filed against the Government?

Mr. HOGAN. We do have that concern, Mr. Michel, but that is the responsibility of the Legal Services Corporation and I think they are very sensitive about that kind of issue.

Mr. MICHEL. I am sensitive about it, too, that is why I asked the question. I would like to have something in the record pretty darn specific on that. I think we are entitled to the answer.

Mr. GEREVAS. We will supply that.

[The information follows:]

ACTION does not maintain national statistics concerning the number of VISTA attorneys who have been involved in litigation against local and State governmental agencies in behalf of the poor, the elderly, and the underprivileged. Nevertheless, ACTION supports these activities to assist the poor and elderly to work within the established structure of law and justice in order to seek relief, benefits and/or redress to which they are entitled and might otherwise be denied. Following are examples in which VISTA lawyers have been involved with such suits:

VISTA lawyers and paralegals in New Hampshire won a suit against the State resulting in lower utility rates.

In Rhode Island, the State law was changed to expand unemployment compensation as the result of a suit filed by VISTA lawyers.

When the Vermont State Welfare Department developed a grant allotment for emergency food allotments for children, VISTA lawyers obtain an injunction to change the procedures to include the elederly.

VISTA lawyers in Massachusetts filed suit against the city of New Bedford and the State of Massachusetts regarding education for children with special needs (handicapped. The case related to an equitable distribution of education resources.

VISTAs in Ohio filed suit against the Hamilton County Commissioners regarding the jail conditions.

In Idaho, VISTA attorneys filed a medicare/medicaid suit in Federal Court as well as a suit on the violations of the Federal truth in lending statutes.

WELFARE RIGHTS

Mr. MICHEL. Another activity is "welfare rights." What activity is VISTA engaged in under these auspices? Specifically, do VISTA volunteers promote the idea that welfare is a right as distinguished from a benefit of Government?

Mr. FLOOD. If the gentleman will yield, we welcome onboard a new member, Congressman George O'Brien, from the great State of Illinois.

Mr. MICHEL. I am glad to have that even taken out of my time.

Go ahead.

Mr. HILL. There are a number of projects in which volunteers are sponsored by so-called welfare rights organizations. The volunteers in those organizations do two kinds of things.

One, they assist people on welfare to get off welfare, to try to get meaningful employment or try to sustain their lives in some other fashion.

The other thing they do is try to make sure that the people on welfare are aware of the law and what is available to them and that they make maximum utilization of what they do get from the welfare payments. A lot of those volunteers, incidentally, are people who were formerly on welfare themselves; locally recruited, low-income volunteers who are now VISTA volunteers.

Mr. MICHEL. I would have to assume from that response that VISTA volunteers are also out recruiting people to participate in the food stamp program, if they are eligible.

Mr. HILL. Whether an individual is eligible for food stamps is determined by the Department of Agriculture. These volunteers, I would hope, would not be necessarily advocating that per se, but, if low-income persons were eligible, would be making them aware of the fact that they are eligible. That is something I can check on further.

Mr. FLOOD. Mr. Natcher?

ALLOCATION OF ACTION APPROPRIATION

Mr. NATCHER. Each of your major programs such as VISTA, university year for ACTION, foster grandparents, retired senior volunteers, tell us briefly how you allocate this money. Do you have a formula?

Mr. GEREVAS. Yes, Mr. Natcher, we do for each major program. The formula is basically as follows: Two-thirds of the resources, are allocated to the 10 regions by program purpose. For example, for VISTA

based on the incidence of poverty, for the older Americans, based on the number of older Americans. By the formula, two-thirds goes to program purpose; approximately 25 percent is allocated equally on a State basis; and 5 percent is allocated equally to the 10 regions for their distribution. So the formula applies 5 percent to regions approximately 25 to 30 percent equally among the States, and approximately two-thirds based on the program purpose.

TRAINING AND TECHNICAL ASSISTANCE

Mr. NATCHER. Throughout this budget you have funds for training and technical assistance. What do you mean by training and technical assistance and why is this important?

Mr. GEREVAS. We train not only volunteers in the full-time programs, but in the part-time programs we train our project directors twice a year. Technical assistance is the kind of support that our field staff provides to our programs, to our projects, project directors, and staff. That technical assistance could range anywhere from training to the development of policies and development of programs. It would include any kind of support that the projects at the local level feel the agency can provide to help them accomplish their objectives.

Mr. NATCHER. How much money do you have in your budget for training and technical assistance, including your own in-house staff?

Mr. GEREVAS. Approximately $4 million.

Mr. NATCHER. Can you tell us what percentage is done by outside contractors and consultants?

Mr. GEREVAS. The outside would be $2,973,000.

EVALUATION

Mr. NATCHER. Why do you need $500,000 for evaluation? Why do you need any amount for evaluation?

Mr. GEREVAS. The evaluation division is in our Office of Policy and Planning. I would like Mr. Hogan to respond.

Mr. HOGAN. Mr. Natcher, we believe it would be very important to evaluate the programs because the programs that the agency has are essentially demonstration or pilot programs for national consideration. Evaluation then is necessary in order that you can decide to carry them further.

Second, it is our impression that Congress is increasingly concerned about the value of the programs that you authorize and fund and is concerned about zero-based funding. That is repeated in the President's concern to us expressed most vigorously in the last week or 10 days.

He would like to see our programs along with all others in the Government considered in terms of impact; that is, value to society. He did not use the words "zero-based funding," but he does have the concern about, "Is the country getting its value out of the money?"

Third, specifically in our authorization legislation the Congress describes evaluation as important. Up to 1 percent of the money appropriated may be used in evaluation. We have come somewhere in that vicinity on the domestic side.

TECHNICAL ASSISTANCE PROGRAMS

Mr. NATCHER. On page 46 of your justifications you are requesting $400,000 for technical assistance programs. How will this money be used?

Mr. HOGAN. Mr. Natcher, basically it will be used to fund two kinds of activities, both related. One is an information clearinghouse for use by the private sector. There are something like 37 million volunteers in the country organized in tens of thousands of entities. There is a great need for information referral. If somebody starts a project in Albuquerque, he can apply to that clearinghouse and obtain information about how it was done elsewhere. With that information in the clearinghouse we would associate a technical assistance capability so that there would be expertise available to conduct workshops and seminars, not only in how to run a program for drug abuse or to handle criminal recidivism or whatever, but also in management of the nonprofit association.

Increasingly it is difficult for volunteers starting from scratch to know what regulations and laws, city, county, State and Federal, they have to comply with. So this technical assistance would provide them with program information and management information in the private sector where it is greatly needed and where they do not now have the ability to develop it themselves.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten?

Mr. PATTEN. Thank you, Mr. Chairman.

Well, Ron, you think this may be the valedictory?

Mr. GEREVAS. I have that feeling, sir.

Mr. PATTEN. Do you have any gut feelings about this program? Should we eliminate the whole budget, wrap it up and save the money?

Mr. GEREVAS. My gut feeling is that it is going to get bigger and better.

Mr. PATTEN. I am glad to hear you say that.

Mr. GEREVAS. I have been very pleased with conversations to date with the new administration and have every expectation that what we have demonstrated in the last 6 years is only the beginning.

LEGAL SERVICES

Mr. PATTEN. Fundamentally I am proud that I am a lawyer. In any country the rate of law and order is related to the number of attorneys. Where you don't have attorneys you have nothing but chaos.

Let's put an appraisal on our legal services. I give a check and every member of our bar association gives a check every year to the Legal Services Corp. Who will put one sentence in the record about the legal services we are giving to the poor?

Mr. GEREVAS. Mr. Hogan?

Mr. HOGAN. Mr. Patten, it is very good.

Mr. PATTEN. That is all I wanted to hear. I can document it because I asked the people. I drop in the local office, I ask the judges. They

all tell me what we are doing is good. I can't speak for the whole country.

SENIOR COMPANION PROGRAM

On this visiting homemaker, I am feeling a little pinch. I have a woman 83 who is deaf and blind. Even the social worker can't contact her. There is a good soul who goes in there and takes care of her. She is 78 years old. I have had a hard time staying with this particular case. We have a lot of them, these older people who are locked up and afraid, physically incapable but not in an institution. Somehow or other it seems the money washed out around our area for these visiting homemakers.

Is there enough in this budget for this?

Mr. GEREVAS. Mr. Patten, one of our older American programs, the Senior Companion program, as you note in here, is the program that received the largest expansion. It does a great many things in the area that you are speaking of. It is a program where older Americans are helping other older Americans, helping in any way that they can, particularly with the frail elderly.

Mr. PATTEN. I was a little interested in that. I have not had a chance to study too much, but we had a couple of programs up at our colleges that I heard good words about.

UNIVERSITY YEAR FOR ACTION

Now you are reducing the projects in the university year for ACTION. I think you said something about that in your statement. In a State school like we have, I believe that they were getting people interested and it is all good.

Mr. GEREVAS. They are good programs, sir. The problem that we faced was one of priorities. It started in fiscal 1977. As you will recall, we came before you last year with a significantly reduced budget for programs and program support. You saw fit to restore some of the levels in the program area. However, we did not receive a similar increase in program support. So, it was necessary for us to come back to you for reprograming of $1,800,000 in order to support the new level of programs. You gave us the additional appropriation. It was a matter of priorities in the Agency.

Congress has spoken very loudly and clearly over the years that the older American programs should expand .The Special Volunteer programs were appropriated a very small amount, $2,250,000. Going to SVP for the $1.8 million would have almost wiped it out.

In VISTA by law we have a poverty floor of $22.3 million so we could not go into that area. Unfortunately, that left the service learning programs, the University Year for ACTION, and the Youth Challenge program to receive the impact of that reduction. That reduced the level to $5,500,000 for all service learning programs. As I cited from the President's letter, the attempt is to keep our programs at the same funding levels for fiscal 1978.

So we have requested $5,500,000.

JURISDICTION OF OLDER AMERICAN PROGRAMS

Mr. PATTEN. A lot was said last night near the fireplace about reorganizing the Government and streamlining it. In this area, the older Americans, have you a recommendation to make to us or to the President? Are these in the right department? Is there a splintering of all the senior citizen work? Some of it is here and some of it is there. It is hard for me to follow it.

Have you a suggestion to make for better organization? Should we have this program under this budget?

Mr. GEREVAS. Most definitely it should be under our budget, under the ACTION Agency. I would hope that the new administration will look very closely at the restructuring that took place with this small agency. From the very beginning restructuring has been an effort to focus on the field at the local level. All decisions over the past 4 or 5 years in terms of restructuring or reorganizing were made to provide better service at the local level. I would hope that this Agency would be looked at closely as perhaps a model not only for the older Americans. Other groups in need of social services might well take note.

Mr. PATTEN. I don't have the time to get into what the President said at Notre Dame about let everybody work for nothing, let's get a lot of volunteers, nor have I the time here to discuss that whole question of philosophy. But between you and me, I would just as well if you would quote LBJ when he said we were going to wipe out poverty. That is the quote I like. That was in 1964. We have not done it.

STATEWIDE PROGRAMS

I have one other question: You have for special volunteer programs in the fiscal year about $2½ million. But you give the State projects $1 million.

Now on aid programs, the further away you get from the people, the more you get into a bureaucracy or something. Do you think that is a good split, to give $1 million in State projects?

Mr. GEREVAS. Yes, Mr. Patten, to respond more fully I would like to ask our director of special volunteer programs to say why we have put that focus on the statewide program.

Mr. MAYER. The statewide program is one of the most important of ACTION's special volunteer programs. In New Jersey, they have just set up a statewide conference for volunteers to be held in April. Professionals who are running volunteer programs will provide New Jersey volunteers with assistance to make them more effective.

Additionally, the support we have from across the country, particularly from the Governors, has encouraged us to make the allocation we are requesting. The offices have been very effective in stimulating citizen participation at the local level, through conferences, workshops and newsletters. We have had some outstanding examples of conferences having brought together volunteer leadership within the various States. The State level is probably where conferences should occur.

Statewide offices have been very supportive of volunteerism in their areas. We feel the split in funds is an important one for stimulating volunteerism at the local levels.

Mr. FLOOD. Mr. O'Brien?

OLDER AMERICAN PROGRAMS

Mr. O'BRIEN. Looking over all the older American programs, if you had to comment to your successor about the one doing the best job, which would you recommend?

Mr. GEREVAS. Mr. O'Brien, that would be a very difficult decision. The senior companion program, as I mentioned earlier, is one of our newer ones. It is just at the point of expansion. It has been tremendously successful.

The foster grandparent program has received praise since the day it started by everyone in the program and those associated with the institutions where the foster grandparents work and by the recipients.

The retired senior volunteer program, 5 years ago, was nothing but a seed. Now we have almost 200,000 older Americans serving in a variety of programs in a variety of ways across this country. That would be a very difficult decision. That is probably one I would balk on.

Mr. O'BRIEN. You touched on a statistic I thought was interesting. For 2,600 senior companions we spend about $6.6 million. For 16,000 foster grandparents we spend $34.9 million. But we get 215,000 retired senior volunteers for only $20 million. We are really getting our money's worth out of the latter, correct?

Mr. GEREVAS. I think we are getting our money's worth out of all three. There is a difference in cost because the senior companion and foster grandparent programs are for low-income older Americans, providing opportunities for them to serve. In the foster grandparent program volunteers serve on a 1-to-1 basis. In the senior companion program volunteers serve adults including the frail elderly. Both groups receive a stipend of $1.60 an hour because of the low-income category. In the retired senior volunteer program the volunteers receive very little, only transportation and a meal. Funds are expended primarily for the administrative cost of setting up and managing that program in the local community.

Mr. O'BRIEN. Is the $1,670 per annum a ceiling? Is that the $1.60 per hour?

Mr. GEREVAS. Yes. Both foster grandparents and senior companions work 4 hours a day, 5 days a week.

PEACE CORPS FUNDING

Mr. O'BRIEN. Although I understand that we will not deal with the funding of the Peace Corps in this subcommittee, I have a question concerning it. Is the interest in the program continuing to be great here and abroad, or is it slackening off?

Mr. GEREVAS. I don't think it is slacking off at all. I think the Peace Corps has changed a great deal since it started as the people in the country have changed, but the interest is still there. The motivation of the volunteers is high and so is the receptiveness from the countries.

MINIMUM WAGE FOR OLDER AMERICANS

Mr. MICHEL. Will you yield?

You don't pay minimum wage. Did we exclude it in the authorizing legislation or how did we get around that? What is the official mechanism for getting around the minimum wage?

I am not criticizing what is taking place, but I need to be refreshed as to whether or not we wrote in an exclusion.

Mr. MARTIN. Mr. Michel, in the act there is a provision that the stipend paid to older American volunteers is not subject to income tax or minimum wage laws. For that reason we are not required to pay them minimum wage.

SENIOR COMPANIONS

Mr. O'BRIEN. Just one final comment, referring back to Congressman Patten's rather touching reference. I assume the person who took care of that lady he mentioned would be a RSVP. It seems to me he was speaking of someone in considerable need and someone coming to care for that person. Was that a pure volunteer?

Mr. GEREVAS. The model he was referring to was with the Senior Companion program. A volunteer in that program would have to qualify as low income. Now, we do have Retired Senior Volunteers that also provide that kind of service. But the senior companion model maintains a continuing relationship of older Americans working and helping other older Americans, particularly the frail older Americans.

I think what Mr. Patten was referring to would be a senior companion volunteer.

Mr. O'BRIEN. That is all I have. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal?

LOCAL SPONSOR CONTRIBUTIONS

Mr. ROYBAL. Thank you, Mr. Chairman.

You have indicated that under the 1973 Domestic Volunteer Service Act, local sponsors now share in the cost of VISTA programs. I would like to know how much of that is in cash, how much of that is in kind and how that payment is made?

Mr. GEREVAS. Mr. Markham will answer that.

Mr. MARKHAM. Mr. Roybal, we anticipate in fiscal year 1978, $973,000 in sponsor contributions. They will all be in cash.

Mr. ROYBAL. They will all be in cash?

Mr. MARKHAM. They will all be in cash.

Mr. ROYBAL. And none will be in kind?

Mr. MARKHAM. No, sir. Sponsors in the regular VISTA programs, as well as in the cost-shared portion of the program, do provide some in-kind services but we are talking strictly of a cash contribution here.

Mr. ROYBAL. Then the in-kind contribution would be in addition to the $973,000 in cash?

Mr. MARKHAM. Yes.

OLDER AMERICAN PROGRAMS

Mr. ROYBAL. I would like to ask some questions with regard to the increases in the volunteer force, that is of the three older American programs, the Foster Grandparents, Senior Companions and Retired Senior Volunteers.

Now is that increase to pay the stipend of the volunteers or does it also include moneys that will be spent to pay for full-time staff?

Mr. GEREVAS. The additional dollars will annualize all three of our programs. That is true in all three cases.

Mr. ROYBAL. I want to know whether or not that money will be used to increase the volunteers or will you put in an administrator that will eat up most of the funds?

Mr. HILL. Let me try to answer.

The increase will go to annualize the program. The proportion that will be spent program by program on volunteer benefits versus administrative costs would be, if I am not mistaken, the same proportion as exists with the current funding.

In the case of Foster Grandparents and Senior Companion programs, there will be 80 percent going to direct volunteer benefits.

In the Retired Senior Volunteer program, the majority of the money would go to administrative costs.

Mr. ROYBAL. It says here that the budget will permit some increase in the volunteer force. So you are not actually putting all of the money into the volunteer force. The volunteer force to me is the group of individuals that volunteer and get $1.60 an hour. Are you in fact increasing that only or are you using that money for other purposes?

Mr. GEREVAS. The money is being used to annualize the older American programs. The portion of that grant Mr. Hill mentioned earlier is the amount that would go for program support as compared to the amount that would go to direct benefits for the volunteers.

In the Foster Grandparent program, 20 percent is spent for program support, and 80 percent for volunteer benefits.

Mr. ROYBAL. Then the same ratio will prevail in the increase, will it not?

Mr. GEREVAS. Yes, it will.

Mr. ROYBAL. Then I misread your statement or misunderstood your statement.

SENIOR CITIZEN HOURLY WAGE

Now the reason that I asked the question is that you did say that ACTION was going to get bigger and better. I just hope it gets better and not bigger. I think a great deal has to be done yet to make it more efficient. I don't agree that, for example, that $1.60 an hour is sufficient to be paying these senior citizens even though they may not be subject to income tax.

On the other hand, it is quite possible that if they earn over and above their social security benefits that they will be penalized. Isn't that correct?

Mr. GEREVAS. I will ask our lawyer.

Mr. MARTIN. The money paid to these volunteers is not included in calculating eligibility for any other benefit that they might receive. It

is not counted in computing eligibility for social security payments or welfare or public housing or any other benefits they might be receiving.

Mr. ROYBAL. Why is it that foster grandparents are complaining that they only get $1.60 an hour?

Mr. MARTIN. I can't answer that.

Mr. HOGAN. Mr. Roybal, because by our statutory direction they are chosen from a group which is over 60 and of low income, the average income is somewhere in the $2,000 or $3,000 range of income for people who are participants in this program. They need money very badly. Their pension systems are inadequate and other earning opportunities are not available to them because they have retired from the job market.

This is a major experiment by the Nation in an income exception to the social security restriction that you refer to. Our experience would be that in this particular area for that group, old and poor, the exception is well merited.

Mr. ROYBAL. How long has this program been going on at $1.60?

Mr. HOGAN. Late 1967 or 1968.

Mr. ROYBAL. Why hasn't the cost-of-living increase been applied to them?

Mr. HOGAN. Because Congress has seen fit in this instance to experiment in a different fashion to meet their needs.

Mr. ROYBAL. Don't you think it would be proper to consider changes in future legislation that will include a cost-of-living increase?

Mr. HOGAN. Yes, Mr. Roybal; very much so.

Mr. ROYBAL. You would not oppose such legislation, you would be in favor of it?

Mr. HOGAN. The administration would have to make that decision beyond us, but I would say that our experience with the income protection provision indicates that it is a valuable thing.

Mr. ROYBAL. It is not also true, that the 20 percent listed under administrative costs, have in fact received cost-of-living increases?

Mr. HOGAN. Yes.

Mr. PATTEN. They received a salary raise.

Mr. ROYBAL. Of course, they did. Here is one-half of the program being treated fairly and the other half being discriminated against simply because they are senior citizens.

SENIOR CITIZENS IN MANAGERIAL POSITIONS

How many senior citizens do you have working under the 20-percent administrative budget expenditure? This is a senior citizen program. It seems to me that the majority of them should be senior citizens.

Mr. HILL. We don't have the number of older Americans employed by the project in supervisory or managerial roles, but we will be happy to supply it for the record.

Mr. ROYBAL. You know as well as I do that the majority are not senior citizens.

Mr. HILL. It has been my experience that the majority are not senior citizens.

Mr. HOGAN. Some of us are.

Mr. ROYBAL. I compliment the agencies in question every time I see someone who appears to be 50 or over, but there are very few. I find that there are very capable individuals between 50 and 65 who can serve in various capacities. They may happen not to have recently received their college degree, but they have the experience and overall qualifications to occupy positions of that kind. It seems to me that it should be done.

I am going to continue to harp on this thing until I see some change because I think we are discriminating against the senior citizen when we don't treat them on an equal basis.

That is all, Mr. Chairman.

Mr. FLOOD. Mr. Early?

VISTA ADMINISTRATIVE PHASEOUT

Mr. EARLY. Thank you, Mr. Chairman.

At the conception of this program, was it the intent that the administration should continue on indefinitely?

Mr. GEREVAS. I am sorry, sir.

Mr. EARLY. At the start of VISTA, was it not intended that ACTION get the volunteers all set up and then ease out administratively?

Mr. GEREVAS. We do have a phaseout policy which is in the process of finalization. Because our resources are limited we have maximized the catalytic effect of our volunteers. We move into communities and with the understanding of local sponsor try to phase out over a 5-year period of time. During that process we help that sponsor try and pick up that project at the end of 5 years.

Mr. EARLY. Was the phaseout a part of the plan when VISTA first started?

Mr. GEREVAS. No; it was not a part in 1965 when VISTA started. I am not sure when it did start. But it has been since I have been associated with the organization for the past 5 years.

Mr. EARLY. I thought you intended to phase out your administrative end and allow the grantees to administer their own programs.

STATEWIDE COORDINATORS

Now, in the State volunteer program, how much intercoordination between the State and your agency is there?

Mr. MAYER. We have a national conference once a year that brings together the statewide coordinators.

Mr. EARLY. In the State of Massachusetts they originated a volunteer program. How much interrelationship do you have with that State coordinator?

Mr. MAYER. It is primarily done at the State level with our State director. The ACTION employee in the State relates to that particular program.

Mr. EARLY. Does your involvement eliminate any of the administrative expenses he has or do both your agency here and the State program have the same administrative expenses?

Mr. MAYER. They complement one another in terms of the deliverable.

Mr. EARLY. They complement one another by adding to the expense?

Mr. MAYER. No; I think they strengthen one another.

Mr. EARLY. In what way?

Mr. MAYER. In the sense of the State government working with volunteer communities and our individual who is an ACTION employee working in that community developing ACTION projects. Both are working together in terms of the volunteer groups with whom they are dealing.

The statewide programs are not concerned with fielding volunteers. Their function is to stimulate the volunteerism of the citizens in the particular State.

Mr. EARLY. But not to be the author of stimulation, but merely to get local volunteers stimulated; correct?

Mr. MAYER. Yes.

VOLUNTEERS FOR DISASTER RELIEF

Mr. EARLY. What would happen in a place like Buffalo with their current problems—numerous senior citizens shut in, et cetera? What adjustments have you made in the past few years?

Mr. MAYER. In Buffalo, N.Y., we have a program for local service currently operating under part (c) of the legislation. The program has approximately 25 volunteers. We have authorized those volunteers to deal with the problems of the elderly and the poor at this particular time.

Mr. EARLY. With this emergency and you people in operation for 12 years now, you should be able to call and generate 250 volunteers to get to the people we have to get to right now.

Mr. MAYER. I couldn't agree with you more. There is a problem in terms of making sure that is coordinated.

Mr. EARLY. You have been in existence for 12 years. Rather than a whole rash of lawyers, I would like to see people who could put together volunteers to get to the senior citizens that are shut in.

Mr. MAYER. I could not agree with you more. In Virginia the statewide program is doing that and in New Jersey that is also occurring. They are finding volunteers and linking the needs and volunteers together.

Mr. EARLY. Is this happening in Buffalo today?

Mr. MAYER. Yes. I am now acting regional director for that area. I have authorized the release of the volunteers there.

Mr. EARLY. Have they expanded from 250 to 2,500?

Mr. MAYER. No, sir.

Mr. EARLY. I though that was what VISTA is all about?

Mr. MAYER. We have an agreement with the Federal Disaster Assistance Administration. We would only release the volunteers under their authority. I think there are three conditions.

We can release the volunteers if a national disaster is called and our assistance is requested by FDAA. We can take the initiative ourselves providing we have a coordinating office in the area where the

disaster occurs that is going to insure that the legislative mandates of the various programs are met.

Mr. EARLY. Earlier there was a comment made that you had curtailed the number of volunteers because there was nothing for them to do. Right now in Buffalo we have an emergency. I would think you people would have a list of 200 or 500 people that you could call on immediately to volunteer.

Mr. HILL. I perceive you are talking about a readily available source of volunteers who could be mobilized in a short period of time to address crises or emergencies?

Mr. EARLY. I am talking about volunteers doing something for nothing to provide services. You seem to be getting bigger and spending more money but not providing more services.

Mr. HILL. We don't have a program that does what I think you are describing in terms of immediate impact on a very specific problem such as an emergency. Our programs are more long term and address different kinds of problems.

Mr. EARLY. But you are spending $100 million plus getting another $1 million in contributions. Now there are senior citizens in Buffalo who are shut in and we are not doing anything for them or we don't seem to be doing enough for them.

Volunteer sounds wonderful, but, in this case, it does not appear to be a productive program. I wonder if we are getting our dollar's worth?

Mr. HILL. Your question obviously is well put, sir. I think we at the present time do not have authorization to go into the very short-term, immediate impact type volunteer activities. Our authorization permits us more long-term types of programs such as the normal programs we are administering. We have 25 volunteers in the program for local service in Buffalo who will assist.

Mr. EARLY. But you have been in existence for several years. I would think you could generate help. The need and emergency is there. I guess we will hire a couple of lawyers to say why we didn't get to those shut-in's or why they died before we provided the services.

I dont' want to be critical. I hope VISTA will be getting better. I would like to see the administartion get smaller and see the program get bigger in terms of volunteers.

JOBS OF THE VISTA VOLUNTEERS

Mr. FLOOD. What are some of the typical jobs performed by the VISTA volunteer?

Mr. GEREVAS. The Director of VISTA, Mr. Garcia.

Mr. GARCIA. Sir, a typical job can be just almost anything in any one of the poor communities.

Mr. FLOOD. I know that. Just pick out a few.

Mr. GARCIA. I have seen ladies implement adult education programs at night assisting the poor, teaching the poor how to read and write. That is one example.

I have seen volunteers assist the poverty community by going out and seeing what can be done about unemployment in a particular community and by seeking people to go and make applications where they should for employment.

I can go on and on if you want more.

Mr. FLOOD. Go ahead, go on.

Mr. GARCIA. I have seen child care centers established by the volunteers where they have gone to HEW and the volunteers have put the paperwork together, the grant application, and presented it to the proper officials and a child care center was established where there was not one before.

I have seen lawyers assist people in divorce cases or litigation cases or in cases where the creditors were on their backs.

There are just innumerable cases where there has been assistance by our volunteers.

Mr. FLOOD. For the record, will you develop a few more?

Mr. GARCIA. Yes, sir.

[The information follows:]

The range of program areas in which VISTA volunteers work reflects a wide base of poverty-related concerns. According to an evaluation of 114 VISTA projects conducted in 1976, VISTA's are working in the following program areas:

Program areas	*Percent of volunteers*
Social services	21
Legal assistance	21
Community and program development	17
Education/manpower	17
Health	12
Housing	7
Economic development	5

Within these program areas, the volunteers' activities demonstrates a range of diversity. The following is an indication of the volunteer activity by program area:

Program areas	*Percent of volunteers*
Social services:	
Multifaceted services for senior citizens	3.5
Referral services	3.5
Recreational/arts and crafts	5.2
Delinquency and crime prevention	3.7
Legal assistance:	
Legal aid/counseling	20.3
Legal education	.7
Community and program development:	
Organization/administration of part-time volunteer program	3.7
Area planning	1.5
Neighborhood improvement	.5
Education/manpower:	
Early childhood education	3.0
Alternative education	4.7
Job development/placement	.3
Health:	
Food and nutrition program	4.0
Health delivery services	2.0
Alcohol and drug abuse	1.5
Housing:	
Rehabilitation/winterization	3.0
Self-help housing	1.2
Tenant/landlord relations	.5
Economic development:	
Entrepreneur assistance	2.0
Food/crafts/agricultural co-ops	1.7
Home and family gardens	.2

The following are some examples of the activities in which VISTA volunteers are engaged:

In Minneapolis, VISTA's organized a community gardening project in which 110 families participated in an effort to produce supplemental food.

Knoxville, Tenn., has a 13-acre park, the largest innercity park in the black community, due to the design, planning, and resource mobilization efforts of VISTA volunteers.

VISTA's at the United Tribes Educational Technical Center in North Dakota provided legal assistance and mobilized more than $350,000 in resources. These include $123,000 for an Indian CETA project; $85,000 in new jobs through job discrimination suits/negotiations; $71,000 for an alcoholism project.

In Lumberton, N.C., VISTA's initiated and developed an adult literacy project. They obtained a $27,000 manpower grant and recruited 50 part-time tutors for the program.

In rural Wisconsin, VISTA's mobilized $3.33 million in resources and services. This included $612,000 for a housing project and $563,000 in construction loans to build housing for the elderly.

Mr. FLOOD. Take a look at page 21 of your justifications. There you indicate that some of these VISTA volunteers are engaged in what you call proposal writing. What is that? Does that mean they are writing Federal grant applications for local people? If so, do you think that is a proper activity for a federally sponsored volunteer?

Mr. HILL. Since VISTA is a relatively limited program in size and since it has remained relatively stable over the past few years, we have a high demand for volunteers in the poverty community. Yet as one gentleman said, it may seem that we are not dealing with the poverty problem as well as we might.

Because VISTA is a limited program, we are trying to emphasize resource mobilization or community catalyst volunteer of roles where the VISTA volunteer will serve a limited period of time with the project sponsor delivering direct services when called for, but also helping that community to develop their own resources. Then, when that volunteer leaves, the community will be in a far better position to deal by itself with whatever problems need to be dealt with in the poverty area.

In the case of proposal writing volunteers would be helping that project in that local community to get the resources available from other sources, State, Federal or private, to carry on the antipoverty effort.

NUMBER OF VISTA PROJECTS

Mr. FLOOD. How many VISTA projects do we have nationwide?

Mr. GEREVAS. Mr. Chairman, we have 586.

Mr. FLOOD. Is that a lot?

Mr. GEREVAS. That gives us an average of about eight volunteers per project.

Mr. FLOOD. Is that a lot of projects? Is that good?

Mr. GEREVAS. It is as good as we can do with the resources available, Mr. Chairman.

LOCAL SPONSORS

Mr. FLOOD. What is a typical sponsor of a VISTA program?

Mr. HILL. It would be hard to pick a typical sponsor. It could be a local community organization involved in organizing the community to deal with a specific problem.

Mr. FLOOD. What is the role of the local sponsor? Put those two together, the typical project and the role of the sponsor.

Mr. HILL. There are a wide variety of sponsors. Local governments, city, or county could be sponsors, as well as private, nonprofit organizations. If I had to depict a typical sponsor, it would be a small, local organization trying to deal with a problem in a community, either an urban area or a small town in a rural area.

Mr. FLOOD. What is the role of that sponsor?

Mr. HILL. The organization would be an organization that was conceived and developed by the people in the locale to deal with a specific problem in that community. They would request VISTA volunteers to help them deal with that particular problem.

A community organization in Pittsburgh, for example, along with two or three local churches, has organized a small group to deal with some community problems such as drug abuse in a poverty area. They would request VISTA volunteers to help them develop resources to deal with the problem, and help them understand what their rights are in regard to city zoning ordinances, legal protection from the police, and other services that the local government should be providing but may or may not be providing.

VISTA ADMINISTRATIVE COSTS

Mr. FLOOD. What percentage of VISTA funds goes strictly for administrative costs?

Mr. MARKHAM. Approximately 10 percent of our costs go to supervision contracts. Otherwise, all the administration is provided by the sponsors.

TYPES OF VISTA PROJECTS

Mr. FLOOD. You tell us you have three types of these VISTA projects, those that are directly supported, and then you have what you call reimbursable cost-shared, and the grant supported. Tell us a little about each one of those three.

Mr. GEREVAS. Those are three different models. Until last year all VISTA's were directly supported. The two new dimensions that we received through legislation are the cost-shared and the grant authority. In the cost-shared VISTA project we have two different levels of contribution by the sponsor, 50 percent of direct costs or 100 percent of direct costs. In the VISTA grant, that local grantee is responsible for recruitment, programing, and the administration of that project.

In other words, everything we provide is expended through a grant. The VISTA grantee contributes approximately 10 percent of the cost of that project the first year and 20 percent the second year.

Mr. FLOOD. What are the reimbursable costs?

Mr. GEREVAS. Fifty percent of direct costs and 100 percent, two different levels of reimbursements.

UNIVERSITY YEAR FOR ACTION

Mr. FLOOD. How many colleges and universities are currently participating in the university year for ACTION program?

Mr. GEREVAS. I would like to ask Mr. Rey from the UYA program.

Mr. REY. I am Frank Rey, chief of operations for ACTION education programs.

There are 61.

Mr. FLOOD. In December you proposed a reprograming of $1,800,000 out of the service learning programs, including the university year for ACTION, to program support. What effect has that reprograming had on the university year for ACTION program?

Mr. GEREVAS. It meant in fiscal 1977 we will only be able to support only 53 projects as opposed to 76 projects that had been planned prior to the reprograming.

Mr. FLOOD. How many new schools are you funding in the current fiscal year?

Mr. GEREVAS. There will be 14 new projects started in this fiscal year.

Mr. FLOOD. How long is a project period for these schools, 3 years, 5 years, or what?

Mr. GEREVAS. Three years.

Mr. FLOOD. Do you plan to change and make it 5?

Mr. GEREVAS. We have considered that, but since service learning funds were reprogramed, and since we are maintaining that reprogramed level in the year 1978, we would prefer going to more schools with the limited funds we have in that area.

Mr. FLOOD. Rather than go to the 5 years?

Mr. GEREVAS. Rather than continue longer with those that are already a part of the program.

Mr. FLOOD. So as of now it doesn't look good for 5? It looks more like 3?

Mr. GEREVAS. It doesn't look good for 5-year commitments in fiscal 1978.

Mr. HILL. We did, however, make a decision to raise the volunteer cost allowed per year because of the inflationary situation.

Mr. FLOOD. What is the role of the school in this program?

Mr. GEREVAS. The school is the sponsor, and has responsibility for the recruitment and training of the volunteers, the administration of that program, and the support of those volunteers.

Mr. FLOOD. How much of the funds in the program are strictly for overhead expenses for the school?

Mr. GEREVAS. I would like to refer to Mr. Rey.

Mr. REY. The formula to date was no more than one-third of ACTION support for that program will be devoted to administrative costs.

COORDINATION OF OLDER AMERICAN PROGRAMS

Mr. FLOOD. How do you coordinate your older American programs with those over at HEW and the other agencies?

Mr. HILL. We have agreements with the State agencies on aging on a State-by-State level with the exception of two or three States at this point, and with the National Office on Aging. Those agreements are intended to involve the State agencies in the selection of sponsors, and sites; for example, information on where our programs ought to be located. When we have new programs State agencies coordinate with us in special efforts that they may have as well.

AGENCYWIDE COST ALLOCATIONS

Mr. FLOOD. We see that you changed your method to allocate these costs that are agencywide costs between this appropriation and the one for the Peace Corps in the foreign aid bill. What effect did that change have on this appropriation?

Mr. MARKHAM. Mr. Flood, we have not changed the method, but the actual costs do change.

Mr. FLOOD. Agencywide costs?

Mr. MARKHAM. Yes, sir. They change because the number of positions in the Peace Corps has dropped somewhat and we have always allocated that cost based on the number working for the domestic program versus the number working for the international program.

Although total costs are changed slightly upward, basically there is a change in distribution which increases the cost to the domestic appropriation but decreases it for the international appropriation.

DUTIES OF THE INSPECTOR GENERAL

Mr. FLOOD. We see you have an Inspector General. What are his principal duties?

Mr. GEREVAS. The Office of Inspector General was created only last year. The Inspector General reports directly to the Director's office. It is responsible for not only audits of our projects and programs but also in the investigations area for our management and programing activities of the agency.

Mr. FLOOD. How large is his budget? How many people are on the staff?

Mr. GEREVAS. He has 16 positions. I think 14 are now on board.

STANDARD LEVEL USER CHARGES

Mr. FLOOD. Everybody gets tangled up with GSA. How much are you requesting for payment of the standard level user charges to the General Services Administration?

Mr. MARKHAM. We are requesting $817,000.

Mr. FLOOD. Are you having any problems with these GSA charges? In your opinion are you getting a fair deal over there?

Mr. MARKHAM. Mr. Chairman, the estimates include this year an increase for GSA of about 6 percent in the average costs for the program. We have minor difficulties in straightening out the bills with them, but I am not aware of any major problems.

Mr. PATTEN. Mr. Chairman, may I ask, besides GSA, what other amounts do you pay for rent to anyone else, private owners?

Mr. MARKHAM. At this time we pay no one else for rent aside from GSA. We did for a while pay a few small accounts, but they are being phased out.

PERMANENT POSITIONS

Mr. FLOOD. How many permanent positions are you currently authorized in this appropriation? How many are currently filled?

Mr. GEREVAS. Four hundred and sixty-eight, Mr. Chairman.

Mr. FLOOD. That is authorized. You have filled them?

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Mr. TOBIN. I am Frank Tobin, director of personnel.

There are approximately 50 vacancies at any one time, mostly clerical.

TRAVEL AND OTHER SERVICES

Mr. FLOOD. We would like to know how you computed your requests for, first, your staff travel and, two, what you call other services. Now that other services phrase is standard budget gobbledygook. We often find that is a grab bag for all kinds of things. You can do that for the record.

[The information follows:]

The staff travel budget request is based on a number of variables. Among those that are considered are increases in the per diem rate, the number and growth in the number of projects and increases in the number of personnel who must travel. Travel allocations to the 10 domestic regions are based on the previously stated factors and the geographic size of the regions. Another consideration in compiling the staff travel request is the previous year's obligation for this item.

Other services include such items as: Health costs for both volunteers and staff; national student volunteer program (NSVP) contracts; evaluation; audits; mailing services; and training, technical assistance and seminars for volunteers, project directors, and staff.

Since this budget was sent to Congress, however, we have received adjusted funding levels from the new administration for our programs which subsequently change the amount in other services. The second revised February budget for other services increases by $1.4 million in fiscal year 1978. This increase is mainly attributable to direct volunteer health costs increasing from $174 to $219 per volunteer work-year in fiscal year 1978. Funding for this purpose was not required in fiscal year 1977 because of funding during the transition quarter. Program support increases because of a more rigorous audit program.

Mr. FLOOD. Mr. Early?

RENTAL COSTS

Mr. EARLY. Following the chairman's questions, the recipients of the grants, the nonprofit organizations, how much are they allowed to use of that grant money to rent their buildings and for expenses? You have several recipients of grants in my State that are in the highest price area we have. Can they apply any of the grant to operating expense or rent? Who audits the grants and tells us what is happening with those funds.

Mr. GEREVAS. The Inspector General audits the grants, as I mentioned earlier.

Mr. EARLY. Why isn't he here today?

Mr. HOGAN. He is out of town.

Mr. GEREVAS. We can supply that for the record.

Mr. EARLY. Would you supply it for the record? If grantees are allowed any writeoff to the grant for rent and expenses, would you supply for the record. I would like a breakdown of each grant and what percentage might be used for rent and expenses.

Mr. GEREVAS. Yes, sir.

Mr. HOGAN. Were you interested specifically in the VISTA grants?

Mr. EARLY. I am interested in the money being given in grants that is not getting to the intended recipients. I want those figures for all programs.

Mr. HOGAN. All right.

[The information follows:]

ACTION lets grants to existing nonprofit and public organizations to administer a volunteer program. In no program is the sponsor's rent allowable as a major expense. No portion of a VISTA or university year for ACTION grant can be applied to a sponsor's rental costs. In the older American programs the sponsor may attribute that part of his rental costs directed toward ACTION volunteers as an inkind contribution toward the sponsors share of the grant.

[The following questions were submitted by Members, to be answered for the record:]

MR. OBEY

Question. What was the original fiscal year 1978 budget request for domestic programs sent to OMB from ACTION? Please include a detailed breakdown of the amount requested by activity and subcategory programs.

Answer. The total fiscal year 1978 request to the Office of Management and Budget for domestic programs was $161,455,000. A detailed breakdown of this amount by activity and subactivity is provided below:

Fiscal year 1978 OMB submission

Activity 1 Volunteers in Service to America (VISTA)	$26,041
Activity 2 service learning programs	7,510
A. University year for ACTION (UYA)	5,877
B. National student volunteer program (NSVP)	453
C. Youth challenge program (YCP)	980
D. Service-learning resource centers	200
Activity 3 Older American volunteer programs	76,800
A. Retired senior volunteer program (RSVP)	25,157
B. Foster Grandparent program (FGP)	36,735
C. Senior Companion program (SCP)	14,908
Activity 4 special volunteer programs	5,860
A. Volunteer mobilization programs	4,410
B. Special emphasis programs	1,450
Activity 5 urban service volunteer program	19,835
Activity 6 program support	25,409
Domestic operations	14,828
Agencywide costs	10,581
Total direct program	161,455
Reimbursable program	1,658
Total obligations	163,113
Reimbursable program	−1,658
Appropriation	161,455

Question. For each activity and subcategory program, how many individual volunteers, volunteer-years, grants, and projects would ACTION have been able to support, if its original fiscal year 1978 budget request for domestic programs sent to OMB had been approved?

[The information follows:]

Answer

	End Strength Volunteers		Volunteer Years Funded		Grants/Projects	
	FY 1978 OMB Request	FY 1978 Revised Estimate	OMB	Requested Estimate	OMB	Requested Estimate
Total	308,426	275,947	31,835	24,576	1,838	1,229
Activity 1: VISTA	5,009	4,690	5,025	4,724	33	33
Direct	3,571	3,572	3,635	3,635		
Cost Shared	683	423	635	394		
Grants	755	695	755	695	33	33
Activity 2: Service Learning Programs	8,477	3,557	1,670	1,452	114	64
A. University Year for ACTION	1,157	1,307	1,670	1,452	55	49
B. National Student Volunteer Program 1/						
C. Youth Challenge Program	7,320	2,250			57	13
D. Service Learning Resource Center					2	---
Activity 3: Older American Volunteer Programs	281,500	267,700	23,100	18,400	1,221	918
A. Retired Senior Volunteer Program	260,000	250,000			893	679
B. Foster Grandparent Program	15,500	15,100	15,800	15,700	208	194
C. Senior Companion Program	6,000	2,600	7,300	2,700	120	45
Activity 4: Special Volunteer Programs 1/	13,440	---	2,040	---	470	214
A. Volunteer Mobilization					31	23
State Volunteer Service Coordinator					357	179
Mini Grants					15	---
Local Initiatives					10	2
Technical Assistant For Private Voluntarism					---	3
Urban Services Volunteer Program						
B. Special Emphasis Programs					11	2
Justice					8	4
Business					1	1
Mental Retardation					8	2
Homemaker Opportunity Service Program						
Activity 5: Urban Service Volunteer Program 2/	13,440	---	2,040	---	29	---

1/ Volunteer summaries excludes programs primarily intended for demonstration.

2/ Numbers represent volunteers generated by an activity never before funded.

Question. How many requests for assistance has ACTION received in the past year for which funding was not available?

Answer. Though ACTION does not have the total national number of such requests, a sampling of state offices discloses the following ratios by program:

VISTA: 7 requests for each 1 funded.

RSVP: 5 requests for each 1 funded.

FGP: 6 requests for each 1 funded.

SCP: 4 requests for each 1 funded.

It should be noted that the unavailability of funds is not the sole reason for not funding project applications. Quality of the proposal, viability and eligibility of potential sponsoring organizations, and duplication of services are several of the factors which may result in nonfunding.

Question. Are there any volunteers or volunteer projects funded by ACTION that are involved directly in energy conservation programs? If so, how many are there? Where are they? What specific activities are they engaged in? Are they tied in to other energy conservation efforts? Which ones?

Answer. There are numerous ACTION volunteers involved in energy conservation projects. We do not have an exact count since the level of volunteer activity in energy conservation is the result of local decisions by sponsoring agencies about tasks which volunteers perform. The nature of the energy conservation volunteer work is demonstrated in the reports which follow from VISTA, older American programs, and special volunteer programs.

VISTA volunteers are involved with problems relating to environmental conservation on a number of levels. Some are assigned to projects whose primary emphasis is energy; others are assigned to sponsors, such as community design centers, for whom work in conservation is integral to the housing/community planning concerns of the sponsoring agency. In other instances, VISTA's while not working specifically in this area, serve an important outreach role in the dissemination of information about winterization, weatherization and other energy-concerned programs.

The list below indicates the range of energy-related activities in which VISTA volunteers are involved.

Community action agency—VISTA's assigned to the northern Hudson CAA, Union City, N.J., have assisted 100 elderly families to weatherize their homes. VISTA's in Cartersville, Ga., have recruited part-time volunteers to winterize homes. They also provide community-wide information on energy conservation techniques.

At the Pittsburgh Architect's Workshop, VISTA's are doing the research and putting together the curriculum and outline for an 8-week course on home rehabilitation to be offered at a local college. A section of the course will concentrate on weatherstripping and insulation.

Both the Chicago Architectural Assistance Center and the Community Design Center of Minnesota have VISTA's working on home rehabilitation projects, including weatherstripping and insulation. In Minnesota, two VISTA's organized workshops at the community's request on how to weatherstrip the home. The VISTA's brought in an expert on the subject, and held workshops in a half-dozen homes with several people at each session.

Older American volunteers have also been involved in energy conservation programs. Retired senior volunteer program volunteers have been active in winterization programs involving insulation, weatherstripping, roof repairs, and storm window installations.

Senior companions have served as information and referral resources when serious energy problems have been identified in client homes.

The office of special volunteer programs and region X have awarded a $50,000 grant to the Division of Energy and Power Development, Alaska Department of Commerce and Economic Development. The project, which is now beginning, will use six full-time volunteers to assist poor persons with energy conservation, to develop a comprehensive home winterization program throughout the State. The project will, when initiated involve 750 Alaskan youth in projects related to community energy problems.

Question. Have there been requests from State and local agencies, or other organizations, for funding by ACTION of proposals to use volunteers in energy conservation programs? If so, how many? From whom? For what specific purposes?

Question. Does ACTION have any plans, or is the agency considering any special programs to contribute assistance to energy conservation efforts through volunteer projects and voluntary action? If so, please outline those plans.

Answer. ACTION has been contacted by a number of organizations at the State and local level in the last few months. Exact figures on the number of inquiries are not available, but the following examples indicate the type of proposals we have received.

For example, in region IV, ACTION and the community services administration program staffs have met with the eight State economic opportunity officers and the energy coordinators to discuss program linkages. ACTION State directors are involved in programing efforts with the State economic opportunity officers to develop cost-shared VISTA projects to address the problems of energy conservation as a result of the regional level meetings.

In region VIII, exploratory efforts are underway between the regional community services administration office and State counterparts to develop a cost-shared VISTA project throughout the region involving approximately 50 additional VISTA volunteers to work on energy conservation and home winterization projects.

On the national level, informal conversations are going on between ACTION/VISTA and the Federal Energy Administration. The Federal Energy Administration anticipates receiving weatherization appropriations in the near future. ACTION/VISTA has offered to be of assistance in disseminating such information to the VISTA Volunteers at the appropriate time.

ACTION has not requested an appropriation to develop special programs to address the energy conservation effort. However, we do intend to make available ACTION volunteers and technical support to work under the leadership of the agencies directly responsible for energy conservation.

MR. CONTE

Question. In your opinion, is the budget and future expectations of ACTION sufficient to fulfill the "new voluntarism" you referred to in your opening remarks?

Answer. The budget request which ACTION has submitted is adequate in terms of supporting our present level of volunteer effort and immediate expectations. However, if the Agency is to have a more major role in responding to the massive social, economic and environmental needs and problems of Americans, then it seems realistic to anticipate an increase in the resources required to support that role. ACTION's current corporate thinking regarding its own desires and expectations are contained in its long-range planning document which spans from fiscal year 1979 through fiscal year 1983.

Question. In what areas do the local groups have the technical and financial support to continue and expand the fight against poverty without Federal help?

Answer. ACTION's experience over the years indicates that many and varied types of sponsoring organizations in most programs have been able to continue their projects after cessation of ACTION funding. Most capable of such continuing activities are well-established, permanent organizations such as universities, school boards and church councils as well as State and local governmental entities. Perhaps the least able to provide equivalent continuing services are small "grass roots" organizations who find it difficult to develop both the necessary technical skills and financial resources base on their own. Thus, ACTION volunteers continue to emphasize the development of both requirements during their service with sponsors.

Question. As you know, rising transportation costs are a problem, especially in Northeast. In programs affecting older Americans have you considered the problem of rising carfare in your budget? If not, wouldn't ACTION be forced to use fewer volunteers?

Answer. It is true that rising transportation costs are a problem, not only in the Northeast, but throughout the country. As a result, ACTION has recently increased transportation allowances from $1.35 to $1.75 per volunteer per day. Since a further increase in transportation allowances would indeed result in a reduction in the number of volunteers ACTION would be able to support, the Agency is not considering an additional increase in transportation allowances at this time.

Question. When you were here last year you spoke of a $5,000 mini-grant to the Marlboro, Mass., Girl's Club. I would liketo know if programs like these are continuing after the initial funds have run dry.

Answer. The mini-grant to the Marlboro, Mass., Girl's Club was used to train over 100 community women with skills in arts and crafts, physical education and teaching to be leaders in the under utilized club. The leaders began classes for girls in the 9–14 age bracket in areas such as tutoring, gymnastics and arts and crafts. They also set up a big sister program.

Although ACTION funding terminated in June 1975, the Girl's Club in Marlboro, Mass., is still operating. This program like the majority of mini-grant projects, has continued to operate successfully after ACTION funding was discontinued.

Question. In the three service learning programs, which allow the youth of America to volunteer their services, the budget requests have remained the same as last year. Inflation makes these figures an actual decrease. Why are these beneficial programs being neglected?

Answer. The agency agrees that SLP programs are highly beneficial. For example, in the 5-year period spanning fiscal year 1972–76, UYA produced 6,500 volunteer years of effort. These volunteers provided $124 million worth of community services,[1] at a cost to the Government of $33 million. NSVP and YCP are yielding similar benefits to communities in need.

For fiscal year 1977, Congress appropriated $7.3 million. Due to an underfunding of critical program support services, the agency had to make a difficult decision in order to secure the necessary support services. Since legislative and budgetary constraints precluded the reprograming of funds from other domestic operations volunteer programs, the agency requested, and Congress approved, a reprograming of $1.8 million from SLP to program support, dropping the actual fiscal year 1977 SLP budget to $5.5 million. Pursuant to guidance from OMB, the agency is now submitting the lower—$5.5 million—figure for fiscal year 1978.

An increase in the fiscal year 1978 SLP budget to the fiscal year 1977 level would permit a doubling of new UYA schools, a one-third increase in new YCP projects, and a 50 percent increase in services provided by the national student volunteer program.

Question. Why has such a high priority been placed on older American volunteer programs as opposed to other domestic programs within ACTION?

Answer. The priority established for the older American volunteer programs is consistent with and directly reflects the sentiment and action of both the President and Congress during the past 6 years.

Question. Do you foresee any neglect in the fight against poverty resulting from ACTION's declining role in many areas?

Answer. In virtually all areas, ACTION's role has been one of steady expansion. The only places where we accept a declining role are those where the need for ACTION volunteers no longer exists. This condition is found in areas which have emerged from poverty and in other areas where the community is able to sustain the fight against poverty without help from ACTION.

With the approval of Congress, we hope to step up the attack on poverty. We hope also that ACTION's role will continue to decline in many areas as that will mean they have emerged from the prior status of poverty.

Question. Last year you mentioned in your opening statement that your staff was working on the possibilities of working together with the private sector and other Federal agencies such as HUD, LEAA, and HEW with the intent of causing a multiplier effect on volunteer resources. Please tell us of any progress made in this endeavor.

Answer. We have found the development of interagency agreements to be a deliberate process. We are continuing to work with HUD, LEAA, HEW and other agencies at the Federal level with the objective of producing effective interagency agreements.

To date, no interagency agreements have materialized from the discussions referred to a year ago. ACTION does have a number of existing agreements with other Federal agencies. Most of these are at the State or regional level and provide for cooperation with the Community Services Administration in regard to

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[1] Based on production values determined by Vasquez Associates, Ltd., January 1974.

VISTA, and with HEW's Administration of Aging in regard to our older American programs.

Question. Has the grant-in-aid mechanism and the cost sharing by local sponsors successfully had the anticipated cushion effect on cuts in VISTA?

Answer. The VISTA budget for fiscal year 1977 contemplates a sponsor contribution of $1,062,000 to support 394 VISTA cost share volunteers and $393,000 to support 695 VISTA's entered through the grant mechanism. These sponsor contributions are to replace Federal funds ordinarily required to train, support, and supervise VISTA volunteers.

If these targets are met, $4 million of Federal funds will be required to support 1,089 volunteers in the field for 1 year. That represents a savings of $1,455,000 in Federal funds and thereby increases the number of VISTA volunteers that can be fielded by over 270 workyears.

All VISTA volunteers are expected to be available for service without regard to hours for the benefit of persons who live in poverty and are expected to live in the neighborhoods where they work.

To date, February 10, 1977, VISTA has entered 118 cost-share volunteers and has signed agreements for your VISTA grants contemplating year of service for 168 VISTA's. These grants total $713,142, costing the Federal Government an average of $4,245 per volunteer year of service. In cost-share programs, the sponsor pays an average of one-half the Federal cost which means that cost-share agreements presently in effect result in an increase of 59 VISTA's that can be fielded this year. Sponsor contributions for grant programs total $233,202 of what would otherwise be Federal costs, sufficient to field an additional 41 volunteers for year.

In total, the grant and cost-share programs to date have resulted in 100 more VISTA's being available for year of service to those who are poor.

Question. Do you foresee long-term expansion in areas VISTA has been concerned with on the part of other sectors even though the budget is designed to keep VISTA financially constant?

Answer. There are still approximately 25½ million persons in the United States with incomes below the poverty line. The past 12 years have seen vast increases in assistance to persons who are poor, notably in increased social security payments and in initiation of SSI, medicare, and food stamp programs.

The administration has pledged itself to welfare and tax reform which promise more equitable treatment for the poor and near poor. However, everyone seems to realize that Federal resources are limited and quantitative increases in assistance may come slowly.

There are other full-time volunteer opportunities, sponsored chiefly by church groups. The largest of these that have volunteers working in poverty areas place no more than 200 to 300 persons. ACTION has not inventoried all of these programs, but those that have been observed seem very worthwhile and competantly managed. There is no possibility foreseen that the private sector could support a volunteer effort the size of VISTA, whose volunteers usually concentrate on mobilizing local funds to be used for program purposes rather than for volunteer support.

MR. MICHEL

Question. How many of the VISTA volunteers are lawyers?

Answer. According to February 1, 1977, statistics, 281 VISTA volunteers—8 percent of the volunteer population—are attorneys.

Question. Do they all specialize in providing legal services as volunteers?

Answer. VISTA volunteer lawyers, whether assigned to sponsoring agencies which specialize in legal work for low-income people, such as Legal Services' programs, or whether assigned to virtually any other sponsor type in which they engage in legal activities, are involved in the provision of a variety of legal and other services.

The scope of "legal services" encompasses many areas. Casework is one example. In isolated rural areas, VISTA attorneys may represent the only available source of legal services. A VISTA project sponsored by the Alaska Legal Services Corp., represents an example of this. VISTA's have been involved with casework relating to the Alaska Land Claims Settlement Act and the Land Allotment Act. Other VISTA activities, however, have involved work-

ing with villages so they might receive revenue-sharing money, becoming involved with village incorporations and village ordinance problems, as well as providing legal support to developing crafts co-ops and co-op fisheries. Thus, while some of the volunteers focus on casework, the range of their activities expands beyond that.

Other areas in which VISTA lawyers are involved include:

Research and advocacy regarding elderly issues and welfare rights.

Housing research.

Research on Indian land claims and enforcement of treaty rights.

Health care research.

Senior advocacy. Some VISTA's were involved in developing a Bill of Rights for nursing home patients.

Developing training materials. A VISTA lawyer developed legal education training materials regarding small claims court.

Consumer education, women's rights, bankrupcy and food stamps.

Tenant/landlord rights.

These indicate but a few of the areas in which VISTA lawyers are involved. Legal problems frequently underpin the problems of low-income communities. As appropriate, VISTA lawyers are working with those problems.

Question. How many of these lawyers work in cooperation with the Legal Services Corp.?

Answer. As of August 1976, a total of 247 lawyers and 109 paralegals or persons doing other work were sponsored by organizations that also had funding from the Legal Services Corp.

Question. Does the Legal Services Corp. pick up any of the costs for these VISTA lawyer volunteers?

Answer. VISTA attorneys are supported indirectly by the sponsoring agencies to which they are attached. The nature of legal work requires access to information, and other support such as law books, court costs, filing costs, conferences, publications and secretarial back-up. VISTA-sponsoring agencies provide such support as appropriate to VISTA volunteers who are engaged in legal work as well as all necessary administrative overhead. [See next question.]

In addition, negotiations are presently underway to develop some grant or cost-share VISTA legal projects, in which the sponsoring agency (in these instances, Legal Services Corp. grantees) would provide some of the direct support costs. It is only since October 1, 1976, that VISTA has had authority to accept sponsor contributions to the direct support costs of volunteers.

Question. If wages higher than $1.60 an hour were provided the older American volunteers, it would reduce the total number of people who could receive wages, would it not, unless the appropriation were increased accordingly?

Answer. Yes; it would. For example, an increase to $2 would require a reduction of 2,206 Foster Grandparents and 370 Senior companions or an increased appropriation of $6,228,200 and $1,086,800.

Incidentally, ACTION uses the term stipend rather than wage, because section 418 of the Domestic Volunteer Service Act (Public Law 93–113) precludes the stipend's being treated as wages. The stipend and other benefits, such as meals and transportation, are provided to enable low-income older Americans to volunteer their services as Foster Grandparents and Senior Companions. They are by statute "no longer in the regular work force."

Question. Do I understand that the salaries or stipends paid to your older American volunteers do not count when their eligibility for welfare or food stamps is determined?

Answer. Yes. This is true for Foster Grandparents and Senior Companions. Their weekly stipend of $32 is not regarded as income for any purpose. This includes State and Federal taxes and social security deductions. They also retain eligibility for SSI payments, food stamps, public housing, medicaid and the home winterization program.

Question. How many Older American volunteers receiving stipends receive welfare or food stamp benefits?

Answer. ACTION does not collect this data on individual volunteers, but we do know most of them have incomes low enough to be eligible for supplementary security income (SSI) and for food stamps.

Question. Do these same criteria apply to all your other volunteers as well? If so, how many are receiving welfare or food stamp benefits?

Answer. The criteria established by law for volunteers under title I of the act are somewhat different, and more restrictive than those applicable to Older American volunteers.

The Domestic Volunteer Service Act provides that stipends or allowances paid to a volunteer do not affect the eligibility, or level of benefits a volunteer may be receiving under a governmental program at the time he or she becomes a volunteer. This means that if a volunteer was eligible for welfare, or food stamps, or medicaid at the time he or she became a volunteer, eligibility for these benefits continues. On the other hand, a person who becomes a volunteer, and whose income drops below the poverty line for that reason, does not become eligible for assistance payments.

ACTION does not of course, administer the welfare programs, and the responsibility for determining eligibility rests with the administering agency. We have not attempted to make any definitive count of those volunteers who are receiving public assistance, since this is information of a personal nature which the agency does not need.

We do know, of course, that most of our low income, locally recruited volunteers receive public assistance of some type. These volunteers account for about 20 percent of our full-time VISTA volunteers, and constitute the overwhelming majority of full-time volunteers receiving public assistance.

Question. Are there more elderly persons who want to partake in the various ACTION volunteer programs that there is room for, or are they all placed in the programs?

Answer. We know that project directors for the Foster Grandparent program and the Senior Companion program have a backlog of applicants. According to the Harris Survey, conducted in 1975 for the National Council on Aging, there are approximately 500,000 low-income elderly who would be eligible and desiring of serving in such programs; 3,900 older persons now serve in these two programs. Although more than 200,000 older Americans serve in the Retired Senior Volunteer program, this is only 10 percent of a conservative estimate of the total number of older Americans who might eventually serve in RSVP.

Mr. Flood. Thank you very much.

The hearing is recessed until 2 p.m.

JUSTIFICATION OF THE BUDGET ESTIMATES

INTRODUCTION

ACTION, the Federal agency for volunteer service, was established on July 1, 1971. Legislative authority for the Agency is provided by the Domestic Volunteer Service Act of 1973 as amended. The Agency brings together a number of volunteer programs including the Peace Corps, Volunteers in Service to America (VISTA), Foster Grandparents (FGP), Retired Senior Volunteer Program (RSVP), and University Year for ACTION (UYA).

Administration

The Director of ACTION and a Deputy administer all Agency programs, assisted by an Associate Director for International Operations and an Associate Director for Domestic and Anti-Poverty Operations. Supporting these Associate Directors are:

- an Assistant Director for Policy and Planning, responsible for agency-wide program planning, policy, budget planning and operations, and evaluation;
- an Assistant Director for Administration and Finance, who oversees agency administrative functions;
- Assistant Directors for Equal Opportunity, Congressional Affairs, Public Affairs, Special Affairs, a General Counsel and an Inspector General.

International programs are administered on a country-by-country basis, under the guidance of three Regional Directors, one each for Africa and Latin American countries and one for all other areas where the Peace Corps has volunteers--North Africa, the Near East, Asia, and the Pacific (NANEAP).

Domestic Programs are administered through regional offices in each of the ten standard Federal regions, with 48 state offices. Programs are administered in local communities within this regional structure.

ACTION FY 1978 Request

	FY 1977	FY 1978
Total (appropriations)	$189,777,000	$191,660,000
International Programs	80,667,000 1/	74,800,000
Domestic Programs	109,110,000 2/	116,860,000

Funds requested for the International Program reflect a decrease in volunteer years; however, the program will be operating in 65 underdeveloped and developing nations of the world. In addition to appropriated funds, the Peace Corps is expected to receive $4,000,000 in host country contributions in FY 1978.

Funds requested for the Domestic Program reflect an increase in VISTA and the Older American Volunteer Programs. All other domestic programs remain at the 1977 funding levels. Volunteer levels show an increase in both full-time volunteers and in part-time volunteers.

ACTION Volunteer Strength 3/

	FY 1977	FY 1978
International Programs (Full-time)	5,566	5,392
Domestic Programs		
(Full-time)	23,828	24,576
(Part-time)	231,000	252,250

1/ The total anticipated appropriation includes a $667 thousand supplemental request for pay increases.

2/ The total anticipated appropriation includes a $910 thousand supplemental request for pay increases.

3/ Full-time volunteers are measured in volunteer-years; i.e., the equivalent of one volunteer working full-time for one year. Part-time volunteers refer to end strength on September 30 of that fiscal year.

FY 1977 Highlights

In FY 1977 ACTION's domestic volunteer programs continued to develop and expand. The success of the Special Volunteer Programs in broadening the base of voluntarism in local communities is noteworthy. The Statewide Volunteer Coordinator programs have now reached 37 states. ACTION's Technical Assistance Program continues to provide local communities the technical skills needed to design and implement local volunteer programs.

ACTION continued to expand the number of volunteers enrolled in the Older American programs in FY 1977. Fifteen thousand stipended low-income older persons continued their service of providing the emotionally and/or physically handicapped child with a Foster Grandparent.

Low-income senior citizens in 43 communities provided voluntary companionship and personalized assistence at home to older persons who otherwise might be institutionalized.

A series of management task forces designed new planning systems and clarified lines of authority. The Recruiting function was reorganized to become part of the domestic regional offices to increase efficient management and to reduce duplication. The Offices of Public Affairs and of Special Affairs were created

Through the Peace Corps and its other international programs, ACTION is fielding in FY 1977 approximately 5,400 volunteers who are continuing to create and enhance a high level of understanding between Americans and the citizens of 65 other countries through the world.

ACTION is in the final stages of negotiation for entry of the Peace Corps in the Cook Islands and re-entry into the Gilbert Islands and Tuvalu. In Ethiopia no volunteers are projected for FY 1978, although a program office will be maintained, in anticipation of future placement of volunteers.

As a result of the International Conference on Volunteer Service attended by ACTION and interested parties from 87 nations, ACTION is undertaking an expanded effort in Special International volunteer programs. These programs include 50 volunteers in FY 1978 for the United Nations Volunteer Program, a program to assist private volunteer agencies such as C.A.R.E and Red Cross, and a program to provide technical cooperation and support to host country domestic volunteer programs.

Support Costs

Agency funds are requested in two separate appropriations, one for International Programs and one for Domestic Programs. Each of these appropriation requests include funding for a share of ACTION's support costs, such as volunteer recruitment, legal services, budgeting and accounting functions, and others. The share of administrative costs requested in each appropriation reflects the ratio of full-time personnel assigned to each activity versus total agency full-time personnel. The method of arriving at this ratio is explained more fully in the justification material for ACTION Agency-wide costs which begins on page 59.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Appropriation Language

For expenses necessary to carry out the provisions of the Domestic Volunteer Service Act of 1973, as amended, (P.L. 93-113, 42 U.S.C. 4951 et seq.), [$108,200,000] $116,860,000.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Amounts Available for Obligation

	FY 1977	FY 1978
Appropriation	$108,200,000	$116,860,000
Receipts and reimbursements from:		
Federal sources	---	---
Non-Federal sources	2,637,000	973,000
Pay raise supplemental	910,000	---
Total Available for Obligation	$111,747,000	$117,833,000

OPERATING EXPENSES, DOMESTIC PROGRAMS

Obligations by Activity

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Activity 1 Volunteers in Service to America (VISTA)	$ 23,000,000	$25,350,000	+ 2,350,000
Activity 2 Service Learning Programs	5,500,000	5,500,000	---
A. University Year for ACTION (UYA)	4,950,000	4,950,000	---
B. National Student Volunteer Program (NSVP)	326,000	326,000	---
C. Youth Challenge Program (YCP)	224,000	224,000	---
Activity 3 Older American Volunteer Programs	56,800,000	61,600,000	+ 4,800,000
A. Retired Senior Volunteer Program (RSVP)	19,000,000	20,100,000	+ 1,100,000
B. Foster Grandparent Program (FGP)	34,000,000	34,900,000	+ 900,000
C. Senior Companion Program (SCP)	3,800,000	6,600,000	+ 2,800,000
Activity 4 Special Volunteer Programs	2,500,000	2,500,000	---
A. Volunteer Mobilization Programs	1,943,000	2,030,000	+ 87,000
B. Special Emphasis Programs	309,000	470,000	+ 161,000
C. Full-Time Volunteer Programs	248,000	---	- 248,000

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Obligations by Activity - continued

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Activity 5 Program Support	$ 21,310,000	$ 21,910,000	+$ 600,000
Domestic Operations	12,708,000	12,538,000	- 170,000
Agency-Wide Costs	8,602,000	9,372,000	+ 770,000
Total Direct Program	$109,110,000	$116,860,000	+$7,750,000
Reimbursable Program	2,637,000	973,000	- 1,664,000
Total Obligations	$111,747,000	$117,833,000	+ 6,086,000
Pay Raise Supplemental	- 910,000	---	+ 910,000
Reimbursable Program	- 2,637,000	- 973,000	+ 1,664,000
Appropriation	$108,200,000	$116,860,000	+$8,660,000

OPERATING EXPENSES, DOMESTIC PROGRAMS

Obligations by Object

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Total number of permanent positions	468	468	---
Full-time equivalent of all other positions	11	11	---
Average number of all employees	472	472	---
Personnel compensation:			
Permanent positions	$ 8,441,000	$ 8,465,000	+$ 24,000
Positions other than permanent	460,000	292,000	- 168,000
Other personnel compensation	78,000	78,000	---
Special personal services payments	16,867,000	16,731,000	- 136,000
Subtotal, personnel compensation	$ 25,846,000	$25,566,000	-$ 280,000
Personnel benefits	1,420,000	1,554,000	+ 134,000
Benefits for former personnel	34,000	34,000	---
Travel and transportation of persons	2,835,000	3,011,000	+ 176,000
(Staff)	(914,000)	(906,000)	(- 8,000)
Transportation of things	91,000	101,000	+ 10,000
Rents, communications, and utilities	1,148,000	1,199,000	+ 51,000
(Building Rents)	(771,000)	(818,000)	(+ 47,000)
Printing and reproduction	182,000	182,000	---
Other services	1,525,000	2,804,000	+ 1,279,000
Supplies and materials	97,000	106,000	+ 9,000
Equipment	44,000	56,000	+ 12,000
Grants, subsidies, and contributions	67,286,000	72,875,000	+ 5,589,000
Net program obligations by object	$100,508,000	$107,488,000	+$ 6,980,000
Administrative expenses (Share of agency-wide costs)	$ 8,602,000	$ 9,372,000	+$ 770,000
Total Direct Obligations	$109,110,000	$116,860,000	+$ 7,750,000

Obligations by Object - continued

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Pay Raise Supplemental	- 910,000	---	+ 910,000
Appropriation	$108,200,000	$116,860,000	+$ 8,660,000
Reimbursable Obligations:			
Personnel Compensation:	---	---	---
Permanent positions.....	---	---	---
Positions other than permanent.....	12,000	11,000	- 1,000
Special personnel services payments.....	2,414,000	871,000	- 1,543,000
Total personnel compensation.....	2,426,000	882,000	- 1,544,000
Personnel Benefits Civilian.....	65,000	17,000	- 48,000
Travel and transportation of persons.....	106,000	44,000	- 62,000
Transportation of things...	7,000	---	- 7,000
Rents, Communications, and Utilities.....	2,000	---	- 2,000
Other services.....	31,000	30,000	- 1,000
Total reimbursable obligations.....	2,637,000	973,000	- 1,664,000
Pay Raise Supplemental	+ 910,000	---	- 910,000
Total Obligations	$111,747,000	$117,833,000	+$ 6,086,000

OPERATING EXPENSES, DOMESTIC PROGRAMS

Summary of Changes

FY 1977 Estimated Obligations	$109,110,000
FY 1978 Estimated Obligations	116,860,000
Net Change	+ 7,750,000

	1977 Base	Change from Base
Increases:		
Program:		
1. Volunteers in Service to America	$23,000,000	+$ 2,350,000
2. Retired Senior Volunteer Program (RSVP)	19,000,000	+ 1,100,000
3. Foster Grandparent Program (FGP)	34,000,000	+ 900,000
4. Senior Companion Program (SCP)	3,800,000	+ 2,800,000
5. Volunteer Mobilization Program	1,943,000	+ 87,000
6. Special Emphasis Program	309,000	+ 161,000
7. Program Support	21,310,000	+ 600,000
Total, increases	$103,362,000	+$ 7,998,000
Decreases:		
Program:		
1. Full-Time Special Volunteer Programs	248,000	- 248,000
Total, Decreases	$ 248,000	- 248,000
Total, Net Change		+$ 7,750,000

Explanation of Changes

Increases:

1. Volunteers in Service to America (VISTA) - In order for ACTION to carry out a VISTA Program at the same volunteer work-year level as fiscal year 1977, an increase of $2,350,000 is required. This extra amount will cover certain major expenses, such as on-the-job travel grants, supervision grants and volunteer health coverage, which because of funding during the transition quarter, are not included in the fiscal year 1977 base of $23,000,000.

Summary of Changes - continued

2. Retired Senior Volunteer Program (RSVP) - The $1,100,000 increase is required in order for ACTION to meet its annualized commitment to projects which are currently operating.

3. Foster Grandparent Program (FGP) - As in the RSVP Program, the increase of $900 thousand represents the extra amount ACTION will need to support all ongoing projects at the full twelve-month (annualized) cost of continuing operations.

4. Senior Companion Program (SCP) - During FY 1976 and the transition quarter, a major expansion was made in this program. Twenty-five new grants were awarded, bringing the total number of full-time, large scale projects to 43. An increase of $2,800,000 is required to fund these projects at the full twelve-month level and to avoid any disruption of the current program.

5. Volunteer Mobilization Programs - The net increase of $87 thousand in this area is accounted for by ACTION's decision to slightly increase funding for the mini-grants and statewide coordination efforts in FY 1978.

6. Special Emphasis Programs - The net increase of $161 thousand is attributable to ACTION's decision to continue programs in the areas of special emphasis in which models were established in FY 1977.

7. Program Support - In order for ACTION to maintain program support for its domestic programs at a level consistent with the fiscal year 1977 level, an additional $600,000 is required. These additional funds are primarily attributed to a slight increase in the funding level of agency-wide support costs and a percentage increase in Domestic Operation's share of these agency-wide support costs. Proposed increases in Program Direction and Administration are almost entirely offset by decreases in Evaluation and Training and Technical Assistance.

Decreases:

1. Full-Time Special Volunteer Programs - ACTION is terminating these programs during FY 1977 at an estimated final cost of $248 thousand and hence will require no funding for them in FY 1978.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Authorizing Legislation

Legislation	FY 1978 Authorized	FY 1978 Appropriation Requested
Domestic Volunteer Service Act of 1973, as amended, (42 U.S.C. Sec. 4951 et seq.)		
National Volunteer Anti-Poverty Programs	Indefinite	$33,350,000
National Older American Programs	$65,000,000	61,600,000
Retired Senior Volunteer Program	(22,000,000)	(20,100,000)
Foster Grandparent Program	(35,000,000)	(34,900,000)
Senior Companion Program	(8,000,000)	(6,600,000)
Administration and Coordination	Indefinite	21,910,000
Total		$116,860,000

OPERATING EXPENSES, DOMESTIC PROGRAMS

Appropriation History

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation a/
1972	$ 392,000	$ 392,000	$ 392,000	$ 79,136,000 b/
1973	98,425,000	94,107,000	94,107,000	94,107,000
1974	93,298,000	89,323,000	92,399,000	91,760,000
1975	102,344,000	96,000,000	100,000,000	100,000,000
1976	101,574,000	101,313,000	105,623,000	103,595,000
1977	93,902,000	108,200,000	108,200,000	108,200,000 c/
1978	116,860,000			

a/ Appropriated amounts include all enacted supplementals.

b/ ACTION was established in FY 1972. Funding for those domestic volunteer programs transferred to ACTION was transferred from the Office of Economic Opportunity, the Department of Health, Education and Welfare, the Small Business Administration, and the Department of Housing and Urban Development. These funding transfers amounted to $78,744,000. In addition, $392 thousand was directly appropriated to ACTION for the civilian pay increase effective January 9, 1972.

c/ A proposed supplemental for civilian pay raises of $910 thousand is excluded from this amount. This supplemental appropriation had not been enacted at the time the budget was prepared.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Action on Congressional Recommendations

There are no requirements for action on Congressional recommendations.

OPERATING EXPENSES, DOMESTIC PROGRAMS

General Statement

ACTION's FY 1978 request for its domestic programs is $116,860,000 These funds will allow the Agency to continue fulfilling its obligations, as stated in the amended Domestic Volunteer Service Act of 1973. Funds are included in this budget to support existing commitments and to continue programs at the FY 1977 funding level.

It is ACTION's goal to create volunteer opportunities for individuals interested in improving human and social conditions throughout the country. ACTION's volunteer programs appeal to many segments of the population. Volunteers devote anywhere from several hours to 40 or more hours per week of service to the communities in which they live and work.

All of ACTION's volunteer programs are locally administered, which helps to assure that volunteer activities are responsive to the needs of the communities in which they serve. At the community level ACTION programs are sponsored by state and local governments, educational institutions and private non-profit organizations. The sponsors of ACTION programs are encouraged to assume an increasing share of the project costs as individual projects mature.

All of ACTION's domestic programs will remain at the FY 1977 funding level with the exception of VISTA and the Older American Volunteer Programs (OAVP). OAVP programs are the Retired Senior Volunteer Program (RSVP), the Foster Grandparent Program (FGP) and the Senior Companion Program (SCP). Additional funds are required to maintain existing projects at their full twelve-month (annualized) cost.

This Agency will continue to extend volunteer opportunities to as many Americans as possible. More ACTION volunteers will be serving in FY 1978 than in FY 1977 both in full-time and in part-time programs.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Volunteer End Strength Summary a/

	FY 1977 Estimate	Revised FY 1978 Estimate
Full-time Programs	23,974	23,697
Volunteers in Service to America (VISTA)	4,843	4,690
Service Learning Program	1,431	1,307
University Year for ACTION	1,431	1,307
Older American Volunteer Programs	17,700	17,700
Foster Grandparent Program	15,100	15,100
Senior Companion Program	2,600	2,600
Part-time Programs	231,000	252,250
Service Learning Programs	3,000	2,250
Youth Challenge Program	3,000	2,250
Older American Volunteer Programs	228,000	250,000
Retired Senior Volunteer Program	228,000	250,000

a/ Volunteer summaries exclude special volunteer programs primarily intended for demonstration.

OPERATING EXPENSES, DOMESTIC PROGRAMS

Volunteer Year Summary a/

	FY 1977 Estimate	Revised FY 1978 Estimate
Full-time Programs	23,828	24,576
Volunteers in Service to America (VISTA)	4,724	4,724
Service Learning Programs	1,590	1,452
University Year for ACTION	1,590	1,452
Special Volunteer Programs	414	---
ACTION Cooperative Volunteer Program	414	---
Older American Volunteer Programs	17,100	18,400
Foster Grandparent Program	15,300	15,700
Senior Companion Program	1,800	2,700

a/ Volunteer summaries exclude special volunteer programs primarily intended for demonstration.

Budget Activity 1
VOLUNTEERS IN SERVICE TO AMERICA

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Directly Supported	$18,400,000	$20,925,000	+$2,525,000
Volunteer Support	16,137,000	17,357,000	+ 1,220,000
Project Support	718,000	1,803,000	+ 1,085,000
Training and Technical Assistance	1,545,000	1,765,000	+ 220,000
Reimbursable Cost-Shared	$ 2,124,000	$ 2,023,000	-$ 101,000
Volunteer Support	1,813,000	1,848,000	+ 35,000
Training and Technical Assistance	311,000	175,000	- 136,000
Grant Supported	$ 3,538,000	$ 3,375,000	-$ 163,000
Program Total	24,062,000	26,323,000	+ 2,261,000
Sponsor Contributions	- 1,062,000	- 973,000	+ 89,000
Total Funds Requested	$23,000,000	$25,350,000	+$2,350,000

General Statement

The VISTA Program is authorized under Title I, Part A, of the Domestic Volunteer Service Act of 1973, as amended. Since 1965, VISTA has provided full-time volunteers to assist communities in working on the problems of poverty. During this period nearly 50,000 Americans have had the opportunity to serve as volunteers for one or more years of their lives. They have worked for various kinds of sponsoring agencies:

- day care centers
- legal services agencies
- self-help housing groups
- neighborhood planning and design centers
- Community Action Agencies
- cities
- counties
- local colleges

Budget Activity 1: VOLUNTEERS IN SERVICE TO AMERICA - continued

This volunteer effort has aided sponsors in reaching more people and in accomplishing their goals. Typical of the VISTA approach has been:

- the placement of both locally and nationally recruited volunteers in the same project;
- the use of volunteers skilled in the methods of mobilizing financial and other kinds of resources for their communities;
- the special emphasis on supporting "grass roots" sponsors (i.e., organizations in which low-income people maintain control);
- the operation of a technical assistance system geared to aid volunteers confronted with specific problems; and
- the operation of a recruitment system designed to attract volunteers with valuable skills.

The history of VISTA has been a successful demonstration of how Americans willing to volunteer their talents full-time can provide useful, innovative and necessary service to sponsors and the poor communities the sponsors serve.

A survey conducted in January, 1976 found that the average VISTA project had mobilized in the previous year $67 thousand of funds, materials or facilities to assist the poor. Food stamps, Title I Education funds, Department of Housing and Urban Development Model Cities and subsidized housing funds, Supplemental Security Income, welfare eligibility, migrant programs, Labor Department manpower programs, and Office of Economic Opportunity/Community Services Administration grant funds are some examples of Federal programs utilized by poor people because of VISTA intervention. This same survey asked sponsoring organizations to list the primary activity of each of their volunteers. The following chart gives a breakdown of volunteers' primary activities within major categories:

Budget Activity 1: VOLUNTEERS IN SERVICE TO AMERICA - continued

Category	Percent of Volunteers Within Category	Primary Activities Within Category
Social and Legal Service	42.3	Crime prevention, consumer education, welfare rights, counseling, recreation, proposal writing, lawyers, para-legals, legal education
Education/Manpower	19.7	Day care, alternate education, adult education, tutoring, job development, job training
Health	12.1	Food and nutrition, mental health, health services planning and education, alcohol and drug abuse, family planning
Housing	9.4	Home improvement, landlord-tenant relations, self-help housing, housing referral, homeowner counseling, housing design and construction
Economic Development	6.0	Food and crafts, cooperatives, entrepreneurial and community development
Community Planning	5.1	Area planning, community facilities, transportation systems
Unlisted	5.4	

Aside from the value of VISTA service to the poor and to sponsoring agencies, volunteers often find that their experiences have left a mark on their own lives. Those from low-income backgrounds (now about 20 percent of the number of current volunteers) receive aid in career-planning and frequently find VISTA a step to employment or educational opportunities. Many volunteers from middle class backgrounds find their goals in life have changed to service in helping professions like teaching, social work, health or other people-oriented activities. Most middle class volunteers return to their former lives with stronger respect and sympathy for the poor as well as a hard-headed understanding of the problems of poverty in America.

Budget Activity 1: VOLUNTEERS IN SERVICE TO AMERICA - continued

In recent years, ACTION has experimented with new concepts of full-time volunteer service, in which sponsors themselves might carry out the recruitment, selection and placement of volunteers, conduct training, supervise volunteers, and raise funds.

In the ACTION Cooperative Volunteers Program (ACV), ACTION made agreements with sponsors to share the direct costs of fielding volunteers, while under the Program for Local Service (PLS), ACTION awarded grants which allowed sponsors to undertake both programmatic and support functions. Both of these experiments have demonstrated that sponsors can provide a significant share of the resources and expertise required to operate a volunteer program. As a result, VISTA in FY 1977 incorporated the two experimental concepts in a number of projects, and will commit a portion of FY 1978 funds to continue them.

The following table gives data on training and volunteer years:

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Trainee Entries	4,036	3,665	-371
Directly Supported	3,220	3,390	+170
Cost-Shared	816	275	-541
Volunteer Years Funded			
Trainees	110	101	- 9
Directly Supported	88	93	+ 5
Cost-Shared	22	8	- 14
Field	4,724	4,724	---
Directly Supported	3,635	3,635	---
Cost-Shared	394	394	---
Grants	695	695	---
End-Strength	4,843	4,690	-153
Directly Supported	3,483	3,572	+ 89
Cost-Shared	665	423	-242
Grants	695	695	---

Budget Activity 1: VOLUNTEERS IN SERVICE TO AMERICA - continued

Budget Justification

The FY 1978 budget request of $25,350,000 will allow VISTA to operate at the same program level as FY 1977. Thus, as in FY 1977, the budget request will support 4,724 volunteer years of service. Of the $25,350,000, $20,925,000 will finance volunteers under the "standard" system of direct federal support. This request will also allow VISTA to continue its efforts, begun during the previous fiscal year, to encourage greater participation by sponsors and communities in the support and direction of volunteers. Accordingly, $1,050,000 and $3,375,000 are requested to support cost-shared volunteers and VISTA grant projects respectively.

Directly-Supported Volunteers $20,925,000

Volunteer Support - VISTA volunteers are supported at a level commensurate with the income of the poverty population in the communities where they serve. The allowances paid average $350 per month, and cover costs associated with volunteer service: food and lodging, living expenses, leave, and a small stipend held in trust for readjustment expenses following service. Benefits in the form of the Federal share of Social Secruity and health coverage are $7.31 and $18.25 per month respectively. Also covered in this category is ACTION's reimbursement to the Department of Labor for volunteers' claims under Federal Employees Compensation (FEC), and certain travel expenses.

Although the number of volunteer work-years will remain the same as compared to FY 1977, volunteer support increases by $1,220,000. This is caused primarily be an increase of $165 thousand in FEC, the refunding of the volunteer health contract (an increase of $797 thousand) and a $209 increase in volunteer representation (regional and national conferences in which volunteers have the opportunity to present their views about terms and conditions of their service).

Project Support - Volunteers receive project support in the form of supervision from their local sponsors and travel funds for job-related travel. Many of these sponsors are grass-roots organizations which cannot bear the full costs for supervisory staff nor for the volunteers' transportation costs. In such cases, ACTION funds a share of these costs under individually-negotiated agreements. The $1,085,000 increase over FY 1977 is caused primarily be the refunding in FY 1978 of those on-the-job travel and supervision agreements not requiring funding in FY 1977.

Training and Technical Assistance - Volunteers receive training both before and during their time of service. Low-income, locally recruited volunteers also are entitled to career training and assistance. Funds in this category cover travel, consultant-trainers, supplies, materials,

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Budget Activity 1: VOLUNTEERS IN SERVICE TO AMERICA - continued

training per diem and other costs. The provision of training and technical assistance to project directors and supervisors incurs similar costs. The increase of $220 thousand in the category results from the adoption nationally of a more expensive career advancement model, and a general effort to improve in-service and supervisory training.

Reimbursable Cost-Shared Volunteers $2,023,000

Volunteer Support - Under this method of fielding VISTA volunteers, ACTION and the sponsor enter into agreements in which the sponsor pays either 50 percent or 100 percent of direct volunteer support costs (e.g. volunteer allowances, Social Security, health benefits and certain travel expenses). $1,848,000 is required for volunteer support to fund the estimated 394 volunteer-years of cost-shared service.

Training and Technical Assistance - Cost-shared volunteers and sponsors receive the same kinds of training and technical assistance as directly-supported ones. VISTA and sponsors share the cost of pre-service and in-service training; VISTA bears the entire cost of career assistance to low-income, locally recruited volunteers, supervisory training, and technical assistance. In FY 1978, $175 thousand is required for this category.

Sponsors' Contributions - ACTION anticipates $973 thousand in sponsors' contributions as a result of cost-sharing agreements. These reimbursements are the sponsors' share of direct volunteer support costs. Since the total cost of cost-shared volunteer years will be $2,023,000, the sponsors' contributions of $973 thousand will reduce the actual Federal cost to $1,050,000.

Grant Supported Volunteers $3,375,000

In FY 1978, ACTION will generate approximately 695 volunteer-years through VISTA grants. ACTION makes grants to state and local governments and private, non-profit groups. These organizations assume 10 percent of the cost of operating the volunteer program in the first year of the grant. It is the responsibility of the sponsor to design the program, recruit the volunteers from the community and provide the necessary project support. When a grant is renewed for a second year, the sponsor's share of total costs increases to 20 percent. In succeeding years, the sponsor is expected to pick up an increasing share of total costs.

Of the total 695 volunteer work-years, 140 will be generated by new grantees and 555 are associated with grantees that will receive renewed funding.

Budget Activity 2
SERVICE LEARNING PROGRAMS

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
A. University Year for ACTION	$4,950,000	$4,950,000	---
B. National Student Volunteer Program	326,000	326,000	---
C. Youth Challenge Program	224,000	224,000	---
Total Obligations	$5,500,000	$5,500,000	---

General Statement

The Service-Learning Programs authorized by Title I, Part B, of the Domestic Volunteer Service Act of 1973 provide a unique opportunity to blend the interests and energies of the student population with the resources available to educational institutions in the continuing effort to eliminate poverty and poverty-related problems. Students may be in colleges or in high schools and may be involved on a full-time or part-time basis.

In FY 1978, while major emphasis continues to be placed on the University Year for ACTION Program (UYA), emphasis is also being made on providing services and information to educational institutions under the National Student Volunteer Program (NSVP).

The Youth Challenge Program (YCP) provides greater opportunities, on a part-time uncompensated basis, for young people from 14 to 21 years old to serve in projects addressing the needs of the poor.

Both UYA and YCP have proven to be highly successful programs. They have demonstrated the need for and viability of service-learning programs in college and high school communities.

The University Year for ACTION program is very cost effective. A contracted study prepared for ACTION established a formula which assigns a fair market dollar value to each volunteer's service, including the resources mobilized through his effort. The total average benefit according to the study is at least $18,061. Using the established $3,500 cost to ACTION to fund one volunteer, the cost benefit ratio is better than 5 to 1.

Budget Activity 2 - SERVICE LEARNING PROGRAMS - continued

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Volunteer Years Funded.			
Full-Time Programs			
University Year for ACTION (UYA)	1,590	1,452	-138
On-Board End Strength			
Full-Time Programs			
University Year for ACTION (UYA)	1,431	1,307	-124
Part-Time Programs			
National Student Volunteer Program (NSVP) a/	(560,000)	(560,000)	(---)
Youth Challenge Program (YCP)	3,000	2,250	-750

a/ Because this indigenous student movement represents volunteer programs serviced by ACTION rather than sponsored directly, the numbers are not included in the total strength resulting from program obligations.

A discussion of the individual Service Learning Programs follows.

Budget Activity 2A
UNIVERSITY YEAR FOR ACTION (UYA)

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Volunteer Years Funded	1,590	1,452	- 138
Volunteer End-Strength	1,431	1,307	- 124
Number of Schools Funded	53	49	- 4
Continuing	(39)	(36)	(- 3)
New	(14)	(13)	(- 1)
Obligations:			
Program Grants	$4,876,000	$4,494,000	-$ 382,000
Continuing	(3,336,000)	(3,064,000)	(- 272,000)
New	(1,540,000)	(1,430,000)	(- 110,000)
Direct Volunteer Costs	22,000	396,000	+ 374,000
Training and Technical Assistance	52,000	60,000	+ 8,000
Total Obligations	$4,950,000	$4,950,000	$ ---

General Statement

The University Year for ACTION Program (UYA) encourages universities and colleges, both public and private, to participate with community organizations in combating poverty and poverty-related local problems. By providing these academic institutions the financial means by which they can effectively mobilize volunteers and other resources, ACTION assists the innovative efforts of community organizations and agencies in solving their local problems.

University Year for ACTION offers individuals the opportunity for a year's full-time volunteer service. During that year volunteers provide a variety of services to meet a range of community needs while enhancing their learning experiences. UYA volunteers receive academic credit for their service.

Universities are responsible for cooperating with local communities in initiating project plans, developing volunteer stations, and

administering the projects. A university's responsiveness to community needs and its ability to combat poverty effectively are prime considerations for project approval by ACTION.

Grants awarded to participating universities help to cover the costs of management and payments to the volunteers. ACTION bears a decreasing share of project costs as the universities gain in their ability to stimulate community voluntarism. ACTION's policy is to assist schools financially for a period of three years with the project absorbing a larger share of the operating costs each year. After the third year of operation each school must make every effort to maintain a service-learning program. This approach assures that the basic features of the service-learning model are made available to different colleges and universities over a period of years.

The University Year for ACTION Program is a cost-effective volunteer delivery system. In the five-year period since the start of the Program in 1971, and concluding in June 1976, 8,900 university and college students at 91 educational institutions have been enrolled as UYA volunteers. These volunteers provided 6,598 work-years of community service dedicated to combating the problems of poverty.

Budget Justification

In FY 1978, ACTION is requesting $4,950,000 for the University Year for ACTION Program (UYA), the same funding level as FY 1977. The $4,950,000 will be used as follows:

Program Grants $4,494,000

The $4,494,000 request for UYA grants represents a net decrease of $382 thousand. This request for grants represents $3,064,000 for the 36 schools expected to be continued in the program. The $1,430,000 will be used to fund 13 new schools commencing operation during FY 1978. Planning grants will be awarded to each new school to assist in covering the costs of personnel needed to finalize the university's project and plan its implementation so as to meet the established project objectives.

Direct Volunteer Costs $396,000

This request of $396 thousand for direct volunteer costs is an increase of $374 thousand. Funding for this purpose was not required in FY 1977. This represents only direct volunteer health costs increasing from $174 to $219 per volunteer work-year in FY 1978. Volunteer allowances will all be financed through grants with no direct payments from ACTION headquarters.

Budget Activity 2A: UNIVERSITY YEAR FOR ACTION - continued

Training and Technical Assistance $60,000

University Year for ACTION (UYA) supervisors and volunteers will receive training and technical assistance through ACTION's integrated regional training system. This request permits a UYA Seminar in each region. Grantee supervisors will receive basic training and exchange ideas regarding their projects and volunteer training. Included is $10 thousand for technical assistance and communications costs.

Budget Activity 2B
NATIONAL STUDENT VOLUNTEER PROGRAM (NSVP)

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
National Student Volunteer Program	$326,000	$326,000	---

General Statement

The National Student Volunteer Program (NSVP) is a special service-learning program operating under authority of Section 114 of the Domestic Volunteer Service Act of 1973. NSVP's mission is to support and promote the concept of service learning programs which enhance learning while enabling students to participate in community service efforts designed to eliminate poverty and poverty-related human, social and environmental problems.

NSVP is a technical assistance service-delivery program which provides technical assistance materials, training seminars and consultation services to help new student service-learning programs to begin, and existing service-learning programs to improve, their efforts to solve local poverty programs. NSVP has no authority over local program activities and does not grant operating funds.

NSVP's policy is to respond to legitimate requests for assistance it receives from the clientele it serves. In FY 1978, it is expected that NSVP will respond to approximately 8,000 requests for assistance.

Students continue to work in a large number of independently sponsored and supported projects covering such major areas of involvement as education, legal assistance, health, and assistance to the aging.

Budget Justification

In FY 1978, ACTION is requesting a total of $326 thousand for NSVP, the same as in FY 1977. Approximately $212 thousand will be used to support two contracts. One of these contracts, totaling $112 thousand, will be to develop three issues of Snyergist, a technical assistance journal for college and high school service-learning programs. The other contract, totaling $100 thousand, will be aimed at helping NSVP design and develop technical materials, field experts to perform on-site consultations and problem-solving and deliver training seminars for the various service-learning programs. The remaining $114 thousand will be used for printing the journal, Synergist, and for new manuals and materials.

Budget Activity 2C
YOUTH CHALLENGE PROGRAM (YCP)

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Volunteer End Strength	3,000	2,250	-750
Number of Grants	20	15	- 5
Continuing	(14)	(6)	(- 8)
New	(6)	(9)	(+ 3)
Obligations:			
Program Grants	$224,000	$224,000	---
Continuing	(119,000)	(72,000)	(---)
New	(105,000)	(152,000)	(---)
Total Obligations	$224,000	$224,000	---

General Statement

The Youth Challenge Program (YCP) was established to test a full range of volunteer delivery models for young people, ages fourteen to twenty-one years, serving poverty communities. An evaluation of the Youth Challenge Program indicates that young people are responding well and can effectively and productively serve the needs of the poor and the handicapped. The integration of community service into the learning process is being well received by both the student volunteers and educational institutions.

The program includes progressive cost-sharing with the aim of achieving total operation by the local community in two years or less. It is administered through grants to a cross section of non-profit organizations including local government, high schools and public school systems, community colleges, universities, community agencies and volunteer service organizations.

Budget Justification

For FY 1978, $224 thousand is requested for the Youth Challenge Program, the same funding level as FY 1977. It is proposed that a total of 15 grants will be awarded using the most successful models identified in the two-year

demonstration period. Each grant will provide up to 70 percent of the total project costs during the first year of operation and up to 50 percent during the second year. Local sources will pay for the remaining costs. These funds will enlist an estimated 2,250 part-time volunteers in poor communities across the country.

The average grant is awarded to provide staff support in the placement of volunteers. The average number of volunteers per project is approximately 150.

Assuming 6 hours of work each week for 9 months, 2,250 volunteers at $2 per hour would produce approximately $972 thousand. Compared to the $224 thousand requested, this production would result in a benefit-cost ratio of about 4:1. This analysis does not include any estimate for the resources that will be mobilized by the grantees. It is clear that the latter figure cannot be less than $137 thousand by virtue of the 30 percent matching requirement for the first year of funding.

Budget Activity 3
OLDER AMERICAN VOLUNTEER PROGRAMS

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
A. Retired Senior Volunteer Program	$19,000,000	$20,100,000	+$1,100,000
B. Foster Grandparent Program	34,000,000	34,900,000	+ 900,000
C. Senior Companion Program	3,800,000	6,600,000	+ 2,800,000
Total Obligations	$56,800,000	$61,600,000	+$4,800,000

General Statement

Until FY 1974 the Older American Volunteer Programs were authorized under Title VI of the Older Americans Act of 1965, as amended. In FY 1974, Title II of the comprehensive Domestic Volunteer Service Act of 1973 became the authorizing legislation under which these programs operate.

All the Older American Volunteer Programs provide individuals ages 60 and over an opportunity to participate in service projects beneficial to their communities. Retired adults have time, talent, energy, a willingness to serve and an established reputation for reliability. Older American volunteers benefit themselves and others by remaining actively involved in community activities. America's older population is a valuable, but often untapped human resource.

As a means of assuring that Older American volunteers serve needs that are important to the communities in which they volunteer and that the projects are administered effectively and economically, all Older American projects are administered by local sponsors. Sponsors are generally State or local governments or private non-profit organizations. Grantees receiving ACTION funds are expected to employ the talents of older persons by providing them opportunities for volunteer service which contribute to alleviating community problems.

It is planned that there will be approximately 268,000 volunteers at the end of FY 1978.

Budget Activity 3: OLDER AMERICAN VOLUNTEER PROGRAMS - continued

Volunteer End Strength

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
A. Retired Senior Volunteer Program	228,000	250,000	+22,000
B. Foster Grandparent Program	15,100	15,100	---
C. Senior Companion Program	2,600	2,600	---
Total	245,700	267,700	+22,000

The FY 1978 request for Older American Programs is $61,600,000, an increase of $4,800,000 over FY 1977. More specific information on Older American Volunteer Programs is detailed on the following pages.

Budget Activity 3A
RETIRED SENIOR VOLUNTEER PROGRAM

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Program Data:			
Volunteer End Strength	228,000	250,000	+ 22,000
Number of Grants Funded	660	679	+ 19
Continuing	660	679 a/	+ 19
New	---	---	---
Obligations:			
Continuing Program Grants	$18,780,000	$19,880,000	+$1,100,000
New Program Grants	---	---	---
Training and Technical Assistance	220,000	220,000	---
Total Obligations	$19,000,000	$20,100,000	+$1,100,000

a/ During the transition quarter 19 new projects were funded that do not require FY 1977 funding.

General Statement

The Retired Senior Volunteer Program (RSVP) is a part-time volunteer program for individuals 60 years or above, who are interested in devoting their talents and energies toward the betterment of the communities in which they live. Retired Senior volunteers do not receive a stipend for their efforts. They are compensated for transportation costs to and from volunteer stations, meals, uniforms, and other miscellaneous items. There are no specific skills required for enrollment.

Retired Senior volunteers provide a wide range of service activities. Some volunteers conduct telephone reassurance projects designed to verify the well-being of shut-ins. Other volunteers serve as probation officers in the juvenile court system. A major emphasis in FY 1978 will be the placement of more Retired Senior volunteers in the public schools, where they will relate their valuable experiences to the younger generation. It is a standard policy of the Retired Senior Volunteer Program that volunteers do not replace regularly employed workers, nor impair existing services, rather they provide services that would otherwise not exist.

Budget Activity 3A: RETIRED SENIOR VOLUNTEER PROGRAM - continued

Retired Senior Volunteer projects are wide ranging because the needs of America's communities are wide ranging. Projects are locally planned, operated and controlled. This is a major element of the popularity and success of this program.

The RSVP program utilizes more volunteers than any of ACTION's other programs. As of September 30, 1976 there were 679 RSVP projects in operation and approximately 205,000 volunteers serving in all 50 States the District of Columbia, Puerto Rico and the Virgin Islands. Serving an average four hours a week, Retired Senior volunteers served approximately 35,000,000 hours during FY 1976.

Local sponsors are required to assume an increasing share of project costs as projects mature. In FY 1976 this cost-sharing arrangement was altered. Previously sponsors had been required to provide 50 percent of the total project costs by the fifth year of a project's existence, with continued local support at this level in ensuing years. Many sponsors, because of a scarcity of local resources, found that this was an unrealistic policy. In FY 1976, ACTION changed this policy so as to require sponsors to provide 30 percent of the total project costs by the third year of a project's existence with continued local support at this level in subsequent years.

Budget Justification

In FY 1978, ACTION is requesting $20,100,000 for the Retired Senior Volunteer Program, which is $1,100,000 above the funding level in FY 1977. The funds will be used as follows:

Continuing Program Grants — $19,880,000

The $19,880,000 will be used to support 679 grants. The number of continuing projects which require funding in FY 1977 increases from 660 to 679 in FY 1978. Nineteen projects initiated during the transition quarter do not require FY 1977 funding. This partially explains the increase in funds needed for continuing program grants in FY 1978. Another reason that the RSVP program requires additional funds for this item in FY 1978 is to ensure twelve-month funding for all existing grants.

Budget Activity 3A: RETIRED SENIOR VOLUNTEER PROGRAM - continued

RSVP funds are used primarily to cover the administrative costs of the local projects. As stated previously RSVP volunteers receive no monetary compensation, but are reimbursed for out-of-pocket expenses such as meals and transportation. In FY 1978, the Retired Senior Volunteer Program will continue to be ACTION's least costly program in terms of cost per volunteer, less than $90. No new grants are planned in FY 1978.

Training and Technical Assistance $ 220,000

These funds are used primarily to train local project directors, provide for recognition materials such as pins, ribbons and buttons, which are used to recognize the volunteers' service; and recruitment materials, which are used to assist sponsors in recruiting volunteers. The FY 1978 request for this item is the same as the FY 1977 funding level.

Budget Activity 3B
FOSTER GRANDPARENT PROGRAM

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Volunteers Funded	15,300	15,700	+ 400
Volunteer End Strength	15,100	15,100	---
Number of Grants Funded	187	194	+ 7
Continuing	177	194 a/	+ 17
New	10	---	- 10
Obligations:			
Continuing Program Grants	$32,830,000	$34,830,000	+$2,000,000
New Program Grants	1,100,000	---	- 1,100,000
Training and Technical Assistance	70,000	70,000	---
Total Obligations	$34,000,000	$34,900,000	+$ 900,000

a/ During the transition quarter, seven new projects were funded that do not require FY 1977 funding.

General Statement

The Foster Grandparent Program (FGP) provides volunteer opportunities to low-income individuals ages 60 and above. Foster Grandparent volunteers serve emotionally disturbed, mentally retarded and physically handicapped children in residential institutions, such as hospitals, children homes and correctional institutions and non-residential institutions, particularly schools, day care and pre-school centers. Some volunteers also serve in private homes. FGP volunteers serve four hours a day, five days a week. One volunteer normally provides personalized attention to two children.

It is ACTION's policy that 80 percent of a project's total cost goes to the volunteer in the form of direct benefits. The principal direct benefit is the stipend, which is approximately $1,670 per annum. Other direct benefits include meals whenever feasible, transportation to and from volunteer stations, an annual physical examination, uniforms, and accident insurance coverage. The remaining project costs are administrative, which are used to pay staff salaries and other support costs, such as staff travel and equipment.

Budget Activity 3B: FOSTER GRANDPARENT PROGRAM - continued

Several parties derive benefits from the Foster Grandparent Program. The volunteer benefits from increased social contact, more financial security, improved health and the opportunity of helping others. The children benefit primarily by the care and love that is shown them. Child care stations also benefit by being more able to effectively utilize their permanently employed staff.

Foster Grandparent grants are awarded to State and local governments and private non-profit institutions. ACTION allocates FGP grants on the basis of a State's low-income population 60 years or older.

As of September 30, 1976, there were 184 FGP projects and approximately 13,900 volunteers serving throughout the country.

Budget Justification

The FY 1978 request for the Foster Grandparent Program is $34,900,000, an increase of $900,000 above last year's level.

Continuing Program Grants $34,830,000

The FY 1978 request for continuing grants is $34,830,000 which is an increase of $2,000,000 above the FY 1977 level. These additional funds are needed to support seven projects initiated during the transition quarter that do not require FY 1977 funding and 10 new projects that will be funded in FY 1977. No new program grants are planned during FY 1978.

Training and Technical Assistance $70,000

The $70 thousand requested for training and technical assistance will be used primarily to train local project directors and purchase recognition materials, that are used to honor volunteers for their service.

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Budget Activity 3C
SENIOR COMPANION PROGRAM

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Volunteers Funded	1,800	2,700	+ 900
Volunteer End-Strength	2,600	2,600	---
Number of Grants Funded	28	43	+ 15
Continuing	28	43 a/	+ 15
New	---	---	---
Obligations:			
Continuing Program Grants	$3,780,000	$6,580,000	+$2,800,000
New Program Grants	---	---	---
Training and Technical Assistance	20,000	20,000	---
Total Obligations	$3,800,000	$6,600,000	+$2,800,000

a/ During the transition quarter 15 new projects were funded that do not require FY 1977 funding.

General Statement

The Senior Companion Program (SCP) provides low-income individuals ages 60 and over opportunities to perform volunteer service in their communities. Senior Companion volunteers serve older persons, who are very often invalids, receiving institutional care in hospitals, nursing homes and homes for the aged. Senior Companion volunteers also provide personalized assistance to individuals who reside in private homes. Volunteers serve four hours a day, five days a week. This program provides further proof of the important resource that older Americans are to their communities.

The Senior Companion Program is modeled after the Foster Grandparent Program. Many of the Foster Grandparent Program policies also apply to the Senior Companion Program. For example, ACTION requires the grantee to spend at least 80 percent of the total project costs on direct volunteer benefits. The primary benefit that Senior Companion volunteers

receive is a stipend of $1,670 per annum. As in the Foster Grandparent Program, Senior Companion volunteers receive meals whenever feasible, transportation to and from the volunteer stations, an annual physical examination, uniforms and accident insurance coverage.

Senior Companion grants are awarded to State and local governments and non-profit organizations. There are currently Senior Companion projects in 38 States and Puerto Rico. As of September 30, 1976, there were 43 Senior Companion projects and approximately 1,600 volunteers serving.

Budget Justification

ACTION is requesting $6,600,000 in FY 1978 for the Senior Companion Program, an increase of $2,800,000 above the FY 1977 level.

Continuing Program Grants $6,580,000

The FY 1978 request for continuing grants is $6,580,000, an increase of $2,800,000 above the FY 1977 level. These additional funds will be used to fund 15 Senior Companion grants that were initiated during the transition quarter, but do not require FY 1977 funding.

Training and Technical Assistance $20,000

This category includes the cost of training project directors and the provisions of supplies and appropriate recognition material designed to recognize volunteer achievement.

Budget Activity 4
SPECIAL VOLUNTEER PROGRAMS

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
A. Volunteer Mobilization Programs	$1,943,000	$2,030,000	+$ 87,000
B. Special Emphasis Programs	309,000	470,000	+ 161,000
C. Full-Time Volunteer Programs	248,000	---	- 248,000
Total Obligations	$2,500,000	$2,500,000 a/	---

a/ No new Full-Time Volunteer Programs are being proposed for FY 1978.

General Statement

The Special Volunteer Programs, authorized by Title I, Part C of the Domestic Volunteer Service Act of 1973, are designed to identify and engage wider segments of the population which could participate in and/or benefit from volunteer efforts.

Taken together, FY 1978 Special Volunteer Programs continue to broaden the base of voluntarism in local communities and to permit further expansion into new areas. In this way, increased numbers of Americans of all ages and backgrounds can be united in furthering our tradition of community and national service.

Budget Activity 4A
VOLUNTEER MOBILIZATION PROGRAMS

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Grants	165	207	+ 42
State Volunteer Services Coordinator Program	(24)	(23)	(- 1)
Mini-Grant	(136)	(179)	(+ 43)
Technical Assistance for Private Voluntarism	(2)	(2)	(---)
Urban Service Volunteer Program	(3)	(3)	(---)
Obligations:			
State Volunteer Services Coordinator Program	$ 862,000	$1,000,000	+$138,000
Mini-Grant Program	380,000	500,000	+ 120,000
Technical Assistance for Private Voluntarism	500,000	400,000	- 100,000
Urban Service Volunteer Program	201,000	130,000	- 71,000
Total Obligations	$1,943,000	$2,030,000	+$ 87,000

General Statement

ACTION's Volunteer Mobilization Programs provide state and local communities with resources to develop, implement and/or coordinate local volunteer service programs. Underlying the theme of these programs is the expectation that ACTION will encourage the voluntary movement in the nation without dominating it, support it without making it dependent, and guide it without directing it. In FY 1978, the Volunteer Mobilization Programs will continue to be used as catalysts to encourage local initiatives to develop a permanent structure for the integration of volunteer service efforts on local, regional, and state-wide levels.

Budget Activity 4A: VOLUNTEER MOBILIZATION PROGRAMS - continued

ACTION will deliver aid to the voluntary sector through grants, technical assistance and information in ways that provide for the autonomy, independence and flexibility of the private agencies.

Budget Justification

State Volunteer Services Coordinator Program (Statewide) $1,000,000

The purpose of this program is to establish and/or strengthen State offices of volunteer services to maximize the effectiveness of volunteers delivering social services through State agencies and departments as well as providing assistance to local community organizations. Examples of activities conducted with the Statewide grants are:

a. In New Mexico, the Statewide Coordinator participated with ACTION staff in identifying the technical assistance needs throughout the State for various types of volunteer organizations. As a result of the needs assessment, the Statewide Office in cooperation with ACTION staff implemented a wide variety of technical assistance workshops, seminars, and meetings involving over 700 individuals. A requirement of participation was that information would be shared with other local community groups.

b. In Rhode Island, the Statewide Coordinator provided the interchange for the Ladd School of Providence (an institution for mentally retarded youngsters) to obtain the services of graduate students and seniors in business curricula at the University of Rhode Island to establish an inventory control system. Ladd now has a computer system for their multi-million dollar inventory, and the students have practical experience in setting up this system and also providing Ladd with enough data for additional systems to be implemented in the future.

The program provides grants to State governments on a 75 percent ACTION/25 percent State matching basis in the first year of operation and on a 50-50 matching basis in the second and third year.

Budget Activity 4A: VOLUNTEER MOBILIZATION PROGRAMS - continued

Thirty-seven States will have started programs through ACTION assistance by the end of FY 1977. ACTION is requesting $1,000,000 in FY 1978 for 16 continuation and seven new grants.

Mini-Grant Program $500,000

The Mini-Grant Program provides funds, ranging in size from $300 to $5 thousand per grant, to local, public and non-profit organizations to mobilize part-time volunteers to work on human, social and environmental problems, particularly as they relate to poverty. Specific project goals must be achievable within definite time periods. All volunteers generated by the grantee organizations work part-time and receive no reimbursement from ACTION, although out-of-pocket expenses are sometimes provided.

The ACTION guidelines require that for every Federal dollar awarded, a minimum of one volunteer-hour of service must be generated. In addition, for every dollar requested over $2 thousand, a matching local contribution is required.

In FY 1976, ACTION awarded 167 grants averaging approximately $2.8 thousand per grant for a broad range of program activities. Examples of the type of activity financed by these grants are:

a. In Western Pennsylvania, the Female Offenders Program exists to keep women from returning to criminal behavior. The program achieves this through jobs and strong supportive services--volunteers locate housing; tutor children; and provide crisis assistance. These volunteers were professionally trained with the aid of an ACTION Mini-Grant.

b. The Parenthood Project of Bernalillo County, New Mexico uses trained volunteer home visitors to support and help with child/parent relationships. The parents are young, low-income persons with both economic and emotional problems who consider putting their babies up for adoption. These volunteers counsel, tutor and educate the parents and children.

In FY 1978, ACTION's request of $500 thousand will enable approximately 179 applicants to receive funds.

Budget Activity 4A: VOLUNTEER MOBILIZATION PROGRAMS - continued

Technical Assistance Program $400,000

ACTION's Technical Assistance Program provides local communities organizations, and individuals with the skills they need to design and implement local volunteer programs for the alleviation of local social and economic problems, and is careful to insure that activities in this area do not duplicate that of the private sector. In FY 1978, $400 thousand is requested for the following technical assistance activities.

1. Support of a Clearinghouse which matches existing resources within ACTION, the public sector, and the private sector with the need for those resources in each sector.....$175,000

2. Grants to National Volunteer Organizations to develop programs for technical assistance to various groups and organizations using volunteers. Technical assistance will involve: $225,000

   (a) Training through provision of workshops, seminars, and discussion groups aimed at strengthening organizations in problem areas such as: organizational management; volunteer recruitment, screening and placement; and provisions for recognition, communications and budgeting.

   (b) Providing information or consulting services through individualized problem-solving assistance to private volunteer organizations in specific program areas such as health, economic development, education, community planning, and social services.

Budget Activity 4A: VOLUNTEER MOBILIZATION PROGRAMS - continued

Urban Service Volunteer Program $130,000

Many of our Nation's older cities have experienced accelerating financial, social, economic and environmental deterioration. This situation has created a need and an opportunity within cities for the development of innovative approaches for the use of volunteers to solve the problems of older urban communities.

ACTION's Urban Service Program promotes the greater utilization of volunteer skills in cities. Under the Urban Service Program, cities are encouraged to be as innovative as possible in developing programs which use volunteers for improving the performance of city services, helping citizens help themselves, and revitalizing declining neighborhoods. The volunteer efforts covered by each city plan may include both full and part-time volunteers; volunteers recruited by local non-profit organizations and local branches of national organizations; volunteers assigned by ACTION; and volunteers recruited and assigned by the city government.

In FY 1977, ACTION is jointly supporting with the Conference of Mayors, projects in three cities which will test the feasibility of developing a component to city plans utilizing volunteers to assist and supplement city efforts in the delivery of service. ACTION is also supporting in cooperation with United Way, pilot efforts in two cities which will create and maintain community infra-structures to support volunteer urban service.

In FY 1978, ACTION will continue to encourage those efforts, demonstrating that volunteers are a human resource which can be mobilized more fully for the alleviation of urban problems.

Budget Activity 4B
SPECIAL EMPHASIS PROGRAMS

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Grants	6	9	+ 3
Justice	(1)	(2)	(+ 1)
Business	(3)	(4)	(+ 1)
Mental Retardation	(1)	(1)	(---)
Homemaker Opportunity Service	(1)	(2)	(+ 1)
Obligations:			
Justice	$ 71,000	$100,000	+ $29,000
Business	69,000	150,000	+ 81,000
Mental Retardation	144,000	120,000	- 24,000
Homemaker Opportunity Service	25,000	100,000	+ 75,000
Total Obligations	$309,000	$470,000	+$161,000

General Statement

The purpose of ACTION's Special Emphasis Programs is to focus on certain areas of concern where volunteers can make a special contribution in solving human and social problems. Since these programs do not have the same legislative constraints as the established ACTION programs, they can offer a flexible, quick and innovative approach to the particular areas of concern.

Budget Justification

Justice $100,000

In FY 1978, $100 thousand is requested to continue demonstration projects which mobilize volunteer resources in an effort to rehabilitate and reduce the recidivism rate of ex-convicts. The goal of these projects is to provide various support services (e.g., training, jobs, counseling) which will enable ex-offenders to re-enter society successfully and to demonstrate that volunteer efforts can be successful in reducing the recidivism rate among ex-convicts.

Budget Activity 4B: SPECIAL EMPHASIS PROGRAMS - continued

Business $150,000

ACTION Business Programs involve the mobilization of volunteers for management assistance to local social-service organizations; for fixed-income counseling for the elderly, and the utilization of locally recruited and especially trained business volunteers to assist in neighborhood commercial revitalization. In FY 1978, $150 thousand is requested for these needed activities.

In typical management assistance projects, ACTION provides grants to local non-profit sponsoring agencies to create or expand a volunteer program. The volunteers (who may come from the business community, the local population of retired business executives, or the sponsoring organization itself) are placed in various local non-profit social-service organizations that are experiencing management problems. The kinds of organizations the volunteers might assist are senior citizens associations, retirement homes, drug abuse centers, shelter homes, emergency food programs, and crisis centers. The volunteers provide services which these non-commercial organizations might not find available and/or affordable.

For projects involving fixed-income counseling for the elderly, ACTION mobilizes the volunteer services of active and retired business people who possess expertise in such areas as personal budgeting, planned buying and shopping, and in the regulations of government social service agencies. The volunteers conduct workshops and seminars on how older Americans can best manage their retirement income and obtain the social services to which they are entitled.

Mental Retardation $120,000

Mentally retarded individuals are confronted with two conditions which make it difficult for them to receive the community or institutional services specifically related to their needs:

1. Retardation handicaps an individual in the pursuit of ordinary life satisfactions.

2. Community services are often too fragmented and complex for the retardate to understand and use for the satisfaction of his/her unique requirements.

To help the mentally retarded, ACTION is developing a demonstration project with the President's Committee on Mental Retardation (PCMR). A total of $120 thousand is requested for this program in FY 1978. These funds will enable ACTION to further define and field test the use of volunteers working as advocates for retarded clients in the negotiation for needed resources and services.

Budget Activity 4B: SPECIAL EMPHASIS PROGRAMS - continued

Homemaker Opportunity Service $100,000

ACTION has designed a program that will affirmatively seek the underprivileged, disadvantaged homemakers--many of whom have been housebound, but given the appropriate opportunity would be willing to devote some of their time to service in their own neighborhoods and communities, while developing skills that could be transferred to the market place.

The Homemaker Opportunity Service projects are designed to assist individuals who do not now have jobs and are finding it difficult, if not impossible, to enter the labor force. This program is made up of four models, each designed to reach a specific pool of volunteers. These persons will assume volunteer responsibility in activities related to the needs of their community and through intensive and specific training activities will be in a position to transfer their skill into a paying job at the conclusion of their service.

Demonstration projects will be developed in FY 1978 for program models which are designed to reach:

1. "Displaced homemakers" (individuals who are left on their own as a result of rising divorce and separation rates).

2. Heads-of-household at or below the poverty level, and spouses of low-income wage earners (individuals who increasingly feel the pressure to enter the labor market as inflationary pressures erode their family's purchasing power).

3. Young minority persons who have dropped out of school and who find themselves shut out of the labor market.

4. Individuals who are currently volunteers and who want to "upgrade" their skills, and/or those persons who want to volunteer for the first time.

The preliminary development of the Homemaker Opportunity Service Program will occur during FY 1977. In FY 1978, $100 thousand is necessary for demonstration projects which will define the program model most effective for meeting the needs of homemakers in transition.

Budget Activity 5
PROGRAM SUPPORT

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
A. Program Direction and Administration	$11,144,000	$11,081,000	-$ 63,000
B. Evaluation	500,000	400,000	- 100,000
C. Training and Technical Assistance	1,064,000	1,057,000	- 7,000
D. Share of ACTION Agency-Wide Costs	8,602,000	9,372,000	+ 770,000
Total Obligations	$21,310,000	$21,910,000	+$600,000

General Statement

Program Support costs are authorized under Title IV of the Domestic Volunteer Service Act of 1973, as amended. Funds for Program Support are required for the management and administration of the domestic programs operated by the Agency. The costs include those for:

(1) regional and headquarters staff directly responsible for program operations and their associated support;

(2) evaluation of the domestic programs operated by the Agency;

(3) indirect support for in-house training and technical assistance; and

(4) generalized agency-wide support, such as recruiting, accounting and other services, which cannot be directly related to specific programs.

A major goal of ACTION since the Agency was established in July 1971 has been to improve the management of our domestic programs. In order to further this goal, the major portion of the Office of Recruitment and Communications, and the Office of Domestic and Anti-Poverty Operations were merged on August 1, 1976. This merger will accomplish three objectives:

Budget Activity 5: PROGRAM SUPPORT - continued

(1) Improve efficiency by more closely associating ACTION domestic programming with domestic volunteer recruitment.

(2) Merge administrative support for recruiting and domestic operations functions both in headquarters and regional operations.

(3) Establish one ACTION field structure with responsibility and authority for ACTION's domestic operations in the United States.

The Office of Recruitment and Communications was previously responsible for the Agency's entire communications activities. These activities have since been divided as a result of the merger. Communications are in the new Office of Public Affairs in the agency-wide portion of the budget.

The following table shows regional and headquarters positions for the various domestic program support activities:

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Headquarters	70	70	---
Program Direction and Administration	69	69	---
Training and Technical Assistance	1	1	---
Regions	398	398	---
Program Direction and Administration	358	358	---
Training and Technical Assistance	40	40	---
Total Permanent Positions	468	468	---

The explanation of the domestic programs' share of ACTION Agency-wide Costs which are jointly financed by the Domestic and International Appropriations is included in the section on Agency-wide Cost.

A discussion of the first three categories of Program Support included in this request follows.

Budget Activity 5A
PROGRAM DIRECTION AND ADMINISTRATION

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Permanent Positions	427	427	---
Obligations:			
Personnel Compensation and Benefits	$ 8,806,000	$ 8,680,000	-$126,000
Personnel Related Costs	1,958,000	2,021,000	+ 63,000
Other Obligations	380,000	380,000	---
Total Obligations a/	$11,144,000	$11,081,000	-$ 63,000

a/ The distribution of obligations between Budget Activities 5A and 5C is based on a proration of positions for each function.

General Statement

Program Direction and Administration includes direction and management support of ACTION's domestic volunteer programs. Under the management of an Associate Director, the headquarters staff is responsible for overall program and management policies for Domestic Operations. The regional offices are responsible and accountable for the execution of these policies. There are 48 State offices responsible for the daily operations of the programs.

Budget Justification

The new Administration's current FY 1978 request is $11,081,000, a decrease of $63 thousand below the FY 1977 level. The request consists of the following:

Personnel Compensation and Benefits $8,680,000

The funds requested are a decrease of $126 thousand below the FY 1977 level. This decrease is accounted for by a reduction in the reliance on non-permanent positions.

Budget Activity 5A: PROGRAM DIRECTION AND ADMINISTRATION - continued

Personnel Related Costs $2,021,000

The funds requested are for travel, transportation, facilities, communications, supplies, equipment and similar items required to support field and headquarters staff.

The FY 1978 request is an increase of $63 thousand above the FY 1977 funding level. This higher funding level is accounted for by increases in the standard level user charges charged by the General Services Administration for the rental of ACTION buildings. Additional funds are requested also for supplies and equipment since the purchase of some needed items is being deferred in FY 1977. Other personnel related costs will remain constant in FY 1978.

Other Costs $ 380,000

This request covers costs for audit contracts, printing and reproduction, mailing services and miscellaneous contractual services. The FY 1978 request is the same as the FY 1977 funding level for this item.

Budget Activity 5B
EVALUATION

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Obligations	$500,000	$400,000	-$100,000

General Statement

The Domestic Volunteer Service Act of 1973, Public Law 93-113, Section 416, provides for the funding of evaluation studies at a cost not to exceed one percent of appropriated funds. In accordance with this legislation, evaluations are conducted by means of established procedures applicable to all domestic programs.

Objective evaluations of volunteer programs enable management to measure the impact and effectiveness of such programs against established goals. Evaluations also help determine how improvements in program planning and operations might be made.

Budget Justification

The new Administration's current FY 1978 request is $400 thousand. This item is $100 thousand below the FY 1977 level. Emphasis in FY 1978 will be in the area of impact evaluation. Program impact evaluations provide information with regard to the needs of the program's target population, the context in which the program operates, actual program operations, management performance, program resources and their allocation, and the interrelationships of those factors. The information gathered during program impact evaluations will provide data on cost/effectiveness, unusually successful or unsuccessful strategies, project and program components associated with success or failure, and recommendations for improving program impact.

Specific activities planned are:

1. pilot testing of a program impact evaluation model.

2. program evaluations for selected part-time and full-time volunteer programs based on a national sample of sponsor projects.

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Budget Activity 5B: EVALUATION - continued

3. cost analysis of part-time and full-time volunteer programs.

4. special studies of training, and the extent of institutionalization and community take-over of completed UYA and VISTA projects.

5. continuation of technical assistance activities to regional and headquarters staff to assist them in the utilization of evaluation information for program management.

Budget Activity 5C
TRAINING AND TECHNICAL ASSISTANCE

	FY 1977 Estimate	Revised FY 1978 Estimate	Increase/ Decrease
Program Data:			
Number of Permanent Positions	41	41	---
Obligations:			
Personnel Compensation and Benefits	$ 846,000	$ 836,000	-$10,000
Personnel Related Costs	188,000	191,000	+ 3,000
Other Obligations	30,000	30,000	---
Total Obligations a/	$1,064,000	$1,057,000	-$ 7,000

a/ The distribution of obligations between Budget Activities 5A and 5C is based on a proration of positions for each function.

General Statement

The integrated in-house regional training system is designed to insure that common training and technical assistance needs of all domestic programs are efficiently and effectively met through one integrated system. This approach assures that all training will relate directly to the accomplishment of overall domestic goals and objectives and will service all component domestic programs as well as regional program staff. This system assures that volunteers receive the orientation and training necessary to carry out Agency missions within locally-defined goals, that project directors/supervisors are adequately equipped to assist volunteers and to contribute toward augmenting each community's ability to solve its own problems.

The activity covers the general administrative and permanent staff costs required to effectively manage and conduct regionally-based training and technical assistance. Costs of volunteer/project director/supervisor travel, consultant expenses and specially-designed training materials which are directly attributable to specific programs are included in the funds requested for each program.

The FY 1978 request for these total direct training and technical assistance costs contained in the individual programs is $2,973,000, an increase of $85 thousand from the FY 1977 level. The specific requirements for these costs are addressed in the individual program justifications.

Budget Activity 5C: TRAINING AND TECHNICAL ASSISTANCE - continued

Budget Justification

The new Administration's current request for Training and Technical Assistance in FY 1978 is $1,057,000, a $7 thousand decrease below the FY 1977 level. The funds are required for the following items:

Personnel Benefits and Compensation $836,000

The funds requested are a decrease of $10 thousand below the FY 1977 level. This item will require less funds in FY 1978, because of a reduction in the reliance on non-permanent positions.

Personnel Related Costs $191,000

A total of $191 thousand is requested for travel, special purpose space, facilities equipment rentals, and supplies associated with the management and delivery of training for domestic programs. The funds provide for training conferences for training personnel, as well as travel costs associated with conducting training and technical assistance in the field for sponsors, grantees and in-service volunteers.

The FY 1978 request is $3 thousand above the FY 1977 level because of increases in the standard level user charges charged by the General Services Administration for the rental of ACTION buildings. Other personnel related costs will remain constant in FY 1978.

Other Costs $ 30,000

ACTION is requesting $30 thousand for this category, which provides primarily for the printing of training materials. The FY 1978 request is at the same funding level as in FY 1977.

ACTION AGENCY-WIDE COSTS

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Funded by:			
1. Operating Expenses, Domestic Programs	$ 8,602,000	$ 9,372,000	+$770,000
2. Peace Corps, ACTION International Programs	13,174,000	13,173,000	- 1,000
Total	$21,776,000	$22,545,000	+$769,000
Total Permanent Positions	585	585	---

General Statement

Within ACTION, administrative functions which support both domestic and international volunteer activities are conducted on a consolidated basis. Costs associated with these consolidated functions are referred to as ACTION agency-wide costs. Included in this category are expenses of planning and policy development, general management and administration, and recruitment and processing of volunteers.

In FY 1977, the recruitment organization was reorganized to place it under the Office of Domestic and Anti-Poverty Operations. The primary intent of this reorganization was to create and establish one ACTION structure in the field with the responsibility and authority for ACTION's operations in the United States. An additional effect is the consolidation of administrative functions in both headquarters and in the field.

Agency-wide costs are financed jointly from the domestic and international program appropriations. Because it is impossible to determine precisely which costs are attributable to either domestic or international programs, the costs of consolidated functions are assigned to each appropriation, statistically, based on the formula outlined on a following page.

The methodology of the formula was refined in FY 1977 to fully recognize the contribution of directly paid supporting costs by the

ACTION AGENCY-WIDE COSTS - continued

international appropriation. These costs, paid to the Department of State, Foreign Assistance Administrative Services (FAAS), have been added to the Agency-Wide Support costs in computing the appropriate amount to be charged to each appropriation.

The formula is based on workload, expressed by the ratio of full-time staff employed exclusively for domestic programs to the full-time staff employed exclusively for international programs. This ratio is them applied to the total of agency-wide and overseas FAAS costs to determine the share of costs to be applied to each appropriation. This methodology remains readily understandable outside ACTION and uncomplicated to execute within the agency.

For FY 1978, the budget request included funds totaling $22,545,000 for the following agency-wide costs:

- Recruitment and processing of international and domestic volunteers;
- Agency-wide planning, policy development, budgeting, and evaluation;
- Internal management and administrative functions, encompassing legal, legislative, equal opportunity, internal audit and inspection, public affairs, and the activities of the agency's Director's office. In this category also are management analysis, procurement, accounting, data processing, personnel, training, and general administrative services;
- The National Voluntary Service Advisory Council (in FY 1976 only).

ACTION AGENCY-WIDE COSTS - continued

Allocation of Agency-Wide Costs
by Appropriation (FY 1978)

FY 1978 program employment	1,225
Exclusively international programs	757
Exclusively domestic programs	468
International positions as percentage of 1,225	61.8%
Domestic positions as percentage of 1,225	38.2%
FY 1978 ACTION agency-wide costs	$22,545,000
Foreign Assistance Administrative Service (FAAS)	+ 1,988,000
Total costs to be distributed	$24,533,000

International appropriation share

$24,533,000	
x 61.8%	
$15,161,000	
- 1,988,000 FAAS costs paid directly	
$13,173,000	$13,173,000

Domestic appropriation share

$24,533,000	
x 38.2%	
$ 9,372,000	$ 9,372,000

Agency-wide costs are reflected in the following functional categories:

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Recruitment	$ 6,602,000	$ 6,260,000	-$342,000
Planning and Evaluation	1,540,000	1,722,000	+ 182,000
Management and Administration	13,634,000	14,563,000	+ 929,000
Total	$21,776,000	$22,545,000	+$769,000

Further description of agency-wide activities and justification of the FY 1978 funding request are provided in the following pages.

AGENCY-WIDE COSTS

Obligations by Object Class

	FY 1977 Estimate	FY 1978 Estimate	Increase/ Decrease
Personnel Compensation			
Permanent Positions	$10,373,000	$10,314,000	-$ 59,000
Positions other than permanent	2,274,000	2,119,000	- 155,000
Other personnel compensation	205,000	204,000	- 1,000
Special personal services	37,000	23,000	- 14,000
Subtotal, personnel compensation	$12,889,000	$12,660,000	-$229,000
Personnel Benefits	1,310,000	1,361,000	+ 51,000
Travel and transportation of persons (staff)	1,007,000	1,127,000	+ 120,000
Transportation of things	7,000	5,000	- 2,000
Rents, communications, and utilities	3,905,000	4,017,000	+ 112,000
(Building Rent)	(1,050,000)	(1,153,000)	(+ 103,000)
Printing and reproduction	352,000	437,000	+ 85,000
Other services	2,061,000	2,567,000	+ 506,000
Supplies and materials	170,000	263,000	+ 93,000
Equipment	75,000	108,000	+ 33,000
Total	$21,776,000	$22,545,000	+$769,000

ACTION AGENCY-WIDE COSTS - continued

RECRUITMENT

	FY 1977 Estimate		FY 1978 Estimate		Increase/ Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and Benefits	137	$4,664,000	137	$4,411,000	---	-$253,000
Other Expenses	---	1,938,000	---	1,849,000	---	- 89,000
Total	137	$6,602,000	137	$6,260,000	---	-$342,000

General Statement

The Office of Recruitment and Communications was previously responsible for the Agency's entire communications activities. These have since been divided. Those functions identified as public affairs have been placed in an individual office included in the Agency-Wide Support budget. Functions defined as being recruitment-oriented remain as part of the recruitment office.

In FY 1977, the recruitment organization was reorganized to place it under the Office of Domestic and Anti-Poverty Operations. The primary intent of this reorganization was to create and establish one ACTION structure in the field with the responsibility and authority for ACTION's operations in the United States. An additional effect is the consolidation of administrative functions in both headquarters and in the field.

It is the responsibility of the recruitment organization to plan, coordinate and facilitate the recruitment and matching of well qualified applicants with available international and domestic volunteer programs in a timely manner. This function includes communicating with the general public regarding opportunities for voluntarism, identifying potential volunteers, processing applications, matching applications with programs and related tasks. This is primarily accomplished for international and domestic programs through a process which ties programming closely to recruitment.

ACTION AGENCY-WIDE COSTS - continued

The headquarters recruitment office has assumed a technical advisory role in relation to the regional service centers, but continues to be responsible for overall planning and evaluation, recruitment resources identification, recruitment-related advertising and related efforts. Area recruitment offices continue to operate at the direction of the five field service centers closest to the sources of potential volunteers.

An effective recruitment effort is a mandatory element in the overall success of the volunteer programs. This is especially true when highly skilled volunteers are being requested from host countries.

Budget requirements for recruitment are based primarily on anticipated levels of trainees needed to produce volunteers for volunteer programs. The requested $6,260,000 provides for the following program requirements:

International Operations Trainee Input

Total Requirement	2,883
Peace Corps Regular Recruitment	2,750
Peace Corps Developmental Programs	104
Special International Volunteer Programs	29

	Regular Recruitment	Intern Trainees	Spouses	Total
Recruited during Transition Quarter, but delivered in FY 1978	---	212	---	212
Recruited during FY 1977, but delivered in FY 1978	172	290	11	473
Recruited during FY 1978, and delivered in FY 1978	1,930	152	116	2,198
Total trainees delivered in FY 1978	2,102	654	127	2,883

ACTION AGENCY-WIDE COSTS - continued

International Operations Budgeted Trainees

Total Requirement 2,728

	Regular Recruitment[a]	Intern Trainees[b]	Spouses	Total
Recruited during FY 1978, and delivered in FY 1978	1,930	152	116	2,198
Recruited during FY 1978, but delivered in FY 1979	500	---	30	530
Total trainees delivered in FY 1978	2,430	152	146	2,728

Domestic Operations Trainee Input

Total Requirement 1,832

	Regular Recruitment
Recruited during FY 1977, but delivered in FY 1978	516
Recruited during FY 1978, and delivered in FY 1978	1,316
Total trainees delivered in FY 1978	1,832 [c]

Domestic Operations Budgeted Trainees

Total Requirement 1,970

	Regular Recruitment [a]
Recruited during FY 1978, and delivered in FY 1978	1,316
Recruited during FY 1978, and delivered in FY 1979	654
Total trainees budgeted in FY 1978	1,970

[a] Represents trainees to be recruited, evaluated and processed.
[b] Represents trainees to be processed.
[c] 1,832 represents nationally recruited trainees.

ACTION AGENCY-WIDE COSTS - continued

Budget Justification

Because of the reduced need for recruitment of international and domestic volunteers, Personnel Compensation and Benefits have been reduced by $253 thousand. This reduction will reduce the Seasonal Permanent Recruiter force by 25 work-years in FY 1978.

Other Expenses have been reduced $89 thousand. This relates to a one-time cost of moving the Washington Service Center to Atlanta, creating a higher cost in FY 1977 than in FY 1978, and to a reduction in travel costs associated with the reduction in recruiters.

ACTION AGENCY-WIDE COSTS - continued

PLANNING AND EVALUATION

	FY 1977 Estimate		FY 1978 Estimate		Increase/ Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and Benefits	48	$1,393,000	48	$1,323,000	---	-$ 70,000
Other Expenses	---	147,000	---	399,000	---	+ 252,000
Total	48	$1,540,000	48	$1,722,000	---	+$182,000

General Statement

ACTION's planning, policy development, budgeting, and evaluation are undertaken on an agency-wide basis and include:

Planning - the definition, development, and analysis of program and administrative goals and objectives; provision of planning technical assistance to the operating units of the Agency; the translation of objectives into short- and long-term plans; and the review and guidance necessary for the achievement of all plans and goals.

Policy Development - the identification of human, social and environmental areas in which volunteers are needed and identification of the private and public organizations which are inclined toward voluntarism; the definition of ACTION policies and the development of both domestic and international volunteer service programs to meet identified needs for volunteer resources; the performance of studies focusing on voluntarism; and the establishment of liaison with and technical assistance to public and private organizations which operate or plan to operate volunteer programs.

Budget - the formulation, presentation, and justification of ACTION budget requests to the Office of Management and Budget (OMB) and the Congress; the formulation and execution of internal Agency budget plans; and the review of the utilization of fiscal resources.

Evaluation - the determination of the Agency's program impact on volunteers, sponsors, communities and countries. Evaluation assesses the effectiveness of Agency programs and projects with respect to goal achievement, organizational structure, cost, impact and cost/effectiveness.

Budget Justification

Despite a reduction of $70 thousand in Personnel Compensation and Benefits (resulting from changing salary grade levels), it is anticipated that total obligations for planning and evaluation in FY 1978 will increase by $182 thousand over their FY 1977 level. The increase in total costs results from increased activity in the development of joint programs with other agencies. Studies will also be conducted in order to provide input into Agency policy so that Agency efforts remain consistent with its mandate (i.e. the encouragement and support of voluntarism).

ACTION AGENCY-WIDE COSTS - continued

MANAGEMENT AND ADMINISTRATION

	FY 1977 Estimate		FY 1978 Estimate		Increase/ Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and Benefits	400	$ 8,142,000	400	$ 8,392,000	---	+$250,000
Other Expenses	---	5,492,000	---	6,171,000	---	+ 679,000
Total	400	$13,634,000	400	$14,563,000	---	+$929,000

General Statement

Management and administration services are performed by the Staff Offices, which report to the ACTION Director, and the Office of Administration and Finance, under an Assistant Director.

The Staff Offices and their functions are:

1. Office of the Director - coordinates activities of the Agency Director, Deputy, and staff.

2. Inspector General - serves as principal advisor to Agency management on all matters affecting the integrity of Agency operations and carries out a comprehensive program of audits, investigations, inspections, surveys, and reviews.

3. Congressional Affairs - maintains Agency liaison with Congress, and responds to constituent inquiries.

4. Equal Opportunity - directs the Agency's compliance with Title VI of the Civil Rights Act, the implementation of the Equal Employment Opportunity program, including the grievance process, and the development of Affirmative Action and Minority Business Opportunity programs.

5. General Counsel - provides legal counsel and support to volunteers and staff regarding matters covered by laws and regulations affecting agency activities.

6. Public Affairs - provides information to the public and press.

ACTION AGENCY-WIDE COSTS - continued

The functions performed by the Office of Administration and Finance are the following:

- Management and Organization - coordinates organizational changes within the Agency, conducts management reviews, and recommends management improvements.

- Data Management - focuses on the development and management of the Agency's centralized operational data (ODS) and management information systems (MIS).

- Administrative Services - manages volunteer and staff travel arrangements, agency-wide printing and distribution, the mail, the library, and telecommunications services of the Agency, and coordinates Freedom of Information requests.

- Accounting - develops and maintains Agency financial reporting and accounting functions; processes volunteer and staff payroll, and provides other Agency financial services.

- Computer Services - provides for the automated data processing needs of the Agency.

- Personnel Management - establishes policies, standards and procedures regarding staff recruitment and placement, administers labor and employee relations, and matters of personnel security.

- Health Services - delivers the primary health care and insurance benefits to volunteers and staff in the U.S. and abroad, and functions as a liason with the Office of Federal Employees Compensation.

- Staff Training and Development - conducts and evaluates staff training programs (including the Upward Mobility Program).

- Contracts and Grants Management - establishes agency-wide policies, procedures and standards for procurement and grant functions, negotiates awards, administers contracts and interagency agreements, processes purchase orders and procurement requests, and issues and monitors grants.

Major non-personnel services items included in management and administration activities are:

- All ACTION Postal Service costs;

- All headquarters telephone costs, Federal Telephone System (FTS) long distance, and Headquarters Wide Area Telephone System (WATS) lines;

- Building rental costs for Agency-Wide Support offices;

- Headquarters copying services;

- Computer time-sharing costs for headquarters accounting, payroll, and management information systems;

- Staff travel;

- GSA guard service for the headquarters building;

- All staff training courses provided by outside organizations.

Budget Justification

$14,563,000 is requested for management aand administration services in FY 1978. This is an increase of $929 thousand over the estimated FY 1977 cost. A major portion of this increase reflects deferrals in FY 1977 in agency-wide support items totaling $774 thousand. These deferrals were necessitated by limited International Operations support monies available in FY 1977.

The major increase of $679 thousand is in non-personnel costs. A large portion of this increase is caused by the renewal of the Advertising Council contract for $106 thousand and the purchase of computer supplies both of which did not require funding in FY 1977. Higher postal, telephone, and building rental rates, and the second phase of a 5-year furniture replacement program also contribute to the cost increase. The increase of $250 thousand for personnel-related costs is a result of normal salary and grade increases, increases in Federal Employees Compensation benefits, and the resumption of temporary personnel activities not funded in FY 1977.

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Budget Activity 1
VOLUNTEERS IN SERVICE TO AMERICA

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$23,000,000	$25,350,000

Purpose: The purpose of VISTA is to strengthen and supplement efforts to eliminate poverty by encouraging and enabling persons from all walks of life and all age groups to perform meaningful and constructive service as volunteers in agencies and situations where the application of human talent and dedication may assist in the solution of poverty and poverty-related problems and secure and exploit opportunities for self-advancement by persons afflicted with such problems.

Explanation: VISTA assigns volunteers to sponsoring organizations to work at tasks determined and defined by the sponsoring organizations and the low income communities which they serve. Volunteers work towards mobilizing community resources and increasing the capacity of the target community to solve its own problems. The use of VISTA volunteers demonstrates to communities that voluntarism brings an added dimension to the struggle to overcome poverty. While volunteers serve as important links between the local sponsor and the people being helped, it is crucial that sponsoring organizations plan for the eventual phase out of VISTA volunteers and for the performance of volunteers' functions by local citizens.

Accomplishments in FY 1977: VISTA is diversifying its program approach by introducing two additional methods of volunteer delivery: reimbursable cost-sharing and grants. These methods, which incorporate elements from two of ACTION's experimental, full-time volunteer programs (the ACTION Cooperative Volunteer Program and the Program for Local Service) are meant to encourage the increased participation of the sponsor and community in the support and use of volunteers. The estimated volunteer-years generated by these methods will be 394 for cost-sharing and 695 for grants. In line with the movement toward greater sponsor participation, volunteer-years for traditional, directly supported VISTA projects will be reduced 13 percent to 3,635. Overall, VISTA will continue to emphasize projects in rural, migrant and Indian communities.

Objectives for FY 1978: VISTA's major objectives are to field 1,000 volunteer work-years of resource mobilizers, to place 25 percent (1,180 volunteer work-years) of VISTA resources with "grass-roots" sponsors, and to continue to increase the number of volunteers working in rural, migrant and Indian communities. To accomplish this, VISTA will finance 3,665 trainees and 4,724 volunteer work-years.

Budget Activity 2A
UNIVERSITY YEAR FOR ACTION

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$4,950,000	$4,950,000

Purpose: The University Year for ACTION Program (UYA) has as its purpose to strengthen and supplement efforts to eliminate poverty and poverty-related human, social and environmental problems by fielding student volunteers to work in poor communities on projects which are designed to assist people in the target communities.

Explanation: UYA operates with student volunteers enrolled in participating universities and colleges. The students may receive a full year academic credit for their work. Project grants are issued to colleges and universities applying for participation in the UYA program. The recipients are selected on the basis of their past activities in poor communities, the strength of their proposed project, and the likelihood of managing a successful project in a target community. The school's approach to institutionalization of the proposed project, by either eliminating the poverty problem or by having some other local (non-federal) source assume the role of ACTION, is also considered. The school is responsible for recruiting, training and supervising the volunteers, as well as providing them with subsistence support. UYA schools are normally funded by ACTION for a three-year period.

Accomplishments in FY 1977: During FY 1977, ACTION is implementing a new funding policy for UYA. The first year cost per volunteer was increased from $3 thousand to $3.5 thousand to allow schools having trouble meeting financial commitments additional resources in the initial phase of the program. Approximately 53 schools will be funded producing 1,590 volunteer years of service to the community.

Objectives for FY 1978: During FY 1978, UYA plans to continue strengthening its link between academic and community life, sharing expertise and developing ways to combat poverty. Thirty-six schools will receive continued funding for this program and 13 new schools will be added. A seminar will be held in each region for UYA supervisors to give basic training, exchange ideas, and encourage schools to institutionalize their programs.

Budget Activity 2B
NATIONAL STUDENT VOLUNTEER PROGRAM

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$326,000	$326,000

Purpose: ACTION's National Student Volunteer Program (NSVP) is designed to encourage and support student volunteer and service-learning programs, improve the quality and effectiveness of such programs, and to help develop new ways for student volunteers to serve in poverty-stricken areas through identification and utilization of local resources and expertise. Drug abuse, youth correctional work, health, legal assistance and work with aging are some of the major areas of student volunteer involvement.

Explanation: NSVP provides support to these local, independent programs by providing: (1) job skill training for professional level coordinators of student volunteer programs, who in turn train their student volunteers; (2) on-site consultation to programs in need of direct, expert technical assistance; and (3) written technical assistance through "how-to" manuals, program kits and journals.

Accomplishments in FY 1977: During FY 1977, NSVP conducted 10 skill training sessions for several hundred college and high school professionals engaged in student service-learning programs and responded to approximately 8,000 requests for technical assistance materials and on-site consultation.

Objectives for FY 1978: During FY 1978, NSVP plans to develop additional assistance materials and produce three issues of the journal, Synergist; deliver seven training programs for approximately 280 secondary and post-secondary school officials in designing and managing service-learning programs; and respond to approximately 8,000 requests for assistance and on-site consultation.

Budget Activity 2C
YOUTH CHALLENGE PROGRAM

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$224,000	$224,000

Purpose: The Youth Challenge Program (YCP) is an ACTION service-learning grant program. Sponsors are selected on their ability to provide a part-time volunteer service-delivery system through the participation of community organizations which will give youth in the 14 to 21 age group the opportunity to serve their communities in alleviating problems concerned with poverty. A second objective is to integrate community service activity with the education-work preparation process.

Explanation: Program sponsors, primarily educational institutions, compete regionally for grants to operate these student volunteer programs. Operational grants require local cost-sharing of at least 30 percent of total program costs the first year, and 50 percent the second year. The total maximum years that a sponsor can receive federal funds for YCP is two years.

Accomplishments in FY 1977: During FY 1977, 20 operational grants are being awarded to a variety of sponsor organizations. These programs will produce an estimated 3,000 volunteers in the 14 to 21 age group. They serve the poverty needs of their own communities by providing assistance in day care centers, nursing homes, schools for the handicapped children; tutoring, counseling and finding jobs for other young people; and assisting in home improvement and repair projects.

Objectives for FY 1978: Nine new operational grants are to be awarded, as well as six continuation grants. The continuation grants are designed to assist sponsoring organizations to institutionalize their program by the end of the second year. It is expected that these grants will yield more than 2,250 part-time volunteers.

Budget Activity 3A
RETIRED SENIOR VOLUNTEER PROGRAM

Program Purpose and Accomplishments

FY 1977 Estimate	FY 1978 Estimate
$19,000,000	$20,100,000

Purpose: The purpose of the Retired Senior Volunteer Program is to create fulfilling volunteer opportunities for adults ages 60 and over. RSVP volunteers provide their invaluable experience and talents to projects that contribute to the betterment of their communities. Volunteers are not subject to any education or skill requirements. RSVP volunteers perform a great variety of functions, varying from acting as child care workers to assisting individuals in the completion of their tax forms.

Explanation: Project grants are awarded to State and local governmental agencies and non-profit private agencies. As projects mature, grantees assume a greater share of total project costs. By the third year of a project's operation and thereafter, the grantee provides for at least 30 percent of the total project costs. RSVP volunteers receive no monetary compensation. However, they are provided with transportation when necessary to and from their project sites, meals and accident and liability insurance.

Accomplishments in FY 1977: There are 679 local projects in operation during FY 1977. ACTION expects to have 228,000 volunteers in the field by September 30, 1977.

Objectives for FY 1978: The $20,100,000 requested in FY 1978 will be used to support approximately 250,000 volunteers and 679 projects by the end of FY 1978. ACTION is able to fund 22,000 more volunteers than in FY 1977, because as existing projects develop, volunteers joining the projects continue to exceed those volunteers who leave.

Budget Activity 3B
FOSTER GRANDPARENT PROGRAM

Program Purpose and Accomplishments

FY 1977 Estimate	FY 1978 Estimate
$34,000,000	$34,900,000

Purpose: The purpose of the Foster Grandparent Program is to provide meaningful part-time volunteer opportunities for low-income persons, who are ages 60 or over, to render supportive person-to-person services to mentally retarded, physically handicapped, emotionally disturbed or abused and neglected children. Foster Grandparents serve in either residential or non-residential settings, such as schools and day care centers.

Explanation: Project grants are awarded to State and local public agencies and private, non-profit institutions. The programs are administered locally. Local project directors are responsible for the recruitment, selection, training, placement and supervision of volunteers. Volunteers serve four hours a day, five days a week. They receive a stipend for their service and are also provided with transportation to and from their place of duty, a daily meal, (whenever feasible), an annual medical examination and accident insurance. Eighty percent of program costs go to volunteers as direct benefits.

Accomplishments in FY 1977: In FY 1977, there will be 194 FGP projects in all 50 States including Puerto Rico, the Virgin Islands and the District of Columbia. By the end of FY 1977, there will be 15,100 volunteers serving approximately 30,200 children with special needs.

Objectives for FY 1978: The FY 1978 budget request is $34,900,000, which is an increase of $900 thousand over FY 1977. The Foster Grandparent Program will not expand in FY 1978.

Budget Activity 3C
SENIOR COMPANION PROGRAM

Program Purpose and Accomplishments

FY 1977 Estimate	FY 1978 Estimate
$3,800,000	$6,600,000

Purpose: The purpose of the Senior Companion Program is to provide low-income adults, ages 60 and over, opportunities to perform useful and meaningful roles in their communities. The services provided by Senior Companion volunteers are generally rendered to older adults, who suffer from psychological, social and medical disabilities.

Explanation: Project grants are awarded to State and local public and private non-profit agencies. Projects are administered locally and project directors are responsible for the selection of volunteers and their training and supervision. The volunteer serves four hours a day, five days a week. Senior Companions receive a stipend and are provided with transportation to and from their project sites, daily meals (whenever feasible), a yearly medical examination and job-related insurance.

Accomplishments in FY 1977: In FY 1977, no additional SCP projects are planned. As of September 30, 1977 there will be 2,600 volunteers serving in the field.

Objectives for FY 1978: Although the FY 1978 request is $2,800,000 higher than the FY 1977 level, the SCP Program will not expand in FY 1978. The additional money will be used to fund grants that do not require FY 1977 funding.

Budget Activity 4A
VOLUNTEER MOBILIZATION PROGRAMS

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$1,943,000	$2,030,000

Purpose: Through ACTION's Volunteer Mobilization Programs, States and local communities are provided with resources to help develop and coordinate local volunteer service programs. The State Volunteer Services Coordinator Program (Statewide) provides opportunities for State governments to plan the effective use of volunteers to expand or improve the quality of social services.

The Mini-Grant Program provides funds to local public and non-profit organizations to mobilize part-time volunteers to work on projects combating community problems particularly those related to poverty.

Technical Assistance for Private Voluntarism and for volunteer projects of other Federal and State agencies is designed to encourage and support private organizations which want to establish or improve the quality of private volunteer programs.

The Urban Service Volunteer Program applies expertise in using volunteer resources to help combat the rapid deterioration in urban services and living conditions which have occurred in many of the largest American cities.

Explanation: The Statewide Program provides grants to State governments on a 75 percent ACTION/25 percent State matching basis in the first year of operation and on a 50/50 basis the second and third year.

The Mini-Grant Program awards small one-time grants ranging in size from $300 to $5 thousand to assist communities and organizations in mobilizing volunteers for a wide variety of purposes. Any amount over $2 thousand must be matched on a dollar-for-dollar basis.

Technical Assistance for Private Voluntarism supports independent programs by providing: (1) job skill training for professional level coordinators of private volunteer programs; (2) on-site consultation to programs in need of direct, expert technical assistance; (3) clearing-house for information referral regarding volunteer programs, and associated services including training; and (4) written technical assistance through manuals, program kits, and journals. ACTION is unique in its ability to provide technical assistance to these organizations because of its breadth of knowledge and experience in the field of voluntarism and is careful to insure that activities in this area do not duplicate that of the private sector.

Budget Activity 4A: VOLUNTEER MOBILIZATION PROGRAMS - continued

The Urban Service Volunteer Program awards matching grants, both planning and operational, to cities with a population over 100,000 which have been most severely affected by declining employment, loss of revenues, loss of population, high welfare rates, and other socio-economic factors associated with urban deterioration.

Accomplishments in FY 1977: ACTION held a very successful National Statewide Conference at Port Townsend, Washington, in November which provided an environment for the exchange information on issues relating to voluntarism that would strengthen skills for effective management and increase advocacy of voluntarism. ACTION will continue 20 Statewide grants for their second and third year and will fund four new States.

The Mini-Grant Program has continued and has proved very effective in assisting communities on a one time basis, and in tackling local human, social and environmental problems especially those related to poverty.

ACTION expanded the Technical Assistance Program by funding a Resource Clearinghouse, and providing three grants for demonstration programs.

The Urban Service Volunteer Program is awarding grants on a matching basis in three cities which will test the feasibility of recruiting and training local volunteers to assist and supplement city efforts in the delivery of service. ACTION is also supporting pilot efforts in two cities which will create and maintain community infra-structures to support volunteer urban service.

Objectives for FY 1978: In FY 1978, ACTION proposes to award seven new grants in its Statewide Program and to continue with 16 second and third year grants with present programs.

ACTION proposes to fund 179 Mini-Grants throughout the nation at an average of $2.8 thousand per grant.

In FY 1978, ACTION plans to continue funding Technical Assistance (at a reduced level) so it may strengthen existing initiatives prior to further expansion.

ACTION will continue to encourage efforts which will demonstrate that volunteers are a human resource which can be mobilized more fully for the alleviation of urban problems.

Budget Activity 4B
SPECIAL EMPHASIS PROGRAMS

Program Purpose and Accomplishments

FY 1977 Estimate	Revised FY 1978 Estimate
$309,000	$470,000

Purpose: Special Emphasis Programs are designed to stimulate and support volunteer activities in specific areas of social concern such as criminal justice, business, mental retardation and homemaker's services. These programs provide for the services of coordinators and volunteers in their respective fields.

Explanation: The Special Emphasis Programs award grants to local private and public organizations.

Accomplishments in FY 1977: In FY 1977, Criminal Justice volunteers have been involved in an effort to rehabilitate ex-offenders.

Business efforts have mobilized skilled volunteers who contributed their management expertise to local human-service organizations.

ACTION funded a Mental Retardation model demonstration project in which trained volunteers provided representational services to mental retardates.

In FY 1977, ACTION will fund model Homemaker Opportunity Service Programs designed to reach displaced homemakers, heads-of-households and young minority persons.

Objectives for FY 1978: In FY 1978, ACTION proposes funds for Justice projects to provide various support services (e.g. training, jobs, counseling) which will enable ex-offenders to re-enter society successfully and to show that volunteer efforts can reduce the rate of recidivism among ex-convicts.

ACTION's Business Program plans to maintain fixed-income counseling activities and support local organizations for volunteer business assistance.

ACTION will work jointly with the President's Committee on Mental Retardation (PCMR) to define and field test the use of volunteers as advocates for their retarded clients.

In FY 1978, ACTION will fund demonstration projects which will be most effective in meeting the needs of people in transition.

THURSDAY, FEBRUARY 3, 1977

COMMUNITY SERVICES ADMINISTRATION

WITNESSES

ROBERT C. CHASE, DEPUTY DIRECTOR
HAZEL ROLLINS, GENERAL COUNSEL
ANGEL RIVERA, ASSOCIATE DIRECTOR FOR OPERATIONS
R. THOMAS ROLLIS, JR., CONTROLLER
LOUIS P. RAMIREZ, ASSOCIATE DIRECTOR, OFFICE OF ECONOMIC DEVELOPMENT
ALPHONSE RODRIGUEZ, ASSOCIATE DIRECTOR, OFFICE OF ADMINISTRATION

Mr. FLOOD. The committee will come to order.

We will now proceed with the Community Services Administration. The presentation will be made by Mr. Robert C. Chase, the Deputy Director.

Do we have a biographical sketch of you, Mr. Chase?

Mr. CHASE. I believe you do, Mr. Chairman.

Mr. FLOOD. We will insert the biographical sketch in the record.

[The biographical sketch follows:]

Robert C. Chase, of Alexandria, Va., was named by President Ford as Deputy Director of the Community Services Administration June 21, 1976. His appointment was confirmed by the Senate July 23, He was sworn in at an official ceremony August 11 in Washington, D.C.

Chase had been Deputy Assistant Secretary of Labor for Employment Standards prior to being named to his new post. This office administers programs dealing with child labor protection; fair labor practices; federal enforcement standards; and equal employment opportunities.

He served in other Labor Department positions including those of Execctive Assistant to the Under Secretary; Director of the special projects staff of the Under Secretary's office which is responsible for welfare reform planning and black lung programs; and Special Assistant to the Secretary for Policy, Evaluation, and Research.

From 1963 until 1971 he was with the Agency for International Development where he was involved with programs for business development in underdeveloped nations. He served as a Program Development Officer with the Peace Corps from 1961 until 1963.

He reecived a Bachelor of Arts degree from Wesleyan University in 1959 and an M.P.A. in 1960 from Syracuse University.

Chase was born October 27, 1937 in Westwood, Mass. His wife is the former Joan Stanford of Springfield, Mass. The couple has two children, Linda, 13 and Robbie, 10.

STATEMENT OF THE DEPUTY DIRECTOR

Mr. FLOOD. Mr. Chase, I see you have a prepared statement. First, would you like to introduce the people with you?

Mr. CHASE. Yes, sir.

At my extreme left is Al Rodriguez, Associate Director, Office of Administration. To his right, Ms. Hazel Rollins, General Counsel; Mr. Angel Rivera, Associate Director for Operations; Mr. Thomas Rollins, Jr., Controller, and Mr. Louis P. Ramirez, Associate Director, Office of Economic Development.

Mr. FLOOD. All right, Mr. Chase, I see you have a prepared statement. How do you want to handle this?

Mr. CHASE. With your approval, Mr. Chairman, I would like to dispense with the reading of that and put it in the record if that is agreeable.

Mr. FLOOD. Fine.

[The statement follows:]

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to present the 1978 budget request for the Community Services Administration.

The Community Services Administration was created January 4, 1975, as the successor to the Office of Economic Opportunity. The authorizing legislation recognizes previous delegations of certain programs, such as Headstart and Comprehensive Health to other agencies and the transfer of the legal services program to the Legal Services Corporation. The authorizing legislation continues Economic Opportunity Programs through fiscal 1977, with provision for extension through 1978, if no congressional action occurs to end the program.

The 1978 amount I am requesting here today totals $398 million, an increase of $64 million over the 1977 budget request. This increase allows program expansion in CSA's basic service delivery system—the community action agency funded under section 221 of the act. Also built into the increased budget are provisions for administrative improvement of the grantee service delivery system, and Federal inter-agency cooperation in meeting the needs of poor people.

The amount for community action agencies included in this request is $330 million. A principal feature of the new law has been the gradual increase in the non-Federal matching rate for Community Action, reflecting a requirement in the Community Services Act of 1974 that funding for such activities will be increasingly a State and local responsibility. In fiscal 1976, the Federal funding matching rate for major local initiative grantees declined from 80 percent to 70 percent, and further in 1977 to 60 percent. However, grantees receiving less than $300,000 in local initiative annually, principally smaller rural agencies, more gradually declined in Federal support to 75 percent in 1976 and 70 percent in 1977. Over three-fourths of the community action agencies are in the latter category. The request of $330 million therefore allows growth in the total program through increasing local financial support.

With annualized support levels of $330 million, the matching required share generates an increase in non-Federal support of over a $100 million between fiscal years 1975 and 1978. Obviously, during periods of slow economic growth and tight State and local budgets, some CAA's cannot meet matching requirements. Therefore, the Director has authority—which he has exercised for certain CAA's—to waive all or part of the non-Federal share.

To strengthen the community action service delivery system, $1 million is requested for training and technical assistance for which no request was made in 1977. These funds would be utilized to give administrative training to grantees to improve financial and programmatic performance and accountability.

Coinciding with the training and technical assistance request in improving the delivery system is the request for 107 additional positions, the first such increase since 1973. Since 1973 the Agency lost 545 employees through attrition, a decline that a subsequent Government operations study considered to have caused a serious decline in the Agency's ability to properly monitor our grantees; 107 permanent employees coupled with an internal reorganization, will greatly improve our field monitoring capability and establish an enhanced policy and evaluation capacity in CSA.

The 1978 request includes $1 million for evaluation stressing the commitment to building the capacity of community action at the local level. This request is in conjunction with the technical assistance funds and the additional field staff requested, where we expect to greatly intensify monitoring of our grantees, evaluate their programs, and improve their operations.

Five million dollars in research and demonstration funds are requested in 1978 to increase the impact of community action on the problem of poverty. The program would principally fund interagency model projects with HEW, LEAA, HUD and Labor to better focus the much larger budgets of those agencies on the

problems of poor, to demonstrate, the ability of community action agencies to utilize resources available from those agencies, and to link the community action agencies with other Federal, State and local organizations providing benefits to the poor. Also intended in this 1978 request is a continued effort in the area of rural housing.

Under title VII, $30 million is requested for the community economic development program. A recent internal assessment raised basic questions concerning the program's design and economic and social effectiveness. The Agency has recently made provisions for independent sources to evaluate the program. The last comprehensive evaluation of the program was conducted by the Abt Associates, Inc., starting in July 1970, only 2 years after inception of the program in 1968. In view of the demonstration nature of the program and funds available from prior years, the 1978 request of $30 million is considered adequate to maintain the current level of investments pending completion of the 1977 evaluation, at which time adjustments may be in order.

As in 1977, no funds in 1978 are requested for categorical programs which duplicate authorities of other Federal agencies or programs. The programs projected to expire in 1978 are: Senior Opportunities and Services funded at an annual level of $10 million in 1977, which duplicates existing authority of the Administration on Aging in HEW; Community Food and Nutrition funded at $27.5 million in 1977, which duplicates authorities of the Department of Agriculture's Food Stamp program and its Women, Infants and Children program, HEW's title XX (Social Services), the Administration on Aging, and various child feeding programs; the Emergency Energy Conservation Services program, to be administered within the major Agency which has national responsibility for the energy conservation effort. A more extensive weatherization program included in the 1978 budget for the Federal Energy Administration at an increased level of $55 million in both 1977 and 1978. Community action agencies will remain eligible as grantees for weatherization funds from the larger FEA program and we expect they will receive a substantial portion of increased funding, if not the dominant share.

Also two summer programs, National Summer Youth Sports and Summer Youth Recreation are proposed for termination. Both are small, unrelated to the principal community action delivery system of community action agencies, and not specifically directed to the reduction of poverty. No further appropriations are requested for migrant programs in 1978. The appropriation of $1.0 million in 1977 to CSA duplicates authority possessed by the Department of Labor in addition to larger amounts being requested in HEW's 1978 budget for migrant health and education programs.

Funding of State Economic Opportunity Offices is also not requested in 1978. Funds have been used principally for salaries and other administrative costs of the State agencies' employees. Such assistance and administrative support is more properly the responsibility of the individual States, which are more able to judge the value of such assistance within State funding priorities.

As you know Mr. Chairman, the presentation we are making here today is based on the 1978 budget request of the previous administration. We are currently engaged in a dialogue with OMB concerning possible revisions to the 1978 budget request before you. However, until those discussions are concluded, I don't feel at liberty to discuss them.

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

OPENING STATEMENT

Mr. CHASE. Mr. Chairman, we are available for whatever questions or comments you gentlemen have.

I would like to make some observations along two lines: One, some personal views on the agency and our role and the problem we are trying to deal with, and, secondly, some on the specific budget package that the executive branch has currently before this committee.

I was shocked a year ago, within the last year, really, to learn that there had been an increase in 1975 of better than 10 percent in the poor population in the United States.

Mr. FLOOD. What do you mean by poor?

Mr. CHASE. That is the poor as defined by the Department of Commerce, Census Bureau, using the Department of Agriculture basic formula. As you are aware, Mr. Chairman, since the early sixties, when the number of poor in the United States was closer to 40 million, there has been a continual drop in the numbers of poor down through the late sixties and early seventies when it tended to level off.

Then we saw in 1975, in large part caused by the economic difficulties the country has experienced in the last few years, a jump back again, a significant increase up to some 26 million Americans who are in poverty.

Those are sort of dry statistics and it is hard for those of us in the business to come to terms with them, but I think the problems of the poor have been brought home very poignantly to all of us in the Nation in the last few months by the energy situation, and more particularly, the weather.

I know my mother sent me pictures of people she knew who have died in Springfield, Mass., older people who, because their fuel has been cut off, have not been able to survive. That is obviously not unique to Massachusetts.

But the problem is compounded manyfold. I think the lesson is pretty clear: In any time of misfortune it is the poor who are the most vulnerable. That is very, very true now.

The morning Post had a figure of $139 for the average increase in heating bills—I think you perhaps saw that. That is less than my wife has been telling me our fuel bills have gone up. But fuel bills on the average have gone up $139 a year. I guess I can afford $139 and perhaps everyone in the room can but we know through experience that $139 takes, when it has to come out of just a few months' income, a very sizable proportion of the income of the very poor.

So the problems are there. They are still with us. The message today is, as it has been for 8 to 10 years, that the Community Services Administration, the old OEO, is, as it has been, a useful and important instrument in meeting these problems.

I have been frankly surprised in the 6 months since I came over from the Department of Labor to this agency to learn about the variety of programs the importance of the programs, the effectiveness of the programs. We by no means have solved all our managerial problems and certainly not all our organizational problems. But I think we at the Federal level, in the regions and more particularly out in the field where the people are doing the good, have an effective delivery system.

For those of you who may not be current on CSA's programs, we have better than 1,000 grantees spread nationwide who deal with some 75 percent of the Nation's poor and deliver services to them of a multitude of varieties.

Let me make a few observations and then let you get at us, a few observations about the budget before you.

The first observation I would make is that it is for a total amount of $398 million. That is $64 million more than the Ford administration requested a year ago. On the other hand it is $113 million less than the Congress appropriated.

Mr. FLOOD. More than the Ford administration requested a year ago?

Mr. CHASE. Yes, sir, for fiscal year 1977, the current year.

Mr. O'BRIEN. How much was that?

Mr. CHASE. A total of $398 million has been requested. This is, if you will, the last administration's budget on the table, as you are aware.

But the current budget is $398 million, or $64 million more than that administration had put forward a year ago.

At the same time, it is more than $100 million less than the Congress appropriated for the program. Our current level budget for the current year is about $511 million.

The second observation I would like to make is that the current budget before you is under close review by the new administration. You are going to hear that from everyone who appears.

Mr. FLOOD. That will be the understatement of the day.

Mr. CHASE. Ours may be under even more particular review. The President has asked one of his special assistants, Mr. Joseph Aragon, to undertake in the next 2 weeks a detailed study of our agency, its organization, policies, and budget, and to report back to him on his views.

So I frankly expect there will be some material changes; up, down, I am not sure but I would expect up; but certainly there will be changes in the budget that you have before you.

But in the budget before you I think there are two themes that have come across. Obviously, one is an elimination in some of the categorical programs we have administered. These are programs like energy conservation, food and nutrition, senior citizens programs, State economic opportunity programs. Those programs have been eliminated on the presumption made at the time this budget was put together that they were duplicative of authority in other social service agencies, most particularly HEW.

The second sort of theme that runs through the budget, I think, is at least as significant as that, and certainly more positive from our vantage point. That is that in a number of respects this budget is designed to improve the delivery system.

Let me enumerate a few. Some are new to our budget presentation. We have for the very first time a specific request in an executive branch budget proposal of $1 million for evaluation.

Now, frankly, $1 million is not going to go very far in evaluation, particularly considering the mandate we have in our legislation. We have very broad authority in title IX of our bill which requires us not only to carefully evaluate all of our own programs, but gives us the responsibility to evaluate social programs of other Federal agencies throughout the Government. It is a function that we have not been staffed to do and we have not had the funds to undertake.

But this is a start and the $1 million is important for that reason.

There is a second line item I think is equally important in terms of strengthening the delivery system. That is $1 million in training and technical assistance to our delivery system. We have 1,000 grantees and we have had a very limited capacity to provide them the assistance

they direly need from a programmatic and administrative standpoint. We have to be closer to the scene to help them meet our requirements and to help them to service their own clientele.

The third and perhaps most important ingredient in this request is the almost $3 million for an additional 100-plus people in the Federal complement. This additional 100 people will bring us up to 1,067 people. The Agencies' personnel has dropped from some 2,000 in 1973 to less than 1,000 now. A total reorganization is underway to improve the management systems, to bring us into compliance with civil service requirements, to be responsive to oversight committees from the Hill who have properly beaten us over the head on the issue this year. That $3 million is an essential piece to round out the reorganization.

I thank you for your time, Mr. Chairman.

EXPIRATION OF CSA AUTHORIZATION

Mr. FLOOD. Now, is it your understanding that even though your basic law expires September 30, that there is still authority now to appropriate for fiscal 1978 using that so-called automatic 1-year extension?

Mr. CHASE. That is our understanding, yes, Mr. Chairman.

Mr. FLOOD. You mentioned that the new administration has only been in office a couple of weeks, which is certainly not long enough to go through this kind of budget in detail. But in spite of that now, as far as you know, do you anticipate any amendments being proposed to this budget by the new administration, anything you can talk about now in general terms?

Mr. CHASE. No; I don't believe so. I think the difference is that the President, as I indicated, has made this special review. I understand, for example, that ACTION, when they were before you, had some informal reading. We don't have anything similar.

Mr. FLOOD. In any event, how much additional money would it take to maintain the existing programs, approximately?

Mr. CHASE. I would say at the current levels it would take approximately the same amount of money; that is, better than $500 million.

COMMUNITY ACTION MATCHING FUNDS

Mr. FLOOD. What percentage of community action funds must be matched by the local agencies in 1978?

Mr. CHASE. In 1978, as in 1977, there are two different matching rates for the local agencies. The very large ones have to match at the 40-percent rate and the smaller ones which have been defined as having a gross budget of less than $300,000 have to match at the 30-percent rate.

Mr. FLOOD. Does the matching requirement apply to all programs under sections 221 and 222?

Mr. CHASE. It applies to all programs under 221.

Mr. FLOOD. How about 222?

Mr. ROLLIS. They vary. Nutrition does not. Crisis intervention in energy does not.

Mr. FLOOD. But all of 221?

Mr. ROLLIS. Yes.

Mr. FLOOD. What is your experience with this business of increasing the matching funds? Are most of the local agencies able to come up with their share?

Mr. CHASE. It is a mixed picture. We don't have data on fiscal 1977, but we do have some data, as yet unaudited, on fiscal year 1976. It suggests that I think there have been of our roughly 1,000 grantees, that there have been fewer than 300 requests for waivers, but most of them have been partial waivers.

Mr. FLOOD. Would you say most of the areas have been able to come up with their share?

Mr. CHASE. Certainly better than half have been able to come up with their share. There is an important distinction. They have been able to come up with it for the most part by increases in in-kind shares. That is, as a practical matter, they are adjustments for inflation. Thus the program size has not kept pace with the needs out there.

WAIVERS OF MATCHING REQUIREMENT

Mr. FLOOD. Here is a question about the matter of waivers.

How many waivers of the matching requirements were requested by local agencies in fiscal 1976?

Mr. CHASE. We can provide you that exact figure for the record, including the amount.

Mr. FLOOD. All right.

[The information follows:]

There were 312 waivers requested. Of those requested 266 were granted, totaling $16.4 million.

Mr. FLOOD. How many waivers of matching requirements did you grant in fiscal 1976?

Mr. CHASE. We have that data right here.

Mr. FLOOD. You can do that for the record.

Can you give us a rough percentage?

Mr. CHASE. I can give it to you exactly. We approved 266 requests of a total of 312 that were requested.

Mr. FLOOD. What does the local agency have to do to obtain a waiver?

Mr. CHASE. There are two different types of criteria. I would ask Angel Rivera to respond to that.

Mr. RIVERA. Yes, Mr. Chairman.

Mr. FLOOD. You can develop this for the record if you feel you should.

Mr. RIVERA. We have a standard waiver which applies to eligible poor counties, counties across the country which by our definition fall below a certain poverty level, so much unemployment. They fall into what we call a normal waiver. The trust territories, Virgin Islands, and Indian reservations fall into a natural waiver.

The waivers we have on deal with the adverse economic conditions within the requesting CAA. They request consideration for a waiver

based on the economic conditions in that particular jurisdiction. They have to fill out, by our standards, a form which indicates—a letter from the mayor, the highest elected official—that his locality cannot do it.

Mr. FLOOD. It is a standard procedure?

Mr. RIVERA. Yes. That is submitted to my office. We review it and based on the information, on the attempts made to raise the local share, we determine whether we will or will not make a waiver.

Mr. CHASE. As a matter of fact, each of those waivers is not only reviewed by Mr. Rivera's shop, but has to be signed out by the director. They are given a careful scrutiny.

ANNUALIZATION

Mr. FLOOD. How many of these Community Action agencies are funded on a 12-month cycle?

Mr. CHASE. Mr. Rollis?

Mr. ROLLIS. Seventy-five percent. Those funded for less than $300,000 are on an annual cycle forward funded into the following year.

Mr. FLOOD. Why 75 percent?

Mr. ROLLIS. That was the money that was available through the transition quarter. We took the smallest and worked our way up and that was the cutoff point. Those over $300,000, while they only comprise about a couple hundred grantees, comprise the major amount of our funding. Those are funded through the fiscal year. It is 12 months but not on their program year. It is quarterly funding just through the end of the fiscal year.

TRANSITION QUARTER FUNDING

Mr. FLOOD. You mentioned the transition quarter. Tell us how you spent the funds appropriated for CSA for that 3-month transition quarter.

How much was for section 221, how much for the categorical programs and how much for economic development, et cetera?

Mr. CHASE. There are not enough et ceteras. That is one of our problems. The principle break was between 221 and title VII, I believe.

Mr. ROLLIS. Local initiative would be $437.5 million for the 15-month year. Now $330 million was appropriated. So that would mean that in the transition quarter we spent $107.5 million on local initiative.

Mr. FLOOD. Can you break that down for 221 and the categorical programs?

Mr. ROLLIS. Yes, sir. In fact, we will be glad to enter that for the record.

Title VII, we spent a total for the 15 months of $53,025,000. The 12-month year appropriation was 48.2, indicating we spent about 4.8 during the transition quarter for title VII.

[The information follows:]

FINANCIAL HISTORY, 1976

[In millions of dollars]

	Annual appropriation	Transitional quarter	Total 1976 appropriations
Title II—Community action local initiative	330.0	107.4	437.4
SEOO's	12.0	2.6	14.6
SOS	10.0	2.9	12.9
Nutrition	26.2	.1	26.3
Energy	27.5		27.5
Youth sports	6.0	—.9	5.1
Summer youth	17.0		17.0
Migrant assistance			
Technical assistance		2.0	2.0
Research and special projects [1]	16.8	1.9	18.7
Title VII—Economic development (program)	45.5	6.3	51.8
Title IX—Evaluation			
Title VI—Administration [2]	29.2	7.4	36.6
Total	520.2	129.7	649.9

[1] Includes rural housing.
[2] Net of rebillable services and lapsed funds.

Mr. FLOOD. Take a look at page 19 of your justifications, that second paragraph there. That relates to this business of the 12-month funding. What are you talking about there?

Mr. ROLLIS. Prior to 1974 our entire agency, including Headstart as a delegated program, was funded on a staggered basis into the future year based on a grantee program year. In other words, a grantee's year might end December 31. One-twelfth of our grantees came up for funding each month. We would fund them, say, from January 1, 1973 through December 31, 1974.

Now if you have one-twelfth of your grantees coming up for a full year's funding each month, providing you start them up during the year, you will develop a pattern that in essence is an average of 6 months' funding into the following fiscal year.

Mr. FLOOD. That is not as complicated as it sounds at all.

Mr. ROLLIS. In 1974, while the Congress and the executive considered the future of CSA, we received through your committee a half-year appropriation, in essence funding all our grantees to cut off June 30, at the end of the fiscal year. In order to continue or restore the program year annualized funding it requires, from some source, budget authority of the amount that was short-funded in 1974. The transition quarter was a way to balance this forward funding. We devoted most of it to local initiative.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you.

COMMUNITY ECONOMIC DEVELOPMENT

Your statement indicates that a recent internal assessment raised basic questions concerning the design and economic and social effectiveness of the community economic development program. What specifically are we talking about? Can you provide us with some information?

Mr. CHASE. Surely, I would be happy to Mr. Congressman.

One of the problems with the OED program is that we don't have enough good data. We don't have enough data and the data we have, a lot of it is not good. We made sort of a crash effort late last calendar year to aggregate such data as we had and try to determine what the impact was of those programs on their communities and to the extent that that performance was not as satisfactory as we would hope it might be, to what extent that could be attributed to our own internal deficiencies of design, lack of adequate personnel or what have you.

We found with respect to data available on impact, for example, that there were fewer successful business ventures than we would have hoped was the case. I think there are extenuating circumstances. Obviously, no new small business ventures were doing well in the last two years. Notwithstanding that, I think we were disappointed in the results.

I think fewer jobs were created as a consequence of these investments than we had hoped. And we had virtually no data on the social impact of these community development corporations, these nonprofit organizations in the communities.

Part of the problem is that we know very well there are a lot of constructive activities going on out there that we could not document. That, in terms of the external results, was the picture that began to emerge and made clear that what we had to do was conduct an evaluation and put into place some reporting systems that would allow us to keep track of indexes on a more continuous basis.

SOUTHWEST VIRGINIA COMMUNITY DEVELOPMENT FUND

Mr. MICHEL. The Southwest Virgina Community Development Fund has been receiving funding under this program. One of the business ventures it has been funding is the American Corp. which manufactures corrugated boxes. The U.S. court for Virginia ruled on January 19 that this is unfair competition for private enterprise and ordered CSA to cut off all funding.

My question is initially, have you complied with that directive?

Mr. CHASE. Let me ask General Counsel, Ms. Rollins.

Ms. ROLLINS. Yes, we have, sir.

Mr. MICHEL. The court also stated that the venture autonomy agreement entered into should never be undertaken and represents a breach of the duty owed by CSA to enforce the restrictions placed upon its funding by the act of Congress.

This particular venture autonomy agreement expired on January 31. Can we assume you will not be entering into any further such agreements with southwest Virginia?

Ms. ROLLINS. I am happy to tell you that we will not.

I might add that we have requested of the Justice Department permission to appeal that decision on the very broad interpretation of the exception contained in section 712 of our act as having to do with this particular case.

The decision of that court interpreted there was an intent on the part of Congress to prohibit all competition. This decision impacts on the

Department of Commerce economic programs, SBA as well as programs funded by the CSA.

Mr. FLOOD. Will you yield?

Mr. MICHEL. Yes.

Mr. FLOOD. Can you take that directly to the Supreme Court or do you have to go to the circuit?

Ms. ROLLINS. We have to go to the circuit first.

Mr. MICHEL. How many venture autonomy agreements do you have in existence?

Mr. CHASE. There are two others in existence.

Mr. MICHEL. Where would they be?

Mr. RAMIREZ. There is a program called Kentucky Highlands. That is the only one that is presently in existence.

Mr. MICHEL. Does this court decision in Virginia have any bearing on that project?

Mr. RAMIREZ. I think General Counsel could better answer that question, but as I view the circumstances in that case, it appears to apply specifically to that case. It raises a question, however, in our minds.

LIMITED SUCCESS OF ECONOMIC DEVELOPMENT

Mr. MICHEL. Have there been any business ventures funded by CDC's that have become self-sustaining since the beginning of the program?

Mr. RAMIREZ. That is some of the information we are gathering presently. The numbers in terms of ventures are well over the 200 mark.

I would like to present some of that information for the record.

[The information follows:]

There are business ventures that have become self-sustaining. We define self-sustaining as attaining a profitable status where the only additional funds needed will be the short-term working capital or long-term loans for expansion. Since inception of the program in 1968, we have provided funds to approximately 295 business endeavors and cooperatives, in the form of loans, equity, grants, or a combination thereof. As of September, 1976, we estimate that 31 ventures have reached a stage of self-sufficiency and should not require any additional Federal support. This is approximately 10 percent of the total ventures receiving or have received Federal funds.

Mr. MICHEL. I was going to ask you how many there were.

I have some other questions which you may respond to for the record.

Do you know offhand how many of those businesses that have been funded have since fallen by the wayside?

Mr. CHASE. That data is also available and we will be happy to supply it for the record, Mr. Michel.

[The information follows:]

Approximately 66 of the 295 ventures funded have been liquidated, are insolvent, bankrupt, or otherwise fallen by the wayside. This represents approximately 22 percent of the total ventures receiving Federal funds.

COMMUNITY FOOD AND NUTRITION PROGRAM

Mr. MICHEL. Now, moving to the community food and nutrition program, how much of the fiscal 1977 funds are being allocated for the food stamp outreach or recruitment campaign?

Mr. CHASE. Do you have that?

Mr. RIVERA. We broke out the food and nutrition outlays by our agency, as I recall now, with direct feeding, indirect feeding and advocacy funds. The direct feeding and indirect feeding would include food stamp, outreach and whatever. We can get that for the record.

[The information follows:]

NUTRITION, 1976

	General	Children	Elderly	Migrants	Indians	Total
Monitoring	3.1	0.8	1.1	0.7	0.8	6.5
Direct feeding	2.3	.6	1.7	1.0	.6	6.2
Supplemental programs	2.4	.8	2.0	.4	.2	5.8
Food production and distribution	2.4	.4	.8	.8	.3	4.7
Technical assistance	1.1					1.1
Evaluation	.2					.2
Other	1.9					1.9
Total	13.4	2.6	5.6	2.9	1.9	26.4

Mr. MICHEL. I note you are spending money for legal services under this program. I thought that was the responsibility of the Legal Services Corporation. Why?

Mr. CHASE. You will remember that the Legal Services Corporation was until about a year ago part of CSA. We still do fund, principally out of the energy and the CFN programs, a limited number of legal advocacy programs. As a practical matter I think these have phased down in the last few years. We probably have not more than three or four currently.

Mr. MICHEL. Would you mind listing those by name and amounts for the record?

Mr. CHASE. We will be happy to. We have looked into that and it is clear that there is legal basis for that. In each of those cases we have tried to deliberate with the new Legal Services Corporation to be sure we don't duplicate our efforts.

[The information follows:]

A survey of headquarters and regional offices to determine the amount of money used for legal services under the Community Food and Nutrition program indicated that only two grantees received over $50,000 in 1976. They are the Food Research and Action Committee at $450.000 and California Rural Legal Assistance which received $100.000. Other legal service programs of minimum amounts were funded for in region I, IV, V, and IX, as part of a total local program.

FOOD RESEARCH AND ACTION CENTER

Mr. MICHEL. The Food Research and Action Center is one of the outfits receiving funding for such legal activities; right?

Mr. CHASE. That is correct.

Mr. MICHEL. What is the size of that grant from CSA this year?

Mr. CHASE. In the current year it is $450,000.

Mr. MICHEL. Hasn't one of the activities of that organization simply been to sue the Federal Government?

Mr. CHASE. No; that has been an activity and certainly the most dramatic. As you are well aware, Mr. Congressman, they in fact did sue the Department of Agriculture in the food stamp issue. There have been many other suits.

But quite aside from the suits they have brought to bear, they have done a lot of other work which we think has considerable merit. They have conducted conferences and training programs, provided technical assistance to grantees who need that assistance.

So while that particular legal action is the most visible, it is by no means reflective of the full extent of work they have done.

Mr. MICHEL. People involved in that particular project were up here last year lobbying for the food stamp program. Do you have any idea whether or not these folks were violating the Federal law in doing that?

Ms. ROLLINS. They were not using CSA funds for the lobbying. They were utilizing funds from other organizations and institutions.

Mr. MICHEL. What other organizations? Is it robbing Peter to pay Paul and getting around the law to qualify?

Ms. ROLLINS. I meant private institutions. I was not referring to the non-Federal share. We examined that question very carefully when this grant was being reviewed for refunding. I am satisfied to the extent that the information was given to my office, including the Office of Inspection, which is also under my control, that the CSA funds were not used for that purpose.

Mr. FLOOD. Mr. Natcher?

COMMUNITY ACTION AGENCIES

Mr. NATCHER. How many community action agencies are there around the country?

Mr. CHASE. We have 881.

Mr. NATCHER. How many people are employed by these agencies?

Mr. CHASE. I think we consider full-time employment 80,000 and total employment about 110,000.

Mr. NATCHER. Can you give me some idea as to how many employees the agencies had 5 years ago?

Mr. CHASE. Those same community action systems?

Mr. NATCHER. Yes.

Mr. CHASE. Let me ask my colleague.

Mr. RIVERA. About 180,000 at the peak.

Mr. NATCHER. What would be a good general definition of a community action agency? What would you say?

Mr. CHASE. I would say it is usually a not-for-profit, but occasionally, a public-sponsored, community-based corporation that is designed to provide services to the poor an advocate on their behalf in a given political area or district.

Mr. NATCHER. Can a community action agency operate any type of program that it wants to with the funds it receives from the Community Services Administration?

Mr. CHASE. No, there are limits. We would be happy to provide the constraints on the activities that are improper and illegal. It is true at the same time that what we consider to be one of the virtues of the community action approach is that it provides considerable discretion to those local communities to undertake a variety of activities as they determine are needed in the community.

Mr. NATCHER. Would you provide that for the record in more detail?

Mr. CHASE. I will be happy to.

[The information follows:]

Community action agencies are charged with planning, administering and evaluating anti-poverty programs within the jurisdictions they serve.

While the emphasis has always been on allowing CAAs to tailor their plans and operations to meet the particular needs of the people who are assisted, this is done within the confines of a work program which must be approved by CSA. Both the grantee and CSA agree on the goals of a particular program. Any deviations must be approved by CSA staff. This is done to provide for accountability and allow us to measure the CAA's progress in meeting its stated objectives.

Programs operated would include many of those authorized by Section 222(a) of the Community Services Act, such as Senior Opportunities and Services, Community Food and Nutrition, Emergency Energy Conservation and Summer Youth and Recreation.

Funds may be expended only for those purposes which are set out in the agreed-upon work plan, and in a manner which does not conflict with statutory or administrative restrictions. To insure compliance, grantees are monitored on a periodic basis by CSA field representatives, required to submit annual audits, attesting to the proper expenditure of funds and, within the limits of CSA's internal manpower constraints, evaluated.

Mr. NATCHER. Community action agencies also administer programs sponsored by other agencies like HEW and Labor. Does the agency receive a portion of those funds for its overhead and administrative costs?

Mr. CHASE. Let me try to put some scale on that, if I may, Mr. Natcher, and then come back to your specific question.

The best data we have available suggests that the community action programs administer approximatey $1½ billion worth of programs. You will remember that our own directly appropriated funds are in the neighborhood of $500 million. So there is a leverage factor of about three in there. Much of that money is from other Federal sources. Some is voluntary and some is State or local.

Of the Federal funds, it varies by the program. A very significant portion of the Head Start program funded through HEW is in fact managed through our community action system.

We do have a problem there in that our agencies are not able to, even though they are providing the management and administrative overhead, we are not getting reimbursed for it. There may be other situations like that.

Mr. ROLLIS. I think you have to differentiate between the 221 money which used to provide administrative costs for a large variety of programs, including Head Start. In 1969 at the time of the delegation, Head Start money was used entirely for program and the local initiative program was used to cover administrative costs. Since then most of the other OEO programs have also been delegated.

In the cases where community action agencies have continued to administer such programs, then the administrative costs are properly paid from local initiative funds. However, if a new Head Start program goes into a community action agency, then it has to pay administrative costs as they increase.

The problem involved with indirect funding and who pays for administration is that Head Start has increased 24 percent in the last

few years as many other OEO delegated programs have in HEW. The local initiative funding remains the same. That means for 6 years the administration portion has shrunk while the programs to be administered have grown to the point where local initiative money cannot cover the entire administrative costs of the number of programs that the community action agencies run.

Head Start is recognizing this through the issuance of a new set of regulations to develop indirect cost rates to partially reimburse the community action agencies for the real indirect costs associated with their programs.

CATEGORICAL PROGRAMS

Mr. NATCHER. Besides their basic funding under section 221 of the act, community action agencies receive funds from CSA for a variety of small categorical programs such as winterization, food and nutrition, et cetera. Do these categorical programs retain their separate identities at the local level or do the funds tend to get all mixed up? What is the situation?

Mr. CHASE. From a fiscal standpoint, is that your consideration?

Mr. NATCHER. Yes.

Mr. CHASE. Let me ask Mr. Rollis to answer that.

Mr. ROLLIS. They are not mixed. They are accounted for separately. The programs themselves, for example, in nutrition, often do mesh with the local community action programs. It is a feeding service that the community action agency would offer among some other things such as CETA employment or job training they are running for Labor or Head Start for HEW. A food program would fit into that and become a part of the community action agency. So it would be indistinguishable from the citizen's point of view, but financially they are kept separate.

SENIOR OPPORTUNITIES SERVICES PROGRAM

Mr. NATCHER. Under the senior activities program under section 222, how do you ensure these funds are used strictly for the elderly?

Mr. ROLLIS. Through our program guidelines basically. Those are historical. The funding levels for the individual programs have remained largely the same along with community action for the last 5 or 6 years. At their inception they were designed to provide specialized outreach service for the aged. They have retained that character, at least it is certainly my impression that they have retained that character of elderly service.

In fact that $10 million that goes to the elderly program causes the CAP, the total community action program to focus more on the elderly. You have a hired elderly programmer within CAP that persuades the board of directors to vote, at our last estimate, 20 million dollars' worth of local initiative money to elderly activities.

Mr. NATCHER Are there any programs authorized under section 222 of the act that could not legally be carried out by the local agencies under section 221?

Mr. ROLLIS. No.

Mr. NATCHER. Thank you very much.

Mr. FLOOD. Mr. Roybal?

MIGRANT PROGRAMS

Mr. ROYBAL. You state on page 6 of your testimony that no further appropriations are requested for migrant programs in 1978. Will you tell the committee why you recommended the elimination of any farmworker activity for fiscal 1978?

Mr. CHASE. At the time that decision was made, Congressman Roybal, the assumption was that since the Department of Labor had in 1973 been delegated similar authority from our agency and since they had an appropriation in excess of $60 million that they should be the lead agency for migrant programs.

I do know, sir, that you have sponsored a bill which does seem to me and to others who have looked at the issue to go to the heart of many of the problems that the Federal Government has in effectively dealing with migrants. And more particularly, the issue of fragmentation and the lack of coordination among agencies with respect to the migrant programs as well as the fact that there are, in the aggregate, not enough funds.

With respect to your specific questions, that was the rationale at that time. I would expect that is one of the programmatic issues that will be readdressed by the new administration.

Mr. ROYBAL. But this decision was not based on any research that you made; was it? I understand you had a contract to assess the role related to migrant seasonal workers. Was it based on that report?

Mr. CHASE. Not on that report per se; no.

Mr. ROYBAL. What was in that report? How much money did you spend on it, and what happened to that report?

Mr. CHASE. The figure is $200,000. The results from the report I don't think we could adequately paraphrase here, but we would be happy to include it in the record.

Mr. ROYBAL. I would like to know just what we use that report for after we spent $200,000 for it. That is a lot of money.

Mr. ROLLIS. In general terms the report indicated the severity of the migrant needs and the fact that for the migrants, the poorest of the poor, those needs were largely unmet. In answer to your question, it did not focus directly on the question of whether we should run them or whether they should be, as your bill proposes, more or less joined.

We will be glad to provide a copy of that to your office or for the record.

Mr. ROYBAL. I think I recall that that report recommended a migrant division within CSA itself; did it not?

Mr. ROLLIS. I believe it did. But that, of course, depends upon appropriation. At a $1 million level, then the migrant problem is one of the activities we engage in such as manpower and housing where we have a small number of people, one or two people, whose principal activity is to keep track of other major efforts in the Federal Government and to see that they are flowing through our service delivery mechanism and they are devoted to poor people, to attempt to impact other programs toward poor people, not necessarily justify a division.

Mr. ROYBAL. You recommended the discontinuance of this program because you thought somebody else was going to do it, and not because it was based on research and careful study.

Mr. CHASE. I don't think we had any research available which bore on this issue.

Mr. ROYBAL. You spent $200,000 on a report.

Mr. CHASE. That was directed toward the larger issue of migrant and seasonal farmworkers nationwide without respect to whether CSA in particular should be responsible for meeting those needs. We have made copies of that report available to other agencies including HEW, Labor, and Agriculture.

One of the fortuitous things that has come out of that, and I trust the momentum will be maintained, is an effort to coordinate their respective efforts and focus them on the migrant problem.

Mr. ROYBAL. Migrant and seasonal farmworkers and Indians each receive $1 million for energy weatherization projects in fiscal 1976. Is that a correct figure?

Mr. CHASE. Yes, sir.

Mr. ROYBAL. But for fiscal 1977 no funds were targeted for migrant and seasonal farmworkers.

Mr. CHASE. I don't think that is correct.

Mr. ROYBAL. Because of the outcry of the farmworkers finally half of that amount was put back; is that correct?

Mr. CHASE. We have two separate accounts, as you are aware. In the energy account, of the $27½ million, we had $1 million allocated. Tom?

Mr. ROLLIS. The Congressman is correct in that we allocated $1 million to migrants in 1976 and $1 million to the native Americans in 1976. In 1977 currently our projection is for half a million each. Part of the reason for the decline is the fact that actually during that period we had the $27½ million available in 1976 and we also had the $16½ million available from 1975 which was obligated late.

So in essence we were planning a larger pool due to the overlapping fiscal year.

Mr. CHASE. There are additional moneys out of the Community Food and Nutrition Act which have been made available to the migrant program as you are probably aware, Congressman.

Mr. ROYBAL. But the truth of the matter is that they are getting less now than they were getting before. I am trying to get at the facts as I don't believe you have lived up to your commitment to these groups.

Mr. CHASE. I think in 1977 the aggregate figure that will be made available from CSA for migrants will exceed the 1976 figure. But we will be happy to provide that.

Mr. ROYBAL. No doubt you will exceed it——

Mr. CHASE. Not just because of the extra $1 million but because in addition the percentage of funds from the community food and nutrition program that mandatorily have to be made available to Indians and migrants has increased.

Mr. ROYBAL. What you are telling me is that even though you have taken away that $1 million and restored half of it later on, that they are still going to get more money?

Mr. ROLLIS. There are two things to bring into that.

Mr. ROYBAL. I don't understand that kind of arithmetic.

Mr. ROLLIS. One is that the conference report indicated that this money was to be obligated immediately on a 6-months basis which means that for the migrants and Indians we put the half million in now and if the Congress provides a supplemental there will be another half million there which would provide the million targeted.

The other aspect in the case of the migrants we looked at was that the funding from 1976 has not as yet been utilized to the degree we would wish.

In other words there are funds available within the migrant conduit grantees. We looked to be certain that those grantees from the $1 million in 1976 were not running out of money prior to the planning commitment of the half million.

Mr. ROYBAL. These groups are facing a weather crisis now that they have never faced before. At this particlar time the funding has been restored by one-half. Now you may have all kinds of rationale to justify future funding, but they need it now.

Mr. CHASE. There is money in the migrant conduit system now that has not been spent. That is one reason we went forward with less. The other thing I think would be useful to point out is that of the $1 million that is available for the current year, the special appropriation, within the last week the former director of the agency made a visit to Florida where the problems of the migrants are particularly acute and made available a fund of $300,000 through the CAP system there for precisely the sort of emergency you just suggested.

Would that we had enough to go to other areas where the problems are similar. That was most acute.

Mr. ROYBAL. These are emergency funds that are being used now because of the emergency but not actually intended——

Mr. CHASE. They would have been otherwise spent; that is correct.

Mr. ROYBAL. So now that the emergency exists you are robbing Peter to pay Paul but in the overall budgeting you are still decreasing that amount by $500,000.

Mr. CHASE. That is correct.

Mr. ROYAL. So you are not doing too good; are you? I won't insist that you answer that question.

Mr. FLOOD. Mr. O'Brien?

LOCAL COMMUNITY SUPPORT

Mr. O'BRIEN. Mr. Chase, this is my first day on this subcommittee so I hope you will make allowances.

On page 2 at the bottom of that page it says, "The request of $330 million allows growth in the Federal program for increasing local support." Is that a voluntary disposition on the part of a local community to come in and match?

Mr. CHASE. I am not sure I have the reference. Is that in the budget document itself?

Mr. O'BRIEN. I am referring to your opening statement on page 2. With increasing local function support. Is that a trend?

Mr. CHASE. That is a reflection of the fact.

Mr. O'BRIEN. Acceptability?

Mr. CHASE. We would like to think at least in part it is acceptability. It is also a fact that the non-Federal share of the total program cost has been mandated by legislation to increase such that in the current year it is either 30 or 40 percent depending on the size of the program.

Mr. O'BRIEN. In my district I have an extremely evenly operated Community Action program, perhaps the best in Illinois. One of the other programs, in my judgment, is something less than that. Who do you think should evaluate these programs? How do you think that should be adjusted? Both areas perhaps need evaluation just as badly. Maybe the less even one needs it more, for all I know.

Mr. CHASE. I think one of the problems facing us in trying to bring to bear some help here is the fact that there is a great deal of unevenness in the quality of the programs out there.

It is precisely for that reason that we have felt the need both to have additional people in the field to provide the monitoring, to find out who are the good ones and who are the bad ones and provide the technical assistance to the bad ones or if need be to cut them off. That is why we have requested the evaluation capability to better determine which are the more effective programs.

Mr. O'BRIEN. I get a general reaction to the programs as I go through my district. Nobody is perfect but you know if one program is working well because the people are quite satisfied. You feel that and others are not working so well. I would not be embarrassed to tell you if you write me or however you want it done that some are not doing so well and others are super.

Mr. CHASE. I think that is one of our problems. Our system is not sufficiently fine tuned to either determine the gradations in quality out there or to reward and punish, if you will, or to assist those programs based on those findings.

I think that is something we are now working on through the information and evaluation systems.

NON-FEDERAL SHARE

Mr. O'BRIEN. On the bottom of page 2 it says, "Therefore the director has authority which he has exercised for certain CAA to waive all or part of the non-Federal share." Is this a judgment call or do you have criteria or is it something that you can't really set down criteria for?

Mr. CHASE. There are fairly exacting criteria and documentation that must be provided and are review processes which includes in the last analysis a waiver by the director. So it is not taken cavalierly at all. It is a process we undergo quite thoroughly. I think I indicated before that some 266 waivers were granted in fiscal year 1976. But it should be clear that that is not for the full amount of the non-Federal share.

On other words, if the non-Federal share were $100,000 in a given case it might be that they got $95,000 of it. Maybe they were only 5 percent short, but that would still require a waiver. Less than 10 percent of the required non-Federal share was in fact waived.

Mr. O'BRIEN. Thank you, Mr. Chase.

Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Early?

NON-FEDERAL SHARE WAIVERS

Mr. EARLY. Of those 266 waivers, how much money was it?

Mr. RIVERA. A little over $16 million.

Mr. EARLY. The congressional intent, when we increased from the 20 percent local to 30 and 40, was to get more money so we could service more poor people. We seem to have our own agencies fighting congressional intent. I can't understand that. Of those waivers, did any of them receive 100 percent Federal funding?

Mr. CHASE. I don't believe so. I am quite sure that is not the case. We would be happy to provide that information for the record.

Mr. EARLY. I think that it would jump out at you if you did.

Mr. CHASE. We would look very skeptically if we had done anything like that. I am sure that would not have happened. We have taken this mandate seriously.

Mr. EARLY. Mr. Rivera, what is the average waiver?

Mr. RIVERA. We don't break it out on an average of what the waiver would be. We can get that for you for the record. In my review of these waivers, dealing with an average, 5 or 10 percent waiver.

Mr. EARLY. By giving waivers—and I don't know why the director should have that authority—but by giving waivers we are penalizing poor people. If there is a matching program that is not to the cities' and States' advantages to put up 40 percent to get a dollar, it is not a very good program.

Mr. CHASE. I would suggest that doesn't necessarily follow.

Mr. EARLY. Well, we disagree because I think it follows 100 percent. As former chairman of a State Ways and Means Committee, it was these programs that we would not participate in. There was no program that we wouldn't participate in if we could have gotten an extra $1 for our 50 cents. It services more poor people. Why do we need $1 million to evaluate a program if the local community has to put up their percentage to get the Federal loan? Why wouldn't the local community assess and evaluate it?

Mr. CHASE. Why wouldn't the local community assess its own projects?

Mr. EARLY. Its own participation.

Mr. CHASE. That does happen. We require self-evaluation. That self-evaluation is measured against the objectives that the Community Action program's board of directors establishes.

That Community Action board of directors is comprised very substantially of members of the community. Thus, in a very real sense there is self-appraisal by the community.

PROGRAM EVALUATION

Mr. EARLY. You say the 1978 request includes $1 million for building the capacity for evaluation at the local level. You answered that the local level will do it. Why do you have to do it? Why do you have six and seven people assessing and evaluating it?

Mr. CHASE. If each agency evaluates its own projects, that is one contribution of needed information. I think it is terribly helpful for us in assessing the project, but it is useful partially. In addition what about a national categorical program?

Mr. EARLY. Do you think any agency can objectively evaluate itself?

Mr. CHASE. Yes.

Mr. EARLY. If I evaluate myself, I will tell you I am the best Congressman they ever had. How can you evaluate and assess your own agency?

Mr. CHASE. I think self-assessment can be helpful but that is only one input. That is why we need the additional funds so we can provide an external evaluation as well.

Mr. EARLY. The more in that area we spend the less we give to the poor people.

Mr. CHASE. I would suggest that the more we spend in reasonable doses in that direction the better we will know how we can spend money more wisely for the poor.

Mr. O'BRIEN. If the gentleman will yield, I think self-evaluation is appropriate in some of these areas because in the cases I cited in my district they don't know what the other is doing.

I don't think one knows how good or poor it is.

Mr. EARLY. But if the local community is going to come up with the money they should assess and evaluate it, in my opinion.

Now in your statement you list several projects that you state as of 1977 no funds are requested for categorical programs which duplicate authorities of other Federal agencies or programs.

LEGAL SERVICES

To Mr. Michel you said you were still providing legal services. We have not had an agency in here yet that does not provide legal services to the same people.

Mr. CHASE. I have reason to believe that is not the case in our program in the sense that, again on a decreasing level, we fund legal services only where we have made a judgment to determine whether anybody else is doing or could do it.

Mr. EARLY. Why any legal services in CSA when everyone else has them?

Mr. CHASE. I think there is a need if it is evident and not being met by other existing authorities.

Mr. EARLY. It is being met.

Mr. CHASE. In every case it has not been.

Mr. EARLY. They are all getting funded. In your statement it says, "The program is projected to expire in 1978." Then you identify one for $10 million and another for $27 million. Why didn't that come off the budget? They expired. Where is the saving?

Mr. CHASE. Given this request, the current year's budget is $512 million and this is $398 million. The difference is principally accounted for by the fact that those categorical programs you alluded to have been dropped.

Mr. EARLY. Of the 512, how much did you expend?

Mr. CHASE. For the current year we are still in the process of obligating and expending those funds.

Mr. EARLY. Are you going to obligate the last few months just to get it out or to produce some services to the poor?

Mr. CHASE. No. The need so far exceeds what we have available that has not been a problem for us. We are not a last-week-race-to-the-trough agency.

LOCAL SHARE

Mr. EARLY. You have given 266 waivers. I come from a poor community. You show the local officials or the State officials a food program and they will come up with their 40 percent if they have to. You know, we can go into LEAA and some of the other programs that have that 90 to 10, where we used to get 10 cents on a dollar. Now this I can't understand.

Mr. CHASE. I think part of the problem has been the economic situation in the last few years, the particular problem of State and public agencies and their own tax problems and revenue problems.

It is compounded by the fact that every year the increment we have expected from those public bodies just to maintain the same level of program has increased. Those three factors have made it particularly difficult.

Mr. EARLY. We have insisted on the local communities participating in the way the Congress intended, that we provide more services for less money. You have requested more administrators. We have enough administrators.

TRAINING AND TECHNICAL ASSISTANCE

Mr. FLOOD. You are asking for $1 million here on what you call "training and technical assistance." Did you say earlier that that was going to be done by contractors?

Mr. CHASE. Not necessarily. The final plans have not evolved for that. I would expect a substantial part of it would.

Mr. FLOOD. Why couldn't your own staff provide the technical assistance?

Mr. CHASE. I have heard somewhere in here today that we may be asking for too many staff already.

Mr. FLOOD. You will hear that all the time.

Mr. CHASE. That is frankly part of the reason. There is specialized competence outside. In addition we are under a general Federal branch injunction to use outside contractors where you can.

STATE ECONOMIC OPPORTUNITY OFFICES

Mr. FLOOD. How many State employees are supported by Federal money given to the State economic opportunity offices?

Mr. CHASE. I think we do have a figure on that.

Mr. FLOOD. It probably wouldn't be exact but you should have some kind of a figure.

Mr. CHASE. I would say about 1,000.

Mr. FLOOD. Give me a ball park figure now and then you can correct it for the record. Would you say 1,000?

Mr. CHASE. For purposes of a ball park figure, yes.

Mr. FLOOD. What is the real purpose of a State economic opportunity office and how well are those outfits doing their job, on the whole?

Mr. CHASE. There are several functions.

Let me see if I can run through some. It varies State by State, not only how good they are but what they do.

Mr. FLOOD. But what's the real purpose?

Mr. CHASE. Many of them have become funding mechanisms, that is winterization funds are actually put through those. That is one function.

Another is training and technical assistance to the CAP agencies in their State.

A third is advising the Governor with respect to the CAP agencies in his State or other programs bearing on poverty whether or not they are CAP related.

A fourth is evaluation of the CAP programs.

Mr. FLOOD. How well are they doing the job?

Mr. CHASE. They are doing a mixed job. There are a few that are doing very well and a number that need significant improvement.

SENIOR OPPORTUNITIES AND SERVICES

Mr. FLOOD. How does the senior opportunities and services program differ from the aging programs over at HEW, or does it?

Mr. RIVERA. Our mandate is not only to senior citizens but our mandate deals with the poor elderly. We found in experiences in visiting the various programs that we fund, and we have taken the course of funding statewide elderly associations through our 221 and 222 moneys to try to activate more participation with the elderly poor with the AOA programs. I can say from any experience in my first visits going back to 1971 through the years there was very little participation in AOA programs with the elderly poor.

That is how we differ from HEW. We concentrate on elderly poor where they have the mandate to deal with all the elderly people. I think elderly poor have more disadvantages than just the elderly whereas they are for every poor whereas HEW dealt with the problems of elderly people who recently became poor along with becoming elderly.

MIGRANT PROGRAMS

Mr. FLOOD. How much of the 1976 appropriation for CSA was devoted directly or indirectly to migrant programs of any kind?

Mr. ROLLIS. It was food, $4.8 million for migrants and Indians combined.

Mr. FLOOD. Right now I would like to know how much. You can break it down for the record.

Mr. CHASE. Approximately $4 million.

Mr. FLOOD. For the record, do break that down as part of the answer.

[The information follows:]

Categorical migrant assistance[1]

	Millions
Nutrition	$2.9
Energy	1.0
Total	3.9

[1] Community action agencies serve migrants within their general activities, but no funding division is maintained.

Mr. FLOOD. How do you plan to spend the $1 million appropriated specifically for migrants in fiscal 1977?

Mr. CHASE. We have two components: One was the use of the $300,000 in Florida, the emergency relief I mentioned a few moments ago, and the other principal component would be an information system.

One of the things that we don't know—and when I was at the Department of Labor I was keenly aware of this too—we know too little about who the migrants are, the family structure, their travel patterns and their needs.

One of the problems the Federal Government has always had in trying to deal with the migrant problems has been that absence of data. Out in Colorado the Colorado Migrant Council has, on a pilot basis over the last 2 years, developed an information system that we think can be applied almost nationwide but certainly in the principal migrant streams.

We have worked this program out interestingly enough with several of the principal migrant groups represented here in Washington, as the best use of those particular funds.

COMMUNITY FOOD AND NUTRITION

Mr. FLOOD. How much of the 1976 appropriation for the community food and nutrition program was spent for direct feeding programs?

Mr. ROLLIS. $6.8 million.

Mr. FLOOD. How was the rest of it spent?

Mr. ROLLIS. The categories in which we collected information are labeled generally "monitoring" which includes food stamp registration, assisting people getting into school feeding programs and other programs.

That was $6½ million. Direct feeding as a category was $6.2 million. Supplemental programs which would be something similar to an existing program, but an area where the need was not being filled was $5.8 million.

Food production and distribution, gardens, food preservation, food banks and emergency food stockpiles was $4.7 million. Technical assistance $1.1 million; evaluation .2 and all other categories $1.9 million.

COMMUNITY FOOD AND NUTRITION OUTREACH

Mr. FLOOD. Now another term you used was the term "Outreach". What exactly do you mean by "Outreach" in this community food and nutrition program?

Mr. CHASE. Most of the community action programs have, in addition to a sort of core central staff, small outstationed offices with sometimes one to three or four people. One of their principal functions is to knock on doors, in many cases, but in all cases to make themselves available and accessible to the poor in the neighborhood and make those people aware of services that are available in the community, services like food, child care, services from HEW, as well as our own. In general, that is what we call outreach.

Mr. FLOOD. Why don't you let the Department of Agriculture worry about this nutrition outreach? In other words, what in the world can these community action agencies you were telling us about do, that the Agriculture Department working through the States can't do?

Mr. CHASE. I would point out, Mr. Chairman——

Mr. FLOOD. Wouldn't you ask that question if you were sitting here?

Mr. CHASE. I think I probably would. I would point out to begin with that the outreach function is but a part of the use of these funds, Where it is used, it is almost invariably because other public agents either are not doing the job or not doing it well in our judgment. There are places around the country where they just are not. For example, there are poor and there are no persons from the Department of Agriculture to tell them about food stamps.

Mr. RIVERA. In some States the request for the outreach worker comes from the State where they have the outreach capabilities, but they don't have the person in the civil service who resembles the kind of person in those neighborhoods or can be able to do the outreach work that we find is necessary.

EMERGENCY ENERGY

Mr. FLOOD. Now we have appropriated $27.5 million in fiscal 1977 for the emergency energy program. How much have you actually obligated? I don't mean allocated or allotted. I mean obligated, as of today?

Mr. CHASE. I think 4.8 plus 3.

Mr. ROLLIS. It was 7.1 as of last Thursday.

Mr. FLOOD. When do you expect to have it all obligated?

Mr. CHASE. Very, very quickly. I mean that quite seriously for reasons I think the committee would find of interest. Because the energy money has moved too slowly and because of the current weather crisis——

Mr. FLOOD. Why has it taken you so long to obligate those energy funds? You have had them since last October.

Mr. ROLLIS. Largely it was a process of planning, the planning and allocations took until early December. The allotments went to the regions for $20 million in mid-December. All the funds currently are now allotted. We expect to obligate $20 million over the next couple of weeks.

Mr. FLOOD. When do you expect to have it all obligated?

Mr. CHASE. I would hope within 2 weeks. Yesterday we got a blanket OMB waiver.

Mr. FLOOD. All right, within 2 weeks?

Mr. CHASE. That is the bottom line, 2 weeks.

Mr. FLOOD. I am sure you all know this: There is a supplemental budget request for $55 million pending for FEA, the Federal Energy Administration. That is to initiate a program pretty similar to this one. Then, as you know, there is also a request in 1978 for another $55 million for FEA.

Aren't these two programs just going to duplicate each other?

Mr. CHASE. I knew you had to ask that one, too, Mr. Chairman.

Mr. FLOOD. Sure.

Mr. CHASE. Again, this particular budget suggests that since they are duplicative, our program will drop out. I think there are some significant differences however. In the first instance and perhaps most importantly, our program goes beyond weatherization, that is the FEA authorization permits just the weatherization of homes whereas our statutory language is so flexible that it can meet a variety of needs, including things like what we call crisis intervention which is paying or providing loans to people whose fuel supplies have been cut off because of unpaid bills.

Mr. FLOOD. How is your money actually spent? How much goes for materials, labor and so on?

Mr. CHASE. I think we have a breakout. It is about 82 percent for the weatherization program.

Mr. FLOOD. Now, break that down for the record.

Mr. CHASE. Ninety percent of that would be for materials and supplies. The balance is for administration or overhead. Then, of the remaining 18 percent distributed variously among other subcategories, crisis intervention, alternative energy sources like solar or wind power and small demonstrations.

We will provide that for the record.

[The information follows:]

A breakdown of the 1976 funds which have been completely obligated is as follows:

	Millions
Weatherization	$18.9
Crisis intervention	2.8
Other local activities	1.3
Migrants and Indians	2.0
Training and technical assistance	.8
Research and demonstration	1.7
Total	27.5

Mr. FLOOD. What is the cost per house in your energy program?

Mr. CHASE. I think it is running in an average of $250.

Mr. ROLLIS. It has gone up. The last time we sorted out the components it was about $200 where a little over $100 was in materials and about $60 from CETA labor and labor from other programs. It must have been less than $200.

Mr. FLOOD. How many houses have you winterized since the program began?

Mr. CHASE. The best figure now suggests about 150,000.

RESEARCH AND DEMONSTRATION

Mr. FLOOD. You are asking for $5 million for research and demonstration, not research and development, but research and demonstration. How do you plan to spend that money?

Mr. CHASE. The accent is on demonstration rather than pure research. We have funded this year some demonstration housing programs and will finance some others, particularly in rural areas and with the accent on repair of poor homes owned by the occupant. We will be putting several million dolars into that.

But those are programs that are going to have a 2- or 3-year life. So we are working on those programs with the Farmers Home Administration.

The continuation of those programs into the next year will take some portion of that $5 million.

Mr. FLOOD. Counsel, this may involve you.

Under what authorization in the Community Services Act are you requesting funds for R. & D.?

Ms. ROLLINS. Under section 222–A–12, language permits that.

Mr. FLOOD. You said R. & D.?

Ms. ROLLINS. Yes, sir.

Mr. FLOOD. Research and demonstration.

Mr. ROLLIS. We are doing energy demonstrations under 222–A–12. The $5 million is requested under section 232 of the act.

Mr. FLOOD. That is what I am talking about.

Mr. ROLLIS. That is section 232.

RURAL HOUSING

Mr. FLOOD. How much of the 1978 budget is for rural housing?

Mr. CHASE. We have not made that judgment as yet.

Mr. FLOOD. We have appropriated $5 million for rural housing in 1977.

Mr. CHASE. That will be spent for rural housing.

Mr. FLOOD. How much is obligated as of today? We have appropriated that. How much have you obligated as of today for rural housing in the 1977 budget?

Mr. ROLLIS. $80,000. We are still in the planning process. That became available on October 1, but most of the money for 1977 was obligated late so we are continuing that to focus on the program for $5 million.

Mr. FLOOD. Are you spending any other money in the current year for research and demonstration outside of rural housing?

Mr. ROLLIS. We are not. There is no program. The appropriation report specified that that was to be $5 million for rural housing. It is our intent to spend it for rural housing. If any other demonstrations are done, they will be through transfers.

COMMUNITY ECONOMIC DEVELOPMENT

Mr. FLOOD. Look at the appendix of the budget, page 712. You have a statement there that says as of September 30, 1976, over $23 million in title VII, that is the community economic development funds, were in the hands of grantees and had not been utilized.

Now if that is so, what is the problem? Do you give them so much money they can't spend it all or what?

Mr. ROLLIS. That is unutilized on September 30. Some were letters of credit, not in the hands of the grantees even though it was available to them. Part of that is the fact that this is a 2-year program. We fund the community development grantees for a 24-month period so they would normally carry some unutilized, unprogramed money.

Moreover, the nature of their business, venture investment requires a longer leadtime.

Mr. FLOOD. This $30 million in the 1978 budget, is it adequate to maintain the current level of investments? That is stated in the appendix of the budget. Is that $30 million adequate to do that?

Mr. CHASE. The figure was derived at the very beginning of this internal appraisal that I indicated to you earlier. I am not personally satisfied, frankly, that the $30 million is sufficient. But the problem is at this juncture we just don't know what is the accurate need. I hope within the next 2 weeks, as the new administration formulates its budget, you will get a better answer.

Mr. FLOOD. From time to time we get complaints from small businessmen who are not being subsidized by the Federal Government, they are risking their own funds now, who say that this program is unfair competition to them.

What is your answer to that, if there is an answer?

Mr. CHASE. I guess we would have to know the specifics.

Mr. FLOOD. You don't need specifics on that. That is a general question.

Mr. CHASE. I think most small businessmen do obtain preferential assistance through some form or another, whether it is the Small Business Administration or otherwise.

Now whether that is comparable to the degree of preference they get through our programs I can't speak to. But I would suggest that it is not a clear issue.

Mr. FLOOD. That is not a clear answer.

Mr. CHASE. But it is not a clear issue.

Mr. RAMIREZ. Maybe I can help. There is a thorny problem involved in community economic development as we practice it.

To a great extent the small businesmen within the impact areas are assisted by the CDC program by their performance for maintenance of small businessmen. Most of the CDC's have small loan and loan guaranty funds to assist those small businessmen as part of their economic development program.

However, in some cases we run up against situations out of the ordinary where direct competition does develop vis-a-vis some entrepreneur or other small businsss in the area.

It is a very sensitive problem. We try to deal with the situation on the local level to avoid those circumstances. Occasionally we get caught in circumstances that we just don't seem to have control over. However, the fact of the matter is that by far the greater number of business ventures that our programs are involved in do not meet head-on competition with private enterprise. That problem is generally worked out on the local area satisfactorily.

Mr. FLOOD. I have several more questions, but under the circumstances I will submit these for the record and you will get them in due course.

Congressman McEwen, a member of the full committee, has some questions he has worked out with Mr. Michel. I think now might be the proper time.

FEDERAL OUTLAYS REPORT

Mr. MICHEL. Mr. Chase, one of our colleagues, a member of the Appropriations Committee from New York State, has asked us to inquire specifically about the document entitled "Federal Outlays Report" which is published by the Community Services Administration. Apparently it was used in the last campaign to attempt to depict the

gentleman from New York's district as receiving considerably less than other districts in New York on a comparative basis.

I think Mr. McEwen, in a letter to Mr. Martinez under date of October 20, 1976, asked whether or not that was possible to be done. To paraphrase Mr. Martinez' response, he says:

> We know of no methodology that could take the Federal outlay statistics and present a precise, accurate and fair ranking in order of comparison of New York State's congressional districts.

I will ask that the entire letter and response be included in the record.

Mr. FLOOD. Without objection.

[The letters referred to follow:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., October 20, 1976.

SAMUEL R. MARTINEZ,
Director, Community Services Administration,
Washington, D.C.

DEAR MR. MARTINEZ: It is my understanding that the Community Services Administration publishes figures showing federal outlays in New York State.

I have a question in regard to this information:

Do presently available statistics permit the precise, accurate and fair ranking in order, or comparison of New York State Congressional District in terms of outlays received from the Federal Government.

I appreciate your attention to this inquiry.

Sincerely yours,

ROBERT C. MCEWEN.

Hon. ROBERT C. MCEWEN,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MCEWEN: Thank you for your letter concerning the use of Federal outlays' statistics to rank or compare congressional districts in the State of New York.

As you may know, present accounting systems of various Federal agencies do not always provide accurate data as to the total geographic area in which the funds are expended. In those instances, the Federal agency develops a statistical formula to predict the most probable distribution of its funds. When these formulas or methods are used, they are described in the Federal outlays and identified by a code number that is printed in each outlay entry where applicable. The absence of a code number after a program title indicates that the outlay is accurate at all levels geographically. Where a proration or allocation method has been used to determine outlays at the city level only, one may assume that the stated outlays are accurate at the State and county levels. Correspondingly, where a proration or allocation method was used to determine outlays at county and city levels, the stated outlays at the State level may be regarded as accurate.

As you know, congressional districts are not included as geographic areas because the current data provided does not correspond to district boundaries. Example, all of the 39 congressional districts in the State of New York share, to some degree, counties in common with other districts. In the New York City area, for example, there are several congressional districts which are in the same county and share the same Federal outlays for that county. As you can see, the allocation of funds spent by each Government program in each congressional district is not feasible.

We know of no methodology that could take the Federal outlays statistics and present a precise, accurate, and fair ranking in order or comparison of New York State's congressional districts.

If my staff or I may answer any further questions you may have on the Federal outlays, please let me know.

Sincerely,

SAMUEL R. MARTINEZ,
Director.

Mr. MICHEL. But what I would like to get at, then, if I might, on behalf of my colleague, because I would have the very same concern, is what is the total cost of gathering information, including the costs at the local level, if they are specifically asked to provide input, compiling it, and putting it into report form and publishing and distributing this Federal outlays report for a single-year issue? Could we have that for the record?

Mr. CHASE. We have that data available.

Mr. ROLLIS. It is $290,000 which largely represents staff time within our data processing center. Of that, $75,000 is used to print the book and distribute free copies to Congress. I think approximately 3,000 are distributed to Congress, to the Governors, the mayors and to people who are interested in that material.

In addition, we then make the tapes available for sale to any private individuals who want to buy them and we sell 5 to 600 copies of these at a price from $4.00 to $10.50. It is the only record we have of where the Federal dollar goes and even though it has its problems with prorations and allocations, it gives a rough gauge over time. It is not meant ever to be used in a campaign. It is not issued by congressional districts. We can only collect the information by cities, counties and States. Obviously congressional districts cut across that. We collect it by those bases because those are administering jurisdictions. A congressional district does not administer any Federal money.

We have on occasion on request attempted to do a rough and dirty, that is to take the counties in there and say, well, it is about 10 percent of a county, that kind of thing. We are working on something that possibly could do it on congressional districts. But it is not the type of thing that is worthwhile for an individual point in time. It is worthwhile for looking at trends over time in larger areas.

Mr. MICHEL. Having said that, the report states that in some instances the outlays pass through State governments or their intermediaries, such as prime contractors, before reaching the ultimate recipients. Timely and economically feasible means of tracking these outlays to the final recipient have not been developed. In some cases a statistical proration technique which most nearly approximates the probable distribution is used.

In the case of Department of Defense outlays, for example, a large portion goes to prime contractors. Now conceivably the outlay may go to other parts of the State or throughout the country. Is this, then, somewhat misleading in spite of the warning that you have just prefaced your earlier response to?

Mr. ROLLIS. Yes. We include that warning in every book that goes out. There are three or four pages of qualifications. It sometimes does not account for the exact dollars that go into an exact area. If the prorations that are used are sincerely arrived at, and there is no reason to do otherwise, and used over a period of time, and has not been varied every year to produce a desired result, it does give the broader picture we are trying to produce of the national distribution of outlays.

Mr. MICHEL. Do presently available statistics permit the precise, accurate, and fair ranking in order or comparison of congressional districts in any State regardless of whether it is New York—I would

like to know whether it is Illinois, too, in terms of outlays received on the Federal level?

Mr. ROLLIS. In Nevada there is one Congressman, but anything that is divided in States where a district cuts a county or city line, I can swear that statement is accurate.

Generally speaking, and certainly in the case of New York that statement is fair. It is impossible to precisely rank all the districts of New York and compare them using Federal outlays.

Mr. MICHEL. I don't want to prolong this thing any longer, but I think you get the general idea that while we are interceding on behalf of our colleague from New York, a member of our full committee, that each of us could conceivably be confronted with the same kind of situation. I personally would be very concerned in my own case if that kind of information were used as being so finite and so precise when in fact it leaves all room for doubt when there are other factors to be taken into account.

[The following questions were submitted by members of the subcommittee to be answered for the record:]

Mr. FLOOD. You are requesting $1 million specificially for "evaluation" in 1978. What do you mean by evaluation? How do you define it?

Mr. CHASE. The $1 million requested for evaluation in 1978 would be principally for program evaluation and principally contracted. It would supplement our grantee monitoring and evaluation which is principally done by our own employees. The thrust of the program in 1978 with these limited funds would be to evaluate overall categorical programs, such as the senior opportunities and services program or the State economic opportunity program. These would be national impact evaluations or type I evaluations designed to measure the impact of the program as a whole. Other types of evaluation are program strategy evaluation which assess the direction of a national program and whether or not it is succeeding in its own terms. The third type of evaluation done mostly by Federal employees is grantee efficiency evaluation which assess individual grantees within the program.

Mr. FLOOD. How do you plan to spend the $1 million in 1978? Do you have specific plans?

Mr. CHASE. We plan to spend the $1 million in 1978 on one or two impact evaluations on CSA programs, such as senior opportunities and services or State economic opportunity offices.

Mr. FLOOD. How many permanent positions are you currently authorized?

Mr. CHASE. 1,067 under the reorganization plan approved by the Office of Management and Budget.

Mr. FLOOD. How many are currently filled?

Mr. CHASE. As of January 29, 1977, 949 permanent positions were currently filled.

Mr. FLOOD. We see that your 1977 employment ceiling was raised from 960 to 1,067 by the office of management and budget. Evidently you conferred with the House Government Operations Committee about this before it occurred. Why didn't you also confer with and seek the approval of the Appropriations Committee?

Mr. CHASE. We are currently authorized 1,067 positions by the Office of Management and Budget. However, our current employment is 949. We have consulted with your committee and would continue to as to the appropriation's impact on 1977, which we expect to be minimal. On January 6, we submitted a letter to the committee which included a detailed description of the additional positions and also discussed the effect on the 1977 appropriations. In it, we indicated that we would continue to have close contact with your committee prior to implementation of the increase.

Mr. FLOOD. Describe for us again this reorganization plan that's been kicking around down there for quite some time.

Mr. CHASE. The two major changes within the reorganization are the strengthening of our regional monitoring and liaison staff to put more people in the field with the grantees, and also enhance more the agency's evaluation capability. We submitted to your committee on January 6, a 97-page detailed analysis of the reorganization for further reference.

Mr. FLOOD. When will it finally be in place?

Mr. CHASE. A date of August 1, 1977, has been targeted for implementation of the reorganization plan.

Mr. FLOOD. Will these 107 new jobs be primarily in the regional offices?

Mr. CHASE. Yes. The regional offices will have 707 of the 1,067 positions. In fact the January 29, employment was 575 in the regions and the increase to 707 will be 132 implying a decrease in net headquarters staff of 25 positions.

Mr. FLOOD. With these new jobs, will you be able to do an adequate job of closely monitoring your grants and contracts in the field?

Mr. CHASE. The addition of 107 permanent employees will greatly improve our field monitoring capability.

Congressman MICHEL. How many other venture autonomy agreements do you have in existence?

Mr. CHASE. There is presently only one other venture autonomy agreement with a CDC in existence.

Congressman MICHEL. Do you intend to revoke or phase these out in accordance with the court's decision?

Mr. CHASE. Pursuant to the court order, southwest Virginia community development fund (SCDF) has been notified that the venture autonomy agreement was voided effective immediately and that CSA is prevented from entering into another venture autonomy agreement with SCDF.

Congressman MICHEL. What possessed CSA to enter into these agreements in the first place, particularly in view of the fact that there is no authorization for them in the statutes and the fact that they fly in the face of specific requirements of the law that CSA maintain control over the use of its funds?

Mr. CHASE. It is the judgment of CSA that the language of the title VII legislation provides sufficient authority for the procedure of venture autonomy agreements. CSA did not, however, publish regulations in the Federal Register concerning the venture autonomy agreement. CSA has requested permission from the Justice Department to appeal to the SCDF decision.

Congressman MICHEL. Have you had other complaints from private industry that some of these economic development ventures are infringing on their markets and therefore jeopardizing their existence? If so, how many and in what instances?

Mr. CHASE. None.

Congressman MICHEL. Southwest Virginia last year invested $350,000 in another firm, McFadden Tool and Engineering Corp., and now I understand it has asked CSA for permission to sell its stock, presumably at a loss, because the firm is losing money. Has such permission been granted, and if so, how much of the Federal funds invested will be lost by this transaction?

Mr. CHASE. Permission was granted on January 21, 1977, to sell 765,000 shares of stock in McFadden Tool and Engineering Corp. for a sum of $76,500 payable over ten equal semiannual installments of $7,650 at 5 percent interest on the unpaid balance. As additional consideration the purchaser also agreed to pay 1 percent of all gross sales of McFadden which are in excess of $600,000 during any fiscal year, beginning April 30, 1977, through April 30, 1985. The additional consideration shall not exceed $100,000. SVCDF purchased the stock in April 1976 for $153,000. At this point in time, none of the Federal funds invested will be lost. In fact, it is possible that a gain of $23,500 plus interest will be realized on the sale of stock. A loan of $197,000 at 8 percent for a period of 5 years was also made to McFadden in April 1976. This loan is currently being repaid and will be closely monitored by CSA. No Federal funds are expected to be lost in this transaction.

Congressman MICHEL. When the decision was made last year to invest the Federal funds in the company, it had total liabilities of about $750,000. Why would CSA grant approval for an investment in what was obviously a bad risk to begin with?

Mr. CHASE. An audit of McFadden Tool and Engineering Corp. for the period ending October 31, 1975, revealed that the firm had total liabilities of $773,974, of which $389,866 were long term liabilities. The largest portion, $331.618, was a 1-percent, Small Business Administration disaster loan. Previous audits of the firm also indicated that it had enjoyed gross sales in excess of $1 million with an annual payroll exceeding $400,000. The feasibility analysis and business plan submitted analyzed the firm's problems and presented reasonable solution for the problems. The decision to approve the investment in McFadden was made in view of the total history of the company, and not merely on its liabilities. We believe the decision was informed and reasonable in light of all pertinent factors.

Congressman MICHEL. I note from your justifications that four community development corporations were terminated for lack of progress. What specific criteria do you use to measure progress?

Mr. CHASE. Before terminating a grant (refusal to refund) a complete assessment of its operating history is made. A thorough analysis of the board of directors capability to guide the competence of the staff is made. A review of accomplishments against the planned objectives is made. An assessment for the future receives a thorough evaluation. Fiscal integrity and accountability for Federal funds receives very close scrutiny. The perceptions and comments of community organization are factors that are also given due weight. The decision to terminate a grantee is never made lightly.

Congressman MICHEL. How many CDC's are currently being funded?

Mr. CHASE. Forty CDC's are currently being funded.

Congressman MICHEL. What is the total number of jobs these CDC's are currently producing?

Mr. CHASE. As of September 30, 1976, there were 6,307 direct jobs produced by the CDC's.

Congressman MICHEL. What is the average non-Federal funding contribution to these CDC's.

Mr. CHASE. CDC's are required by legislation to generate 10 percent non-Federal share. The majority of the CDC's are generating more than the required share. Some of the CDC's, mainly located in rural areas and on reservations, have some difficulty. There have been relatively few waivers of non-Federal share.

Mr. MICHEL. Under the emergency energy conservation program, there is a reference to providing legal assistance in the areas of energy conservation, energy policy, and energy rate regulation. What does that entail? If it is what I think it is, you better have a good explanation.

Mr. CHASE. While the emergency energy conservation services program authorizes legal assistance, our efforts in that area have been negligible. Currently at their own initiative the CAA in Schenectady, N.Y., has represented its constitutents in a series of Public Utility Commission hearings in one of the seven utility rate districts of New York. After initiation of the testimony the agency supplemented their weatherization program to provide some of the technical legal assistance necessary in such a hearing procedure. On behalf of their constituents the Schenectady CAA program is proposing a rate structure change generally referred to as the "life line" concept.

Mr. MICHEL. Would you provide us with the specific instances where funds are being used for such legal assistance, and the amounts.

Mr. CHASE. The Schenectady testimony is the only instance of legal assistance known. It is possible that individual community action agencies may have delegated minimal amounts to local legal services programs. By far, the major amounts of energy money are being spent on insulation and crisis intervention.

Mr. MICHEL. Regarding community action agencies, how many waivers of the local matching share requirements has CSA granted?

Mr. CHASE. CSA has granted 266 requests for waivers.

Mr. MICHEL. Would you describe in greater detail this inter-agency program you are requesting $5 million for. Our local CAA in Peoria apparently has an interest in receiving funding under such auspices.

Mr. CHASE. The inter-agency demonstration program is designed to jointly fund, with other Federal agencies, proposals to demonstrate the increased effectiveness of such funds when combined with community action. Specific areas have not been selected at this time.

Mr. MICHEL. Does the National CAA Legislative Forum receive funding from CSA?

Mr. CHASE. The National Community Action Agency Legislative Forum does not receive funding from the Community Services Administration.

Mr. MICHEL. (If no) Do local CAA's contribute funds to this group, thus in effect using Federal funds indirectly to fund it?

Mr. CHASE. The national forum is a joint committee of two community action trade associations. Its meetings to consider legislation affecting the poor are self-supporting through charges to the attendees. Grantee funds are used to pay travel and registration fees. However, consideration of legislation is an allowable activity under our act and regulations.

Mr. MICHEL. What about the National Center for Community Action. Does it receive Federal funds, directly or indirectly?

Mr. CHASE. The National Center for Community Action is supported almost entirely by the Community Services Administration with small amounts of additional revenue provided through the sale of their magazine and pamphlets. They are funded to provide training, technical assistance, and information services to our community action agencies.

Mr. MICHEL. (If they receive Federal funds) both of these groups have been lobbying on Federal legislation, including for increased funding. Doesn't this violate the legal prohibition against the use of Federal funds for lobbying purposes?

Mr. CHASE. This Agency's regulations concerning the use of Federal funds is as follows:

COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, D.C.

Memorandum No. 66.
Date: June 10, 1967.
Subject: Policy guidance on lobbying activities.

PURPOSE OF THIS MEMORANDUM

Many of the problems which cause or aggravate poverty are bound up with harsh, or outmoded laws. Others can be most effectively attacked by the passage of new legislation. Community action is thus inevitably concerned with the shape of the laws which affect the poor.

On the other hand, there are necessarily very sharp limitations on the use of project funds by grantee and delegate agencies to influence the passage or defeat of legislation. Moreover, there are certain kinds of lobbying which interfere with the work of legislatures and thus impair the basic processes of democratic self-government.

The primary purpose of this memorandum is to identify essential restrictions on lobbying activities by grantees and delegate agencies that receive OEO funds under titles II–A and III–B of the Economic Opportunity Act. The memorandum also serves as a reminder that under Federal (and many State) tax laws, private nonprofit agencies may endanger their capacity to receive tax-deductible contributions if they engage in substantial lobbying activities.

A. Restrictions on lobbying with project funds

Project funds may not be used to support any of the following:

1. Any activity which is planned and carried out in such a manner as to disrupt the orderly conduct of business by Congress or any other legislative body. This includes, but is not limited to, any disruptive action carried on in the Chambers of Congress or any other legislative body or in any capitol or legislative office building.

2. Any demonstration, rally, picketing, or other form of direct action aimed at the family or home of a Member of a legislative body for the purpose of influencing his actions as a member of that body.

3. Any campaign of advertising carried on through commercial media for the purpose of influencing the passage or defeat of legislation.

4. Any campaign of letter writing, of other mass communications, or of mass visits to individual Members of Congress or State legislatures for the purpose of influencing the passage or defeat of legislation. This restriction does not prohibit purely informational and educational activities involving target areas and groups.

These restrictions on use of project funds apply to Federal and matching non-Federal shares of approved program budgets under titles II–A and III–B of the Economic Opportunity Act and include the use of equipment, material, and facilities and employee time and services which are either paid for with project funds or contributed to project funds.

These restrictions are not intended to limit the rights of individuals to express their personal views on public issues so long as they do so in their capacity as private citizens rather than employees. Nor are they intended to limit the freedom of local agencies to express their views on legislation so long as project funds are not used in violation of the foregoing limitations.

B. Reminder concerning tax implications of lobbying

Under Federal income, estate, and gift tax laws, gifts made to private nonprofit organizations which devote a substantial part of their activities to carrying on propaganda or other activities aimed at influencing legislation, are not considered tax deductible "charitable contributions." This applies not only to federal and state legislation but also to the legislative actions of county and city councils and similar local bodies. Many State tax laws contain similar provisions.

In view of these tax laws, private nonprofit grantee and delegate agencies should bear in mind that if they devote any substantial part of their activities to lobbying efforts, they may be endangering their ability to receive tax-deductible contributions. Such contributions may represent an important means of providing the non-Federal share required in programs assisted under section 204/205 of the Economic Opportunity Act. They also enable many local agencies to carry out other programs of assistance to the poor, apart from the Act.

There are no published rules defining what is meant under the Federal tax laws by the term "substantial" lobbying activities. In cases of doubt local agencies should seek private tax counsel or contact the nearest field offices of the Internal Revenue Service and state tax authorities.

Effective date

Part A of this memo is to take effect 10 days from the official date of issuance shown above.

Part B of this memo merely serves as a reminder concerning existing law.

THEODORE M. BERRY,
Director, Community Action Program.

RESTRICTIONS ON POLITICAL ACTIVITIES

References: Economic Opportunity Act of 1964, as amended: Section 213(a); section 213(b); section 602(n); section 603(a); section 603(b).

The text of the appropriate parts of these sections is provided in appendix A to this instruction.

Applicability: Programs which are (1) financially assisted under titles II or III–B of the Economic Opportunity Act, (2) financially assisted under title I–D of the Economic Opportunity Act and administered by OEO.

Different sections of this instruction apply to different categories of grantees. Furthermore, some restrictions apply only to employees or to certain classes of employees, while other restrictions also apply to board members, volunteers, trainees and enrollees. The applicability of the different sections of this instruction to various classes of programs and persons is presented graphically in appendix B as well as summarized at the beginning of each section.

Definition: *Public agency.*—For the purposes of this instruction, a public agency means the executive or legislative branch of a State, municipality, or other political subdivision of a State, or an agency or department thereof.

Effective date: This instruction is effective immediately.

1. Policy

Grantee and delegate agencies must administer OEO-assisted programs in a politically nonpartisan manner, and must avoid actions which can reasonably be construed as intended to favor one political party over another or to influence the outcome of any election for public or party office. The use of program funds, the provision of services and the assignment of personnel must not result in the identification of the program with any partisan political activity or with any nonpartisan political activity which is designed to further the election or defeat of a candidate for public or party office. In addition, grantee and delegate

agencies may not use program funds, the provision of services, or the assignment of personnel in connection with voter regisration activity or with transporting voters or potential voters to the polls.

Antipoverty programs are, in many communities, live political issues and will often include activities which may become the subject of poltitical controversy. Grantee and delegate agencies may, of course, undertake activities dealing with issues related to their basic program responsibilities. In carrying out the basic mission and goals of community action grantee and delegate agencies may actively engage in campaigns connected with constitutional amendments, referenda, municipal ordinances, law reform and lawful attempts to influence government officials to respond to the grievances of the poor. Grantee and delegate agencies need not avoid such activities merely because partisan officials or candidates for public office may take or have taken positions with respect to the issue. Agency officials must, however, deal with questions which have become a subject of political controversy on their merits and not in terms of whether they are supported or opposed by a particular party or candidate.

Except as provided in this instruction, employees of grantees and delegate agencies are free to engage in various kinds of political activities during their off-duty hours and in their private capacities. A broad range of participation in nonpartisan elections (e.g. nonpartisan school board elections) is permitted. In addition, a broad range of off-duty partisan activity is permitted for employees of private delegate agencies and private single-purpose grantees. All employees are expected, however, to avoid to the greatest extent possible any identification of their off-duty activities with the OEO-supported program.

2. Requirement that community action agencies adopt rules

Section 213(a) of the Economic Opportunity Act requires each community action agency (CAA) to adopt rules designed to assure that its programs and programs of its delegate agencies are conducted in a manner which is free from any taint of partisan political bias. This requirement will be considered to be met by the agency's adoption of the provisions of this instruction and by making these rules available to all employees in writing.

If, however, the agency wishes to adopt its own rules it may do so, providing that the provisions of this instruction are included in those rules and that none of these provisions are contradicted by the agency's additional rules.

3. Summary of kinds of restrictions on political activities

Sections 4 and 5 of this instruction contain categories of restrictions applied to community action programs by the 1967 amendments to the Economic Opportunity Act and by chapter 15, title 5, of the United States Code (formerly known as the Hatch Act).

Section 4 contains restrictions on the use of program funds, the provision of services, and the assignment of agency personnel in a manner which identifies the program with partisan political activity, nonpartisan activity associated with a candidate or faction in an election for public office, voter registration activity, and the transportation of voters to the polls. These restrictions are, in a broad sense, designed to prohibit the use of OEO funds for certain purposes. They apply to personnel of all grantee and delegate agencies, public and private. Insofar as the individual employee is concerned, however, these restrictions deal only with what he does as an employee.

Section 5 includes additional restrictions on the partisan political activities of employees of all community action agencies and of public agencies which are grantees or delegate agencies. These restrictions do not apply to private single-purpose grantees or private delegate agencies. The restrictions cover employees regardless of whether they are on duty at the time they engage in the prohibited activities.

The chart in appendix B summarizes the applicability of the restrictions of sections 4 and 5.

4. Restrictions on the use of program funds, the provision of services and the employment and assignment of personnel

(*a*) *Prohibited political activity.*—The following restrictions apply to all employees of grantee and delegate agencies as well as to volunteers, trainees and

members of governing or administering boards and advisory committees.[1] These individuals may not—

(1) Use their official position, authority, or influence with the agency for the purpose of interfering with or affecting the result of an election or a nomination for a party or public office.

(2) Directly or indirectly coerce, attempt to coerce, command or advise an employee or any other person who is subject to these restrictions to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency or person for political purposes.

(3) Use program funds for any partisan political purposes or to influence any election for public or party office.

(4) Permit the use of equipment or premises purchased or leased with program funds for any partisan political purpose or to influence the outcome of any election for public or party office. This restriction applies only to facilities when under the control of the grantee or delegate agency. For example, if an agency leases a facility during certain hours only, the landlord may of course use the facility as he wishes during other hours.

(5) Discriminate, or threaten or promise discrimination, against or in favor of any employee or beneficiary of the program, or any potential employee or beneficiary, because of his political affiliations or beliefs, or require any applicant, employee or beneficiary to disclose his political affiliation.

(6) Offer any person employment, promotion or benefits under the program as a reward for the support or defeat of any political party or candidate for public or party office, or threaten or create disadvantage in employment or deprivation of benefits as a penalty for such support, except that such a person may be deprived of employment or subject to lesser penalties for engaging in activities which are forbidden by this memorandum.

(*b*) *Candidates' meetings.*—Candidates' meetings, even if all rival candidates for one or more public offices appear, shall not be sponsored or conducted with program funds or facilities. Such meetings are, however, often conducted by neutral and nonpartisan groups such as the League of Women Voters or local civic associations.

(*c*) *Voter registration and transportation activity.*—Employees of grantee and delegate agencies, including volunteers and trainees, may not, while carrying out the program of their agencies, engage in voter registration activity or in transporting voters or prospective voters to the polls.

This restriction applies to the use of program funds, agency facilities or equipment, as well as to the provision of services and the assignment of personnel. All persons may participate in nonpartisan voter registration during their off-duty hours, so long as they avoid identification of such off-duty activities with the OEO-supported program.

A grantee or delegate agency may properly conduct a citizenship education program which includes, as part of the curriculum, information about the mechanics and function of voter registration. Such a program may be valuable in educating the poor as to the legitimate and constructive roles they as citizens may play in local community life and in the American democratic process. However, the program must be informational and not designed to solicit registration. Furthermore, program funds may not be used in any way to aid registration campaigns. Door-to-door solicitations and mass mailing campaigns, for example, may not be undertaken or supported with program funds.

Statutory restrictions on political activities of CAA employees and employees of public grantees and delegate agencies

(*a*) *Persons to whom this section applies.*—The restrictions contained in this section are imposed by chapter 15, title 5 of the United States Code and section 603(a) of the Economic Opportunity Act. They generally apply to all CAA employees and all employees of public grantees and public delegate agencies who perform duties in connection with an OEO-assisted program or any other fed-

[1] Restrictions 1 and 2 are imposed on employees of all grantee and delegate agencies except certain educational or research organizations (see sec. 5(a)(3)) by sec. 603(a) of the Economic Opportunity Act and ch. 15, title 5, of the United States Code (formerly known as the Hatch Act). They are extended to employees of other OEO-supported agencies and to board and committee members and volunteers by OEO in order to implement the provisions of sec. 603(b) of the Economic Opportunity Act. Restrictions 3 to 6 implement the provisions of sec. 603(b) and sec. 213 of the Economic Opportunity Act.

erally assisted program administered by that agency. Employees of private single-purpose agencies or private delegate agencies are not covered by these restrictions.

(1) *Volunteers, trainees, and enrollees.*—Volunteer workers are not covered by this section. Trainees and enrollees shall be deemed employees for the purpose of this section only if they are engaged in on-the-job training for a position as an employee of a grantee or delegate agency.

(2) *Board members.*—Board members are not covered by this section.

(3) *Principal employment rule.*—In case of an employee who holds more than one job, whether he is subject to the restrictions of this section depends on which job is his principal one—that is, if the job on which he spends the majority of his work time and from which he derives the majority of his earned income is covered by this instruction, then he is covered.

(4) *Employees on leave still covered.*—The statutory restrictions apply to employees even though they are on leave, with or without pay. The prohibitions are lifted only when the employment is terminated. However, if an employee is on terminal leave, he is not subject to the restrictions during the period for which he has received a lump-sum leave payment.

(5) *Exemption of employees of educational and research organizations.*—An individual is not subject to the statutory restrictions of this part if his principal employment is with an educational institution, establishment, agency, or system supported in whole or in part by State or local public funds or by a recognized religious, philanthropic, or cultural organization. Thus, employees of private schools and colleges supported by such organizations, as well as all public schools and colleges, are exempt from coverage, even if these institutions are grantees or delegate agencies financed under the Economic Opportunity Act. (A Community Action Agency is not considered to be an exempt educational or research institution.)

(*b*) *Prohibited use of influence or attempt to coerce.*—Persons covered by this section are prohibited from:

(1) Using their official position, authority or influence with the agency for the purpose of interfering with or affecting the result of an election or a nomination for a party or public office.

(2) Directly or indirectly coercing or attempting to coerce, command, or advise an employee or any other person who is subject to these restrictions to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency, or person for political purposes.

(*c*) *Prohibited activities.*—Persons covered by this section are prohibited from taking an active part in partisan political campaigns. Such persons may not engage in partisan political activities, including but not limited to the following:[2]

(1) Becoming a candidate for nomination or election to a political office or to a party office.

(2) Serving on or for any political committee, party, or other similar organization, or serving as a delegate or alternate to a political caucus or convention.

(3) Soliciting or handling political contributions.

(4) Soliciting the sale of or selling political fund raising tickets.

(5) Serving as an officer of a political club, as a member or an officer of any of its committees, or being active in organizing it.

(6) Assisting in preparations for, organizing, or conducting a political meeting or rally. Attendance at a political rally or meeting is permissible.

(7) Engaging in activity at the polls at primary, regular, or special elections such as soliciting votes or passing out literature.

(8) Acting as recorder, checker, watcher, or challenger for any party or candidate in an election.

(9) Writing for publication or publishing any letter or article soliciting votes in favor of or against any candidate or party.

(10) Distributing political campaign literature or material.

(11) Initiating or circulating political petitions, including nomination petitions.

(12) Soliciting support for a candidate or party.

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[2] Further information on activities prohibited by ch. 15, title 5 of the United States Code may be obtained from the Office of the General Counsel, U.S. Civil Service Commission, Washington, D.C.

(*d*) *Permitted political activities.*—A person covered by this section may—

(1) Register and vote as he chooses.

(2) Express his opinions on political subjects and candidates.

(3) Be a member of a party or political club, although he may not hold office or otherwise be active in party affairs.

(4) Make voluntary contributions of money to a political campaign or party.

(5) Participate in educational efforts related to issues and to the political process so long as this is done in a politically neutral manner.

(6) Attend political meetings and rallies.

(7) Wear a political badge or button.

(8) Display a political sticker on his private automobile.

(9) Engage in nonpartisan political activity. There is no prohibition on political management or political campaigning in connection with (1) nonpartisan elections, which are defined as those in which none of the candidates represents the Democratic or Republican Party or any other party which ran a candidate for President in the preceding presidential election, or (2) questions not specifically identified with a national or State political party, such as constitutional amendments, referendums, approval of municipal ordinances, and similar matters. In addition, if a State election law provides for nonpartisan election for a particular local office or class of local offices, the campaign for that office qualifies for the exception. For example, elections for local school boards and other local boards or offices are frequently run on a nonpartisan basis.

5. Additional precautions

As explained in section 5, employees of all community action agencies and of public delegate and single-purposes agencies are prohibited from engaging in partisan political management or partisan political campaigns while off duty. However, the Economic Opportunity Act does not prohibit these employees from engaging in off-duty nonpartisan political activities and does not prohibit employees of private delegate and single-purpose agencies from engaging in either partisan or nonpartisan political activities while off duty. In the spirit of the most recent legislation, however, all employees should avoid activitiy which will identify their agencies with political campaigns associated with electing candidates to public or party office. Directors and deputy directors of grantee and delegate agencies and neighborhood and Outreach workers have the most substantial contacts with the community and are likely to be regarded as spokesmen for their agencies. Therefore, these persons must be particularly careful not to involve or identify the OEO-assisted program with the campaign of any individual for public or party office.

All grantee and delegate agencies must inform their employees about these precautions.

6. Enforcement

(*a*) *Reporting possible violations*

(1) *Hatch Act violations.*—When a grantee or delegate agency has reason to believe that an employee has engaged in partisan political activity prohibited by the statutory provisions of chapter 15, title 5 of the United States Code (section 4(a) (1) and (2) and section 5 of this instruction), it shall report the matter to the U.S. Civil Service Commission, Office of the General Counsel, Washington, D.C. 20415.

(2) *Non-Hatch Act violations.*—Information concerning possible violations of other provisions of this instruction shall be reported either in writing or orally by the grantee or delegate agency to the OEO Regional Office of Inspection or to the OEO Office of Inspection in Washington, D.C.

If the grantee or delegate agency is uncertain as to whether an activity violates the statutory provisions of chapter 15, title 5 of the United States Code administered by the Civil Service Commission, the information may be submitted to the OEO Office of the General Counsel in Washington, D.C. The OEO General Counsel will refer information concerning possible violations of chapter 15, title 5 of the United States Code to the Civil Service Commission for consideration where appropriate.

The grantee or delegate agency may in addition make such preliminary inquiry as may be necessary to verify the facts concerning the reported violation and initiate appropriate action to prevent a continuation or recurrence of the prohibited activity.

(b) *OEO action to prevent continuation or repetition of violations*

(1) When OEO receives information concerning possible violation of the restrictions of this Instruction it may—

(a) Conduct an investigation to ascertain the facts and, in appropriate cases, undertake informal discussions with the grantee or delegate agency concerned in order to agree upon means for preventing continuation or repetition of the violation, and

(b) refer the matter, with or without investigation, to the Office of the General Counsel of the Civil Service Commission for consideration.

(2) If OEO concludes, after discussions with the local agency concerned, that appropriate action will not be taken by the grantee, OEO may then issue an order to the grantee directing it to take such action as may be necessary to prevent continuation or repetition of the violation.

If the grantee fails to comply with such an order issued by OEO, OEO may, on an emergency basis, summarily suspend assistance in whole or in part, or it may proceed to suspend or terminate assistance pursuant to part 1009 of chapter X, title 45 of the Code of Federal Regulations. A grantee whose financial assistance has been summarily suspended under this provision may at any time request informal discussions with OEO officials and present evidence that no further violation is occurring and may also request OEO to hold a full hearing in accordance with the regulations cited above.

In no event shall OEO terminate assistance to an agency without the agency being afforded the right to a full and fair hearing.

(c) *Enforcement action by the Civil Service Commission*

OEO may refer any specific information of apparent violation of the non-Hatch Act restrictions set forth in this instruction to the General Counsel of the Civil Service Commission for investigation and determination. The General Counsel of the Commission may conduct an investigation and inform OEO and the grantee or delegate agency involved of his findings of fact and the corrective action recommended. If the corrective action recommended is directed aaginst an employee of a grantee or delegate agency, the General Counsel of the Commission shall also inform the employee involved of his findings of fact and recommendation. In formulating his findings of fact and the corrective action recommended, the General Counsel of the Commission may request information from and solicit the views of OEO.

Within 15 days after receipt of the report of the General Counsel of the Commission, the grantee or delegate agency shall either comply fully with the Commission's recommendations or request the Commission to hold a hearing. If the Commission recommends the dismissal or suspension of an employee, he may also request a hearing. The Commission shall give notice of the time and place of the hearing at which the agency or the affected employee is entitled to appear in person, or by or with counsel. The agency or employee and the counsel for the Commission are responsible for securing the attendance of their respective witnesses. There is no power of subpena in these cases.

The hearing shall be before an examiner designated by the Commission. Testimony shall be under oath or affirmation and the parties may introduce affidavits and other documentary evidence. Unless the parties agree to a summary of the testimony, the hearing will be reported stenographically. The hearing examiner shall report his findings of facts and recommendations of sanctions to the Director of OEO.

The Director of OEO may reject, modify or affirm the recommendations of the hearing examiner. If he accepts any part of the recommendations, he shall issue an order to the agency directing it to comply with those sanctions he has accepted. If the local agency refuses to comply within 5 days after receiving this order, the Director may suspend or terminate assistance to the agency pursuant to part 1009 of chapter X, title 45 of the Code of Federal Regulations. However, if the Director of OEO affirms a recommendation of the hearing examiner that assistance to a local agency be suspended or terminated, OEO shall not hold an additional hearing. In such instances, the hearing held before the examiner designated by the Civil Service Commission shall be regarded as satisfying the requirements of part 1009 of chapter X, title 45 of the Code of Federal Regulations.

In any hearing held by OEO pursuant to part 1009, an issue of fact previously determined by a hearing examiner designated by the Commission shall be deemed conclusively determined and shall not be relitigated.

The sanctions which the General Counsel of the Commission or a Commission-designated hearing examiner may recommend include, but are not limited to, the following:

(*a*) Full or partial termination or suspension of assistance.

(*b*) Changes in the administration of the grantee's or delegate agency's program or activities.

(*c*) An order to an agency directing the dismissal, suspension, transfer or reprimand of an employee or other person engaged in carrying out the agency's program.

THEODORE M. BERRY,
Director, Community Action Program.

APPENDIX A

EXCERPTS FROM THE ECONOMIC OPPORTUNITY ACT

SEC. 213(a): "Each action agency shall observe, and shall (as appropriate) require or encourage other agencies participating in a community action program to observe, standards of organization, management, and administration which assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the title and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias. . . ." "Each community action agency shall establish or adopt rules to carry out this section. . . ."

SEC. 213(b): "The Director shall prescribe rules or regulations to supplement subsection (a), which shall be binding on all agencies carrying on community action program activities with financial assistance under this title."

SEC. 602(n): "In addition to the authority conferred upon him by other sections of this Act, the Director is authorized, in carrying out his functions under this act, to establish such policies, standards, criteria, and procedures, prescribe such rules and regulations . . . and generally perform such functions and take such steps as he may deem to be necessary or appropriate to carry out the provisions of this act."

SEC. 603(a): "For purposes of chapter 15 of Title 5 of the United States Code any overall community action agency which assumes responsibility for planning, developing, and coordinating community-wide anti-poverty programs and receives assistance under this act shall be deemed to be a State or local agency; and for purposes of clauses (1) and (2) of section 1502(a) of such title any agency receiving assistance under this act (other than part C of title I) shall be deemed to be a State or local agency."

SEC. 603(b): "Programs assisted under this act shall not be carried on in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with (1) any partisan or nonpartisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. The Director, after consultation with the Civil Service Commission, shall issue rules and regulations to provide for the enforcement of this section, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis."

Mr. MICHEL. Your statement indicates that $30 million will be adequate to maintain the current level of investments in the community economic development program. Does this mean that any increase would go for new projects?

Mr. CHASE. Individual CDC funding is used to invest in many new ventures. Consequently, any increase would go to new ventures whether it was through existing CDC's or new CDC's.

Mr. MICHEL. Your budget is substantially lower than the current level of funding, and you are eliminating several programs. Yet you are requesting a $3.1 million increase for program administration including the addition of 107 positions. How do you account for this, in view of the overall program reduction?

Mr. CHASE. The principal activity of our regional offices is monitoring community action agency grantees. The local initiative funding of $330 million

remains unchanged as does the number of grantees involved at 881. Most of the categorical programs are administered through CAAs and consequently do not entail a proportionate increase in Federal personnel time. In 1972 the regions employed over 1,000 people. The programs delegated in 1973 were national programs resulting in no decrease in regional monitoring workload. However, through attrition, regional employment fell to 575 employees at January 29, 1977. Our reorganization proposal would increase this regional employment to 707 or 70 percent of their percentage of their previous employment level. The reorganization proposal does include a decrease in headquarters employment.

Mr. CONTE. In your opening statement you stress the need for internal reorganization and evaluation. What major steps would you take to make CSA run more efficiently?

Mr. CHASE. A reorganization is currently in process in CSA. Our timetable is set for having a reorganization completed by August 1, 1977.

Mr. CONTE. You have stated in your justification that the senior opportunities and services program will be eliminated. What are the advantages of turning this function over to HEW? And, in your estimation, could this lead to the oversight of the needs of potential grantees?

Mr. CHASE. To a large degrees SOS projects are, in many cases, similar to programs run in the Administration on Aging. No funds were requested for this program in 1978, because it duplicates the authority of other Federal agencies. Community action agencies will remain eligible grantees for elderly services program funds from sources such as the Administration on Aging. Therefore, I do not believe this will lead to the oversight of the needs of potential grantees.

Mr. CONTE. Will the individual State economic opportunities office be able to maintain the same level of services when Federal funds are no longer available, as of October 1 this year?

If not, what will be the effects, and is another agency waiting to provide the services enumerated on page 22 of your justification?

Mr. CHASE. We have received no indications at this time that any State will continue the program without Federal funding.

We do not expect any other Federal agency to provide funding for these offices.

Mr. CONTE. You are requesting a cut of $27.5 million, which will eliminate the emergency energy conservation services. How successful has this program been in the past in aiding low-income and elderly economy on energy?

Mr. CHASE. The President's budget for 1978 includes an extensive and comprehensive winterization program to be administered by the Federal Energy Administration. Community action agencies would still be eligible as grantees for winterization funds from the Federal Energy Administration and in fact are given preference as grantees.

CSA has obligated $44 million of fiscal year 1975 and 1976 appropriations to more than 800 State and local grantees. Eighty-two percent of these funds have gone to 750 weatherization projects which provide weatherization work on 150,000 dwellings of the poor including the elderly. Other funds have been used for crisis intervention projects to aid low income families whose utilities were shut off.

Mr. CONTE. In light of our current, and apparently, permanent energy crisis, why are you dropping this necessary program of energy conservation services?

Mr. CHASE. The budget proposal and the President has recommended a reorganization of all agencies under a new Federal Energy Office.

Mr. CONTE. Not only can the elderly and low-income families benefit from energy conservation, but every American must be educated in ways to tighten their consumption of these resources. Do you believe that the FEA's winterization program is sufficient to extend the EECS program?

Mr. CHASE. The FEA's weatherization program is much narrower than the program conducted by the CSA. It deals entirely with insulation and even more narrowly with insulation materials. We believe that the FEA weatherization program is certainly beneficial.

Mr. CONTE. The funds for research and demonstration are spread to a variety of areas, yet the budget requests have remained the same as last years request for programs of research and demonstration? Which research and demonstration projects will be discontinued?

Mr. CHASE. Research and demonstration by its nature is a noncontinuing series of projects. The projects funded in 1977 will be entirely devoted to rural housing

which appears to be the intent of the Congress through the 1977 appropriations process. The $5 million for 1978 is a more generalized request to initiate projects designed to integrate other Federal agencies and their relationship to poor people. While no decisions as to the current rural housing fundings and their continuation in 1978 have been made, it would be anticipated that a number of them would expire.

Mr. CONTE. Will the $1 million for your proposed training and technical assistance program be used to replace partial responsibility to the State economic opportunities offices, or is this a new type of program for CSA?

Mr. CHASE. CSA had legislative authority to fund training and technical assistance efforts that provide programs and activities undertaken by CSA grantees funded under title II. This $1 million will allow CSA the flexibility to implement a training and technical assistance program to meet the most critical needs of grantees.

Mr. CONTE. Why are the national summer youth sports and the summer youth recreation programs being dropped, and whom had they previously been directed to help?

Mr. CHASE. It was felt that in both cases these summer programs are unrelated to the principal community action delivery system, the community action agencies and community development corporations. For example, national youth sports program is administered through colleges and universities, while the summer recreation program is administered through CETA prime sponsors. Both programs are designed to provide recreation opportunities during the summer months for economically disadvantaged children.

Mr. O'BRIEN. Should the CSA remain an independent agency or should it be absorbed into HEW?

Mr. CHASE. The Head Start, Economic Opportunity, and Community Partnership Act of 1974, provided the President with the option of submitting to the Congress a reorganization plan after March 15, 1975. The reorganization plan would establish within the Department of Health, Education and Welfare a community services administration. This reorganization plan would take effect if it was not disapproved by the Congress. To date, no plan has been submitted by the President. The President has, however, requested a study to assess the mission and structure of the Commuity Services Administration, with a detailed report to him regarding their findings. My personal opinion, however, would be for CSA to remain an independent agency.

Mr. O'BRIEN. According to a local CSA director—the CAP agencies have not received increases for staff or administration in the past 10 years, in effect there have been no cost-of-living increases. What is the director's position on this point?

Mr. CHASE. The statement is correct in that local initiative Federal funding has remained at the level of $330 million over the last 6 years. While some increases have been granted by individual community action agencies that were labeled cost-of-living increases they have been enabled only by other funding sources or their attrition of existing employment. The increasing non-Federal share contribution in 1976 and 1977 has resulted in growth of the total program. However, the increased non-Federal share has been overwhelmingly noncash donations of items such as space, equipment, and allocated local services. The Head Start program on the other hand has received increases in appropriations in excess of 24 percent over this period, much of which was devoted specifically to cost-of-living increases for Head Start program employees. Since community action agencies administer about 70 percent of that program, this has caused severe internal strains. The result of Head Start increases and the community action freeze has given rise to the phenomenon of a Head Start bus driver receiving cost-of-living increases from the community action agency, while an SOS or seniors program bus driver would not. This situation causes grave problems in the local programs.

Mr. O'BRIEN. The CSA program started with a 90 to 10 funding formula, next 80 to 20 and presently 70 to 30. Are you in favor of an increase in the Federal portion?

Mr. CHASE. Our 1978 budget request does reflect an increase in the Federal portion. In the 1977 budget request only $260 million was earmarked for community action agencies. This year the 1978 budget requests $330 million for community action agencies.

Mr. OBEY. In what specific program areas should the Federal Government assume a more active role to help poor people and in what areas should States, local governments, and private sector organizations take more responsibility? Are there any criteria that can be used to determine the respective appropriate roles for these various levels of government and the private sector?

Mr. CHASE. The specific program areas chosen for enhancement are not as important as the total level of resources available to the poor. Poverty is an eclectic problem involving deficiencies in health, education, training, and economic opportunity. The "county poorhouse" historical answer to poverty was a locally sponsored effort. The systems' inadequacies produced Federal involvement in the national problem of poverty. States and local governments and private sector organizations ideally can best handle the problem at the local level, for the conditions and causes of poverty vary greatly and are best known at the local level. However, State, local and private sector inadequacies spawn a Federal response continually in many areas and to that degree require a Federal responsibility. I am suggesting here that the best single criteria to define the Federal role is the adequacy of the State and local response to the problem.

Mr. OBEY. What role is contemplated for CSA, and specifically the community action program, in the Federal antipoverty efforts of the new administration?

Mr. CHASE. Currently Mr. Joseph Aragon is conducting a review of the mission and structure of the Community Services Administration at the specific request of the President. The role of Community Services Administration and the community action program within the administration will be determined upon completion of that report.

Mr. OBEY. Is the Carter administration considering the option of proposing a transfer of CSA to HEW?

Mr. CHASE. Among the options concerning the future mission and structure of CSA, is the transfer of the agency to HEW and Commerce, as outlined in section 601(e) of the Community Services Act of 1974.

Mr. OBEY. How can the various Federal programs and administering agencies designed to assist low-income people coordinate their efforts to avoid duplications, maximize the limited existing resources, and fill the gaps in areas that are not being covered?

Mr. CHASE. Coordination to avoid duplication will be a continuing problem not only vertically between local, State, and Federal efforts, but also horizontally between the diverse number of Federal programs. However, we might point out that a community action agency does in large part perform this function since they act as a single administering agency for a large number of complementary Federal programs, such as, Head Start, family planning, high school equivalency degree, education, and vocational training. All are administered by the local single community action agency.

Mr. OBEY. How much of the $330 million for "local initiative" funding goes to pay for staff salaries?

Mr. CHASE. It is estimated that 80 percent of the $330 million or $264 million is utilized for personnel costs.

Mr. OBEY. How many people are employed by CAA's out of the "local initiative" funds?

Mr. CHASE. CAA's are estimated to employ 120,000 full-time and part-time employees. However, the majority of these are paid from other funding sources. The average salary per CAA employee is about $7,000. At that rate the equivalent of 38,000 full-time employees are paid from local initiative funds.

Mr. OBEY. What is the average salary for those employees?

Mr. CHASE. The average salary is about $7,000.

Mr. OBEY. What have been the effects of inflation on CAA programs, services, and staff?

Mr. CHASE. The effects of inflation on community action programs have been first to stimulate CAA's in their search for other funding sources since local initiative has not been increased and to greatly weaken their outreach capacity. In 1971, the estimate of CAA employment was 180,000—whereas last year's estimate was 120,000—a decline of one-third.

Mr. OBEY. How much would it cost to build in a cost-of-living salary increase of 5 percent for all CAA employees paid out of "local initiative" funds?

Mr. CHASE. A 5 percent increase in the salary portion of local initiative would require $13.2 million. However, the inflationary increases of recent years in

such relatively fixed expenses, such as fuel and utilities has also had an effect on community action employment. A 5 percent increase for the total program would require $16.5 million.

Mr. OBEY. What is the current CSA policy with regard to expansion of community action programs to areas that are not covered by existing CAA's?

Mr. CHASE. Since the absolute level of the local initiative program has not risen from the $330 million of 1971, expansion of CAA program coverage has been impossible except in isolated instances.

Mr. OBEY. How much money would be required to either expand existing CAA's or establish new ones to cover the "uncapped" areas?

Mr. CHASE. Community action agencies currently cover 75 percent of the country's geographical area. To cover the other 25 percent at the current rate would require $110 million.

Mr. OBEY. What activities have been carried out under the emergency energy conservation program?

Mr. CHASE. Section 222(a)(12) is an extremely broad authority under which our emergency energy conservation program is funded. The principal activity has been weatherization, with the next largest amount of funds devoted to crisis intervention.

Mr. OBEY. How much money has been spent proportionately for each of these activities?

Mr. CHASE. Of the services funded (excluding training, technical assistance, research and demonstrations) 82 percent has been spent for weatherization, 12 percent for crisis intervention, and 6 percent for other related activities.

Mr. OBEY. What have been the results of the projects funded under this program? Have they been successful? Are they cost effective?

Mr. CHASE. The cost effectiveness of insulation is undisputed. The question of the exact benefit remains under study varying widely due to temperature conditions, local fuel prices, and the conditions of the housing unit.

Mr. OBEY. If a major new infusion of funds for the emergency cash relief aspects of this program were appropriated, as the Carter administration is reportedly considering, would CAA's be in a position to effectively administer such an increase in this area?

Mr. CHASE. Community action's ability to effectively administer an emergency cash relief program, we feel has been demonstrated in administration of the current program. However, that program has been administered at about a $5 million annualized level. We don't doubt that there would be problems in administering major amounts. However, such problems, we believe, would be greater for any other distribution system which would have to start without our experience base.

Mr. OBEY. What about CAA's as the local delivery mechanism for a long-term and expanded energy conservation (weatherization and consumer education) program? Could they handle it? Are there other alternatives which would be more effective in getting these services to people?

Mr. CHASE. The current community action weatherization program is a local response to local conditions. Weatherization is a complex activity employing diverse materials and solutions to individual home construction. The experience base acquired since inception of the program in 1973 qualifies community action agencies as the best single vehicle to deliver these services.

JUSTIFICATION OF THE BUDGET ESTIMATES

Community Services Administration

Introduction

The Community Services Administration was created January 4, 1975 as the successor to the Office of Economic Opportunity. The authorizing legislation recognizes previous delegations of certain programs, such as Headstart and Comprehensive Health to other agencies and the transfer of the legal services program to an independent Corporation. The authorizing legislation continues Economic Opportunity programs through fiscal 1977, with provision for extension through 1978, if no Congressional action occurs to end the program.

Local Initiative

A principal feature of the new law is the gradual increase in the non-Federal matching rate for Community Action, reflecting a requirement in the Community Services Act of 1974 that funding for such activities will be increasingly a State and local responsibility. In fiscal 1976, the Federal funding matching rate for major local initiative grantees declined from 80% to 70%, and further in 1977 to 60%. However, grantees receiving less than $300,000 in local initiative annually, principally smaller rural agencies, more gradually declined in Federal support to 75% in 1976 and 70% in 1977. Over 3/4 of the community action agencies are in the latter category. The local initiative budget request continues Federal funding at traditional levels of $330.0 million, allowing growth in the total program through increasing local financial support.

To strengthen the community action service delivery system, $1.0 million in specific technical assistance funds are requested. The appropriation would be utilized to give administrative training to grantees to improve financial and programmatic performance and accountability.

Senior Opportunities and Services

The Senior Opportunities and Services program ($10.0 million annually) is a general services program with special attention to the elderly. In practice, these are small grants, entirely to community action agencies, which hire one or two elderly people to perform normal CAP outreach and face-to-face services. While their activities are the same as the basic local initiative fundings,

using a specific funding title helps keep the community action agencies responsive to the needs of the elderly. Moreover, these specifically funded CAP outreach workers constitute the expertise and leverage within the total organization. With the signing of an inter-Agency agreement with the Administration on Aging in 1975, the SOS program has become a truly complementary local program.

State Economic Opportunity Offices

The State Economic Opportunity Office program is another program which is an integral part of our delivery system improvement effort. Their principal function is as a training and technical assistance provider to the community action agencies. A second SEOO function is as coordinator of our CSA programs with State-administered programs. Their services will be especially valuable in 1977 and 1978 in coordinating the Federal Energy Administration weatherization program--in joining CAP delivery experience to FEA state plans. Their third function, advocacy within State government, is an important part of our major effort to increase the non-Federal share of the program cost. At our last survey, eleven states had passed appropriations specifically dedicated to the increasing non-Federal share ratios.

Community Food and Nutrition

The Community Food and Nutrition program is a categorical program, but one which is moving community action into complementary rather than duplicative activities. The 1976 grant application process included requirements that CAPS examine their complementary relationships to other major feeding programs, such as Food Stamps, Women, Infants and Children, Elderly Feeding, and School Lunches. Community action agencies are required to concentrate on the target population--those under the poverty level. This target population consists largely of poor people with handicaps, (e.g. the unemployed, illiterate, blind, disabled, non-English-speaking) who need hands-on, face-to-face neighborhood help to be properly reached by our major nutrition program. Neither Agriculture, the States, nor local welfare offices have demonstrated a real and effective focus on this target population.

Other Community Action

Community action programs funded in 1977 which are projected to expire in 1978 are as follows:

(1) Emergency Energy Conservation. The weatherization program was initiated by an OEO demonstration in Maine (Project Fuel) funded during the 1973-1974 winter. It has undergone extensive development since then, receiving specific appropriations of $16.5 million in 1975, $27.5 million in 1976, and $27.5 million in 1977.

As in prior OEO initiated programs later transferred, such as Headstart, the Administration has urged that the operating program now be administered within the major Agency which has national responsibility for the energy conservation effort. A more extensive weatherization program is included in the President's 1978 Budget for the Federal Energy Administration at an increased level of $55 million in 1977 and $65 million in 1978. Community action agencies would still be eligible as grantees for weatherization funds from the larger FEA program.

(2) Two summer programs National Summer Youth Sports ($6.0 million in 1977) and the Summer Youth Recreation ($17.0 million in 1977) are also proposed for termination. The first is a residential program administered through colleges and universities and the second concentrates on playground activities as administered through CETA prime sponsors. Both are small and unrelated to the principal community action delivery system of community action agencies.

(3) Migrant Assistance. The former OEO migrant assistance program was delegated to the Department of Labor in 1973. With appropriations to that Agency of over $60 million, the program bears major responsibility for specific migrant programs. The appropriation in 1977 of $1.0 million to CSA duplicates authority possessed by the Department of Labor. No further appropriations are requested for 1978.

(4) Research and Demonstration. Projects under this category in 1976 and 1977 were funded primarily for rural housing development authorized under section 222(a)(11). Funding for this activity is not requested in 1978.

Community Economic Development

The community economic development program is directed toward providing significant economic and community development impact in rural and urban areas having concentrations of low-income persons. A recent internal assessment raised basic questions concerning the program's design and economic effectiveness. The Agency has recently selected an independent source to evaluate the program. The last comprehensive evaluation of the program was conducted by the Abt Associates, Inc. starting in July, 1970, only two years after inception of the program in 1968.

Title VII funds obligated to grantees but not utilized at September 30, 1976, totaled over $23 million. In view of the demonstration nature of the program and funds available from prior years, 1978 new budget authority of $30 million is considered adequate to maintain the current level of investments pending completion of the 1977 evaluation.

Evaluation

A specific evaluation appropriation of $1.0 million is requested in 1978, the first such request since 1973. The request signifies the Administration's twin commitment to the continuation and improvement of community action. In conjunction with the technical assistance funds and the additional field staff requested, we expect to greatly improve monitoring of our grantees, evaluation of their programs, and improvement of their operations.

Program Administration

The 1978 program administration request includes an increase of $2.9 million for 107 additional personnel, the first such increase since 1973. At that time the Agency employed over 2,000 people, compared to 960 today. While a number of employees were transferred with programs delegated to other agencies, 545 were lost through attrition. The restoration of 107 permanent employees coupled with an internal reorganization, will greatly improve our field monitoring capability and establish an enhanced policy and evaluation capacity in Headquarters.

Community Services Administration
Appropriation Language

"For the operations of the Community Services Administration for the fiscal year, pursuant to the provisions of Public Law 93-644, $442,500,000."

Amounts Available for Obligations

1977 HEW-Labor Appropriations Bill	$511,170,000
1977 Proposed supplemental for pay costs	883,000
Total, 1977 available for obligations	$512,053,000
1978 Appropriation request	$442,500,000

Summary of Changes

1977 Appropriation	$ 512,053,000[a]/
1978 Estimate	442,500,000
Net Change	- 69,553,000

	1977 Appropriation Pos.	Amount	1978 Change from Base Pos.	Amount
Increases:				
A. Built-in				
1. Within-grade increase				+205,000
B. Program				
1. Training and technical assistance		---		+1,000,000
2. Evaluation		---		+1,000,000
3. Program administration.	960		+107	
a. Personnel compensation and benefits				+1,926,000
b. Travel				+200,000
c. Communication and utilities				+300,000
d. Rent (SLUC)				+240,000
e. Other administration				+246,000
Subtotal	960	---	+107	+5,117,000

	1977 Appropriation Pos.	Amount	1978 Change from Base Pos.	Amount
Decreases:				
A. Built-in				
B. Program				
1. Emergency energy conservation services.....		27,500,000		-27,500,000
2. National youths sports program.....		6,000,000		-6,000,000
3. Summer youth recreation program.....		17,000,000		-17,000,000
4. Research and demonstration.....		5,000,000		-5,000,000
5. Migrant program.....		1,000,000		-1,000,000
6. Community economic development.....		48,170,000		-18,170,000
Subtotal.....	---	---		-74,670,000
Total net change.....	960		+107	-69,553,000

a/ Includes $883,000 proposed supplemental appropriation for pay costs.

Explanation of Changes

Increases:

A. Built-in

1. Pay above the base of grade. This is the cost of carrying periodic step increases granted in 1977 for a full year in 1978, and the net cost of such step increases made in 1978. ..... $ +205,000

B. Program

1. Training and technical assistance ..... +1,000,000

2. Evaluation ..... +1,000,000

The above two programs complement the increase to the Agency's internal field monitoring staff in attaining a major 1978 goal of administrative improvement of the current grantee service delivery system.

3. Program Administration ..... $ +2,912,000

This increase reflects the change in personnel ceiling of 960 permanent positions in 1977 to 1,067 in 1978 along with attendent travel, space rental communications, utilities, and other administrative costs associated with an increased staff. The increase is associated with the addition of field monitoring staff, plus the establishment of an enhanced policy and evaluation capacity in headquarters.

Decreases:

A. Built-in ..... ---

B. Program .....

1.	Emergency energy conservation services..	$-27,500,000
2.	National youth sports program.....	-6,000,000
3.	Summer youth recreation.....	-17,000,000
4.	Research and demonstration.....	-5,000,000
5.	Migrant program..... Funding for the above programs which duplicate the responsibilities of other Federal agencies is not requested in 1978.	-1,000,000
6.	Community economic development..... Reduced funding of this program is estimated in 1978 pending results of a major evaluation began in February 1977.	-18,170,000

Availability by Activity

	1977 Appropriation		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Community action operations....		436,000,000		380,500,000		-55,500,000
Community action agencies.....		330,000,000		330,000,000		---
Senior opportunities and services.....		10,000,000		10,000,000		---
State economic opportunity offices		12,000,000		12,000,000		---
Community food and nutrition.		27,500,000		27,500,000		---
Emergency energy conservation services.....		27,500,000		---		-27,500,000
National youth sports program		6,000,000		---		-6,000,000
Summer youth recreation program.....		17,000,000		---		-17,000,000
Research and demonstration.		5,000,000		---		5,000,000
Training and technical assistance....		---		1,000,000		+1,000,000
Migrant programs		1,000,000		---		-1,000,000
Community economic development...		48,170,000		30,000,000		-18,170,000
Operations.		47,170,000		29,000,000		-18,170,000
Program administration		1,000,000		1,000,000		---
Evaluation.....		---		1,000,000		+1,000,000
Program administration.....	960	27,883,000[a/]	1,067	31,000,000	+107	+3,117,000
Totals	960	$512,053,000	1,067	$442,500,000	+107	-69,553,000

a/ Includes $883,000 proposed supplemental appropriation for pay costs.

Obligations by Object

	1976 Actual	1977 Appropriation	1978 Estimate	Increase or Decrease
Total number of permanent positions.	960	1,067	1,067	---
Full-time equivalent of all other positions.....	50	50	50	---
Average paid employees.....	1,034	1,059	1,117	+58
Personnel compensation:				
Permanent positions.....	$20,420,000	$20,007,000	$21,982,000	$ +1,975,000
Positions other than permanent..	476,000	475,000	475,000	---
Other personnel compensation....	165,000	160,000	160,000	---
Subtotal, personnel compensation.....	21,061,000	20,642,000	22,617,000	+1,975,000
Personnel benefits: civilian.	1,883,000	1,844,000	2,000,000	+156,000
Travel and transportation of persons.....	1,428,000	1,400,000	1,600,000	+200,000
Transportation of things.....	4,000	5,000	8,000	+3,000
Rent, communications and utilities.....	1,675,000	1,450,000	1,750,000	+300,000
Rent (SLUC).....	2,378,000	2,400,000	2,640,000	+240,000
Printing and reproduction.....	331,000	280,000	310,000	+30,000
Other services.....	1,155,000	2,177,000	1,925,000	-252,000
Services other Government agencies.....	294,000	300,000	300,000	---
Supplies and materials.....	234,000	200,000	200,000	---
Equipment.....	53,000	40,000	50,000	+10,000
Grants, subsidies and contributions.....	464,283,000	481,315,000	409,100,000	-72,215,000
Total obligations by object.....	$494,779,000	$512,053,000a/	$442,500,000	$-69,553,000

a/ Includes $883,000 proposed supplemental appropriation for pay costs.

Authorizing Legislation

	1978	
	Authorized	Appropriation requested
Legislation		
Headstart, Economic Opportunity, and Community Partnership Act of 1974	1/	$442,500,000

1/ The law contains authorization of such sums as necessary for programs included in the 1978 request.

Community Services Administration

History Table of Estimates and Appropriations

Year	Budget Request to Congress	House Allowance	Senate Allowance	Appropriation
1965	$ 947,500,000	$ 750,000,000	$ 861,550,000	$ 800,000,000
1966	1,500,000,000	1,500,000,000	1,510,000,000	1,500,000,000
1967	1,825,000,000	1,562,500,000	1,737,500,000	1,687,500,000
1968	2,060,000,000	1,612,500,000	1,980,000,000	1,778,000,000
1969	2,180,000,000	1,873,000,000	2,088,000,000	1,948,000,000
1970	2,048,000,000	1,948,000,000	1,948,000,000	1,948,000,000
1971	2,080,200,000	894,400,000	900,400,000	849,400,000
1972	780,400,000	(1)	780,400,000	741,380,000
1972 Suppl.	956,000	956,000	956,000	956,000
1973	760,200,000	790,200,000	820,200,000	810,200,000
1974	---	330,800,000	368,300,000	358,800,000
1975	---	455,000,000	515,000,000	492,400,000
1976	363,000,000	474,385,000	526,452,000	494,652,000
1976 Suppl.	---	2,500,000	2,000,000	2,500,000
1976 Suppl.	---	23,000,000	23,000,000	23,000,000
1976 Transition Quarter	90,750,000	144,975,000	129,746,000	129,746,000
1977	334,000,000	496,000,000	573,500,000	511,170,000
1977 Proposed Suppl.	883,000			
1978 Revised Request	442,500,000			

(1) Not considered.

General Statement

As part of its overall responsibilities, the Community Services Administration is responsible for the administration of Title II of the Community Services Act of 1974 (P.L. 93-644). The Act provides for the extension of community action, community economic development and other programs, formerly authorized under the Economic Opportunity Act of 1964, as amended.

The purpose of Title II, as stated in Section 210 (a), is to stimulate a better focusing of all available local, State, private and Federal resources upon the goal of enabling low-income families, and low-income individuals of all ages, in rural and urban areas, to attain the skills, knowledge, motivation and opportunities needed for them to become fully self-sufficient.

To strengthen local capabilities to plan and coordinate the use of aid from Federal, State and private sources, the Community Services Administration emphasizes "local initiative". Rather than place Washington-designed programs with rigid guidelines in remote communities, CSA requires community action agencies, whose boards represent local governments, the private sector and low-income citizens, to develop their own approaches to meeting the problems of poverty in their locale.

Title II also authorizes broad program areas within which community action agencies may devise projects to meet their particular needs. As set out in Section 222(a) of the Community Services Act of 1974, they included Community Food and Nutrition, Senior Opportunities and Services, Emergency Energy Conservation Services and Summer Youth and Sports Programs.

The provision of training and technical assistance to grantee personnel, and assistance to State Economic Opportunity Offices is authorized under Sections 230 and 231, respectively.

Research and Pilot programs which design and test new approaches for making the low income self-sufficient, or for improving the efficiency of human services program delivery, are authorized under Title I and Section 232 of Title II.

Community Action Operations

	1977 Appropriation	1978 Estimate	Increase or Decrease
Subactivities:			
Community action agencies (Sec. 221)..	$330,000,000	$330,000,000	$ ---
Senior opportunities and services.....	10,000,000	10,000,000	---
State economic opportunity offices.....	12,000,000	12,000,000	---
Community food and nutrition.....	27,500,000	27,500,000	---
Energy conservation services.....	27,500,000	---	-27,500,000
Research and demonstration.....	5,000,000	---	-5,000,000
National youth sports program.....	6,000,000	---	-6,000,000
Summer youth recreation.....	17,000,000	---	-17,000,000
Training and technical assistance.....	---	1,000,000	+1,000,000
Migrant programs.....	1,000,000	---	-1,000,000
Totals.....	$436,000,000	380,500,000	-55,500,000

Community action operations support the community action agency (CAA) structure at the local level. The local agencies were constituted to provide the poor an effective voice in achieving economic opportunity. Successful programs developed over the last decade have been transferred from CSA to other departments of the Federal government, but continue to be administered in large part by community action agencies. It is estimated that CAA's operate social programs totalling $1.6 billion annually.

Community Action Agencies

Section 221

1977 Appropriation	1978 Estimate	Increase or Decrease
$330,000,000	$330,000,000	$ ---

Purpose

Community action funds (sec. 221) support the administration and general programming of some 884 community action agencies serving 2,293 of the 3,141 counties in the United States. These counties contain 75 percent of the general population and a like percentage of the poor. There are 441 urban and 443 rural community action agencies. The Community Action Agencies provide the vehicle for the community action process, which gives the local community the ability to design and implement a plan to combat poverty adapted to that community's particular needs and problems. In addition to local programming, these funds support central staff, facilities, equipment, and other administrative expense of CAAs.

Explanation

Community action agencies administer a wide range of social programs funded through other Federal, State and local sources, including housing, health, manpower, education, economic development and consumer affairs, youth development, community support, and general services.

1976 Accomplishments

Community action agencies continued their administration of a wide spectrum of human services programs during this period.

The agencies continued their efforts to assist local governing officials in meeting the demands of low-income people in their communities. Local elected officials had at their disposal administrative, outreach, and evaluation resources possessed by the CAAs, as they dealt with the problems of decategorized programs such as those authorized by the Comprehensive Employment and Training Act.

Using their administrative flexibility, hundreds of CAAs established or maintained existing energy-related programs to alleviate the effects of the energy crisis on the poor. While using technical assistance provided by CSA and other sources, the programs themselves were designed locally to meet local needs.

The service delivery networks of CAAs, particularly in rural areas, provided a valuable resource to local governments faced with the prospect of reduced revenues due to the economic situation.

Administrative flexibility still allows grantees to shift small amounts to meet sudden problems, such as those caused by the protracted energy shortage or natural disasters.

In 1976, CSA had focused on the transition quarter as a partial solution to the agency's annualization problem. The transition quarter was a non-recurring time bridge that contemplated the extension of all programs three months. However a timing variance existed between agency programs. Community Action, our basic program delivery system was funded on a quarterly basis, while categorical programs generally funded in June of each fiscal year for twelve to twenty-four months into the succeeding fiscal year(s).

Consequently, we concentrated our fiscal obligations during the transition quarter on local initiative (Section 221) grantees with budgets of $300,000 or less, comprising 75% of our Community Action grantees. This concentration on smaller grantees greatly eased the administrative burden caused by quarterly funding, resulting in faster service for the larger grantees we are not able to annualize. Categorical programs continued to be funded on at least an annual basis at 1976 appropriation levels well into fiscal 1977.

Community Action Agencies and the Community Services Administration have benefited greatly from the elimination of grant processing burdens in going from quarterly to annual funding. The categorical programs suffered no loss in current outlays.

1977

In 1977, CSA will strengthen the managerial capacities of community action agencies and continue to encourage close relations with units of local government.

This last aspect has become increasingly important to both parties. In order to meet increased non-Federal Share requirements, CAAs will have to attract additional contributions from units of local government and other institutions. An analysis of audit reports has shown that approximately 70 percent of non-Federal contributions are in-kind; i.e., use of office space, etc.

As discussed above, the Agency solved a part of its annualization problem for grantees with budgets of $300,000 or less. However, there remained the problem of funding 25%, or approximately 220 larger grantees with current funding periods ending on September 30. In order to ameliorate the administrative burden of funding these larger grantees on a quarterly basis, CSA requested and received from the Office of Management and Budget an apportionment for an amount required to fund these grantees for up to twelve months. This method does not annualize the grantees to their individual current program years but eliminates the practice of funding on a quarterly basis.

1978

The estimate of $330,000,000 continues funding of community action agencies at the same level of Federal assistance as in prior years. This request however, focuses on administrative improvement of the current grantee service delivery system.

Under the reorganization plan (discussed under the Program Administration activity) the Agency will add approximately 130 field monitoring positions, plus the establishment of an enhanced policy and evaluation capacity in headquarters. The establishment of CSA internal capacity is balanced with the request of $1,000,000 in evaluation and $1,000,000 for grantee technical assistance in the basic administrative areas such as accounting, and an assistance program designed to help grantees in mobilizing the increased local contributions necessary to focus community action on local priorities.

Senior Opportunities and Services

1977 Appropriation	1978 Estimate	Increase or Decrease
$10,000,000	$10,000,000	$ ---

Purpose

The Senior Opportunities and Services Program, authorized under Section 222(a)(7) of the Community Services Act, is designed to identify and meet the special needs of the elderly poor. Local projects, which are operated primarily through CAAs, must meet four basic criteria: First, they must serve and/or employ persons over age 60 as the exclusive or predominant participant or employee group. Second, existing services must be utilized to the maximum extent possible to avoid duplication. Third, SOS projects must provide opportunity for elderly poor to develop, direct and administer programs for their own benefit. Fourth, the projects must deal with specific problems of the low-income elderly that cannot be met practically by more general programs designed to serve multi-generational groups.

Explanation

Almost all SOS projects conduct outreach and referral activities; over 75 percent, or 173 projects, provided transportation assistance and a majority of the projects visit and telephone persons who are alone and unable to get around. Other services provided under this program include: year-round recreation and handicrafts, civic influence and action, housing and employment assistance, consumer education, other education, homemaker services, home health aides, home delivered meals, congregate meal service, and home repair services. A wide variety of other services is also provided at the local level.

1976 Accomplishments

More than 2,000 of the elderly have been employed by CSA programs that served close to one million people. Specific program objectives include development of new employment, volunteer and referral services, creation of additional services and programs to remedy gaps and deficiencies in existing programs, and modification of eligibility requirements and program structures to facilitate the greater use of existing public services by the elderly poor.

1977

The SOS programs will continue to be supported at the $10 million levels of operation which will allow continuation of the current program at historical levels.

1978

The 1978 estimate of $10 million will allow continuation of funding of small grants to community action agencies. These grants enable a CAA to hire one or two elderly people to perform normal CAP outreach and face-to-face services. Funding this program under a specific title helps keep the community action agencies responsive to the needs of the elderly. Moreover, these specifically funded CAP outreach workers constitute the expertise and leverage within the total organization. With the signing of an inter-Agency agreement with the Administration on Aging in 1975, the SOS program has become a truly complementary local program.

State Economic Opportunity Offices

1977 Appropriation	1978 Estimate	Increase or Decrease
$12,000,000	$12,000,000	$ ---

Purpose

The State Economic Opportunity Office (SEOO) funded under Section 231 of the Act, is supposed to function in support of CSA programs and perform the following major functions: advise the Governor on CSA programs and other anti-poverty activities within the state, mobilize resources and advocates for the poor at the state level; provide technical assistance to CSA grantees within the state: advise CSA Headquarters and Regional offices on the problems and causes of poverty in the state; participate with CSA in monitoring and evaluation activities and operate special limited purpose programs as well as research and demonstration programs.

State Economic Opportunity Offices are funded in every state, Puerto Rico, the Virgin Islands and the Trust Territories.

Explanation

Federal grants have been made directly to state agencies to pay state employee salaries and cover other administrative costs in the past to promote the interests of the poor within the state government. Such assistance is more properly the responsibility of the individual states. Consequently, states will be requested to assume funding of State Economic Opportunity Offices, generally as of October 1, 1977.

1976 Accomplishments

During 1976, SEOOs provided specialized technical and program assistance to community action agencies, local communities as well as Federal, State and local agencies. This assistance involved program development, planning, management, evaluation and delivery of human services. SEOOs mobilized and coordinated anti-poverty resources, particularly at the state level.

SEOOs also assisted in the coordination of state and local anti-poverty activities, as well as in the review, monitoring and evaluation of statewide and local community action and other anti-poverty programs.

Recognizing the unique role that states can play in furthering the objectives of CSA programs in 1976, SEOOs received over $4 million in Energy funds, as well as funds from other Federal and state agencies.

1977

The SEOO program will continue to be supported at the $12 million level of operation which will allow continuation of the current program at historical levels.

1978

The 1978 estimate of $12 million will provide continued support to SEOOs which serve as an integral part of the CSA delivery system. SEOO functions will continue in three major areas: (1) provide training and technical assistance to community action agencies, (2) serve as coordinator of CSA programs with State - administered programs, and (3) serve as an advocate within the State government in a major effort of increasing non-Federal share of program costs.

Community Food and Nutrition

1977 Appropriation	1978 Estimate	Increase or Decrease
$27,500,000	$27,500,000	$ ---

Purpose

The Community Food and Nutrition program was established in 1968 to provide assistance in areas with severe hunger problems. Federal food assistance programs and participation at that time were much smaller than present and some programs had not been implemented in many places because of State and local options. Since that time, the entire Federal nutrition effort has improved and expanded to cover virtually all areas of the nation and school lunch programs are in practically every school.

Explanation

The Community Food and Nutrition program provided funds to assist local communities to counteract conditions of starvation and malnutrition among the poor by making grants or contracts to CAAs, State and local public or private non-profit organizations or agencies, and Native American tribal councils to supplement assistance under the provision of other Federal programs, and to extend the accessibility of the disadvantaged to existing Federal, State and local feeding and nutrition programs.

1976 Accomplishments

$26.2 million was appropriated for this program. Funds were obligated in the following categories:

CATEGORY

Community Nutrition
Migrant & Seasonal Farmworkers

Indians
Legal Assistance
Training and Technical Assistance

The major program thrust included:

(1) Outreach efforts for the Food Stamp program.

(2) Direct feeding programs such as meals on wheels for the elderly, emergency food vouchers, summer lunch projects and supplemental food for pregnant and lactating women.

(3) Improvement of existing nutritional activities.

(4) Ease the participation of eligible individuals in existing programs through decentralization of food stamp outlets and mobile feeding and certification units.

1976 also saw the initial implementation of a formal needs assessment by potential grantees as a part of the funding application process.

In 1976, CSA also provided CFNP services for over 400,000 migrants located in 48 states. These projects were designed to meet the unique problems of migrants and seasonal farmworkers, both in their home states and in the migrant stream.

1977

Funds will continue to be flexible; therefore, they will be used in a variety of ways depending upon the needs and resources of the communities which receive grant funds. Program priorities will be decided locally in accord with program policies established by CSA Headquarters. Since funds appropriated under this Section are to be catalytic, they will not be used as a continuing financial commitment for long-range food and nutrition programs. Evaluation efforts will insure compliance with this policy.

The $27,500,000 million appropriated for 1977 will be allocated for a wide variety of purposes including: Outreach Campaign; Food Raising; Food Preservation (canning, drying, refrigeration); Legal Services; Consumer Action and Education; Crisis Intervention (food banks, food vouchers, disaster assistance); Nutritional Awareness and Improvement; Transportation (food stamps, food purchase, elderly feeding); Elderly Feeding; Federal Food Program Administrative Costs; Infant Feeding; Maternal and Child Feeding; and Summer and Day Care Feeding Programs.

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1978

Funds will continue to be flexible; therefore, they will be used in a variety of ways depending upon the needs and resources of the communities which receive grant funds. Program priorities will be decided locally in accord with program policies established by CSA, Headquarters. Since funds appropriated under this Section are to be catalytic, they will not be used as a continuing financial commitment for long-range or duplicative food and nutrition programs. Evaluation efforts will insure compliance with this policy.

The $27.5 million requested for 1978 will be allocated for a wide variety of purposes including: Food Raising; Food Preservation (canning, drying, refrigeration, smoking); Legal Services; Consumer Action and Education; Crisis Intervention (food banks, food vouchers, disaster assistance); Nutritional Awareness and Improvement; Transportation (food stamps, food purchase, elderly feeding); Elderly Feeding; Federal Food Program Administrative Cost; Outreach Campaign; Infant Feeding; Maternal and Child Feeding; and Summer and Day Care Feeding Programs.

Emergency Energy Conservation Services

1977 Appropriation	1978 Estimate	Increase or Decrease
$27,500,000	$ ---	$-27,500,000

Purpose

The Emergency Energy Conservation Services program is designed to enable low-income individuals and families, including the elderly and the near poor, to participate in energy conservation programs designed to lessen the impact of the high cost of energy on such individuals and families and to reduce individual and family consumption.

Explanation

The Emergency Energy Conservation Services Program, authorized under Section 222(a)(12) is designed to lessen the impact of the high cost of energy on low-income and elderly people. Activities authorized include weatherization, or making home repairs and energy saving improvements to minimize heat loss and improve thermal efficiency; crisis intervention to prevent hardship or danger to health due to utility shut-off or lack of fuel; consumer information, education and legal assistance in the areas of energy conservation, energy policy and energy rate regulation; transportation for the poor, and the development and application of low technology alternate energy sources for the poor. Section 222(a)(12) was authorized prior to the enactment of FEA's winterization program.

1976 Accomplishments

A total of $44 million of FY 75 and FY 76 appropriations was obligated during the 15 months ending Sept. 30, 1976 to more than 800 state and local grantees.

Eighty-two percent of these funds have gone to 750 weatherization projects involving weatherization work on 150,000 dwellings of the poor including the elderly. Of the approximately $200 per dwelling spent about $75 of that amount has been spent on minor repairs to stop heat loss through infiltration by repairing broken windows, plugging holes in walls,roofs and floors and weatherstripping.

On the basis of studies by the National Bureau of Standards, the work done by CSA grantees so far has saved $16.5 million in fuel costs to the poor, the equivalent of 41,250,000 gallons of fuel oil in the first year. Over a five year period, assuming a constant price of 40¢ per gallon for fuel oil, the saving realized by this $30 million weatherization program would be at least $82.5 million and 206 million gallons of fuel.

About 12% of the 1976 appropriation went to crisis intervention projects which brought temporary emergency relief to about five percent of the low income families whose utilities were shut off. These families had no other Federal or state resources to turn to. CSA's projects protected their health and in some rare cases, their lives.

Another 6% went to consumer education, transportation, and other eligible activities. A total of $4.6 million was allocated to technical assistance, weatherization projects among Native Americans, and migrants and seasonal farmworkers, and to several small projects in alternative energy development.

1977

Weatherization will remain the major program thrust, as the most effective and needed long-term conservation measure. Crisis intervention will continue to serve emergency hardship cases. Other program areas will remain substantially the same, capitalizing on economically feasible, and technically sound alternate energy technology as available. New energy conserving technologies appropriate to the needs and resources of the poor, will be implemented in ways which can offer opportunities for community economic development.

A data system will begin to provide hard information about cost effectiveness and fuel saving related to costs of CSA's energy programs. Program plans will be modified or revised on the basis of this data.

1978

No funds are requested for Energy programs in 1978. A more extensive and comprehensive winterization program is included in the President's 1978 Budget to be administered by the Federal Energy Administration. The Budget requests a 1977 supplemental of $55 million and an additional $55 million in 1978 for the FEA winterization effort. Community action agencies would still be eligible as grantees for winterization funds from the Federal Energy Administration's larger program and in fact are given preference as grantees.

Section 232
Research and Demonstration

1977 Appropriation	1978 Estimate	Increase or Decrease
$5,000,000	$ ---	-$5,000,000

Purpose

The research and pilot program authorizes the Agency to provide for pilot or demonstration projects designed to develop new approaches to the problems of poverty. Special assistance is directed toward elderly and rural poverty.

Explanation

This authority provides CSA with a capacity to conduct demonstrations unique to the poor; to test developing program options; to disseminate relevant experience to the Community Action Agencies and related social service agencies and to provide for special national program initiatives. Program areas include the following: Rural Housing, Veterans' Assistance, Youth Development, Senior Citizens/Victimization, Rural Development, and Neighborhood Revitalization.

1976 Accomplishments

A wide variety of initiatives in functional fields of housing, veterans, youth, nutrition, crime, older persons and youth offenders were undertaken. Many of these research and demonstration efforts involve multi-agency programs and are in addition to new approaches for programs for Migrants under another section.

In the area of rural housing (funded under section 222(a)(11), nine projects totaling $3.2 million were funded demonstrating factory production, housing rehabilitation, counseling and assistance to the poor in application to the major rural and urban Federal housing programs.

The veterans' efforts established outreach programs with cities having large numbers of Vietnam veterans. This effort has initiated a special discharge review staff in conjunction with the League of

Cities/Conference of Mayors with one pilot effort in New York City which has a large number of such cases. $2.5 million has been devoted to specific veterans' programs supplemented by $600,000 from section 221 funding. No additional funding is anticipated.

A remedial reading and mathematics program aimed at learning achievements was continued. In consultation with the National Institute of Education the "basic skills" pilot effort was broadened to assure that research findings from this program would be disseminated to schools serving the poor. This concludes the program.

In the area of youth, a pilot effort was started in conjunction with the Menninger Foundation to establish and manage residential homes for neglected, abandoned and other youth separated from their families because of status offenses. This self-sustaining residence program seeks to provide the services youth are given when institutionalized without taking that final step. The goal is to reduce institutionalization and cut down the public expenditures inherent in custodial care.

In the areas of crime prevention and youth, a small project jointly funded with LEAA is aimed at developing a new network of support for the offender and for reintegration of the offender back into the community.

Current research and demonstration efforts in rural development represent an investment of $18.0 million in multi-year fundings. These projects are testing concepts of rural regional coordination in support of State efforts, and new strategies in the implementation of the National Demonstration Water Project.

1977

The Agency plans to initiate a variety of research and demonstration projects in rural housing development funded under section 222 (a)(11) while monitoring 1976 efforts in first offender programs, group homes for young offenders, youth sports and special programs for the handicapped poor and elderly. It is planned to develop demonstration programs in the fields of Energy, Housing, Child Nutrition and rural development.

1978

No funds are requested for this program in 1978.

National Youth Sports Program

1977 Appropriation	1978 Estimate	Increase or Decrease
$6,000,000	$ ---	$-6,000,000

Purpose and explanation

The Youth Recreation and Sports Program provides, in part, that "the Director shall make grants or enter into contracts for the conduct of an annual youth recreation and sports program concentrated in the summer months and with continued activities throughout the year, so as to offer disadvantaged youth living in areas of rural and urban poverty an opportunity to receive such recreation and educational instruction, information and services, and to participate in such physical fitness programs and sports competitions."

1976 Accomplishments

The operating programs at 101 institutions of higher education have served more than 43,000 program participants this year. Approximately 40 percent of the participants have been girls. The programs averaged 90 percent participant retention and better than 51 percent of the participants continue from year to year. In addition to the sports instruction and competition, the participants were also provided with medical examinations and follow-up, meals, drug education, and career development instruction. Ninety-eight percent of the funds appropriated for this activity went directly into the local programs.

1977

CSA plans to operate this program at the 1976 funded level, using the same program guidelines.

1978

This summer program administered through colleges and universities is unrelated to the principal community action delivery system --- the community action agencies and community development corporations--- and is therefore proposed for termination.

Summer Youth Recreation

1977 Appropriation	1978 Estimate	Increase or Decrease
$17,000,000	$ ---	$-17,000,000

Purpose and explanation

The Summer Youth Recreation Program is designed to provide recreational opportunities for economically disadvantaged children during the summer months. The programs are coordinated with the Summer Youth Jobs Programs administered through CETA prime sponsors and with the Department of Agriculture which provides meals for program participants through the School Lunch program. A wide variety of private and governmental resources are also mobilized across the nation in an attempt to provide as comprehensive and meaningful a recreation experience as possible for these children.

1976 Accomplishments

This is a program operated during the summer months and is still underway. It is anticipated that 60% of those eligible will participate in this program which will provide athletic equipment, tickets to sports and cultural events, and field trips to outdoor recreational areas.

1977

CSA will maintain current program levels while seeking to identify innovative recreational programs for disadvantaged youths and identify various private state and local funds to continue these recreational services for the poor.

1978

This summer recreation program administered through CETA prime sponsors is unrelated to the principal community action delivery system--- the community action agencies and community development corporations--- and is therefore proposed for termination.

Training and Technical Assistance

1977 Appropriation	1978 Estimate	Increase or Decrease
$ ---	$1,000,000	$+1,000,000

Purpose and explanation

Section 230 of the EOA of 1964, as amended, gives CSA authority to fund training and technical assistance efforts that support programs and activities undertaken by CSA grantees funded under Title II. Under this authority, CSA may provide training for grantee boards and staff and provide technical assistance to communities in developing, conducting and administering urban and rural community action programs.

1976 Accomplishments

Some of the limited training and technical assistance provided to grantees has been provided by State Economic Opportunity Offices. The National Center for Community Action provides support services to grantees in information and management systems.

1977

During 1977 CSA plans to initiate a comprehensive and systematic training and technical assistance review to ascertain grantee needs and priorities for training and technical assistance.

This survey will provide for input from agency evaluation efforts and take into account current agency reorganization efforts which provide greater Headquarters and Regional Office support to grantees.

A multi-year training and technical assistance operating plan will identify current weaknesses and establish training and technical assistance objectives. The next step will be to identify resources and delivery mechanisms for implementing systematic training and technical assistance to improve the quality and effectiveness of Community Action Agency programs.

1978

The 1978 estimate of $1,000,000 will enable the agency to implement a training and technical assistance program to meet the most critical needs of grantees.

Migrants and Seasonal Farmworkers

1977 Appropriation	1978 Estimate	Increase or Decrease
$1,000,000	$ ---	$-1,000,000

Purpose

The purpose of programs for migrant and seasonal farmworkers as stated in Title III, Part B, is:

> ...to assist migrant and seasonal farmworkers and their families to improve their living conditions and develop skills necessary for a productive and self-sufficient life in an increasingly complex and technological society.

Explanation

During the past several years the response to migrant and seasonal farmworker needs has generally been based on the assumption that the need for a hired farm work force is rapidly declining due to advances in agricultural technology and organization. Thus, programs have consisted either (1) of short-term, crisis-oriented efforts to meet the social and economic needs of a population that will soon be displaced; or (2) preparation of the population for that displacement, alternative employment and a less agrarian life style. However, the underlying assumption has recently become less certain. In light of these altered circumstances, the Interagency Committee on Farmworker Issues of the Under Secretary's Working Group has endorsed a total human resources development approach.

Such a concept is entirely consistent with other OEO/CSA experience and programming through Community Action Agencies. A renewal of the Agency's concern with this problem area is consistent with this general objective, increasing the possibility for farmworkers to obtain, maintain or improve their agriculturally based economic condition and working environs.

1976 Accomplishments

During 1976 the Agency has gained some experience in working with migrant and seasonal farmworker issues through a strategy of adapting selected Special Impact Programs authorized under Section 222 to address the particular needs of farmworkers; notable examples of this have been programs within Community Nutrition and Emergency Energy Conservation specifically providing service to the farmworker population.

Through this process, the Agency provided funds for special benefits to farmworkers, and expanded its experience with mechanisms having the potential for delivering services to this mobile population. The primary mechanism has been a system of conduits, selected farmworker administered organizations with service-delivery responsibilities for areas which cross Federal regions, but coincide with migratory patterns; in addition some CAAs have been utilized as deliverers of service. A significant result of these limited fundings will be the shaping of a coordinated Headquarters-Regional Office farmworker effort, informed by the special experienceand expertise of each, rather than a return to the strictly national-level funding pattern which the Agency has followed in the past.

1977

CSA plans to continue and expand its nutrition and energy conservation efforts for migrants and seasonal farmworkers from specific appropriations to those activities. The total within these activities (well over $6 million for migrants and Indians combined) will constitute the Agency's major effort on behalf of migrants. Current planned use of the specific $1,000,000 appropriated in 1977 is focusing on a research effort to provide a better data base concerning the migrant population and its needs.

1978

The former OEO migrant assistance program was delegated to the Department of Labor in 1973. With appropriations to that Agency of over $60 million, that program bears major responsiblity for specific migrant programs. The appropriation in 1977 of $1,000,000 to CSA duplicates authority possessed by the Department of Labor. No further appropriations are requested for 1978.

Community Economic Development

	1977 Appropriation	1978 Estimate	Increase or Decrease
Subactivities:			
Special Impact Programs	$40,170,000	$27,500,000	$-12,670,000
Development Loans	3,000,000	---	-3,000,000
Supportive Programs and Activities	4,000,000	1,500,000	-2,500,000
Program Administration	1,000,000	1,000,000	---
Total	$48,170,000	$30,000,000	$-18,170,000

Community Services Administration is responsible for the administration of Title VII of the Community Services Act. The purpose of Title VII programs, as stated in Section 701 of the Act is "to encourage the development of special programs by which the residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, with appropriate Federal assistance, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits."

As discussed in detail under the sub-section Supportive Programs and Activities of this part, CSA will conduct a major evaluation in 1977 of the Community Economic Development program. Reexamination of the program in light of this evaluation is reflected in the decrease in the 1978 estimate. The last comprehensive evaluation was conducted by the Abt Associates Inc, Cambridge, Massachusetts starting in July, 1970 covering 14 of the 1969 special impact program grantees and later extended to cover 18 grantees funded after 1969. Abt Associates issued their final report in 1973.

Special Impact Program

1977 Estimate	1978 Estimate	Increase or Decrease
$40,170,000	$27,500,000	$-12,670,000

Purpose

The Special Impact Program is a multi-faceted effort directed towards developing solutions to problems involved with economic and social conditions of specific urban and rural areas having a high concentration of low-income persons.

Special Impact has multiple goals centering around the need for structural change, and to demonstrate the possibilities of such options as developing viable business enterprises owned and/or participated in by residents of the target area; increasing the skills of disadvantaged community residents; and creating the conditions in economically depressed areas that will optimize future growth and development.

Explanation

The legislated program model - the Community Development Corporations or non-profit agencies - are mechanisms organized and controlled by local residents to economically develop their community. The CDC is a local institution designed to develop a community through such methods as identifying and developing local skills and talents; owning and controlling land and other resources; starting, acquiring and managing businesses and industries; increasing job opportunities; creating new community facilities; and improving the physical environment.

1976 Accomplishments

In 1976 fundings under this activity totalled $46,880,000 which was approximately 90 percent of the total 1976 expenditure of $52,750,000 for the Community Economic Development program.

Four CDC programs (Bergen-Greenville Development Corporation, Jersey City, New Jersey; East Central Community for Opportunity, Mayfield, Georgia; Southeast Alabama Community Development Corporation,

Troy, Alabama and Southside Revitalization Corporation, Racine, Wisconsin) were terminated for lack of progress. Two additional CDCs were informed of the agency's intention to carefully monitor their progress prior to refunding.

Six new CDC programs were converted from planning grants, each reveiving $1,500,000 under Title VII-Part A. Each had previously received funding as planning grantees under Part D of Title VII in 1975.

Urban CDC's have developed or assisted ventures in real estate (shopping centers, housing renovation firms, building and contracting, housing development, land acquisitions), retail services (service stations, fast food franchises, supermarkets, pharmacies, office supplies, equipment rentals), finance (credit unions, banks, mortage pools, leasing corporations), manufacturing (foundries, rubber products, cosmetic productions), electronic assembly, plastic molding (furniture), and commercial services (landscaping, data processing, tours and travel, printing, day care, health care centers, cleaning services, neighborhood centers). It is anticipated that urban CDC's will continue to place their emphasis in manufacturing industries and land acquisition, development and management. Thirteen urban CDCs received $26,680,000 during 1976.

Rural CDC ventures have been initiated in manufacturing (electronic fabrication, cabinet manufacture, tent manufacturing, kayak manufacture, toy manufacture, fabric and textile, clothing, machine shops), agriculture (tree nurseries, apple growers association, strawberry co-ops), food processing (cattle feedlot operations, apple packaging and processing), financial services (credit unions, rural loan programs), craft enterprises (woven products, wood carving), aquaculture (oyster production, trout rearing, fishery co-ops, shrimp farming), retail and commercial services (tourist shops, dry goods, co-op markets, gift shops, restaurants). It is projectd that the rural CDCs will continue to develop a mixture of ventures depending on locational and resource factors with an emphasis on job creation. As of July 1, 1976 there were 18 CDCs located in urban areas and 22 CDCs in rural communities.

1977

In 1977, CSA as part of its internal management system will attempt to specify in quantitative terms the capital requirements of each CDC at particular points in time, by using the effective capital utilization approach. This approach will also enable CSA to identity

specific constraints on development arising from limits of each CDC's capacity and base our refunding decisions on objective criteria.

As mentioned above, two CDCs are being carefully assessed for program corrections. If their performance continues to be marginal, they will be terminated.

1978

An internal evaluation mechanism (see supportive programs) beginning in 1977 will assess each CDC's progress first with respect to its stated intermediate goals; and second to look for possible conflicts between the intermediate and longer term goals. For example a CDC that lists either an increase in employment or something dependent on increasing employment, such as increased income, as one of its major longer term goals, should have an intermediate goal structure that reflects activities of an employment or income generating nature. In addition, groupings can be made of CDCs based on similarities in strategies and tactics that will enable comparison of the adequacy of their goals. The 1978 estimate is a decrease of $12,670,000 from 1977 pending the results of the reexamination begun in 1977.

Development Loans

1977 Estimate	1978 Estimate	Increase or Decrease
$3,000,000	$ ---	$-3,000,000

Purpose

Part C of Title VII authorizes the Director to make or guarantee loans for business, housing and community development projects. This part also establishes a Development Loan Fund with two accounts, the Rural Development Loan Fund and the Community Development Loan Fund.

Explanation

This section deals specifically with ways of providing productive capital through financial institutions for community economic development.

1976 Accomplishments

A CSA activity in 1976 under this part was the redirection of the Southern Cooperative Development Fund's activities to be more in line with the characteristics exhibited by a development finance mechanism. SCDF was granted $1,500,000 to supplement and expand their service delivery mechanism. Second, CSA continues a major research effort in development financing. The fundamental research on the issues, policy and design for such a project will be completed by the end of 1977.

The design of the actual development financing institution will be completed in 1977, whereupon an initial $1,500,000 funding may be granted.

1977

The major work completed in 1976, design of the financial models, will be continued with priority on the Model Development Bank in 1977. CSA is allocating $3,000,000 for the Southern Cooperative Development Bank, a component of the development bank mechanism already in place.

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1978

This project series--the development of appropriate financial mechanisms--is an essential demonstration addressing the area of capital flows, shortages and linkages as a crucial determinant for economic development. Further study of the Model Development Bank concept will continue in 1978. No additional funds are being allocated to this project series in 1978 to allow another year of operating experience before further funds commitment.

Supportive Programs and Activities

1977 Estimate	1978 Estimate	Increase or Decrease
$4,000,000	$1,500,000	$-2,500,000

Purpose

Title VII also provides for supportive programs and activities for community economic development in five major program areas -- training and technical assistance, evaluation, research demonstration projects, planning grants and interagency coordination.

Explanation

Research and evaluation is conducted directly or through grants and contracts to develop plans, proposals, program designs and methods to implement more effective ways to achieve the purposes of Title VII.

Interagency coordination and cooperation is an ongoing activity to plan for the availability and more effective use of a wide range of Federal resources for Community Economic Development.

1976 Accomplishments

In 1976, a total of $3,045,000 was awarded for activities under this part of Title VII. The categorical breakdown of these expenditures is as follows: Research, Planning, Assessment and Support - $1,435,000; Demonstration - $1,460,000; and Evaluation - $150,000.

1977

The basic purpose of the CSA Supportive Programs and Activities Program is to initiate and carry out the tasks necessary to build towards a coherent theory of research, experimentation and evaluation.

The Supportive Programs and Activities proposed for 1977 are designed to integrate previous research efforts into a coherent structure with both explanatory and predictive power. Some of the areas to be investigated are: organizational structures, internal management, relationships with local government, the business community, and state and Federal agencies, the local economy, the larger economy, economic development strategies, venture selection, finance, and management, training and technical assistance delivery mechanisms, legal support and research, agricultural marketing and distribution systems, etc.

A three-part evaluation of OED started in February 1977. The evaluation consists of (1) a program operations assessment, or process evaluation; (2) a plan vs. performance assessment of each community development corporation (CDC); and (3) a program impact evaluation. All parts of the evaluation will be contracted out.

The purpose of the program operations assessment is to (re-) develop and otherwise improve OED management systems, particularly grant-making, grant management, and grant monitoring. The plan vs. performance assessment of individual CDCs will be conducted at the same time as the program operations assessment. The purpose of the plan vs. performance assessment is to determine individual CDC effectiveness--current and historical--in accomplishing work plans.

The third part of the OED evaluation, an impact evaluation, will enter design and test phases in June 1977. In developing the program impact evaluation, sample studies of OED program impacts on employment, capital attraction, and venture profitability will be conducted. The purpose of the program impact evaluation is to determine the degree of program achievement of legislative objectives.

The estimated budget of $4,000,000 is broken down as follows: Research, Planning, Assessment and Support - $800,000; Demonstration - $2,200,000; and Evaluation - $1,000,000.

1978

A total of $1,500,000 is estimated for this program classification in 1978 to continue the work initiated in the prior two years and expand the dimensions and capabilities of support activities under Part D of Title VII. The implications of these efforts are two-fold, working to improve the program evaluation system, and the design, operations, and effectiveness of all other program initiatives.

CSA/OED will target resources in two areas: Demonstrations - $1,000,000 and Evaluation - $500,000.

Program Administration

1977 Estimate	1978 Estimate	Increase or Decrease
$1,000,000	$1,000,000	$ ---

$1,000,000 has been traditionally allocated from Program Administration funds for the Community Economic Development program. Discussion of this activity is included in the narrative section entitled Program Administration.

Title IX - Evaluation

1977 Appropriation	1978 Estimate	Increase or Decrease
$ ---	$1,000,000	$+1,000,000

Purpose

Under the provisions of Title IX - Evaluation, the Director is mandated to do the following: (a) measure and evaluate the impact of poverty-related programs authorized under the Community Services Act and other Acts in order to determine their effectiveness, their impact on related programs and their structure and mechanisms for the delivery of services; (b) develop and publish general standards for the evaluation of program and project effectiveness in achieving the objectives of the Community Services Act; (c) arrange to obtain the views of persons served by CSA programs and projects; and (d) publish the results of evaluation research and summaries of program and project evaluations within ninety days of their completion, including copies for the appropriate committees of the Congress. With respect to (d) above, the extent to which the standards of effectiveness are being met shall be considered in determining whether to renew or supplement financial assistance to grantees.

1976 Accomplishments

The reorganization plan submitted to the Office of Management and Budget establishes an Office of Policy, Planning and Evaluation. Additionally, evaluation capability is restored to the Program Offices and the Regional Offices. During 1977 there will be a major national program strategy evaluation of the Community Food and Nutrition Program conducted under contract. Results will be due September 1, 1977. Planning for this evaluation has begun in 1976.

For Title II grantees, there has been published CSA Staff Instruction 7850-1, "Procedures for Implementing the Review Requirement of Section 901(b) of the Community Services Act of 1974 for Title II Grantees", which requires that agency reviewing officials

certify the extent to which grantee work programs have met the standards of effectiveness as a condition of refunding.

Initial work has begun on developing standards of effectiveness for programs and projects covered by the Act which are administered by other agencies, i.e., Comprehensive Health, Head Start, Follow Through and Native Americans, which will be discussed with the responsible funding Agencies.

Several Regional Offices have performed a series of grantee efficiency evaluations and conducted interagency evaluations, particularly through the Federal Regional Council mechanism.

1977

During 1977, CSA will concentrate its efforts on re-establishing its evaluation capability under the reorganization plan. Plans will be made to conduct at least one national impact evaluation of a CSA-administered program, such as State Economic Opportunity Offices, Community Development Corporations, Energy Conservation, Senior Opportunity and Services or a selected Local Initiative Program.

Also during 1977 the program strategy evaluation of Community Food and Nutrition program will occur. One or more additional strategy evaluations will be planned for the above-named program authorities. Regional Offices will redirect their efforts toward conducting program efficiency evaluations, using on-site teams composed either of agency staff or contract personnel.

The standards of effectiveness will be reviewed and steps taken to develop cost-effective performance criteria. Training will be provided to grantee organizations in self-evaluation and information reporting.

Finally, the agency expects to develop a formal utilization system to assure that evaluative information can effectively be used at all levels for policy and program management purposes.

1978

In 1978, CSA is requesting $1,000,000 necessary to exercise its Title IX authority. These funds will be used to perform the evaluative work associated with Reseach and Demonstration programs, and to conduct major national impact evaluations of CSA programs.

Program Administration

	1977 Appropriation		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amoumt
Personal compensation and benefits.	960	$22,486,000	1067	$24,367,000	+107	$+1,881,000
Other expenses.....	---	6,397,000	---	7,633,000	___	+1,236,000
Total	960	$28,883,000 1/	1067	$32,000,000	+107	$+3,117,000

1/ Includes $27,883,000 General Program Administration and $1,000,000 Community Economic Development Program Administration.

Purpose

Program administration includes salaries, benefits and all other expenses of Federal personnel who administer programs operated by the Community Services Administration.

Explanation

The CSA organization includes both Washington headquarters and ten regional offices. The headquarters is primarily responsible for planning and direction of all CSA programs. Regional offices are responsible for monitoring Community Action grantees in accordance with policies, guidelines, and standards established by headquarters.

1976 Accomplishments

The CSA permanent position ceilings for 1976 and 1977 as shown in the President's 1977 Budget are 960 and 900 respectively. In the latter part of 1976, the Agency was granted an extension of the 1976 ceiling period to September 30, 1976 rather than June 30, 1976. As of September 30, 1976, CSA had 960 actual permanent positions filled as compared to 1,006 at June 30, 1975. The rationale supporting the extension was to provide the Agency an opportunity to thoroughly review and examine the position classifications of the staff presently on board and to follow with an agency organization plan showing a staffing structure commensurate with the stated mission of the Agency. A comprehensive reorganization plan was submitted in July 1976.

Subsequently, an increase from 960 to 1,067 was agreed upon as the number necessary to properly administer the current CSA programs.

During 1976 the Legal Services program transferred to the Legal Services Corporation. At the time of transfer, 54 employees were assigned to the Legal Services office. 26 elected to remain with CSA and the balance either transferred to the LSC or left the Federal service. Of the 26 remaining, 21 were reassigned to other CSA program areas, two resigned, and three were released through the reduction in force procedure. The 21 reassignments are included in the CSA strength total of 960 at September 30.

The 1976 travel costs totalled $1,415,000. Costs for the first half of 1976 were $755,000. A reduction to $660,000 for the second half followed the issuance and implementation of a CSA Staff Instruction entitled Control of Official Travel. This instruction was prepared following the request contained in Office of Management and Budget Bulletin 76-9, dated December 4, 1975, also entitled Control of Official Travel. The CSA instruction included fourteen different directives for program managers to follow while authorizing travel requests.

During 1976, efforts within the career development function were made to restore proper administrative procedures and to develop a more systematic process of planning for training, two areas which had not been emphasized in prior years. A computerized recordkeeping system for Headquarters and Regional Offices was successfully activated, regional training councils were formed to deal with local training issues, the administration of several nation-wide programs, such as long-term training were centralized, and Headquarters and Regional Offices were required to submit yearly training plans for review. A limited beginning was made in developing and conducting in-house training. Career workshops, Freedom of Information Act and Privacy Act training, Timekeeper training, and some professional skills development training were conducted within the Agency.

1977

The 1977 estimate is based on the 1977 appropriation and provides a staffing level of 960 permanent employees. The cost of increased employment to 1,067 is estimated at $2.9 million on a full year effect basis. However, the financial effect of these staff increases on the 1977 appropriation is expected to be minimal.

The principal reason is that the implementation of the reorganization involves a reduction in force procedure to correct current imbalances. The complexities of that procedure have forced continuous slippages in timing. In November CSA estimated the reorganization would be completed by April 1, 1977. The current estimate is May 1. While

CSA is making every effort to complete the process, past history indicates that implementation may begin in late summer. Consequently, only three or four months of hiring is expected in fiscal 1977.

The mechanics of such a reorganization require that the Agency complete the reduction in force procedure prior to hiring the additional people for two reasons: to avoid prejudicing the rights of current employees by adding employees with extended Federal service, and to reserve future slots for current employees so displaced. The effect of this restricted hiring policy is to maintain a work force below 960 for most of the year, the eight or nine months prior to beginning the hiring phase. This savings, in conjunction with restricted temporary employment, is expected to offset the delayed cost of adding the 107 employees in 1977.

1978

The 1978 request includes the amount necessary ($2.9 million) to fully implement the agreed upon reorganization plan of 1,067 permanent positions. The addition of 107 permanent employees will greatly improve our field monitoring capability and establish an enhanced policy and evaluation capacity in headquarters. The $2.9 million estimate is based on current average salaries ($2.0 million) plus associated non-personnel cost increase of $.9 million. This anticipates a saving from the 1976 ratio of non-personnel costs to personnel compensation.

COMMUNITY SERVICES ADMINISTRATION

Community Services Program

Program Purpose and Accomplishments

Activity: Community Action Operations (Headstart, Economic Opportunity, and Community Partnership Act, Title II)

1977 Appropriation Amount	Authorization	1978 Budget Estimate Amount
$436,000,000	"such sums"	$380,500,000

Purpose

Community action operations support the community action agency (CAA) structure at the local level.

Explanation

The Community Services Administration (CSA) funds the administration of CAAs through local initiative (Section 221, CSA Act of 1974), and as a result, CAAs through their boards develop approaches to meet the problems of poverty in their locality.

1976 Accomplishments

Community action agencies continued their administration of a wide spectrum of human services programs. The agencies continually provided administrative, outreach, and evaluation resources to assist local governing officials in meeting the demands of low-income people in their communities.

Energy-related programs were designed locally to meet community needs through technical assistance provided by CSA and other sources. Hundreds of CAAs within their administrative flexibility established or maintained energy type programs to alleviate the effects of the energy crisis on the poor.

The service delivery networks of CAAs particularly in rural areas, provided a valuable resource to local governments faced with the prospect of reduced revenues due to the economic situation.

Community action agencies and the Community Services Administration have benefited greatly from the elimination of grant processing burdens in going from quarterly to annual funding.

1977

The CSA in 1977 will strengthen the managerial capacities of community action agencies and continue to encourage close relations with units of local government.

This last aspect has become increasingly important to both parties. In order to meet increased non-Federal share requirements, CAAs will have to attract additional contributions from units of local government and other institutions.

1978

The estimate of $380,500,000 continues funding of community action agencies, senior opportunities and services, and State Economic Opportunity Offices at the same Federal assistance level as in prior years. This request however, focuses on administrative improvement of the current grantee service delivery system: in attaining this goal the 1978 request includes $1,000,000 for grantee technical assistance in basic administrative areas such as accounting, and an assistance program designed to help grantees in mobilizing the increased local contributions necessary to focus community action on local priorities.

COMMUNITY SERVICES ADMINISTRATION

Community Services Program

Program Purpose and Accomplishments

Activity: Community Economic Development (Headstart, Economic Opportunity, and Community Partnership Act, Title VII activities, including Title II authority activities)

1977 Appropriation Amount	Authorization	1978 Budget Estimate Amount
$48,170,000	"such sums"	$30,000,000

Purpose

The Community Economic Development (CED) program authorizes programs to encourage the development of special programs by which residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits.

Explanation

Approximately ninety percent of the total funds allocated for CED programs are directed to the administration of Special Impact programs under Part A of Title VII. The program model under this part - Community Development Corporations (CDCs) or non-profit agencies - are mechanisms organized and controlled by local residents to economically develop their community. Part C of Title VII provides productive capital through financial institutions for community economic development. Supportive Programs and Activities, Part D of Title VII, permits for research and evaluation to be conducted directly or through grants and contracts to develop plans, proposals, program designs and methods to implement more effective ways to achieve the purposes of Title VII.

1976 Accomplishments

Four CDC programs were terminated for lack of progress. Two additional CDCs were informed of the Agency's intention to carefully

monitor their progress prior to refunding. Six new CDC programs were converted from planning grants, each receiving $1,500,000 under Title VII, Part A. Each had previously received funding as planning grantees under Part D of Title VII in 1975.

Urban CDC's have developed or assisted ventures in real estate, retail services, finance, manufacturing, and commercial services. It is anticipated that urban CDCs will continue to place their emphasis in manufacturing industries and land acquisition, development and management.

Rural CDC ventures have been initated in manufacturing, agriculture, food processing, financial services, craft enterprises, retail and commercial services. It is projected that the rural CDCs will continue to develop a mixture of ventures depending on locational and resource factors with an emphasis on job creation.

The Southern Cooperative Development Fund's activities were redirected in 1976 to be more in line with the characteristics exhibited by a development finance mechanism.

The design of the actual development financing institution will be completed in 1977, whereupon an initial $1,500,000 funding may be granted.

1977

The CSA as part of its internal management system will attempt in 1977 to specify in quantitative terms the capital requirements of each CDC at particular points in time, by using the effective capital utilization approach. This approach will also enable CSA to identify specific constraints on development arising from limits of each CDC's capacity and base our refunding decisions on objective criteria.

The Supportive Programs and Activities proposed for 1977 are designed to integrate previous research efforts into a coherent structure with both explanatory and predictive power. Some of the areas to be investigated are: organizational structures, internal management, relationships with local government, the business community, and state and Federal agencies, the local economy, the larger economy, economic development strategies, venture selection, finance, and management, training and technical assistance delivery mechanisms, legal support and research, agricultural marketing and distribution systems, etc.

1978

An internal evaluation mechanism (see supportive programs) beginning in 1977 will assess each CDC's progress first with respect to its stated intermediate goals; and second to look for possible conflicts between the intermediate and longer term goals.

This project series -- the development of appropriate financial mechanisms -- is an essential demonstration addressing the area of capital flows, shortages and linkages as a crucial determinant for economic development. Further study of the Model Development Bank concept will continue in 1978.

A total of $1,500,000 is estimated for this program classification in 1978 to continue the work initiated in the prior two years and expand the dimensions and capabilities of support activities under Part D of Title VII. The implications of these efforts are two-fold, working to improve the program evaluation system, and the design, operations, and effectiveness of all other program initiatives.

COMMUNITY SERVICES ADMINISTRATION

Community Services Program

Program Purpose and Accomplishments

Activity: Evaluation (Headstart, Economic Opportunity and Community Partnership Act, Title IX)

1977 Appropriation Amount	Authorization	1978 Budget Estimate Amount
---	"such sums"	$1,000,000

Purpose and Explanation

Under the provisions of Title IX - Evaluation, the Director is mandated to do the following: (a) measure and evaluate the impact of poverty-related programs authorized under the Community Services Act and other Acts in order to determine their effectiveness, their impact on related programs and their structure and mechanisms for the delivery of services; (b) develop and publish general standards for the evaluation of program and project effectiveness in achieving the objectives of the Community Services Act; (c) arrange to obtain the views of persons served by CSA programs and projects; and (d) publish the results of evaluation research and summaries of program and project evaluations within ninety days of their completion, including copies for the appropriate committees of the Congress. With respect to (d) above, the extent to which the standards of effectiveness are being met shall be considered in determining whether to renew or supplement financial assistance to grantees.

1976 Accomplishments

The reorganization plan submitted to the Office of Management and Budget establishes an Office of Policy, Planning and Evaluation. Additionally, evaluation capability is restored to the Program Offices and the Regional Offices. During 1977 there will be a major national program strategy evaluation of the Community Food and Nutrition Program conducted under contract. Results will be due September 1, 1977. Planning for this evaluation was begun in 1976.

1977

During 1977, CSA will concentrate its efforts on re-establishing its evaluation capability under the reorganization plan. Plans will be made to conduct at least one national impact evaluation of a CSA-administered program, such as State Economic Opportunity Offices, Community Development Corporations, Energy Conservation, Senior Opportunity and Services or a selected Local Initiative Program.

Also during 1977 the program strategy evaluation of Community Food and Nutrition program will occur. One or more additional strategy evaluations will be planned for the above-named program authorities. Regional Offices will redirect their efforts toward conducting program efficiency evaluations, using on-site teams composed either of agency staff or contract personnel.

1978

In 1978, CSA is requesting $1,000,000 necessary to exercise its Title IX authority. These funds will be used to perform the evaluative work associated with Research and Demonstration programs, and to conduct major national impact evaluations of CSA programs.

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COMMUNITY SERVICES ADMINISTRATION

Community Services Program

Program Purpose and Accomplishments

Activity: Program Administration (Headstart, Economic Opportunity, and Community Partnership Act, Title VI)

1977 Appropriation Amount	Authorization	1978 Budget Estimate Amount
$27,883,000	"such sums"	$31,000,000

Purpose

Program Administration provides for the overall management and direction of CSA and other general administration costs that cannot be changed directly to an operating program.

Explanation

Program Administration includes salaries, benefits and all other expenses of Federal personnel who administer programs operated by CSA.

The CSA is both the Washington headquarters and ten regional offices. The Headquarters is primarily responsible for planning and direction of all CSA programs. Regional offices are responsible for operating CSA programs in accordance with policies, guidelines, and standards established by Headquarters.

1976 Accomplishments

The CSA permanent position ceilings for 1976 and 1977 as shown in the President's 1977 Budget are 960 and 900 respectively. In the latter part of 1976, the Agency was granted an extension of the 1976 ceiling period to September 30, 1976 rather than June 30, 1976. As of September 30, 1976, CSA had 960 actual permanent positions filled as compared to 1,006 at June 30, 1975. The rationale supporting the extension was to provide the Agency an opportunity to thoroughly review and examine the position classifications of the staff presently on board and to follow with an

agency organization plan showing a staffing structure commensurate with the stated mission of the Agency. A comprehensive reorganization plan was submitted in July 1976. Subsequently, an increase from 960 to 1,067 was agreed upon as the number necessary to properly administer the current CSA programs.

During 1976 the Legal Services program transferred to the Legal Services Corporation. At the time of transfer, 54 employees were assigned to the Legal Services office. Twenty-six elected to remain with CSA and the balance either transferred to the LSC or left the Federal service. Of the 26 remaining, 21 were reassigned to other CSA program areas, two resigned, and three were released through the reduction-in-force procedure. The 21 reassignments are included in the CSA strength total of 960 at September 30.

The 1976 travel costs totalled $1,428,000. Costs for the first half of 1976 were $755,000. A reduction to $660,000 for the second half followed the issuance and implementation of a CSA Staff Instruction entitled"Control of Official Travel." This instruction was prepared following the request contained in Office of Management and Budget Bulletin 76-9, dated December 4, 1975, also entitled "Control of Official Travel." The CSA instruction included fourteen different directives for program managers to follow while authorizing travel requests.

During 1976, efforts within the career development function were made to restore proper administrative procedures and to develop a more systematic process of planning for training, two areas which had not been emphasized in prior years. A computerized record-keeping system for Headquarters and Regional Offices was successfully activated, regional training councils were formed to deal with local training issues, the administration of several nation-wide programs, such as long-term training were centralized, and Headquarters and Regional Offices were required to submit yearly training plans for review. A limited beginning was made in developing and conducting in-house training. Career workshops, Freedom of Information Act and Privacy Act training, Timekeeper training, some professional skills development training were conducted within the Agency.

1977

The 1977 estimate is based on the 1977 appropriation and provides a staffing level of 960 permanent employees. The cost of increased

employment to 1,067 is estimated at $2.9 million on a full year effect basis. However, the financial effect of these staff increases on the 1977 appropriation is expected to be minimal.

1978

The 1978 request includes the amount necessary ($2.9 million) to fully implement the agreed upon reorganization plan of 1,067 permanent positions. The addition of 107 permanent employees will greatly improve our field monitoring capability and establish an enhanced policy and evaluation capacity in headquarters. The $2.9 million estimate is based on current average salaries ($1.7 million). This anticipates a saving from the 1976 ratio of non-personnel costs to personnel compensation.

THURSDAY, FEBRUARY 3, 1977.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

WITNESSES

FRANK R. BARNAKO, CHAIRMAN
LANE R. GABELER, EXECUTIVE DIRECTOR
CHARLES K. CHAPLIN, CHIEF ADMINISTRATIVE LAW JUDGE

Mr. FLOOD. Now we have the Occupational Safety and Health Review Commission. The presentation will be made by Frank R. Barnako, Chairman.

We have your biographical sketch, Mr. Barnako, which we will place in the record at this point.

[The biographical sketch follows:]

Mr. Frank Richardson Barnako was born in Easton, Pa., on August 2, 1912. He graduated from Easton, Pa., public schools following which he attended Lafayette College, Easton, receiving an A.B. degree in 1933 and thereafter a J.D. degree from the University of Michigan in 1936.

After practicing law in Pennsylvania for a period of 5 years, he joined Bethlehem Steel Corp., as an attorney in the Safety and Workmen's Compensation Division of the Industrial and Public Relations Department in the home offices in Bethlehem, Pa. He was appointed assistant manager of the division in January 1947, and was appointed manager in January 1951. He retired from Bethlehem Steel Corp. in July 1975, to accept appointment by President Ford as a member of the Occupational Safety and Health Review Commission. He was appointed Chairman of the Commission on August 5, 1975.

During his business career with Bethlehem Steel, he served as a member of various safety and workmen's compensation business and industrial organizations including the American Iron and Steel Institute Safety Committee, of which he was chairman for 2 years; he served as a member of the board of managers of Self-Insurers Associations of Pennsylvania, New York, Maryland and New Jersey; and he was associated with the National Association of Manufacturers and U.S. Chamber of Commerce in both workmen's compensation and safety activities. He is a member of the American Society of Safety Engineers and is a Certified Safety Professional. He served as a member of the National Advisory Committee on Occupational Safety and Health from July 1, 1971 to June 30, 1975. He is a member of the American, Pennsylvania and Northampton County Bar Associations and the Federal Bar Association. Presently he serves as a vice president of the National Safety Council for Finance and is a member of the board of directors, the finance committee and the executive committee.

In a nonprofessional capacity he has been active in the Boys Scout Council in his home area and is a past president and vice president for Exploring.

He is married to the former Madeline Louise Stoddard and has two children, Frank, Jr., age 32, married and living in Great Falls, Va., and Andrea (Mrs. Thomas L. Cain), age 28, living in Columbus, Ohio.

STATEMENT OF THE CHAIRMAN

Mr. FLOOD. I see you have a prepared statement. How do you want to handle that?

By the way, you may want to introduce some of the people you have here.

Mr. BARNAKO. Yes; on my left is Mr. Charles Chaplin, Chief Administrative Law Judge of the Commission, and on my further left is Mrs. Lane Gabeler, Executive Director.

[The statement follows:]

Mr. Chairman, I appreciate this opportunity to present for your consideration the fiscal year 1978 appropriation request in the amount of $7,150,000 for the Occupational Safety and Health Review Commission. This request represents an increase of $870,000 and 11 positions over the funds thus far approved by the Congress for fiscal year 1977.

The details of the changes on funding requirements are set out in the submission before you, so I will point out some of the more significant points of that submission as I see them.

I am encouraged by the performance of the Review Commission during the past year. As you may recall, at last year's hearing I had only been in my position 6 months and now, after 18 months, I have a very positive feeling about our ability to fulfill the mission set by the Congress for our agency. A complete review of the administration of the Commission has enabled us to put into place improvements in operation that will, I believe, allow us to cope with the steadily increasing workload.

The increased staff, 6 additional attorneys, authorized by the Congress for fiscal year 1977, are now on board at the Commission and by the end of this fiscal year, we expect that our decision-writing capacity will show significant gains. And as was stated as my intention before the committee last year, we have reduced the entry level for attorneys from GS–11 to GS–9 without any loss of quality in the legal staff. The addition of these new attorneys, plus the institution of a substantial reorganization will allow us in the remainder of fiscal year 1977 and fiscal year 1978 to decrease multiple reviews of each individual case by Commission attorneys and to improve the use of our support personnel.

Since September of 1976, we have closed our field offices in Los Angeles and Seattle. The State safety and health programs adopted under section 18 of the act, in west coast States, have substantially reduced our caseload there.

We are asking for five additional administrative law judges in fiscal year 1978, an 11.4 percent increase, in order to be able to effectively deal with the estimated 18.5 percent increase in caseload over fiscal year 1977. At the end of fiscal year 1966, the total number of cases pending before the ALJ's was 1,226. During the transition quarter, this number increased to 1,384 as a direct result of a higher contest rate that was projected. In fact, for the first quarter of fiscal year 1977, the ratio of contests to inspections is at a level of 8.42 percent as compared to the fiscal year 1976 ratio of 5.85 percent, which is the percentage used in estimating the present budget.

The estimated number of cases pending at the end of fiscal year 1977 is 1,373, and during fiscal year 1978 this number is expected to increase to 1,453, even with the five ALJ positions and at the projected 5.8 percent contest rate. The addition of these five ALJ positions is necessary. In fact, these five ALJs and a projected improvement in case production average for judges will not prevent an increase in the number of cases pending before them.

In the area of review of cases by the full Commission, the goal which I stated last year of lowering the rate of directions for review of ALJ decisions to 15 percent has not been reached to date, although in fiscal year 1977 we may still be able to do so. Our failure to lower the rate of directions for review results in the main from actions of one of my fellow Commissioners. He has directed for review virtually every decision written by every ALJ after a hearing since December of 1975. During the first quarter of fiscal year 1977, the rate of these directions for review, which are complicated by the fact that they state no issues for review, was 70 percent of all ALJ heard cases. These issueless directions for review have severely affected our administrative and decisional processes. I am hoping that this needless direction off cases for review by the full Commission will soon stop and we will be able to go on with our most important task, that is, reviewing those cases where the parties petition for review or where there is an issue requiring Commission action.

Last year I reported to you that the Commission would adopt a microfiche system for publishing Commission and ALJ decisions. I am happy to report that that system is now in place and that every decision of substance ever issued by the Commission and its ALJ's has been put on microfiche and is available from the Government Printing Office. We are also publishing, on a current microfiche basis, all our decisions as they are issued. Since microfiche reproduction costs approximately $5,000 a year to the Commission, we feel that such a publication

method is a judicious use of our funds, while at the same time provides a quick and economical means of access to all our decisions for all users, including the public.

We have also moved, during the first quarter of fiscal year 1977, to completely revamp our computerized data retrieval and case tracking system. I will not go into the technical aspects, but I can say that the new system is expected to facilitate case processing and generally make for a more efficiently run organization.

As a special note I am asking, although not part of our formal submission, that as part of our appropriation a technical amendment be passed involving funds. Our statute requires that the Commission principal offices be located in Washington, D.C. It would be cost-effective to have the option to be located in the metropolitan area and out of the high-cost District of Columbia restriction. The second technical amendment would release us from the requirements of going through the General Services Administration for procurement and negotiation of real estate contracts. We believe that we can achieve cost savings if we are able to negotiate on our own without GSA, since we are now paying GSA the rent on our commercial building, plus a fee for services which GSA does not have to provide, since those services are provided by the landlord under the commercial lease at no additional cost. Since our field offices are small, renegotiating leases or increasing space has become a low priority to GSA and is causing much frustration and delay.

Mr. Chairman, as you know, before coming into Government service for my second career, I was for many years a safety professional and a corporate administrator. I have always believed and lived by the rule that any organization, whether it be a corporation or a Federal agency, should be run in such a manner that it accomplishes its purpose for existence and does it efficiently. I believe that the Occupational Safety and Health Review Commission can continue to accomplish its purpose, that is, to be a totally independent adjudicator of safety and health disputes, and I can assure you that I want to make it operate in as efficient a manner as is possible. I have read that there has been some recent criticism from a former official of the Occupational Safety and Health Administration because we have not always decided the cases to OSHA's liking. I believe that indicates the Congress' good judgment in making us a completely independent Commission. I can only say that we will continue to decide the cases impartially and objectively.

This concludes my statement. We are here to answer any questions you may have.

PERMANENT POSITIONS AUTHORIZED

Mr. FLOOD. How many permanent positions are you authorized?

Mr. BARNAKO. 181.

Mr. FLOOD. How many do you have filled today?

Mr. BARNAKO. 181.

Mr. FLOOD. How many new ones are you asking for in 1978?

Mr. BARNAKO. We are asking for 11 new positions.

ATTORNEYS

Mr. FLOOD. Do you people have any trouble recruiting attorneys?

Mr. BARNAKO. No, sir; we do not. As a matter of fact, you will recall last year you mentioned the fact that we were bringing them on at GS–11 and other agencies do so at GS–9. We went to GS–9 and we had no trouble recruiting attorneys who we feel are capable.

COMMISSION MEMBERS

Mr. FLOOD. Who are the other members of the Commission and when do their terms expire?

Mr. BARNAKO. Mr. Robert D. Moran, whose term expires April 27, 1977; Mr. Timothy Cleary, whose term expires April 27, 1979.

Mr. FLOOD. How about yours?

Mr. BARNAKO. April 27, 1981.

TECHNICAL AMENDMENTS

Mr. FLOOD. On page 3 of your statement you mention what you call technical amendments that you are proposing. Can you give us more details about what they are all about and also tell us what form you think they should take in the bill language or report language or what?

Mr. BARNAKO. In the latter I really had not thought about it. Since these two technical amendments deal with our appropriation it would appear to be proper as part of the bill itself. The present statutory requirement for our agency to be located in the District does not seem to warrant the high cost to the taxpayer. Hearings are held by ALJ's in the location of the petitioner and as far as the Commissioners hearing an appeal, oral arguments are conducted infrequently. We can operate just as well outside the District.

We feel we can do better in negotiating a contract for our space at a cheaper rate than through GSA. For example, we are now in rented commercial space. The rental rate the agency pays to GSA includes an additional charge for GSA security services and cleaning services which is already provided by the commercial lessor as part of the rental rate. So we feel it would be a more efficient use of funds if these technical amendments were allowed.

CONTEST RATE OF OSHA CITATIONS

Mr. FLOOD. You used the term contest rate. You say the contest rate for OSHA citations is currently running about 8.4 percent, much higher than anticipated.

In your opinion, what is causing that?

Mr. BARNAKO. I think the answer is, Mr. Chairman, that employers are becoming more sophisticated as to how they can contest citations. They have become more aware of the Commission and that there is a place where they can adjudicate these citations.

Mr. FLOOD. If that current rate continues, what effect is that going to have on your 1978 budget?

Mr. BARNAKO. It will have quite an impact. If the rate continues the backlog will increase and we may be forced to request additional assistance from you.

CASE PROCESSING TIME

Mr. FLOOD. How much time elapses, on the average, between the assignment of a case to one of your administrative law judges and the disposition of the case by the judge, on the average?

Mr. BARNAKO. I will turn to Chief Judge Chaplin for that since that is his area of responsibility.

Mr. CHAPLIN. Mr. Flood, in 1976, on the average, it took 124 days from assignment of the case to disposition.

Mr. FLOOD. What are you doing to reduce that elapsed time?

Mr. CHAPLIN. At the beginning of 1976 it was 138 days. It is down to 124. We have a long-term goal of 105.

Mr. FLOOD. Is that good?

Mr. CHAPLIN. I think it is, yes, sir. This is with an increase in productivity at the same time.

MICROFICHE SYSTEM

Mr. FLOOD. Now, how is this new microfiche business working out, the microfiche system for publishing the Commission's decision? How is that working out?

Mr. BARNAKO. We published in the Freedom of Information regulation the fact that we are going to use microfiche. We have not had an objection from anyone in response to that publication. One comment suggested a change in the numbering system. There are many others going to it. The Federal Register, the Tax Court and Civil Service is publishing all labor contracts in microfiche.

Mr. FLOOD. It is a new term. Apparently this is something that is working.

Mr. BARNAKO. It is working with us.

WORKLOAD

Mr. FLOOD. How has your caseload been affected by the restrictions placed upon OSHA inspections by the 1977 Appropriation Act?

Mr. BARNAKO. As I previously stated our caseload is increasing. The ratio between inspections and contest has increased 2.5 percent during the first quarter of fiscal year 1977 over what we had estimated in our fiscal year 1977 budget.

SETTLEMENT

Mr. FLOOD. What percentage of your cases are settled before hearing?

Mr. BARNAKO. Some 80 percent of our cases are disposed of before they get to a full hearing before the ALJ.

OSHA INSPECTIONS

Mr. FLOOD. In your opinion, do these OSHA inspectors get carried away in issuing citations?

Mr. BARNAKO. I find myself in a difficult position to comment on that because that is another agency, namely the Department of Labor. However, I can say that from the cases I have seen, I think going back to——

Mr. FLOOD. Let me try to help you. Do you have any opinion that you would like to put in the record as to how OSHA inspection processes could be improved?

Mr. BARNAKO. My thought is that knowing what Dr. Corn instituted with respect to training and selection of inspectors, I think that would improve inspections.

NUISANCE STANDARDS

Mr. FLOOD. To what extent have the decisions of the Commission restricted the enforcement of these so-called "nuisance" standards?

Mr. BARNAKO. I have no idea, but I would guess from the cases that I have seen that we are getting less citations and contests on the "nuisance" standards.

Mr. FLOOD. What are some of the significant modifications of the administration of the act that have been made in the last year as a result of Commission decisions?

Mr. BARNAKO. No significant modifications.

DECISION INDEX

Mr. FLOOD. Do you have a complete index of these Commission decisions that is readily available?

Mr. BARNAKO. Yes; as a matter of fact, we published one not long ago. It is going to be in a paperback copy and we are keeping it updated.

I might say in addition we are working on the possibility of a better index. We are not satisfied with the index as it is.

CASE BACKLOG

Mr. FLOOD. What about the case backlog at the Commission level. How large is the backlog? What is it now and what will it be at the end of fiscal 1978?

Mr. BARNAKO. Talking about the whole backlog cases pending at the end of fiscal 1978, we estimate 1,438 cases.

Mr. FLOOD. How big is it now?

Mr. BARNAKO. 1,373 at the end of fiscal 1977.

Mr. FLOOD. Is the backlog your single biggest problem?

Mr. BARNAKO. Yes; it is the job we have to do, to decide cases.

Mr. FLOOD. What are you doing to alleviate this backlog problem?

Mr. BARNAKO. As the chief judge told you, he is working constantly with the judges to get their cases out. One of the problems we have at the Commission is writing decisions and getting them issued. We have, as I said in my statement, recently revised the process of reviewing and writing decisions. I would hope that that will alleviate a good deal of the problem.

RENTAL COSTS

Mr. FLOOD. You mentioned this, too, earlier. Why are your space rental charges going up next year $127,000? You are up 32 percent.

Mr. BARNAKO. We have no control over GSA estimated SLUC fund and that figure was given to us by them. This increase reflects the increase cost GSA will charge us for the same space we presently have in fiscal year 1978.

Mrs. GABELER. That is the amount GSA estimates for us. We have no control over that.

OTHER COST INCREASES

Mr. FLOOD. What about the increase of $128,000 for other rent, communication, and utilities? What accounts for that, other rent, communication, and utilities? That is on page 7. You can explain that for the record.

[The information follows:]

The $128,000 net increase breaks out as follows: $17,000 for word processing equipment for the additional positions in the ALJ clerical and the central review section; $108,000 for conversion from commercial data processing services to a commission system; $8,000 for the increase in postage; and there is a $5,000 decrease in telephone cost.

Mr. FLOOD. Mr. Michel?

INCREASED WORKLOAD

Mr. MICHEL. Is the number of cases you receive, in comparison with the total number of OSHA inspections, on the rise or remaining about the same?

Mr. BARNAKO. It is on the rise. As a matter of fact, the recent figures show that it has gone up to in the area of 8.4 percent.

Mr. MICHEL. Last year we were told that of the cases decided by the Commission, 27 percent were decided wholly in favor of the Labor Department, 25 percent wholly in favor of the employer and 48 percent somewhere in between. Is there any significant change in the past year on those percentages?

Mr. BARNAKO. To the best of our knowledge it has remained constant.

Mr. MICHEL. I would like to get that for this year's record.

BARLOW CASE

Did the *Barlow* case in Idaho, where the Federal court declared inspections without a warrant unconstitutional, come to your Commission before it went to court?

Mr. BARNAKO. No.

Mr. MICHEL. Why not?

Mr. BARNAKO. Because that was with a reference to inspection. We only get them after inspection. That was the stopping of the inspection.

REVIEW BY COMMISSION

Mr. MICHEL. Your justifications indicate that 96 percent of the administrative law judge decisions have been directed for review by the three-member Commission itself. Are all these actually decided by the Commission?

Mr. BARNAKO. They are all disposed of in one way or the other, Congressman. We do review the record. Then they are disposed of either by a review and decision or under rule 91–A or our precedents allowing us to disposed of a case where no party has expressed interest or nobody has filed a petition for discretionary review. But there is a decision or order on every one of them.

Mr. MICHEL. A record is kept of those decisions, the split decisions. Would you venture to say whether or not in those dissenting 2-to-1 votes there was a consistent dissenter?

Mr. BARNAKO. Let me put it this way: In view of our various and differing philosophies, dissents have been written by either Mr. Cleary or Mr. Moran. Mr. Moran writes more dissents than anybody else.

MICROFICHE

Mr. MICHEL. Last year we were told that you were discontinuing the publishing of Commission reports in bound volumes and moving to the microfilm system. Have you carried this out?

Mr. BARNAKO. We have done that and we are now or within a very short time will have every decision by the Commission and the ALJ's back to the beginning of the Commission on microfiche and available for the public.

Mr. MICHEL. Has it saved you some money?

Mr. BARNAKO. Very much so. The average cost is somewhere between $3,000 and $5,000, as compared to $150,000-plus for bound volumes.

SLUC CHARGES

Mr. MICHEL. That standard level user charge, the thing the chairman was referring to, is that pretty much out of your hands, in the GSA's hands?

Mr. BARNAKO. Yes.

ADMINISTRATIVE LAW JUDGES

Mr. MICHEL. What criteria are used to select administrative law judges?

Mr. CHAPLIN. When we have a vacancy we go to the Civil Service Commission and inform them we have a vacancy in a particular city. They give us a certification of the three top men in that city and we must select one of those three and that is what we do unless there is a judge available who transfers laterally.

Mr. MICHEL. I assume you have not been having a problem filling those ranks, have you?

Mr. CHAPLIN. So far the judges enjoy our kind of work and want to come with us so we have had no problem.

Mr. MICHEL. At what level are they brought on?

Mr. CHAPLIN. GS–16.

Mr. MICHEL. Let's put in the record what that GS–16 pays.

[The information follows:]

The rate for a GS–16 is $39,629.

Mr. MICHEL. I think that is all, Mr. Chairman.

Mr. FLOOD. Mr. Natcher?

FIELD OFFICES

Mr. NATCHER. In your statement you point out the fact that since September of 1976 you closed field offices in Los Angeles and Seattle by virtue of certain provisions under section 18. What is section 18?

Mr. BARNAKO. That is the section which establishes the States' right to establish their own State programs which are as effective as the Federal program.

Mr. NATCHER. How many field offices do you have?

Mr. BARNAKO. Nine.

Mr. NATCHER. Is this situation existing in other points in the United States, or other States where there are field offices that may be closed by virtue of the operation of section 18?

Mr. BARNAKO. Not at this time, because the majority of State programs are in the West, and in the South, and we do not see that there is going to be much of a change in the number of State programs.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal?

CASES DIRECTED FOR REVIEW

Mr. ROYBAL. Your statement implies criticism of one of your fellow Commissioners, and you indicated that, "He has directed for review virtually every decision written by every ALJ after a hearing since December 1975."

That is one of the reasons you claim why you have not proceeded in the manner you wanted.

Has this disagreement over procedures affected the performance of the Commission's official duties?

Mr. BARNAKO. No; what it has done is to backlog our caseload with a multitude of issueless cases where neither party has requested review. May I explain a moment what our procedure is?

Mr. ROYBAL. Yes; because I feel it has affected it, and I want to know if it has, and how.

Mr. BARNAKO. Let me say this: In a case where there is contested citation it goes to the ALJ for hearing and there is a decision. Our statute is very broad, it says that the ALJ decision shall be a final order unless the case is called for review by a Commissioner.

Now, it is my feeling that that case should be allowed to rest if the parties are satisfied. If they want to file what we call a petition for discretionary review, then we can look at that, and we can decide whether it should be reviewed and a decision issued.

That doesn't mean we ignore other cases because the judges sometimes do make an error and we should be looking at them, but barring that, we should be looking principally at cases where review is requested. When you start indiscriminately directing cases for review as is done now, you cause several things.

One: You interfere with due process. I think that the parties are entitled to remain where they wish to be if they are not dissatisfied.

Second of all, when you direct a case, the parties then are required, or think they are required, to file a brief, get an attorney, or write a letter. This takes time and money.

But most of all, particularly where you have a case where the respondent has been cited for a violation, and found in violation and he doesn't object to the decision against him, then when it is called for review, there is no abtement, and that situation, violation or not, stays there until we, the Commission, decide the case.

We are impinging on the right of an employee to have a safe place to work, and I think we are impinging on the rights of all the parties to due process. They are entitled to have a speedy hearing.

Now, yes; it does impinge on our administration because every time we have a case for review before us, there are certain automatic things that take place. A direction for review has to go out. It has to be docketed; we have to set up a file; and when we decide the case, either dismiss it or anything else, we have to send that out, and there are hundreds of them; and this is all administrative detail so it does impinge on the whole administration of the Commission with respect to the cases which are in my opinion properly on review.

Mr. ROYBAL. Could the review ordered by this Commissioner, be an effort to spot check the decisions? There must be some reason why someone calls a review on most of the cases when they have such a backlog.

Mr. BARNAKO. This is not a spot check; it is almost a total call of the cases. And furthermore, you see, remember this, that in these same cases which have been called in that way, both I and Mr. Cleary have reviewed the record through our staffs, and we have found no error in the case, or we would have directed it. So you have three Commissioners and two of us saw no error at all.

Now in some of the cases which have been directed without a petition, both Mr. Cleary and I have called the case because we saw an error that we thought should be brought up.

Mr. ROYBAL. Was the call made because there were three Commissioners that concurred?

Mr. BARNAKO. Only one Commissioner.

Mr. ROYBAL. Anyone can call it up?

Mr. BARNAKO. Correct. It does not take the vote of two.

Mr. ROYBAL. This is interesting. It seems that a Commissioner sitting with his colleagues can actually dominate the entire scene. The way I see it as a lay person is that one person calling for review almost every case can in fact result in the duplication of efforts, time, and everything else.

Mr. BARNAKO. Right.

Mr. ROYBAL. How much money of the budget is spent for this particular purpose?

Mr. BARNAKO. I can't give a figure on that, except that it does load the administration with additional work. I have no idea what the figure would be.

Mr. ROYBAL. Is the other Commissioner present?

Mr. BARNAKO. No. No other Commissioners are present.

Mr. ROYBAL. From what you tell me a problem does exist.

Mr. BARNAKO. I am fully aware that there is a problem, and it is one of the reasons I put it in my statement, because I thought it ought to be known to you.

I might say that that Commissioner's term expires April 27, 1977, and perhaps the problem will just die.

Mr. ROYBAL. Yes; but look at all the cases he can call between now and April.

Mr. BARNAKO. Right; as a matter of fact, there are some 600 cases now, and another some 60 were called in the month of January.

Mr. ROYBAL. I would like to hear the other side of the argument. He may have a logical reason for it, but not one that I can see at this

moment. And if he so wishes, he can supply his side of the argument for the record.

Mr. BARNAKO. I might just say, Mr. Congressman, that in this very matter the other Commissioner was a former chairman before I was appointed chairman on August 1, 1975, and in testimony before this committee on fiscal year 1975 budget, or 1976, he pointed out that there was something wrong with the law which permitted one Commissioner to call a case for review on his own motion and suggested the act be amended.

Mr. ROYBAL. Well, I would think so.

PROBLEMS WITH GSA

I would like to go on to another subject, since time is of the essence. You indicated that you wish to move out of Washington, D.C. You also said you were having a little problem with GSA, which is nothing unusual. Is that the reason why you want to move out of District of Columbia?

Mrs. GABELER. We mean the Washington, D.C. metropolitan area, because we didn't feel that the high-rent district of District of Columbia proper is necessary for our business, flexibility would be beneficial. The other technical amendment we are requesting is that we be allowed to do our own contracting and negotiating for office space. This has come about since we are so small, we are delegated to a low GSA priority list. For example, closing the office in Seattle and Los Angeles, and trying to open one in San Francisco, was extremely difficult. GSA informed us we're so low on their priority list that they couldn't accommodate us in a timely manner. Our judges are now in temporary quarters. They are going to be moved two more times before they are in permanent quarters. We are talking about four people only, two judges and two secretaries. This situation is wasting a great deal of our time, manpower, and the taxpayers' dollars.

Mr. ROYBAL. May I say if you took the first step and got out of Los Angeles, you're moving out of District of Columbia is not a surpise. How you can leave God's country out there is beyond me.

Mrs. GABELER. We are in California in San Francisco.

Mr. ROYBAL. You are still in California, anyway.

Mr. FLOOD. That is a good place to end.

Mrs. O'Brien?

Mr. O'Brien?

STATE-PLAN STATES

Mr. O'BRIEN. Mr. Barnako, in your statement you say, "Since September of 1976 we have closed our field offices in Los Angeles and Seattle. The State safety and health programs adopted under section 18 of the act, in west coast States, have substantially reduced our caseload there."

How about other States? Are they taking up the suggestion the Federal Government has given, and assuming responsibilities where maybe they should have originally?

Mr. BARNAKO. The State governments are picking up the responsibility in those States; yes. There are some 23 States that have State

programs. The vast majority of them are in that western area. But we do not have the same caseload in those areas as we do in the areas where there are no State programs, and, as I see it, unless the States start falling by the wayside, it is going to be the same, and we don't need to close other offices.

Mr. O'BRIEN. Do you think there is a tendency for the State to pick up here, or will you operate in an overlapping sense or parallel sense?

Mr. BARNAKO. When a State becomes operational, as those States have, the Federal Government is out of the picture, except with respect to, and why we kept the San Francisco office, is because we still have the maritime cases, the longshoremen, shipyard workers, and so forth.

So that I don't see any lessening in any other States and where there is an overlapping it is in what are called the developmental plans, but I believe most of the States are now in the final plans, the operational plans, and unless more States come in on their own plan, I see no change in the situation so far as it affects us.

Mr. O'BRIEN. Did you say 23 States?

Mr. BARNAKO. Some 23 States have State plans.

APPEALS PROCESS

Mr. O'BRIEN. With reference to a person cited for a violation, does he go before an administrative law judge?

Mr. BARNAKO. Right.

Mr. O'BRIEN. Is there a prosecutor other than the judge?

Mr. BARNAKO. Well, the Secretary of Labor's attorneys are there to represent the Secretary of Labor, and, of course, the respondent can either represent himself or have a lawyer or anybody else represent him.

Mr. O'BRIEN. If the administrative law judge makes a decision, who then requests the appeal?

Mr. BARNAKO. I am going to let my chief judge go on with the ALJ, because he is one of them.

Mr. CHAPLIN. After the judge makes his decision, he files that with the Commission, and it pends for a period of 30 days. During that period, either the respondent, the employer, or the Secretary of Labor can express dissatisfaction with that decision and ask the Commission to take it on review and reverse or revise it in some fashion. And these are the petitions for discretionary review that the chairman talked about.

Mr. O'BRIEN. I see. Maybe it is in here, but I haven't read it. I was out of the room. What number of cases in a year; what percentage of cases don't go beyond the administrative law judge's decision? In some cases they end after the 30-day appeal period is terminated.

Mr. CHAPLIN. That is the unfortunate situation the chairman is describing. Currently, about 100 percent of our judges' decisions are called by the one Commissioner.

Mr. O'BRIEN. I see. If that decision is made and that particular Commissioner calls it, does that stay the impact of the decision?

Mr. CHAPLIN. Right; the decision sits. Nothing happens until the Commission acts.

Mr. O'BRIEN. If the party-respondent deems himself aggrieved and wishes to call for a review, is that an expensive matter for him?

Mr. CHAPLIN. No. A mere letter will do it.

Mr. O'BRIEN. So that you wouldn't get a Commissioner doing it as a request in order to save somebody money on an appeal basis?

Mr. CHAPLIN. No; the 13-cent stamp is the expense.

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Early?

Mr. EARLY. Thank you, Mr. Chairman.

CASE PROCESSING TIME

Mr. Chairman, on this assignment of cases, you suggest it takes 120 days to hear the case. What is the delay before——

Mr. CHAPLIN. Not to hear, to get rid of it, from assignment to decision.

Mr. EARLY. What is the delay from the charge to the assignment?

Mr. CHAPLIN. You mean from the receipt of the case to the assignments?

Mr. EARLY. Not the receipt of the case, but a time schedule from when it gets to you for assignment?

Mr. CHAPLIN. The time period for it coming to me for assignment varies. The executive secretary functions like a clerk of the court, perfects the case, gets the complaint and the answer filed, and when he has both of those documents in the record, which may take varying periods of time, he transfers it to me for assignment, and we use our computerized assignments, and they go out the same week.

CASES DIRECTED FOR REVIEW

Mr. EARLY. For this review to be suggested by one member of your commission, how can that be changed, by regulation or legislation?

Mr. BARNAKO. By regulation, but obviously by a change in the statute. The statute would have to be changed.

Mr. EARLY. Do you have a pending proposal to do that?

Mr. BARNAKO. No, I do not. What we did do, Mr. Congressman, was to pass what we called rule 91a, which establishes a rule in that a case has got to name the specific issue directed. There is a question whether it was a valid rule, but my opinion is we, as a commission, can set the rules by which we operate, but there should be a change in the statute.

Mr. EARLY. You haven't suggested that?

Mr. BARNAKO. No. Let me say I have suggested it informally, but not formally, and we, of course, have not been before the full Labor Committee on any such issue.

Mr. EARLY. So if this fellow isn't reappointed, I would suspect you need less help?

Mr. BARNAKO. No; and the reason for that is our budget is based upon what we foresee as the ratio of contest to inspections. These cases are in addition to that.

Mr. EARLY. These 5 additional administrative judges—you have 50 now?

Mr. BARNAKO. Forty-four.

Mr. EARLY. And where are they?

Mr. CHAPLIN. In nine cities.

Mr. EARLY. How many States?

Mr. CHAPLIN. Nine. Boston, New York, Hyattsville, Atlanta, Chicago, St. Louis, Dallas, Denver, and San Francisco.

Mr. EARLY. The additional five would be where?

Mr. CHAPLIN. As our caseload dictates. Probably Chicago and Dallas will receive the bulk of them.

Mr. EARLY. We don't need those, so where do the other three go?

Mr. CHAPLIN. We have five, and our critical shortages now are New York, Chicago, and Dallas.

Mr. EARLY. I have no further questions.

Mr. BARNAKO. Mr. O'Brien, one thing, the major industrial States do not have State programs in the East except in Maryland.

Mr. FLOOD. Thank you.

Mr. BARNAKO. May I correct one thing? I think I said we are asking for nine positions, and it is eleven positions, and in answer to your question about what happens if we go to eight percent, we will have trouble.

Mr. FLOOD. Thank you.

[The following questions were submitted for the record:]

Mr. MICHEL. In view of the fact that ALJ decisions automatically become the decision of the Commission even if they are not reviewed, a practice which is at variance with that of the National Labor Relations Board where ALJ decisions are not considered policy of the Board unless so approved, is it a wise policy for the Board to review only about 15 percent or so of the ALJ decisions, as you are apparently shooting for?

Mr. BARNAKO. The 15-percent figure is a goal which in our judgment would permit all important issues to come before this Commission and at the same time reduce our case load. The Commission has broad discretionary review power not dependent upon a petition from a party. It is our judgment that the 15 percent includes the vast majority of cases where a party does petition and reduces the number for review where the parties do not petition indicating they're satisfied with the ALJ decision. We feel compelled to keep this figure at a reasonable percent when the parties have not asked for review as no abatement occurs during this time and the potential hazard is still in existence in those cases where a violation was found to exist.

Mr. CONTE. How many cases has your commission successfully handled in the past year?

Mr. BARNAKO. During fiscal year 1976 the Commission rendered decisions in a total of 4,094 cases. During the period of July 1, 1976–September 30, 1976, the Commission rendered decisions in a total of 1,339 cases.

Mr. CONTE. Do you see a possible trend evolving toward an increase in this number as a result of the adoption of rule 91a?

Mr. BARNAKO. No. The purpose of rule 91a is to reduce cases being directed for review where neither party has requested a review or issues stated for review.

Mr. CONTE. Did you see any need to revise your budget requests since the adoption of rule 91a?

Mr. BARNAKO. No.

Mr. CONTE. At what rate is your workload increasing every year?

Mr. BARNAKO. Our workload increased from a level of 3.5 percent of OSHA inspections in fiscal year 1975 to a level of 5.85 percent in fiscal year 1976, an increase of 2.35 percent. During the period of July 1, 1976 through September 30, 1976, this increased by 1.6 percent to a level of 7.5 percent and during the first quarter of fiscal year 1977 there was a .9 percent increase to a level of 8.4 percent.

Mr. CONTE. With the closing of field offices on the west coast how much will your caseload deceases? What are the monetary savings?

Mr. BARNAKO. The caseload will not decrease as a result of that action. The closing of those offices will enable the shifting of these ALJ positions to other areas where there was insufficient ALJ staff to handle the caseload for those areas. Because of the establishment of a small office in San Francisco and relocation of the other ALJ's there will be no significant monetary savings.

Mr. CONTE. Will the combination of your extensive reorganization and congressional acceptance of your budget allow you to handle your caseload efficiently?

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

Mr. CONTE. Where will these proposed new administrative law judges be located?

Mr. BARNAKO. Where the caseload at the time dictates.

Mr. CONTE. What is the price tag attached to your computerized retrieval and case tracking system?

Mr. BARNAKO. The estimated cost in fiscal year 1978 for the ADP system is $365,000. The increase of $108,000 over fiscal year 1977 represents a 1 year cost of conversion from a commercial source to a Commission operated system. In fiscal year 1979 the estimated cost would drop to $140,000–$150,000 per year. An estimated $750,000 over a 5-year period will be saved by conversion to a Commission operated system.

Mr. CONTE. What are the unnecessary services you referred to which are provided by the GSA and how much do they cost the Commission?

Mr. BARNAKO. An additional $1.25 per square foot of rental space in the national office for guard and cleaning services which are being provided by the commercial lessor as part of the $6 per square foot rental agreement GSA negotiated with him. The extra amount at the present time is approximately $31,000.

Mr. CONTE. Do you know what the savings would be if you moved out of Washington, D.C., and into the metropolitan area?

Mr. BARNAKO. We estimate that significant savings in space rental costs could be achieved by relocation to an area other than the "downtown high-rent area." We estimate a $2–$3 per square foot savings over what GSA has indicated our costs will be in fiscal year 1978.

Mr. CONTE. What are the estimated savings in time and money related to the recent adoption of rule 91a?

Mr. BARNAKO. There would be no monetary savings, as the purpose of this rule is to enable a more expeditious processing of cases.

JUSTIFICATION OF THE BUDGET ESTIMATES

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Salaries and Expenses

For expenses necessary for the Occupational Safety and Health Review Commission [$6,430,000*] $7,150,000

*Includes $150,000 required to support FY 1977 pay raise for which a supplemental appropriation request has been made.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Salaries and Expenses

Amounts Available for Obligation

	1977	1978
Appropriation	$6,430,000*	$7,150,000

*Includes $150,000 required to support FY 1977 pay raise for which a supplemental appropriation request has been made.

Summary of Changes

1977 Estimated Obligations	$6,430,000
1978 Estimated Obligations	7,150,000
New Change	+ 720,000

	Base	Change from Base
Increases:		
1. Change in employment	$4,503,000	+316,000
2. Change in travel	183,000	+20,000
3. Change in transportation	10,000	+20,000
4. Change in rent, communication and utilities	900,000	+255,000
5. Change in printing	25,000	+10,000
6. Change in other services	644,000	+100,000
7. Change in supplies and materials	125,000	+9,000
8. Change in equipment	40,000	-10,000
TOTALS	$6,430,000*	+720,000

*Includes $150,000 required to support FY 1977 pay raise for which supplemental request has been made.

Explanation of Change

1. The increase in employment of $316,000 includes program increases of the employment of 5 additional Administrative Law Judges (ALJ's); 4 clerical support positions for the ALJ's; 1 appellate counsel; and 1 appellate secretarial position. Mandatory increases of $26,000 are to provide for annualization of the pay raise costs effective in FY 1977 and for promotions and within-grade-pay increases.

2. The net increase in travel of $20,000 includes $16,000 to cover costs associated with additional Administrative Law Judge Travel resulting from an increase in ALJ workload and $4,000 to cover costs associated with annual judicial conference and required travel by National Office staff.

3. The net increase in transportation include $19,000 to provide for costs associated with relocation expenses of 3 of the 5 additional ALJ positions and $3,000 to provide for moving costs required for expansion of Commission offices. The decrease in general transportation costs of $2,000 is a result of more effective control of costs for transporting normal supplies and materials.

4. The net increase in rent, communications, and utilities of $255,000 includes $127,000 to cover increased costs of office space estimated by GSA-SLUC fund; $17,000 to cover rental costs of additional word processing equipment, $108,000 to cover costs of converting from Commercial Contractor for ADP services to Commission operated mini-computer system; $8,000 to cover cost of increased postal services. The decrease in telephone costs of $5,000 results from a decrease in instrument and line requirements.

5. The net increase in printing and reproduction of $10,000 includes $5,000 for publication of revised Rules and Procedures of the Commission; $3,000 for microfiche processing of all Commission decisions during FY 1978; $2,000 additional requirement for indexing of Commission Reports.

6. The net increase in other services of $100,000 includes $67,000 for Court reporting costs associated with an increase in the number of ALJ hearings; $8,000 increase for administrative support services provided by GSA; $16,000 for space alteration costs and $15,000 increase in training costs for Commission staff.

Explanation of Change(Cont'd)

7. The net increase in supplies and materials of $9,000 includes $5,000 for increased requirements of office and operating supplies and $4,000 for increased costs of subscriptions to legal services.

8. The net decrease in equipment of $10,000 reflects one-time costs of $19,000 for equipment for new positions and $11,000 for purchase of word processing dictating equipment for the decisional writing section.

Obligations by Activity

	1977 Base		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Commission Review	65	$1,788,000	67	$1,855,000	+2	$+67,000
Administrative Law Judge Determinations	82	3,480,000	91	3,970,000	+9	+490,000
Administration	34	1,162,000	34	1,325,000		+163,000
TOTAL OBLIGATIONS	181	6,430,000	192	7,150,000	+11	+720,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	181	192	+11
Full time equivalent of other positions	2	8	+6
Average number of all employees	184	204	+20
Personnel compensation:			
Permanent positions	$4,086,000	$4,254,000	$+168,000
Positions other than permanent	46,000	141,000	+95,000
Other personnel compensation	10,000	15,000	+5,000
Special personnel service payments	---	18,000	+18,000
Subtotal, personnel compensation	$4,142,000	$4,428,000	$+286,000
Personnel benefits	361,000	391,000	+30,000
Travel and transportation of persons	183,000	203,000	+20,000
Transportation of things	10,000	30,000	+20,000
Rent, communications and utilities:			
Standard lever user charges.	399,000	526,000	+127,000
Other rent, communications and utilities	501,000	629,000	+128,000
Printing and reproduction	25,000	35,000	+10,000
Other services	644,000	744,000	+100,000
Supplies and materials	125,000	134,000	+9,000
Equipment	40,000	30,000	-10,000
Total obligations by object	$6,430,000	$7,150,000	$+720,000

*Includes $150,000 required to support FY 1977 pay raise for which a supplemental appropriation request has been made.

Authorizing Legislation

Legislation	1978 Authorized	1978 Appropriation Requested
Occupational Safety and Health Act:		
Section 12 of the Act of December 29, 1970 (PL 91-596).....	Indefinite	$7,150,000

Salaries and Expenses, Occupational Safety and Health Review Commission

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1971	$ 75,000	$ 75,000	$ 75,000	$ 75,000
1972	400,000	400,000	400,000	1,060,000 1/
1973	5,979,000	5,979,000	5,979,000	4,443,000 2/
1974	4,890,000	4,890,000	4,890,000	4,890,000
1975	5,720,000	5,512,000	5,700,000	5,512,000
1976	5,806,000	5,769,000 3/	5,769,000	5,769,000
19TQ	1,464,000	1,464,000 4/	1,464,000	1,464,000
1977	6,280,000	6,280,000	6,280,000	6,280,000
1977 Supplemental	150,000			
1978	7,150,000			

1/ Total appropriation includes $660,000 transfer of funds from OSHA, U. S. Department of Labor

2/ Labor, HEW, and Related Agencies Appropriation Act was not passed during fiscal year 1973. Funding supplied for entire year through continuing resolutions.

3/ This figure represents the Congressional Allowances of $5,638,000 for the regular appropriation and a supplemental allowance of $131,000.

4/ This figure represents the original request of $1,418,000 and a supplemental request of $46,000.

New Positions Requested

Fiscal Year 1978

	Grade	Number	Annual Salary
Administrative Law Judges	GS-16	5	$198,000
Appellate Counsel	GS-15	1	34,000
Secretary	GS-7	1	12,000
Secretary	GS-5	4	37,000
TOTAL NEW POSITIONS		11	$281,000

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	1977 Base		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	181	$4,503,000*	192	$4,819,000	+11	$+316,000
Other expenses.....	---	1,927,000	---	2,331,000	---	+404,000
Total.....	181	$6,430,000	192	$7,150,000	+11	$+720,000

The Occupational safety and Health Review Commission OSHRC was established on April 28, 1971, pursuant to the Occupational Safety and Health Act of 1970 (PL 91-596) The agency adjudicates issues in dispute between the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) and employer's (or their employees) to whom OSHA has issued citations charging a violation of the Act.

Hearings are held locally by Administrative Law Judges who decide the issues in dispute. Their decisions must then pend for 30 days before the 3 members of the Commission. If a member directs review of such a decision during that 30-day period, the 3 member tribunal examines, subject to its precedents and rules of procedure, the record of trial and the legal briefs submitted and render a decision on the case either affirming, modifying or vacating the ALJ's decision. If no member directs review during the 30-day period, the judge's report becomes final. All OSHRC decisions are subject to direct appeal to the U. S. Courts of Appeal.

*Includes $150,000 required to support FY 1977 pay raise for which a supplemental appropriation request has been made.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	1977 Base		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	65	$1,563,000	67	$1,576,000	+2	$+ 13,000
Other expenses.....	-	225,000	-	279,000	-	+ 54,000
Total.....	65	$1,788,000	67	$1,855,000	+2	$+ 67,000

Commission Review

Each of the three commission members have two functions to perform; (1) to examine all reports issued by ALJ's within 30 days of their filing in order to determine whether the report should be directed for review, and (2) to issue decisions on all-review-directed cases. Although any single member can direct that a judge's report be reviewed, the final disposition of any review-directed case must have the concurrence of at least two members. Each member has a staff to assist him in performing these functions.

The legal staffs of the Commissioners perform a variety of functions. While they do not necessarily perform their work in a uniform fashion, the work generally falls into the following categories:

1. Review the summaries of all ALJ decisions prepared by the Office of Central Review and make recommendations to their Commissioner for direction for review. An attorney will carefully study the entire case, including the transcript prior to recommending review.

2. When the Commissioner decides to direct a case for review the attorney then prepares the direction for review memorandum.

3. Prepare decision memoranda in 15 to 25 cases per week for use by the Commissioners at their regular weekly meetings. Each case is carefully evaluated based on Central Review Staff memoranda, briefs filed after review, and Commission and Court precedents. Legal research is required according to the questions presented by the cases.

4. Prepare draft decisions on cases directed for review after decision by the Commissioners at their weekly meetings.

5. Modify draft decisions after receiving comments from other Commissioners.

6. Prepare concuring and dissenting opinions as appropriate.

After the Chairman was designated by the President on August 5, 1975, he set his goal, within the bounds of his statutory obligations, to hold down directions for review in FY 1977 to a rate of 15 percent of all ALJ decisions. Experience at OSHRC indicated that the 15 percent rate would not differ significantly from the rate of petitions filed by parties for discretionary review of ALJ decisions. Except for one major development, that goal could have been achieved. Since December 1975 and increasingly thereafter, and for yet unarticulated reasons, one Commissioner has been directing for review virtually every decision rendered by every ALJ after hearing. The directions contain no specific issues for review, and no reasons have been given in justification of this course of action. The result of this extraordinary number of issueless directions for review is a monumental increase in the number of undecided cases and delay in all cases of either (1) abatement of hazardous conditions, or (2) a finding of no violation. Specifically, these issueless directions for review caused the percentage of ALJ decisions directed for review to rise to 75 percent of ALJ heard cases in the TQ and an even higher 96.61 percent for the first quarter of FY 77. In comparison, had those issueless directions for review not been issued, the percentage of directed cases would have been approximately 5 percent of all ALJ heard cases. To prevent the practice of a single Commissioner needlessly directing cases for review by the full body the Commission has by majority vote adopted Rule of Procedure 91a, which is designed to limit review to those instances where a party requests such review or where there is some overriding issue of law or policy which requires such review. However, Rule 91a has not been tested legally and there is some opinion that that rule may be beyond the scope of the Commission's authority. A technical amendment, similar to the limitation on review by the Review Commission under S. 1302 (coal mine safety bill), introduced in the 94th Congress, would hold down the number of cases reviewed to a manageable level.

DECISIONS CALLED FOR REVIEW

FISCAL YEAR	ALJ DEC.	DIR.FOR REVIEW	%	DISPOS.	PENDING AT END OF F.Y.
1975	2,455	369	15.1	298	462
1976	2,669	683	25.5	382	763
T.Q.	867	159	18.3	139	806
1977(Est.)	2,856	428	15.0	810	381
1977(1st Qtr.)	892	171	19.1	66	911

Central Review Section

The Central Review Section prepares memorandum with issues and recommendations in all cases in which a Petition for Discretionary Review or intent to file was on record. This section also prepares a brief memorandum in case abstract form for all ALJ decisions not petitioned for review. The section prepares recommended dispositions on all motions not disposed of by the Executive Secretary to the Commission Members. The section also prepares a decisional memorandum on each case directed for review by the Commission Members.

CASES REVIEWED

2/25/74 to 6/30/74	1,125
FY 1975	2,444
FY 1976	2,795
T.Q.	867
FY 1977(Est.)	2,856
FY 1978(Est.)	3,290

COUNSEL TO THE COMMISSION

Functions of the Counsel include providing advice to the Chairman and other officials of the Commission on rules, regulations and provisions of the various laws affecting the Commission, and opinions on legal questions in the areas of procurement, financial management and personnel management and conflict of interest.

APPELLATE COUNSEL

The function of the Appellate Counsel will include preparation of all records, memoranda, and documents necessary for representation on the Commission's behalf before the Appellate Courts by the U. S. Department of Justice. This staff will consist of 1 GS-15 Attorney and 1 GS-7 Secretary.

COURT OF APPEALS STATISTICS

FISCAL YEAR	No. Appeals Filed	No. of Official filed Certified	No. of Court Decisions
73	33	---	6
74	63	---	35
75	67	17	62
76	101	85	77

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ADMINISTRATIVE LAW JUDGE DETERMINATIONS

	1977 Base		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	82	$2,375,000	91	$2,663,000	+9	$+288,000
Other expenses.....	-	1,105,000	-	1,307,000	-	+202,000
Total.....	82	$3,480,000	91	$3,970,000	+9	$+490,000

The Administrative Law Judges prepare decisions on all Notice of Contests (NOC) not disposed of by the Executive Secretary. This is about 73% of all NOC's received. (They also rule on certain contested Petitions for Modification of Abatement (PMA), but the number is not presently significant.)

The size of the ALJ staff is determined by:

1. The level of the OSHA Inspection Program.
2. The percentage of inspections which result in NOC's.
3. The number of NOC's which are assigned to ALJ's.
4. The ALJ decision rate.
5. The number of cases pending with the Judges.

The following table provides an analysis of all of these factors for the various ranges of OSHA inspections.

ANALYSIS OF ALJ WORKLOAD, PRODUCTIVITY, AND STAFFING

	FY 1976 ACTUAL	TRANS. QTR. ACTUAL	FY 1977 EST.	FY 1978 EST.
OSHA INSPECTIONS	90,369	18,443	76,000	90,000
CASES RECEIVED (5.85%)	5,282	1,361	4,446	5,265
CASES ASSIGNED TO ALJs (64%)	3,035	1,025	2,845	3,370
CASES PENDING WITH ALJs Beginning of Year	910	1,226	1,384	1,373
EST. TOTAL ALJ WORKLOAD	3,945	2,251	4,229	4,743
ALJ STAFF (MAN YEARS)	39	11	44	49
EST. DECISION RATE	68	68	68	70
TOTAL DECISIONS	2,669	867	2,856	3,290
CASES PENDING WITH ALJs END OF YEAR	1,226	1,384	1,373	1,453

The average elapsed time from assignment of the case to the judge until he disposed of it was 132 days at the end of FY 75. By the end of FY 76 this had been reduced to 110 days. This rose to 123 days during the TQ and we project 110 days during FY 77. In FY 78 our goal is to reduce this to 105 days. We hope to accomplish this at the same time we increase our average decision production from 68 to 70 decisions per year.

ADMINISTRATION

	1977 Base		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	34	$ 565,000	34	$ 580,000	-	$+15,000
Other expenses.....	-	597,000	-	745,000	-	+148,000
Total.....	34	1,162,000	34	1,341,000	-	$+163,000

The Executive Director has delegated authority from the Chairman of the Commission and is fully responsible for the administrative functions of the Review Commission. These functions include the supervision of the Commission's budget preparation, supervision of the personnel office, and other management functions. In addition the Executive Director is responsible for formulating policies of the Commission and insuring that such policies are disseminated to the employees through an effective management directive system. The computerized budget and case tracking system originates with the Executive Director. The Executive Director is management's expert on labor relations, is chief negotiator on labor contracts and principal spokesman for management on all such matters.

The Executive Director maintains liaison with other federal agencies and Congressional Committees.

Executive Secretary

The Office of the Executive Secretary is primarily responsible for the receipt, docketing and processing of cases before the Review Commission. By delegated authority the Executive Secretary signs the official orders of the Commission and is responsible for the proper disposition of all cases once they are finalized. This office also supervises the preparation of cases that go before the Court of Appeals.

FRIDAY, FEBRUARY 4, 1977.

PENSION BENEFIT GUARANTY CORPORATION

WITNESSES

CHARLES E. SKOPIC, DEPUTY EXECUTIVE DIRECTOR
HENRY ROSE, GENERAL COUNSEL
CHARLES W. SNEARER, DEPUTY DIRECTOR, OFFICE OF FINANCE AND ADMINISTRATION

Mr. FLOOD. The first thing today is the Pension Benefit Guaranty Corporation.

The presentation will be made by Mr. Charles E. Skopic, the Deputy Executive Director.

We have a biographical sketch of you, Mr. Skopic, which we will place in the record at this time.

[The sketch follows:]

CHARLES E. SKOPIC

Mr. Skopic was appointed Deputy Executive Director of the Pension Benefit Guaranty Corporation in June 1975 and had served as Acting Deputy Executive Director from November 1974 until his appointment as Deputy Executive Director. He served as Acting Executive Director of the Corporation during its first 2 months.

Previously, he was in charge of the Department of Labor Pension Task Force Group responsible for planning the establishment of the Pension Benefit Guaranty Corporation (October 1973 to September 1974); Chief of the Industrial Relations Division, Office of the Assistant Secretary for Policy, Evaluation and Research, Department of Labor (September 1969 to October 1973); Supervisory Labor Economist in the Office of Labor Management Policy Development, Department of Labor (January 1964 to August 1969); Labor Law Administration Advisor, in the Office of Regulations and Administrative Determinations, Bureau of Labor-Management Reports, Department of Labor (August 1962 to January 1964); Management Intern with the U.S. Department of Labor (July 1960 to August 1962).

He earned a bachelor of science degree in business administration from Pennsylvania State University in June 1959.

Entered graduate school of Pennsylvania State University in Septemer 1959 as a teaching assistant in the Department of Economics. Earned a master of arts degree in 1962. His major field of study was labor economics.

Mr. Skopic, born August 1937 in Pennsylvania, is married and has two children. They reside in Rockville, Md. He served as an officer in the U.S. Army; rank of captain.

HENRY ROSE

Mr. Rose was appointed the Pension Benefit Guaranty Corporation's general counsel in November 1974. Previously, he had served since 1962 in the Office of the Solicitor of the Department of Labor in a number of positions, including Associate Solicitor and Deputy Associate Solicitor for Legislation and Legal Counsel, Deputy Associate Solicitor for Labor Management Laws, and Special Assistant to the Solicitor for Civil Rights. Mr. Rose also served earlier on the staff of the General Counsel of the National Labor Relations Board (1952–53) and had been in private law practice in Buffalo, N.Y. (1953–56).

Mr. Rose has a B.A. degree in history and government from the College of Arts and Science, University of Buffalo and a J.D. degree from the University of Buffalo School of Law. He was Sterling Fellow at Yale University School of Law from 1956–57. Mr. Rose has held a number of academic positions including, associate professor, University of Toledo College of Law; associate professor, Rutgers University Law School; lecturer, University of Virginia Law School; academic visitor, London School of Economics Law Faculty. Mr. Rose undertook

full-time research on the administration of the Hatch Act under a Ford Foundation grant in 1959, and on comparative legislative process under a Career Service Award of the Department of Labor in 1971–72.

Mr. Rose, born March 28, 1927, is married and has three children. They reside in Columbia, Md.

Mr. FLOOD. Now, you have some people with you I suppose you want us to meet.

Mr. SKOPIC. Yes, Mr. Chairman, I would like to introduce the two people here with me today. On my left is Charles Snearer, who is the Deputy Director of our Office of Finance and Administration, and on my right is Mr. Henry Rose, who is our General Counsel.

STATEMENT OF THE DEPUTY EXECUTIVE DIRECTOR

Mr. FLOOD. I see you have a prepared statement.

Mr. SKOPIC. With your permission I would like to read the statement and then answer any questions you might have. It's a fairly short statement.

Mr. FLOOD. All right.

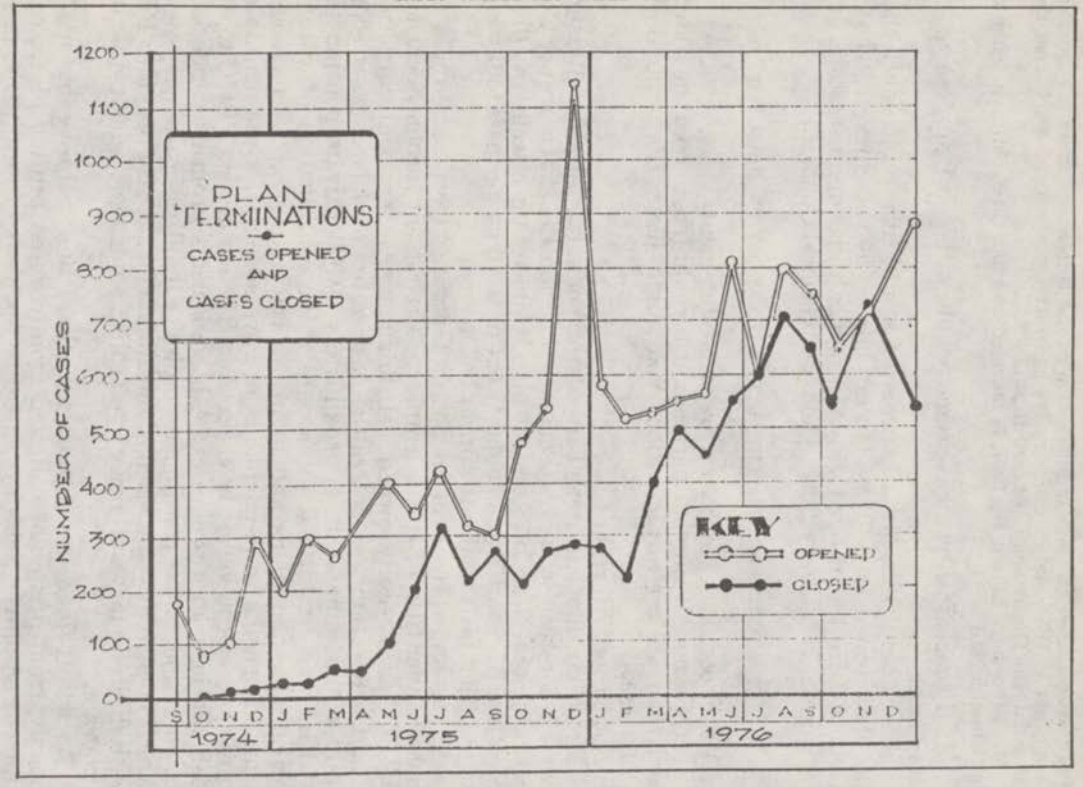
Mr. Chairman and members of the committee, it is a pleasure to come before you today to discuss the Pension Benefit Guaranty Corporation's fiscal year 1978 budget plan. Our Acting Executive Director, Matthew M. Lind, is unavoidably out of town on business today and he regrets that he is unable to appear before you.

As you know, the Pension Benefit Guaranty Corporation was established under title IV of the Employee Retirement Income Security Act of 1974 as a wholly owned, self-financing Government corporation. The Corporation guarantees the basic retirement benefits of some 33 million participants in approximately 90,000 private pension plans. PBGC was established to encourage the continuation of voluntary private pension plans and to insure the uninterrupted payment of pension benefits to participants of covered plans, while maintaining premiums at the lowest level possible. The act directs PBGC to establish two insurance programs: A basic benefits program which is now in operation, and a contingent employer liability insurance program, which is currently under consideration. The act also provides PBGC with discretionary authority to establish a nonbasic benefits insurance program.

As a self-financing corporation, the PBGC receives income primarily from premiums collected from covered pension plans, collections of employer liabilities from the sponsors of terminated pension plans, and investment earnings. The Corporation is also authorized to borrow up to $100 million from the U.S. Treasury. The Corporation intends to manage its resources and structure its premiums so that borrowing will not be necessary.

Major strides have been taken by PBGC since its last budget submission to move the pension plan termination insurance program closer to full implementation. A milestone was reached in July 1976 when, for the first time since inception of the program, as many pension plan termination cases were closed (595) by PBGC as were opened. This was accomplished through the expeditious processing of cases involving clearly sufficient plans, in the face of a significantly higher than anticipated inflow of cases. Case processing activities are shown in the attached chart.

PLAN TERMINATIONS
CASES OPENED AND CASES CLOSED



Although there are many pending termination cases where plan assets are insufficient, all participants involved are receiving their guaranteed benefits or action is being taken to place eligible individuals in pay status. This is because PBGC has authorized terminating plans to continue benefit payments to retirees from available assets pending final closeout of the plans. At the present time there are over 8,000 participants in terminated plans which appear to be insufficient, and these participants are receiving over $900,000 in monthly pension benefits either directly from PBGC or under PBGC auspices.

During 1976 PBGC established an in-house benefits administration activity to make monthly benefit payments to participants in terminated pension plans for which PBGC is trustee. At present PBGC is mailing monthly pension checks totaling almost $300,000 to approximately 2,900 participants in terminated pension plans. The fact that these participants can be secure in the knowledge that PBGC will provide their regular pension benefits even though their pension plan terminated is a very visible indication that the pension plan termination insurance program is working as Congress intended.

However, there is still much to be done for the program to be fully implemented. A principal objective of PBGC in fiscal year 1977 and fiscal year 1978 is to complete processing of those cases involving insufficiently funded pension plans. The recent issuance of interim or final regulations on the valuation of plan benefits and the allocation of assets will contribute to the final processing of such cases.

During fiscal year 1977 the Corporation will give major emphasis to the contingent employer liability insurance program (CELI). The act directs PBGC to develop a program to insure employers who sponsor covered pension plans against the payment of employer liability imposed by the act. That liability, not to exceed 30 percent of the employer's net worth, applies in the event the plan terminates with insufficient assets to pay guaranteed basic benefits. PBGC's timetable for CELI calls for a workable program to be designed by September 1977, and fully implemented by September 1979 when the 5-year period for premium payments required before claims can be made will have elapsed.

Experts from various groups associated with private pension plans are represented on a special panel that is addressing the major issues concerning the contingent employer liability insurance program (CELI). Some of the major issues being addressed by the panel, which was appointed by the Chairman of the PBGC Advisory Committee, include: (1) Whether the program will be mandatory or voluntary; (2) whether it should involve full or partial coverage; and, in particular, (3) how the program can be designed so as not to completely remove the disincentives to plan termination and irresponsible plan amendments that are provided by the employer liability provisions.

The premium rate established by ERISA ($1 per participant in nonmultiemployer plans and 50 cents per participant in multiemployer plans) has been extended through the current plan year. However, as we gain a better knowledge of what the size of the unfunded benefit liability associated with terminated plans will be, we may find that a premium increase is needed beginning in September

1977. The Corporation is now studying the matter and when the Board of Directors has reached a decision, Congress will be advised as required by the act.

Since the Corporation's fiscal year 1978 budget calls for no increases in staffing or administrative expenses over our fiscal year 1977 budget, I will not comment on this area except to say that the inflow of cases is above the level projected in our fiscal year 1977 budget and this may require a subsequent adjustment in our budget. Of course, this committee will be advised if such an adjustment is necessary.

Mr. Chairman, that concludes my opening statement. I will be happy to answer any questions you or members of the committee may have.

THE CORPORATION

Mr. FLOOD. How long has this Corporation been operating now?

Mr. SKOPIC. The Corporation came into being on September 2, 1974, when the President signed into law the Employee Retirement Income Security Act.

Mr. FLOOD. Since that time, how many Executive Directors or how many acting Executive Directors have you had?

Mr. SKOPIC. We have had three Executive Directors during that period.

Mr. FLOOD. No acting?

Mr. SKOPIC. Mr. Lind is currently Acting Executive Director, so it would be a total of three, either Executive Directors or acting.

RELATIONS WITH PLAN ADMINISTRATORS

Mr. FLOOD. How is your relationship with the employers in these plans, the administrators? Is everybody pretty well satisfied with you, or what?

Mr. SKOPIC. I believe that our relations with the plan sponsors and plan administrators are quite good.

We have tried to do as much as we can to handle terminations in as simple and expeditious manner as possible and to keep our premium payment and other regular reporting requirements as simple as possible.

RESPONSIBILITIES UNDER ERISA

Mr. FLOOD. Don't you find a lot of confusion on the part of the plan administrators as to their responsibilities under this Pension Reform Act?

Mr. SKOPIC. I believe there is some confusion as to a plan administrator's overall responsibilities, but this Corporation is only responsible for one title of the law, title IV, and we find that there is not too much confusion over what is required. It's a fairly simple arrangement. Plan administrators pay annual premiums of $1 per participant in the plan and advise us of any reportable events that occur during the plan year.

Mr. FLOOD. What is the confusion about, the responsibility of the administrators, plan administrators? What are they confused about?

Mr. SKOPIC. I think there may be some confusion relating to other titles of the law.

As you know, title I of the law is administered by the Labor Department; title II is administered by the Treasury Department's Internal Revenue Service, and there is some overlap of the agencies' responsibilities.

PREMIUM STRUCTURE

Mr. FLOOD. Well, what about your premium structure? Do you still feel that it's adequate?

Mr. SKOPIC. Our thinking at the present time is that there probably will be the need for a premium increase, but we are not prepared at this time to say what the amount of that increase will be.

NEW PENSION PLANS

Mr. FLOOD. Well, at what rate are new pension plans currently being formed?

Mr. SKOPIC. I don't have with me figures on the number of new plans that have been formed, but the Internal Revenue Service, which qualifies those plans, has such data, and we will be happy to supply their figures.

Mr. FLOOD. Suppose you do that.

[The information follows:]

We were informed by representative of the Internal Revenue Service that the number of applications for initial qualification of new pension plans filed with the IRS was as follows:

Filed:	*Number*
October 1, 1974–December 31, 1974	6,880
1975	13,398
1976	6,484
Total	26,762

The figures for 1974 and 1975 include applications for initial qualification of money purchase plans and target benefit plans, as well as defined benefit plans. The figure for 1976 is the number of applications for defined benefit plans, only.

PENSION PLAN TERMINATIONS

Mr. FLOOD. With reference to plan terminations, last year you—I don't mean you personally—but your group told us this and I will quote it for you: "We are studying reasons for plan terminations. We will supply this committee with our findings when the study is completed."

We don't recall seeing these findings; suppose you tell us now where they are.

Mr. SKOPIC. Mr. Chairman, I was the person who made that promise. It was 1 year and 1 day ago, to be exact, February 3.

Mr. FLOOD. Did you think I was going to ask you about this?

Mr. SKOPIC. I was under the impression that we had supplied the committee with an analysis, dated March 19, 1976, that we had done covering single employer defined benefit plan terminations in 1975. If we have not, I have a copy with me here today and I will be glad to leave it or supply additional copies.

Mr. FLOOD. All right.

Mr. EARLY. Mr. Chairman, I have another meeting, so with your permission I will just supply some questions for the record later.

Mr. FLOOD. Without objection, that will be done, of course.

TERMINATION CASE TRACKING SYSTEM

Take a look at page 16 of your justifications. You talk there about a "termination case tracking system." What do you have in mind there?

Mr. SKOPIC. What we want to establish within the corporation is a system that will enable us to keep track of a termination case during all phases of its processing. At times the processing of a case can involve a lengthy period of time. Sometimes there is litigation involved before the case is finally settled, and in order for us to insure that the case is being properly taken care of we need a system that will in an automated way, give us the status of the case. We currently have a contractor, Coopers & Lybrand, who is looking at our operations to give us recommendations on such an automated system.

RATE OF TERMINATIONS

Mr. FLOOD. Why do you expect this annual level of termination notices to level off at 2,400 in a couple of years? Isn't the level substantially higher now? Higher than that right now?

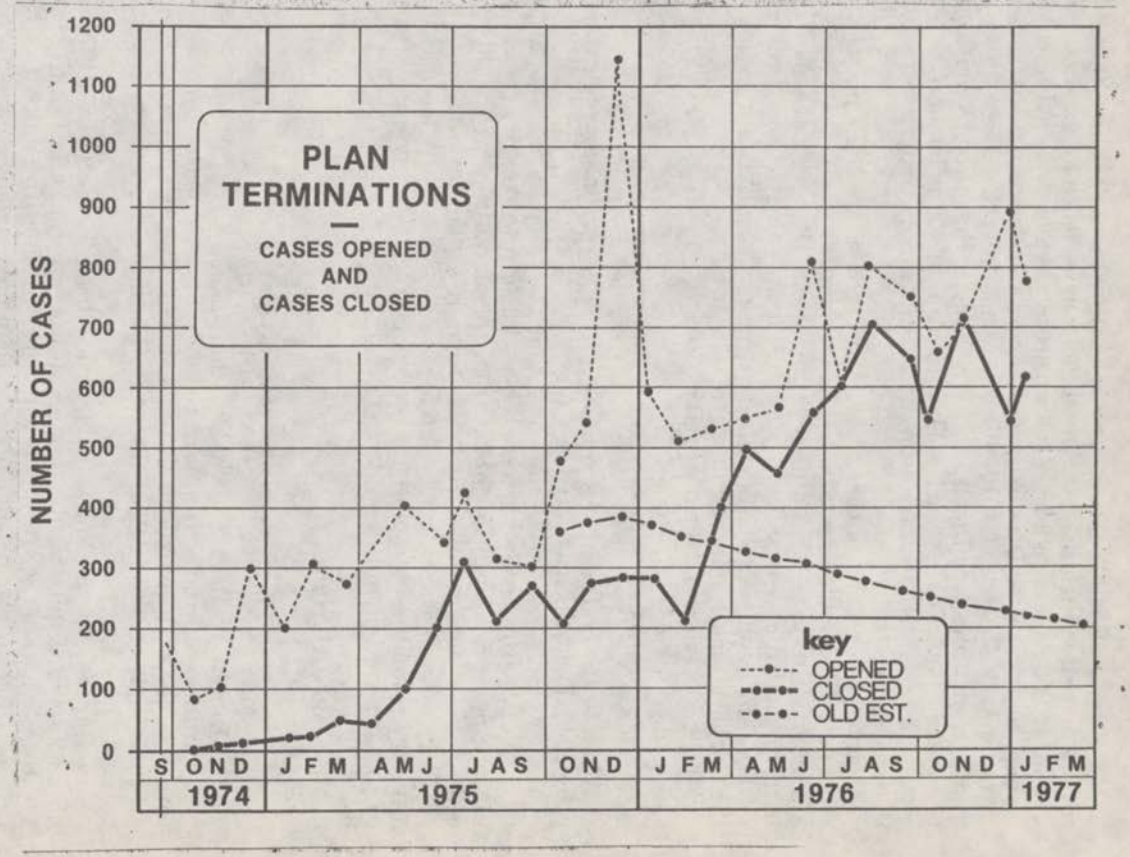
Mr. SKOPIC. It is substantially higher than that at the present time. We believe that we are seeing a shaking out, you might say, of certain plans within the private pension system. The plans being terminated at the present time are primarily small plans. Many of these plans feel that they can't continue because of the financial condition of the sponsoring employer, or perhaps they find the requirements of the law too stringent. We feel that this bulge in the number of terminations is temporary and that we will eventually get back to what one might consider a more normal situation.

Mr. FLOOD. A couple of years?

Mr. SKOPIC. I have another chart here showing what our experience has been.

Mr. FLOOD. You can place that in the record, by all means.

[The chart follows:]


PLAN
TERMINATIONS
—
CASES OPENED
AND
CASES CLOSED
NUMBER OF CASES
1200
1100
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700
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key
OPENED
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S
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O N D
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J A S
O N D
J F M
1974
1975
1976
1977

Mr. SKOPIC. What we have here is an update of the chart that was supplied with my testimony, showing our experience in the month of January. We have also added the projection which we used in calculating our fiscal year 1977 budget. As you can see, when we were here a year ago, February of 1976, our experience was that the number of plan terminations was increasing. We thought that they would begin to taper off and finally reach a level of around 200 per month.

As you can see, there have been considerably more plan terminations than we projected.

However, our hope is that the end of 1976 was a high point, and from now on we are going to be trending downward.

Fortunately, most of the plan terminations that we have received involve small plans that have sufficient assets to cover their guaranteed benefit liabilities. So they don't represent a significant increase in the Corporations' liabilities.

Mr. FLOOD. All right. That's pretty clear.

CONTINGENT EMPLOYER LIABILITY INSURANCE

What is the status of the contingent employer liability insurance program? That was mandated by Congress.

Mr. SKOPIC. The statute indicates that the Corporation should try to develop, with private insurers if possible, a program to protect employer sponsors of pension plans from the imposition of the 30 percent of net worth liability that can occur if a plan terminates.

We have been working on that for well over a year. Recently our advisory committee appointed a panel of experts to review the work of the corporation and to guide us in designing a program by September of this year.

Mr. FLOOD. All right.

Mr. Michel?

RATE OF TERMINATIONS

Mr. MICHEL. Well, thank you, Mr. Chairman.

According to your chart, the number of termination notices received in the first quarter of 1977 has reached what appears to be an all-time high of some 2,200. Why this continued high rate after this period of time?

Mr. SKOPIC. As you know, ERISA has been in effect since 1974. A number of its requirements, though, did not go into effect until 1976. I believe what we are seeing is a number of small plans that at the present time are "sufficient" because they have enough assets to pay the guaranteed benefits, that are terminating rather than possibly getting in the situation where the plan is not sufficient. Also, these small plans might find the requirements of the law a little too stringent for them to continue.

Mr. MICHEL. Now, last year when you were before us we found that termination notices, of course, were exceeding estimates by three to four times and this year the story appears to be the same. Any prospects of that changing next year, if you are still around and I am still around?

Mr. SKOPIC. We are certainly optimistic that that will be the case. As I indicated, we believe that this is a shaking out of plans, mostly small plans, that are not able to continue under the present circumstances.

TOTAL TERMINATIONS

Mr. MICHEL. Do we have an actual figure of all of those termination notices since you came into being? How many thousands?

Mr. SKOPIC. As of December 31, 1976, there were 13,628 termination notices filed.

Mr. MICHEL. And of that number, how many actually ended up being terminated?

Mr. SKOPIC. 1,588 of those were closed administratively because the plan either was not covered under the termination insurance program or there was a duplicate filing made, or something of that nature. So that reduces the number down to approximately 12,000.

GOVERNMENT LIABILITY

Mr. MICHEL. Now, by the end of fiscal year 1978 you are projecting a negative balance of $79 million, due mostly to the large accrued unfunded benefit liability payable.

Mr. SKOPIC. That is correct.

Mr. MICHEL. In view of the high number of termination notices, is there going to be a problem down the road in funding these?

Mr. SKOPIC. The Board of Directors of the Corporation will be addresing the question of premium changes in the next few months. However, I would like to point out that there is no immediate problem even though there is a negative Government equity. These liabilities will be discharged over a long period of time. If you look at the unobligated balance in our revolving fund, for example, in fiscal year 1977, you will see that that is over $60 million. In addition, we will be taking in assets of terminated plans. Even though the plan has insufficient assets to pay all of the guaranteed benefits, it has some assets. So, in fiscal year 1977, for example, we will have on hand over $100 million.

PREMIUM RATE

Mr. MICHEL. What is that premium increase likely to be, something like $1.25 or would it have to go up to $2?

Mr. SKOPIC. I am really not in a position to say at the present time. The main determining factor will be how rapidly the Corporation wants to amortize its liabilities. If we wanted to do it over a very short period of time, it could represent a doubling or possibly even a greater increase in the premium. If we extended the amortization over a longer period the increase would be much less.

COVERAGE

Mr. MICHEL. Do you have any figures showing the number of persons whose pensions will end up being protected by the Corporation, who otherwise would likely have lost their pensions had the pension law not been in effect?

Mr. SKOPIC. At present there are over 8,000 participants who would have lost part or all of their pension benefits if the Pension Benefit Guarantee Corporation were not in existence. Those people now have their pension benefits guaranteed.

That is a minimum figure. It pertains to "insufficient" plans that have terminated through the end of fiscal year 1976; the participants in these plans are receiving over $900,000 a month in pension benefits.

Mr. MICHEL. Now, turning that around, do you have any estimates as to the number of people who are not being included in a pension plan, due to the pension law, either because an employer terminated his plan or decided against initiating one? Any ball-park figures at all?

Mr. SKOPIC. We have not made estimates of that type. I assume one could make such an estimate by determining the rate of plan formations in a period prior to ERISA being enacted, let's say from 1970 to 1975, and then comparing it with the experience from 1974 to 1977.

PURCHASE OF ANNUITIES

Mr. MICHEL. Has any decision been reached as to whether the Corporation will act as, in effect, a wholesaler to arrange for the purchase of annuities for terminated pension plans?

Mr. SKOPIC. We have not yet reached a decision on that matter. At present there is pending for comment a regulation on how we will determine sufficiency in a plan, and there are two alternatives in that regulation.

One alternative would involve the Corporation in providing more annuities than the other alternative. Exactly how the Corporation would arrange for annuities if that alternative were adopted, has not yet been decided. We have received considerable comment on that regulation, and it is a matter that will be before the Board of Directors within the next couple of months.

I might ask Mr. Rose if he wants to comment any further on the status of that regulation.

Mr. ROSE. I think that is an accurate statement. That regulation will have an important impact on the question you are raising.

Beyond how we act on terminated plans, I take it your question went further in asking whether we are going to act as a broker for purchasing annuities.

Mr. MICHEL. Yes.

Mr. ROSE. And the answer to your question, I think, is that there has been no decision by our Board of Directors on that.

RELATIONSHIP WITH TREASURY

Mr. MICHEL. Just one final question: In that difficulty that the chairman alluded to, I know in my conversations with several friends who have been in this business of putting together pension packages, you know, considerable numbers of them, in the hundreds, cited me some of that conflict between the Department of Labor and Department of Treasury that is just rather ridiculous.

Do I gather from your responses to the chairman you kind of sit above that controversy, or that hassle between the two Departments, and don't feel you are in any position to really move it one way or

another? I took it up with Secretary Simon on one occasion, and personally got into the act to break it up a little bit, because it's just nonsensical at times.

Mr. SKOPIC. I think we sit somewhat——

Mr. MICHEL. Particularly in view of the fact, you know, that it's getting more and more difficult; instead of helping the thing along we were getting more terminations and people throwing up their hands, and God forbid.

Mr. SKOPIC. I would describe our corporation as sitting somewhat apart from that problem, although, as you know, the Board of Directors of the corporation includes both the Secretary of Labor and the Secretary of the Treasury. In determining policies for the corporation they are very mindful of the activities of their Departments, and I think this is one of the features which avoids having the Pension Benefit Guaranty Corporation operating in conflict with, or having any duplication with, these other two agencies.

Mr. MICHEL. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Natcher?

EMPLOYMENT CEILING

Mr. NATCHER. What is your current employment ceiling and actually how many do you have aboard at this time?

Mr. SKOPIC. Our current ceiling is 571 positions, and we have 405 people actually on board.

Mr. NATCHER. When do you expect to fill all of the positions?

Mr. SKOPIC. I anticipate that it will probably take about 1 year to fill these additional positions. The approach we have taken is to go slow, hire the best people we can, and not hire more people than we can effectively train and utilize just to fill slots. Under a continuation of that approach, I would say it would probably take at least a year to add the remainder of those people.

Mr. NATCHER. Who establishes your employment ceiling?

Mr. SKOPIC. The employment ceiling is established by first having the Corporation staff review its projected needs, then taking that matter before the Board of Directors and then finally to the Office of Management and Budget.

Mr. NATCHER. Does the Department of Labor have anything to do with it?

Mr. SKOPIC. Only insofar as the Secretary of Labor is the chairman of our Board of Directors and participates as a member of the Board of Directors in action on the Corporation's budget.

Mr. NATCHER. Do you intend to ask for an increase at any time during the fiscal year 1978?

Mr. SKOPIC. Do you refer to staffing?

Mr. NATCHER. Yes. Increases as far as your ceiling is concerned.

Mr. SKOPIC. We don't at this time anticipate any such request.

WORKLOAD MEASUREMENT

Mr. NATCHER. Do you have any kind of a workload measurement system that you use in justifying your requests for new positions, or do you just estimate your needs? Just how do you arrive at it?

Mr. SKOPIC. We have various factors that we use in planning and budgeting. We calculate how many days it takes to process a case involving certain activities. For example, we calculate how much legal staff time will be involved, how much of the time of accountants, auditors, and others. Then we apply that to our projected caseload and we arrive at a staffing figure.

OTHER PERSONNEL COMPENSATION

Mr. NATCHER. On page 4 of your justification you have an estimate of $869,000 for other personnel compensation. What are you going to use this money for?

Mr. SKOPIC. I would like to refer that question to Mr. Snearer.

Mr. SNEARER. Sir; part of our work to hold down our total permanent positions is done through projecting possible overtime supplements to the work that the permanent people can do. In other words, we have determined that because of our large front-end workload we are going to be working additional hours per man rather than bringing permanent employees on and having to let them go later on.

Mr. NATCHER. Mainly overtime?

Mr. SNEARER. It's mainly overtime, yes, sir.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Smith?

MONTHLY BENEFIT PAYMENTS

Mr. SMITH. You are paying about $100 a month to participants in terminated plans; is that correct?

Mr. SKOPIC. I think a good range would be $125 to $150 a month.

Mr. SMITH. And how much are you paying out now per month?

Mr. SKOPIC. We are paying out directly, in plans for which we are trustee, a monthly amount of $382,500. That is the amount in 70 terminated plans for which the corporation is trustee. There are additional amounts being paid out by terminated plans that are insufficient where the corporation is not yet trustee. In those situations we have authorized the plan administrators to make the benefit payments.

PREENACTMENT TERMINATIONS

Mr. SMITH. How many of these plans are plans which actually terminated prior to passage of the law, between January 1 and passage of the law?

Mr. SKOPIC. There were, I think, 207 or 208 plans that terminated in the pre-ERISA coverage period, and which gave us notices of termination; those plans have an estimated unfunded liability of $8.3 million.

Mr. SMITH. And how much per month is that costing you now?

Mr. SKOPIC. I don't have figures on that but we can supply them for you.

UNFUNDED LIABILITY

Mr. SMITH. What is the total unfunded liability of all of the plans that have been terminated?

Mr. SKOPIC. As of the end of the last fiscal year, September 30, 1976, the estimated unfunded liability of the plans that had terminated is about $131 million.

Mr. SMITH. So $8 million is approximately 6½ percent of the total amount?

Mr. SKOPIC. Yes.

Mr. SMITH. Now, that is a fixed number. There won't be any more than the 207 or 208?

Mr. SKOPIC. That is correct. As a matter of fact, the number of those 208 plans that actually qualified for coverage is much less. I don't have the exact figures here, but we can supply them.

I would like to correct one figure. I gave you $131 million as the unfunded liability. That was the total liability. The unfunded liability is $77 million; the difference being made up by the value of plan assets.

Mr. SMITH. I see. Well, that is more like 9 or 10 percent.

SIZE OF PENSION PLANS

The average number now of participants in the plans that have not been terminated, do you have any figures on that?

Mr. SKOPIC. Plans that have not been terminated?

Mr. SMITH. In other words, in your risk category.

Mr. SKOPIC. We have some data on the plans that are paying premiums. This data is about a year old, but it wouldn't be significantly different now. Roughly three-quarters of the covered plans have 50 or fewer participants.

Mr. SMITH. Fifty or fewer. What percentage did you say?

Mr. SKOPIC. It's 72.5 percent of the plans with 50 or fewer participants.

SIZE OF TERMINATED PENSION PLANS

Mr. SMITH. Now, the ones that are terminating, are they almost all of them in this category?

Mr. SKOPIC. Yes; the average size of the plans terminated would be about 25 or 30 participants.

REASONS FOR TERMINATIONS

Mr. SMITH. Have you done any study on why they are terminated?

Mr. SKOPIC. We have an analysis that was completed last March, and that is available.

Mr. SMITH. Do you think it's still valid?

Mr. SKOPIC. I would say that it's probably a good indication of the current situation.

We intend to update that analysis because we are, as you are, concerned about the reasons for the terminations.

Mr. SMITH. And whether or not they are going to continue.

Mr. SKOPIC. Yes.

Mr. SMITH. Did you say you have a copy?

Mr. SKOPIC. We will be supplying copies, or I can leave this copy.

Mr. SMITH. I would like to see the copy. That is all I have, Mr. Chairman.

Mr. FLOOD. Mr. O'Brien?

QUALIFICATION FOR PENSION PLAN COVERAGE

Mr. O'BRIEN. How does a pension plan qualify? You mentioned there are some unqualified pension plans, and I guess you have some 90,000 qualified.

Mr. SKOPIC. Right. There are roughly 750,000 pension plans covered under ERISA. All but about 90,000 of those plans are so-called individual account plans. These would be a profit-sharing type of plan, or money purchase type plan where the pension arrangement is described in terms of moneys deposited to an individual participant's account. Their pension is stated in terms of whatever amount happens to be in that account at the time the individual retires.

Now, the plans covered under the termination insurance program are defined benefit plans. These are pension plans where the pension promise is stated in terms of a defined amount to be paid to a participant after a certain number of years of service, and reaching a certain age.

Frequently it's related to salary.

For example, the pension system covering all Federal workers is a defined benefit plan. That plan does not happen to be covered under this program, because it is a governmental plan. But, the plans for workers of most major companies are defined benefit type plans.

An example would be a pension plan providing $10 per month for each year of service. If a person covered under the plan reaches retirement eligibility age, which typically would be age 60 or 65, and if that person had worked 20 years under the plan they would get a $200 a month pension.

Regardless of what amount happens to be in the pension fund at the time they retire, they have a pension promise, a defined benefit promised to them. This corporation stands ready to guarantee that they are going to get that pension benefit, if for some reason the company's pension fund is not adequate.

Mr. O'BRIEN. Does the company elect to come under you, and you then take a look and to see if it qualifies?

Mr. SKOPIC. Nearly all defined benefit plans of private companies are automatically covered under the program. And they are required to pay premiums to the Corporation.

Mr. O'BRIEN. Thank you, Mr. Chairman.

NON-BASIC BENEFITS INSURANCE PROGRAM

Mr. FLOOD. What about that so-called, you call it "non-basic benefits insurance program" that's authorized by the act. When do you plan to establish such a program as that?

Mr. SKOPIC. At the present time we have no timetable for establishing that program. We feel our first priority is to make sure that the basic benefit program is working and that people are getting the pension benefits that are guaranteed by the corporation.

Our second priority is to get the contingent employer liability program in operation as the act intends. Finally, when we can see our way clear to getting to it, we will address the nonbasic benefits program.

NUMBER OF TRUSTEESHIPS

Mr. FLOOD. The corporation is currently the trustee for how many terminated plans?

Mr. SKOPIC. Currently we are trustee of 70 pension plans.

Mr. FLOOD. How many people are currently receiving benefit checks directly from you?

Mr. SKOPIC. There are approximately 2,900.

Mr. FLOOD. What will be the number by the end of fiscal year 1978?

Mr. SKOPIC. That estimate is in our budget.

Mr. SNEARER. Nine thousand.

Excuse me, 19,000.

ESTIMATED BENEFIT PAYMENTS

Mr. FLOOD. That's more like it. Why are your estimated benefit payments for 1977 so much lower than the original estimate? Why is that?

Mr. SNEARER. Well, a year ago we anticipated processing more insufficient plans and bringing a large number of participants into pay status. Therefore, if we would have brought them in last year we would have been paying the benefit payments throughout 1977. But because of the need for processing sufficient plans that had built up, we directed our resources towards processing those, and therefore, did not become the trustee for very many insufficient plans last year and assume these related benefit payment liabilities.

In other words, we just moved the timetable back a year.

Mr. SKOPIC. If I may amplify on that, when a pension plan intends to terminate we receive a notice, and we look into the situation. We obtain information regarding plan assets and whether the employer sponsor is continuing in business. Since we have this large number of pending termination cases, we try to insure that benefit payments are made while the case is being processed. Where there are plan assets being properly administered and where the plan is able to pay benefits, we authorize the plan administrator to continue paying benefits, but to reduce them, if necessary, to the maximum limits that are guaranteed under this program. Even though the figures don't show up in our budget, these benefit payments are beng made nevertheless.

ADVISORY COMMITTEE

Mr. FLOOD. By the way, how active is your advisory committee? What do they do?

Mr. SKOPIC. The advisory committee is very active. They meet at least, I would say, on the average of once a month. They advise us on matters of corporation policy, investment matters and practically every important aspect of operating the program. It's a very excellent group, very hard-working.

NUMBER OF COVERED PENSION PLANS

Mr. FLOOD. Tell us again, how many pension plans are covered by the corporation.

Mr. SKOPIC. There are approximately 90,000 covered pension plans.

NUMBER OF TERMINATIONS SINCE INCEPTION

Mr. FLOOD. How many of these have terminated since you started the operation?

Mr. SKOPIC. Initially we estimated there were over 100,000 covered pension plans, and there have been approximately 12,000 terminated as of the end of 1976.

Mr. FLOOD. How many have indicated they would terminate?

Mr. SKOPIC. That would be the same number. We only know about an intention to terminate when we receive a termination notice.

CASE BACKLOG

Mr. FLOOD. How big is your case backlog?

Mr. SKOPIC. The backlog now is a little over 4,000 plans.

Mr. FLOOD. Do you expect it to get worse before it gets better?

Mr. SKOPIC. No; we expect it to continue to improve.

I don't know if you recall the chart that we were discussing, but it shows that our case processing capability is continually increasing.

FUTURE OUTLOOK

Mr. FLOOD. Well now, do you foresee any serious problems arising in the operation of your outfit in the next several years? Is everything going pretty much as it should be or what?

Mr. SKOPIC. Well, we would like to see fewer plan terminations occurring, but as far as our operations are concerned we feel we have a solid base, that we are meeting the needs of the program and handling the problems as they come up, so we don't really foresee any major problems.

Mr. FLOOD. All right. Thank you very much.

Mr. SKOPIC. Thank you.

[The following questions were submitted for the record:]

MR. EARLY

Question. Mr. Skopic, can you determine the basic reasons for the large number of pension plan terminations, and if so, will you supply those reasons for the record?

Answer. I do not feel that we have sufficient data to make a definitive statement as to the reasons for the large number of plan terminations. We have conducted an analysis of 1975 plan terminations, and this analysis provides some insight into the reason for terminations. It indicates that the financial status of the sponsoring employer is the leading cause of termination but that nearly one-fourth of the terminations may be attributable, at least in part, to the requirements of ERISA. We are conducting an analysis of 1976 terminations, and this study, in conjunction with studies being conducted by the Department of Labor, should enable us to make better judgments on the causes of plan termination.

Question. Also, if those reasons can be determined, is it possible that those terminations could be circumvented or avoided by any act of the Federal Government within the framework of the 1974 act?

Answer. To the extent that terminations are due to the requirements of the act, it may be possible to avoid some terminations through legislative amendments or the manner in which the act is administered by the various agencies. For example, if the reporting or other requirements of the act impose excessive administrative costs and, as a result, cause plans to terminate, some of these terminations may be avoided through more limited requirements.

Question. Finally, Mr. Skopic, would you supply for the record, and please send a copy to my office, the amount of total liability of the corporation, the amount of unfunded liability, the number of terminated plans covered currently, and the number expected to be covered in fiscal 1978, the number of participants covered in those terminated plans and the total number of participants covered by the corporation, the number of plans currently covered and the estimated rate at which these plans have been terminated. It would be helpful to me to have these figures all together for comparison sake. Thank you.

Answer. a. The corporation's total estimated liability for guaranteed benefits as of September 30, 1976, was $131 million. The breakdown of the liability is as follows:

	Millions
Total liability	$131
Plan assets	54
Total unfunded liability	77
Estimated from employers	26
Total, net unfunded liability	51

b. The total unfunded liability is estimated as follows:

	Sept. 30, 1976 estimate	Fiscal year— 1977 estimate	Fiscal year— 1978 estimate
Assumed plans		$79,557,000	$168,603,000
Unprocessed plans	$77,000,000	91,774,000	48,068,000
Total, estimated unfunded liability	77,000,000	171,331,000	216,671,000

c. As of January 31, 1977 there were 14,401 termination notices filed. 1,623 of those were closed administratively because the plan either was not covered under the termination insurance program or a duplicate filing was made. That reduces the number of terminations to 12,778.

d. The corporation estimates that about 3,000 pension plans will terminate in fiscal year 1978.

e. We estimate that some 33 million participants in approximately 90,000 pension plans are covered by the Pension Benefit Guaranty Corp. under the provisions of ERISA.

f. For the past 12 months, the average rate of pension plan terminations has been 678 plans per month.

MR. ROYBAL

Question. Last year, you reported that plan terminations were running at a rate higher than anticipated. (Actual was about 700 per month.)

a. Has the rate of termination slowed down?

Answer. During the fiscal year ending September 30, 1976, and again during the first quarter of fiscal year 1977, plan administrators filed about 700 termination notices a month. During the month of January 1977, the monthly rate was about the same. However, this large number of plan terminations has impacted on a relatively small number of plan participants because most terminating plans are small. About one-tenth of the plans covered by PBGC have terminated, but these terminated plans account for less than one percent of the participants protected by the termination insurance program. Fortunately, a high percentage of these terminated plans had sufficient assets to meet guaranteed benefits.

b. Do you expect it to decline significantly in the foreseeable future?

We anticipate that the rate of plan terminations will decrease after the initial reaction to the act subsides. Studies are underway to determine reasons for plan terminations during the past year.

Question. Would you indicate why there is such a high level of terminations? We are told it is the cost and paperwork involved in maintaining the plan. Do you agree?

Answer. There appears to be some evidence that the requirements of ERISA generally, and the administrative requirements in particular, may have some

bearing on the number of terminations. Our analysis of terminations in 1975 indicates that the plans being terminated are primarily small plans—an average of about 25 participants. This analysis found that while the most prevalent reason for termination, as stated by the plan administrator, was the financial condition of the sponsoring employer, nearly one-fourth of the plans cited ERISA as a reason for termination.

We are conducting a similar study of 1976 terminations to determine, among other things, the causes of terminations. We should also note that the Department of Labor is conducting two studies related to your question: the impact of ERISA on plan terminations, and the impact of ERISA on the administrative costs of small plans. These two studies and our 1975 and 1976 studies should provide the type of empirical data necessary to determine the cause of terminations, and the impact of ERISA on plans and employers.

Question. You indicate there are plans to review the premium you charge. What type of increases or possible alternatives are you considering?

Answer. For the fourth year, the premium probably will continue to be based on the number of plan participants, but there may be some changes.

It appears that a premium rate increase will be required, but the size of the increase is not now known. PBGC is currently conducting a study to determine its premium requirements based on past and projected claims, the impact of economic condition on plan terminations, and the level of plan liabilities recoverable from the employer sponsoring the plan.

Question. You indicated last year that in spite of the high rate of terminations, it appeared that "a smaller percentage of terminating plans are insufficiently funded and those are smaller in terms of assets and particiapnts."

a. Were those initial indications borne out after you had time to analyze last year's flood of terminations?

Answer. Current data on the characteristics of plans which have been identified as insufficient show that insufficient terminated plans are larger than sufficient terminated plans. Based on a sample study, the average terminated single employer plan includes about 25 participants, with about half of the plans having 8 or fewer participants. The average size of all single employer insufficient plans identified thus far is about 140 participants, and about half these plans have 50 participants or fewer. Comparing this data with pre-ERISA termination data, which was the basis for our initial planning, we find that the average size of all terminated plans is about the same.

Question. On page 335 of last year's hearing, you stated: "The Corporation is trustee of 15 terminated plans. In these plans, the Corporation is responsible for paying approximately $250,000 per month in retirement benefits to some 1,700 participants." This year, your statement indicates you are trustee for 2,900 people with payments of $300,000.

a. How many plans are you now trustee for?

Answer. Through December 31, 1976, the PBGC had been appointed trustee for 70 terminated plans. These 70 plans cover 3,300 retirees and beneficiaries who are currently receiving monthly benefits totaling $382,500.

Question. Have you worked out projections for the next 3 to 5 years concerning the number of plans you are likely to be administering and the cost to you?

Answer. The Corporation is currently conducting a study of its experience in the 1974–76 period, as well as an analysis of the relationships between various economic factors and the likelihood of insufficient terminations, in order to assess the adequacy of its premium rates. The study will project the number of insufficient terminations for the next 5 years, and the expected claims against the Corporation resulting from them. The results of this study will be available in a few months.

According to the fiscal year 1977–78 budget, the Corporation is expected to be trustee of 525 insufficient plans by the end of fiscal year 1977, with a cost to PBGC (net liability incurred less employer liability) of $81.9 million. By the end of fiscal 1978, the Corporation is expected to be trustee of 868 insufficient plans with a cost to PBGC of $135.4 million. In addition, the Corporation is expected to be trustee of 800 and 1,400 sufficient plans by the end of 1977 and 1978, respectively, for which there is no net cost to PBGC.

Administrative expenses

According to the fiscal year 1977–78 budget, administrative expenses for the next 5 years are projected to be as follows:

	Million
1977	$20.5
1978	20.1
1979	21.6
1980	23.2
1981	25.0

Question. Can you meet these projections with your present funds?

Answer. It is unlikely that we can meet these projected costs. However, our premium study will estimate our benefit liabilities and our ability to meet them without a premium change.

Question. You also indicate that you pay 8,000 participants in terminated plans with insufficient funds a total of $900,000 in monthly benefits.

a. How does this compare to last year?

Answer. As of June 30, 1975 the PBGC was responsible for a total of $350,000 per month in benefits to 2,900 participants of terminated insufficient plans.

Question. Do you have any long-term projections as to the number of people you will be paying, the costs per month, and how you will finance it?

Answer. At this time we are unable to project the number of participants in insufficient plans whose benefits will be provided in whole or in part through funding arrangements made by the Corporation. The premium study we plan to complete this summer will be used to estimate the number of participants receiving benefits in the next 5 years. Our current budget estimates that 9,000 participants in terminated pension plans will receive $11,504,000 in benefits in fiscal year 1977 and that 19,000 participants will receive $24,071,000 in benefits from PGBC in fiscal year 1978.

Question. Would you insert in the record a comparative balance sheet for the past 2 years? Did you have a positive or negative cash flow in fiscal year 1976? Do you have any projections on your fiscal year 1977 cash flow?

Comparative Balance Sheet
Fiscal Years 1975 and 1976

	FY 1975 as of June 30, 1975	FY 1976 as of September 30, 1976
Assets:		
Fund balance with U.S. Treasury	$ -332,000	$ 403,000
U.S. Securities (PAR)	34,379,000	55,761,000
Accounts receivable	354,000	2,616,000
Accrued employers liability	--	47,000
Estimated employer liability--backlog of plans not yet computed	--	26,000,000
Equipment, net	74,000	709,000
Total Assets	$34,475,000	$85,536,000
Liabilities:		
Unearned premiums	$ --	$ 9,700,000
Accounts payable	1,901,000	559,000
Estimated unfunded benefit liability of unprocessed pension plans	--	77,000,000
Total Liabilities	$1,901,000	$87,259,000
Government Equity:		
Unexpended budget authority:		
Undelivered orders	$ 225,000	$ 524,000
Unobligated balance:		
Revolving fund	32,275,000	48,044,000
Authority to spend public debt receipts	-100,000,000	-100,000,000
Unused borrowing authority	100,000,000	100,000,000
Invested capital	74,000	50,291,000
Total Government Equity	$ 32,574,000	-$ 1,723,000

The Corporation experienced a positive cash flow in FY 1976. At the end of the Transition Quarter (September 30, 1976), cash and securities totaled $56,164,000. This was an increase of $22,117,000 over the June 30, 1975 cash and securities balance.

The Corporation estimates an increase of $13,609,000 in cash and securities bringing the fiscal year 1977 estimated total cash and securities to $69,773,000.

Question. What was your backlog of cases at the end of fiscal year 1975 and fiscal year 1976 and what is it at present?

Answer. The case backlog at the end of the fiscal year 1975 was 2,006 cases and 5,006 cases at the end of fiscal year 1976. As of the end of January 1977, the case backlog was 5,579.

Although the issuance of a notice of sufficiency is the basis for defining a "closed case", from a workload standpoint the issuance of an invitation to certify sufficiency is the stage at which most of the case processing work is completed in processing sufficient plans under current procedures.

As the lag between the issuance of a request for certification and the plan administrator's subsequent processing and return of the certification averages about 2 months, our processing backlog of sufficient cases gives a more optimistic picture than is first apparent when considering only the numbers in the backlog. At present about 50 percent of total plan termination cases have been closed as sufficient. Of the remaining 50 percent, 10 percent have been closed administratively.

Question. Will you ever cut the backlog?

Answer. We expect the backlog to decline in fiscal year 1977 however, a working inventory of cases will always exist.

MR. CONTE

Question. Would you explain to the committee the workings of your newly initiated program of multiemployer coverage?

Answer. Multiemployer defined benefit plans have been covered for premium purposes since the effective date of ERISA. However, benefits will not be guaranteed for terminations of multiemployer plans prior to January 1, 1978 except at the discretion of the PBGC.

Question. How do your premium rates encourage participation on the part of the smaller, less affluent employers?

Answer. Annual premium rates, which were initially set in section 4006(a)(3) of ERISA, 50 cents for each participant in a multiemployer plan and $1 for each participant in a plan which is not a multiemployer plan. Thus, the premium charge is directly proportional to the number of employees, and therefore, the smaller employer pays a smaller premium.

Question. Do you foresee any circumstances whereby PBGC could no longer remain self-sufficient?

Answer. Pursuant to section 4006(a)(1) PBGC is obligated to prescribe premium rates adequate to provide sufficient revenue to discharge its responsibilities under title IV. No departure from this would be possible without congressional action. We do not foresee any reasonable circumstances under which Congress is likely to take such action.

Question. What steps, if any, have you taken to advertise your services?

Answer. We have provided information to pension plan participants and administrators through 57 news releases during the past 2 years and 4 months. Representatives of the Corporation have participated in numerous meetings and conferences sponsored by PBGC or the pension community. PBGC representatives also have participated in news media conferences, and in radio and television productions which described the Corporation and its functions. In cases where a pension plan covered by title IV of ERISA is terminated, the Corporation sends each participant a letter describing the benefits guaranteed by PBGC. An individual retirement account booklet, which was prepared by PBGC, is also furnished each participant of a terminated plan.

Question. What circumstances would hinder an employer from subscribing to PBGC insurance plans?

Answer. The basic insurance program automatically covers most defined benefit plans, with the exception of certain types of plans, such as Government plans or excess benefit plans, set forth in section 4021(b) of ERISA. The contingent employer liability insurance and the nonbasic benefit insurance programs have not yet been developed.

Question. Do you know of any other groups in the public or private sectors which offer similar benefit insurance?

If so, how do their premium rates compare to PBGC's?

Answer. We know of no other groups in the public or private sectors which offer similar benefit insurance.

Question. Have you ever, for any reason, refused to take on any potential clients? If so, what are your reasons for doing so?

Answer. Coverage for payment of guaranteed benefits of single employer defined benefit plans terminating after September 2, 1974, is mandatory. Single employer defined benefit plans which terminated after June 30, 1974, and before September 2, 1974, were covered for payment of guaranteed benefits if certain conditions specified in section 4082(b) or ERISA were met. These conditions are that notice of the termination must have been filed with the Secretary of Labor not later than 10 days after September 2, 1974 (or, if reasonable cause was shown, not later than October 31, 1974) and that the PBGC find substantial evidence that the plan was terminated for a reasonable business purpose and not for the purpose of obtaining the payment of benefits by PBGC or the purpose of avoiding the employer liability which might be imposed if the plan terminated after September 2, 1974. Of 207 requests for coverage (some of which were duplicates), 190 were closed without coverage for the reason that one or more of the statutory conditions was not met (or because of the duplicate filing) and 17 are still awaiting determination by PBGC or court adjudication of coverage.

Coverage of multiemployer defined benefit plans as discussed above will be mandatory on January 1, 1978. Two multiemployer plans have applied for discretionary coverage. These requests are currently pending with the PBGC.

Question. In your budget plan you mention the revolving funds provided by the U.S. Treasury. Would you differentiate between basic and nonbasic benefits, and why you distinguish between multiemployers and nonmultiemployers?

Answer. The statute requires PBGC to maintain separate funds for each of the following: basic benefits—multiemployer plans, basic benefits—nonmultiemployer plans, nonbasic benefits—multiemployer plans, and nonbasic benefits—nonmultiemployer plans. The funds are supported by premium payments, collections of employer liability from the sponsors of terminated plans and investment earnings.

The benefits guaranteed under the basic insurance program include normal retirement benefits, early retirement benefits, disability benefits and benefits for survivors of deceased plan participants, subject to the limitations on amounts guaranteeable under section 4022 of ERISA. Nonbasic benefits include all other benefits provided in a plan, such as medical benefits, or basic type benefits in excess of the limits under section 4022.

ERISA distinguishes between "multiemployer plans," which is a term defined in section 414(f) of the Internal Revenue Code of 1954, as amended, and plans which are not "multiemployer plans."

Question. How does an interested party obtain the services of PBGC and what are the terms by which a multiemployer or nonmultiemployer pay for this kind of insurance?

Answer. Plans covered under the basic benefits insurance program are required to pay premiums to PBGC on an annual basis. Should a covered plan fail to pay its premiums, however, its participants are still covered by the basic insurance. As indicated above, the structures for the contingent employer liability insurance and the nonbasic benefits insurance programs have not been established. Therefore, for the latter two programs, the process by which an interested party can obtain coverage and the terms of payment of premiums have not yet been established.

Question. Since your Board of Directors is made of the Secretaries of Labor, Commerce, and Treasury do you find conflicting interests between the three Departments, and does theAdvisory Committee act independently of the Treasury Department when offering advice?

Answer. While the views of the various Departments have differed because of their separate responsibilities, they have worked closely together to resolve such differences. A spirit of cooperation has been evident in the workings of the Board of Directors.

The Advisory Committee is appointed by the President. While the Advisory Committee would certainly take into account the views of the three Departments, their advice has consistently reflected independence and the collective judgment of the Committee members.

Does the Treasury Department, as the trustee of your accessible funds, have any more influence over polcymakings?

The Treasury Department is not the trustee of PBGC's funds. The funds of PBGC are carried on the books of the Treasury Department, pursuant to section 4005(a) of ERISA. The investment of such funds is under the authority of PBGC, and not the Treasury Department. Section 4005(b)(3) of the act, provides that whenever PBGC determines that the moneys in any of the funds held by Treasury "are in excess of current needs, it may request the investment of such amounts as it determines advisable by the Secretary of Treasury in obligations issued or guaranteed by the United States." Thus, any influence that the Treasury Department has over policymaking would be exercised only through its role on the Board of Directors.

JUSTIFICATION OF THE BUDGET ESTIMATES

THE PENSION BENEFIT GUARANTY CORPORATION
FISCAL YEAR 1978 BUDGET PLAN

Matthew M. Lind
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January 17, 1977

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Financial Condition

	1976 Actual	Transition Period Actual	1977 Estimate	1978 Estimate
Assets				
Fund Balance with U.S. Treasury	$ 21,000	$ 403,000	$ 373,000	$ 630,000
U.S. Securities (PAR)	55,851,000	55,761,000	69,400,000	85,000,000
Accounts Receivable	...	2,616,000	853,000	853,000
Accrued Employer Liability	...	47,000	15,725,000	40,332,000
Estimated Employer Liability--Backlog of Plans Not Yet Computed	...	26,000,000	37,000,000	20,000,000
Equipment, Net	651,000	709,000	708,000	735,000
Total Assets	$56,523,000	$85,536,000	$124,059,000	$147,550,000
Liabilities				
Unearned Premiums	$...	$ 9,700,000	$ 9,700,000	$ 9,700,000
Accounts Payable	78,000	559,000	110,000	105,000
Accrued Unfunded Benefit Liability Payable--Assumed Plans	...	...	79,557,000	168,603,000
Estimated Net Unfunded Benefit Liability of Unprocessed Pension Plans	...	77,000,000	91,744,000	48,068,000
Total Liabilities	$78,000	$87,259,000	$181,111,000	$226,476,000
Government Equity				
Unexpended Budget Authority:				
Undelivered Orders	$ 811,000	$ 524,000	$ 559,000	$ 587,000
Unobligated Balance:				
Revolving Fund	54,983,000	48,044,000	60,257,000	76,091,000
Authority to Spend Public Debt Receipts	-100,000,000	-100,000,000	-100,000,000	-100,000,000
Unused Borrowing Authority	100,000,000	100,000,000	100,000,000	100,000,000
Invested Capital	651,000	-50,291,000	-117,868,000	-155,604,000
Total Government Equity	$56,445,000	-$1,723,000	-$57,052,000	-$78,926,000

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Statement of Revenue and Expense

Revenue	1976 Actual	Transition Period Actual	1977 Estimate	1978 Estimate
Premium Income	$28,801,000	$6,286,000	$28,520,000	$28,520,000
Employer Liability Collections	...	70,000	4,480,000	12,610,000
Accrued Employer Liability	...	47,000	15,725,000	24,607,000
Investment Income	3,287,000	1,398,000	4,213,000	4,787,000
Benefit Payment Reimbursements	...	1,716,000	6,661,000	13,937,000
Trustee Cost Reimbursements	...	46,000	386,000	781,000
Other Income	8,000	3,000	8,000	8,000
Total Income	$32,096,000	$9,566,000	$59,993,000	$85,250,000
Expenses				
Pension Benefit Payments	$ 932,000	$ 784,000	$11,504,000	$24,071,000
Accrued Unfunded Benefit Liability Payable--Assumed Plans	...	...	79,557,000	89,046,000
Estimated Net Unfunded Benefit Liability of Unprocessed Plans	...	27,000,000 1/	3,744,000	-26,676,000
Administrative Expenses	7,293,000	2,850,000	20,517,000	20,683,000
Total, Expenses	$8,225,000	$30,634,000	$115,322,000	$107,124,000
Net Operating Income, Total	$23,871,000	-$21,068,000	-$55,329,000	-$21,874,000
Retained Income				
Opening Balance	$32,574,000	$56,445,000	-$1,723,000	-$57,052,000
Adjustment for Unearned Income from Prior Year	...	-13,100,000	...	...
Losses on Insufficiency of Terminated Plans	...	-24,000,000 2/	...	...
Net Operating Income or Loss (-)	23,871,000	-21,068,000	-55,329,000	-21,874,000
Closing Balance	$56,445,000	-$1,723,000	-$57,052,000	-$78,926,000

1/ Represents estimated unfunded benefit liability of unprocessed pension plan termination cases received during FY 1976 and Transition Quarter

2/ Represents estimated unfunded benefit liability of unprocessed pension plan termination cases received during FY 1975

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Fund History

Fiscal Year	Spending Plan
1975	$16,262,000
1976	29,337,000
1976 Reapportionment	16,873,000
Transition Period	5,962,000
1977	32,055,000
1978	44,809,000

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Obligations by Object

	1977 Estimate	1978 Estimate	Change 1977/1978
Total number of positions	589	589	...
Positions other than permanent	...	...	...
Average number of all employees	519	571	+52
Personnel Compensation:			
Permanent positions	$8,966,000	$10,701,000	+$1,735,000
Positions other than permanent	...	...	...
Other personnel compensations	1,168,000	869,000	-299,000
11 Total personnel compensation	$10,134,000	$11,570,000	+$1,436,000
12 Personnel benefits	1,166,000	1,117,000	-49,000
21 Travel and transportation of persons	572,000	566,000	-6,000
22 Transportation of things	5,000	31,000	+26,000
23 Rents, communications and utilities	1,571,000	1,720,000	+149,000
24 Printing and reproduction	191,000	148,000	-43,000
25 Other services	6,695,000	5,037,000	-1,658,000
26 Supplies and materials	100,000	336,000	+236,000
31 Equipment	117,000	213,000	+96,000
42 Insurance claims and indemnities	11,504,000	24,071,000	+12,567,000
Total, obligations by object	$32,055,000	$44,809,000	+$12,754,000

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Amounts Available for Obligations

	1977 Estimate	1978 Estimate
Estimate	$32,055,000	$44,809,000
Total Available for Obligations	$32,055,000	$44,809,000

Obligations by Activity

	1977 Estimate		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Program Administration	589	$20,551,000	589	$20,738,000	...	+$ 187,000
2. Benefit Payments	...	11,504,000	...	24,071,000	...	+ 12,567,000
Total Obligations by Activity	589	$32,055,000	589	$44,809,000	...	$12,754,000

Explanation of Changes by Activity:

1. Program Administration: Increases are primarily due to a net of annualization of positions filled for part of 1977 and pay increase costs netted against decreases in permanent change of station costs and decreased contracting needs.

2. Benefit Payments: The increase is attributed to an increase of some 9,300 in the number of pension plan participants receiving benefit payments.

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PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Summary of Changes

	Pos.	Amount
1977 Estimate	589	$32,055,000
1978 Estimate	589	44,809,000
Total Change	...	+$12,754,000
Mandatory Items:		
Increases:		
Annualization of costs for positions unfilled for part of 1977	...	+$ 805,000
Pay increase costs effective October 10, 1976	...	+582,000
Increase in benefit payments in 1978	...	+12,576,000
Subtotal, increases	...	+13,963,000
Decreases:		
Non-recurring permanent change of station costs for new employees	...	-$ 136,000
Decrease in non-personnel services principally due to decreased contracting needs in 1978	...	-1,073,000
Subtotal, decreases	...	-$1,209,000
Total Change	...	+$12,754,000

THE PENSION BENEFIT GUARANTY CORPORATION
THE PENSION BENEFIT GUARANTY FUND

Activity 1: Program Administration (1977, $20,551,000, Pos. 571
1978, $20,738,000, Pos. 571

NARRATIVE DESCRIPTION OF PROGRAM

A. GENERAL PROVISIONS OF ENABLING LEGISLATION

The Pension Benefit Guaranty Corporation was established pursuant to the provisions of Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). Title IV establishes the Corporation as a self-financing wholly-owned Government corporation subject to the provisions of the Government Corporation Control Act (31 U.S.C. 846). The Act further states that receipts and disbursements of the Corporation shall be excluded from the totals of the United States Government budget.

The PBGC is governed by a Board of Directors consisting of the Secretary of Labor who is the Chairman, the Secretary of Commerce and the Secretary of the Treasury. To assist the Corporation in discharging its responsibilities, the Act provides for a 7-member Advisory Committee, appointed by the President, for staggered 3-year terms. The Committee is to advise the Corporation as to its policies and procedures relating to the appointment of trustees in termination proceedings, investment of moneys, plan liquidations, and other matters as requested by the Corporation. The Committee may have its own staff and is not subject to the Federal Advisory Committee Act.

To carry out its programs, the PBGC has the powers usually associated with a private corporation such as the power to sue and be sued, to adopt bylaws and a corporate seal, to acquire and dispose of real or personal property, and to enter into contracts. In addition, it has powers usually associated with a Government agency such as the power to prescribe regulations and to issue subpoenas.

B. PURPOSES TO BE SERVED BY THE CORPORATION

Its enabling legislation provides that the Corporation is to:

1. Encourage the continuation and maintenance of voluntary private pension plans for the benefit of plan participants.

2. Provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries under the pension plans covered by Title IV of the Act (ERISA).

3. Maintain its pension plan insurance premiums at the lowest level consistent with carrying out Corporation obligations under Title IV of the Act.

C. PBGC INSURANCE PROGRAMS

Title IV of ERISA mandates the establishment of two pension plan insurance programs and authorizes the establishment of a third. The first mandated program, the basic benefits insurance program, guarantees payment of all basic benefits under the terms of a covered private sector defined benefit pension plan should the plan terminate and not be able to provide these benefits. The guarantee is limited to the actuarial value at the time of termination of a monthly annuity commencing at age 65 equal to the lesser of $750 (as adjusted for changes in the cost of living per Section 230 of the Social Security Act) or 100% of a participant's high consecutive five-year monthly gross income. During calendar year 1977, the guaranteed level is $937.50.

The program currently covers non-multiemployer plans. The Corporation is not required to guarantee benefits of covered multiemployer plans which terminate prior to January 1, 1978 but may in its discretion do so under certain conditions if it determines that such payments will not jeopardize payment of guaranteed benefits of multiemployer plans terminated after December 31, 1977. There are over 90,000 non-multiemployer and multiemployer plans covered by Title IV and these plans have a total of over 30,000,000 participants. These participants are estimated to have guaranteed benefits of over $150 billion.

The second mandated program, the Contingent Employer Liability Insurance Program, would protect employers who maintain or contribute to a covered pension plan against the payment of employer liability imposed by ERISA (up to 30% of the employer's net worth) in the event assets of a terminating plan are insufficient to pay the plan's guaranteed benefits.

The third program, the non-basic benefits insurance program, to be established at PBGC's discretion, would insure plan benefits which fall outside the definition of basic benefits as stated in the published basic benefits regulation.

D. REVOLVING FUNDS

ERISA established four revolving funds on the books of the U.S. Treasury for use by the Corporation in carrying out its duties under Title IV of the Act. All receipts, payments, loans, assets, purchases, and recoveries involving PBGC responsibilities are to be debited or credited to the appropriate revolving funds. Brief descriptions of the four revolving funds follow.

1. One fund is to be used in connection with the basic benefits and contingent liability insurance programs related to non-multiemployer pension plans.

2. A second fund is to be used in connection with the basic benefits and contingent liability insurance programs related to multiemployer pension plans.

3. A third fund is to be used in connection with the non-basic benefits insurance programs related to non-multiemployer pension plans.

4. A fourth fund is to be used in connection with the non-basic benefits insurance programs related to multiemployer pension plans.

E. BORROWING AUTHORITY

The Corporation is authorized to borrow up to $100 million from the Unites States Treasury to carry out its Title IV responsibilities. Other than for a $100,000 loan made in September 1974 to cover initial operating costs (which was repaid in November 1974 with initial premium receipts), PBGC has found it unnecessary to exercise this authority. PBGC intends to manage its resources and structure its premiums so that PBGC programs are completely self-financing.

F. ACCOMPLISHMENTS TO DATE

1. General. Major strides have been taken by PBGC since the last budget submission to move the pension plan termination insurance program closer to full implementation. A milestone was reached in July 1976 when, for the first time since inception of the program, as many pension plan termination cases were closed (595) by PBGC as were opened. In FY 1976 and the transition quarter, 6,063 cases were closed, which were 84% more than projected in

the budget. This was accomplished through the expeditious processing of cases involving clearly sufficient plans, in the face of a significantly higher than anticipated inflow of cases (8,932 cases which is 3,849 cases or 76% more than projected in the prior budget plan). It is important to note that the clearly sufficient cases now being closed in increasing numbers require considerably less staff time per case than do the cases which remain in the backlog and will result in trusteeships. (Figure I on the following page depicts the experience to date and projection into the future of receipt of termination notices as compared to the projections upon which the last budget plan was based).

Though final valuations were not possible due to the lack of regulations to close cases involving trusteeship, PBGC took steps to ensure the continuation of guaranteed benefit payments to participants. These steps included having PBGC appointed trustee for 70 plans through December 31, 1976.

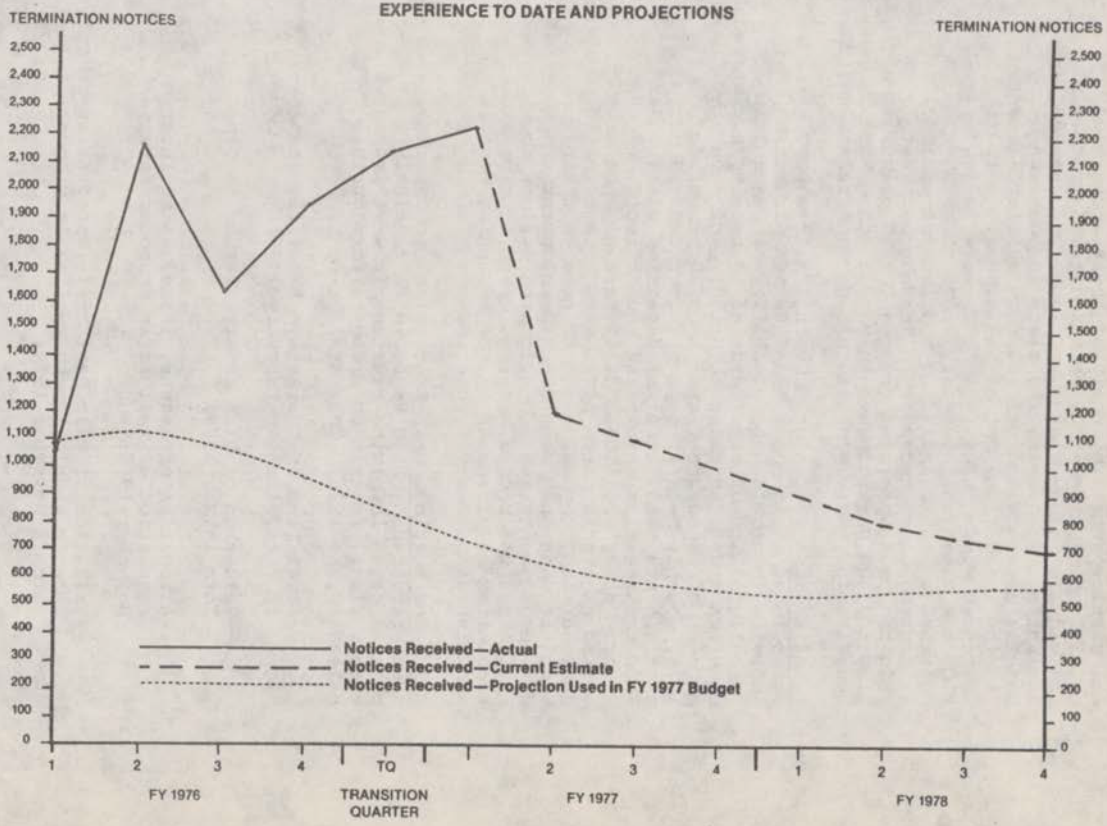
2. Processing Termination Cases. For termination cases where review of information in the notice of intent to terminate makes it clear that the plans have sufficient assets to satisfy guaranteed benefit obligations, PBGC has developed a procedure for plan administrators to certify certain information regarding the plan, which enables PBGC to issue a Notice of Sufficiency that permits them to distribute assets and close out the plans. This certification procedure had been used in 7,830 cases through December 1976, and 6,618 Notices of Sufficiency had resulted as of that date. It was primarily this expedited procedure which allowed PBGC to process large numbers of cases. Processing of cases which are not determined to be sufficient under these procedures will require substantial effort in completing necessary valuations and allocations as well as arranging for and operating trusteeships. These will involve a higher expenditure of PBGC staff effort.

   Another procedural improvement resulted from the September 1975 issuance of a regulation defining in more explicit terms the information to be submitted with a notice of intent to terminate.

3. Trusteeships. Even though there are many pending termination cases where plan assets are insufficient,

— FIGURE 1 —

TERMINATION NOTICES RECEIVED
EXPERIENCE TO DATE AND PROJECTIONS



all participants are receiving their guaranteed benefits or action is being taken to place eligible individuals in pay status. This is because PBGC has authorized terminating plans to continue benefit payments to retirees from available assets pending final close out of the plans. In those instances where benefit payments were in jeopardy, PBGC has taken the necessary steps to resume or continue payments including appointment of itself as trustee where necessary. Through December 1976, PBGC had been appointed trustee for 70 plans, involving almost 3,700 participants in pay status. Monthly benefits for these plans total approximately $400,000.

4. Benefits Administration. During FY 1976 PBGC established an in-house benefits administration activity to provide the capability of determining the eligibility of beneficiaries to receive guaranteed benefits and of ensuring the timely and accurate payment of those benefits. As of December 31, 1976, monthly benefit payments for almost 2,900 participants of 37 terminated pension plans under PBGC trusteeships were being made directly by PBGC. Records of an additional 3,300 participants with vested rights in these plans have been established by PBGC so that they may begin to receive their benefits when they come due. Development and design of mechanized and automated systems to facilitate the record keeping, check cutting and accounting requirements of the expanding benefit administration activity are under way.

5. Rules and Regulations. Regulations in five key areas required by PBGC to begin to routinely process cases involving trusteeship were issued in either final, interim or proposed form during calendar year 1976. They are:

--Limitation on Guaranteed Benefits, issued in final form in February 1976;

--Valuation of Plan Assets, issued in final form in May 1976;

--Allocation of Assets, issued as an interim regulation as well as in proposed form in November 1976; and

--Valuation of Plan Benefits, issued as an interim regulation as well as in proposed form in November 1976.

--Determination of Plan Sufficiency and Termination of Sufficient Plans, issued in proposed form in November 1976.

In addition to these, ten other rules or regulations in proposed or final form, were promulgated by PBGC in calendar year 1976.

6. Premium Declaration and Annual Report Form. The Corporation continued to concentrate on the simplification of this key form and procedure which constitutes its only blanket reporting requirement on the 90,000 covered plan universe. The one page form designed last year for use in submitting premium payments and for meeting annual report obligations has been further simplified. Also, the basis for determining the number of participants on which premiums are to be paid has been changed from an estimate of all participants who will be involved in a plan during the plan year, to the exact number of participants as of the last day preceding the plan year. Since premiums are to be paid within 30 days of the beginning of the plan year, the required participant count should be available to most plan administrators and the need for reconciliation eliminated, to the benefit of both the plan administrators and PBGC. Figure II on the following page is a copy of the premium declaration and annual report form in use since September 2, 1976.

7. Assets Management System. With advice from the Advisory Committee and its Investment Policy Panel, the Corporation devised and explained in its FY 1977 budget plan a strategy and system for managing in a commingled trust the assets of most terminating plans for which PBGC becomes trustee. That system has been implemented with the selection of a custodian bank and a number of investment management organizations. With this approach, the earnings on assets can be optimized and the trustee related costs minimized through economies of scale.

The investment management organizations, which are now under contract, have the responsibility to manage the assets assigned to their supervision in

Form **PBGC-1** (Rev. August 1976)

Pension Benefit Guaranty Corporation
P.O. Box 7119, Washington, D.C. 20044

If you need help in completing this form, telephone the PBGC at (202) 254-4793.

Premium and Annual Report Filing

For plan years beginning on or before September 1, 1977.

THIS FILING IS REQUIRED BY LAW (29 U.S.C. 1307, 1365). Premiums filed after the due date are subject to late payment interest and penalty charges. Payment of a premium by an uncovered plan does not result in insurance coverage for that plan.

Carefully read instructions before completing this form.

Approved OMB 184-R0001

FOR PBGC USE ONLY

FIGURE II

Plan Identifying Information
Lines 1-12 MUST be completed by all plans.

1 Name of Plan Sponsor (Type or Print)

Address (number and street or rural route)

City State Zip

(Place mailing label within this block)

2 Name of Plan Administrator (a) (Type or Print)

Address (number and street or rural route)

City State Zip

3 (a) Plan Sponsor's Employer Identification Number EIN (See page 4 of instructions.) (b) Plan Number PN

4 If the numbers in 3(a) or 3(b) are different than last filed with the PBGC, enter the numbers as **last** filed here. (a) EIN (b) PN

5 Coverage Status (Check one only) (See page 4 of instructions.)
- (a) ☐ Covered
- (b) ☐ Not Covered
- (c) ☐ Uncertain

If (b) or (c) checked, attach required statement. (See page 4 of instructions.)

6 Is this the first plan filing with PBGC? (See page 4 of instructions.)
- (a) ☐ Yes
- (b) ☐ No

7 Effective Date of Plan (See page 4 of instructions.) Mo. Day Year

8 Industry Code (See page 4 of instructions.)

9 Name of Plan

10 Name and telephone number of Plan contact (See page 4 of instructions.)

Name

Phone ( ) Area code

Filing Information

11 Plan Type—check appropriate box to indicate type of filing entity. (See page 5 of instructions.)
- (a) ☐ Multiemployer Plan Enter number of contributing employers
- (b) ☐ Single-Employer Plan or other non-multiemployer plan

If a group filing, attach required statement. (See page 5 of instructions)

12 Filing Purpose Check applicable box(es):
- (a) ☐ Premium
- (b) ☐ Reconciliation
- (c) ☐ Annual Report

Premium

13 This premium filing is for **plan year commencing** ___/___/___ mo. day year **and ending** ___/___/___ mo. day year

● *Check here* ☐ *if the plan year has changed since last filing with PBGC.* (See page 5 of instructions.)

14 Enter participant count for the plan year specified in line 13 (See page 5 of instructions.) ▶ 14

IMPORTANT ▶ *Check here* ☐ *if the count in line 14 is not the year-end actual count for the preceding year.*

Pay amount on line 15 in full with this filing ▼

15 Multiply line 14 by premium rate ($.50, Multiemployer Plans; $1.00, Other Plans) and enter **PREMIUM AMOUNT DUE PBGC** ▶ 15

Premium Reconciliation

● **Lines 16 and 17 are provided for reconciling up to two prior year estimates.** (See page 6 of instructions.)

16 For prior **plan year commencing** ___/___/___ mo. day year, enter actual participant count ▶ 16

17 For prior **plan year commencing** ___/___/___ mo. day year, enter actual participant count ▶ 17

PBGC will determine whether the reconciliation results in an amount due the Plan or the PBGC.

Annual Report

18 Did one or more of the reportable events or other events requiring notice to PBGC occur during the prior **plan year commencing** ___/___/___ mo. day year? ☐ Yes ☐ No (See page 7 of instructions)

● **If you checked "Yes" on line 18, you MUST complete Schedule A (on reverse side) for your Annual Report.**

Declaration

19 Under applicable penalties of federal law (18 U.S.C. 1001), I declare that this declaration and/or annual report, including accompanying attachments, is submitted in good faith, is factually correct, is based on the best available information and is in accordance with applicable regulations and policies of the PBGC.

Check for $ _____ is attached. Make check or money order payable to Pension Benefit Guaranty Corporation.

Name of Plan Administrator(s) (Type or Print)	Date	Signature of Plan Administrator(s)

Declaration must be completed and signed. (See page 7 of instructions.)

SCHEDULE A. ANNUAL REPORT

*** Completion of Schedule A does not replace any of the specific reporting requirements under ERISA Sections 4043(b), 4062(e), and 4063(a), but it does satisfy the reporting requirement under ERISA Section 4065.**

1 Enter the District Office of the Internal Revenue Service having current jurisdiction with respect to the plan.

City _____ State _____

Part I. Reportable Events (ERISA Section 4043(b))

2 Indicate with a check mark in the box at the right any reportable event(s) experienced during the plan year.

(a) Notification by the Secretary of the Treasury that the plan has ceased to be a plan as described in Section 4021(a)(2) of ERISA or a determination by the Secretary of Labor of noncompliance with Title I of ERISA ☐

(b) An amendment which may cause the benefit payable to any participant to be decreased ☐

(c) A decrease in active participants to the extent specified in the instructions ☐

(d) A determination by the Secretary of the Treasury that there has been a termination or partial termination of the plan within the meaning of Section 411(d)(3) of the Internal Revenue Code of 1954 ☐

(e) Failure to meet minimum funding standards ☐

(f) An inability to pay benefits ☐

(g) A distribution to a Substantial Owner ☐

(h) A plan merger, consolidation or transference of assets or liabilities ☐

Part II. Other Required Notifications (ERISA Sections 4062(e) and 4063(a))

3 Indicate in the box at the right if the plan experienced:

(a) A closing of a substantial facility ☐

(b) A withdrawal of a substantial employer ☐

accordance with mutually agreed upon goals and objectives. Three money managers were selected: a fixed income manager and two equity managers. One of the equity managers concentrates on growth issues only. This diversification is for the purpose of assuring that PBGC will decrease its vulnerability at any given time to market influences affecting various types of investments differently. As assets accumulate over time, the Corporation will consider adding additional money managers.

An additional element of the investment management system is the custodian bank. This bank, operating under contract to PBGC, acts as the central depository for the assets of terminated pension plans for which PBGC becomes trustee. In addition, the custodian bank is vested with the responsibility of assisting the Corporation in the ongoing management and/or liquidation of such nonmarketable assets that may accrue to PBGC. As assets accumulate over time, the Corporation may add an additional custodian bank.

Through December 1976, there were over $12 million in assets being managed under this system.

The final elements of this system provide for the use of a performance measurement organization and a transaction audit organization. These organizations, to be chosen from the private sector, will be under contract to assist the Corporation staff in measuring the above system's performance relative to the performance of other pools of assets with like risk criteria and size, and the review of transactions as reported by the custodian bank, money managers and broker dealers for accuracy and timing.

8. ADP Systems Development. During the past year, PBGC implemented an on-line premium processing system which permits interactive communications with the master history file of some 90,000 covered pension plans. This system has speeded the premium processing effort and increased the accuracy of data entry into the file. It is now being further developed to produce statements of overpayment, underpayment, late payment charges, etc.

An interim benefit payroll system was also established to generate benefit checks for participants of pension plans under PBGC trusteeship. Development of a more sophisticated benefit payment system is well under way.

Substantial effort has also been devoted to the development and partial implementation of a termination case tracking system to capture information and characteristics concerning terminating pension plans.

9. Administrative Accomplishments

a. Staffing. During calendar 1976, PBGC increased its staffing by 36% from 293 people to 398.

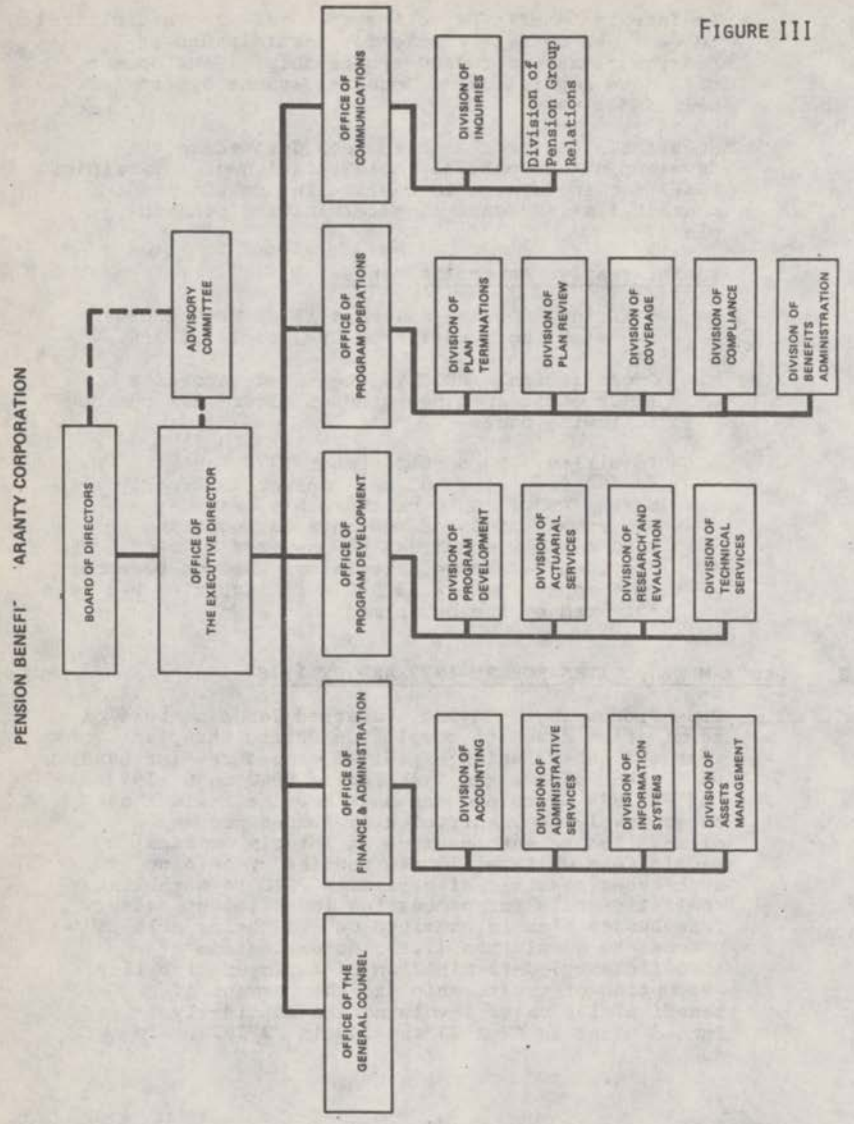
b. Organization. PBGC is organized into five major offices as depicted on Figure III on the following page.

c. Inquiries. Through December 1976, about 62,000 inquiries had been answered directly by the PBGC. On a reimbursable basis, the Department of Labor responds to inquiries on PBGC matters which can be answered by PBGC provided reference materials. Through December 1976 approximately 43,000 such inquiries had been answered by the Department.

G. PROGRAM OBJECTIVES FOR FY 1977 AND FY 1978

1. Case Processing. Having processed large numbers of termination cases to completion during the past year and a half using expedited procedures for handling sufficient plans, the task facing PBGC in FY 1977 and FY 1978 is to process on a routine basis those cases involving insufficiently funded pension plans. The recent issuance of interim or final regulations which will make routine processing of such cases possible also permits PBGC to establish realistic goals for processing insufficient cases. This budget plan is premised on PBGC being able to process to completion (i.e., determination of insufficiency, determination of employer liability, assumption of trusteeship and the payment of benefits) 190 cases involving insufficiently funded plans in FY 1977 and 343 in FY 1978. In

FIGURE III


PENSION BENEFI 'ARANTY CORPORATION
BOARD OF DIRECTORS
ADVISORY COMMITTEE
OFFICE OF THE EXECUTIVE DIRECTOR
OFFICE OF COMMUNICATIONS
DIVISION OF INQUIRIES
Division of Pension Group Relations
OFFICE OF PROGRAM OPERATIONS
DIVISION OF PLAN TERMINATIONS
DIVISION OF PLAN REVIEW
DIVISION OF COVERAGE
DIVISION OF COMPLIANCE
DIVISION OF BENEFITS ADMINISTRATION
OFFICE OF PROGRAM DEVELOPMENT
DIVISION OF PROGRAM DEVELOPMENT
DIVISION OF ACTUARIAL SERVICES
DIVISION OF RESEARCH AND EVALUATION
DIVISION OF TECHNICAL SERVICES
OFFICE OF FINANCE & ADMINISTRATION
DIVISION OF ACCOUNTING
DIVISION OF ADMINISTRATIVE SERVICES
DIVISION OF INFORMATION SYSTEMS
DIVISION OF ASSETS MANAGEMENT
OFFICE OF THE GENERAL COUNSEL

addition, PBGC expects to assume trusteeship of about 300 other plans in FY 1977 and about 600 in FY 1978. These plans are unable to provide guaranteed benefits for one reason or another and thus require PBGC involvement.

2. Contingent Employer Liability Insurance. The development of an insurance program to protect employers against liability for unfunded guaranteed benefits in terminated plans will be a priority activity during the next year. This effort will involve the resolution of various legal and policy issues underlying the determination of the mandatory or voluntary nature of the program, levels of coverage to be made available, terms and conditions of the insurance, and the basis for premium rates. Activity will also include an effort to develop reliable estimates of the basic cost of operating the program and an appropriate system of premium rates.

   Discussions concerning program objectives and requirements will continue with employer and employee representatives, pension consultants, and accounting and actuarial firms. In addition, contact with private insurers will continue in an effort to determine their financial capability and future involvement in the program.

3. Multiemployer Plans. Beginning on January 1, 1978, PBGC guarantees will extend to multiemployer plans otherwise covered by Title IV. Before that date PBGC may, in its discretion, pay guaranteed benefits to participants of terminating multiemployer plans if such plans are at least five years old, and PBGC determines that such payments will not jeopardize payments for multiemployer plans terminating after December 31, 1977.

   The exercise of these discretionary powers is being strongly considered for four plans at this time and a study has been undertaken to provide a basis for projecting the frequency of termination of multiemployer plans and the characteristics of such plans. This budget includes workload and liability projections based on information available

at this time but may require adjustment at a future date as more information on multiemployer plans becomes available.

4. Benefits Administration. Three developments over the past year have improved PBGC's ability to project in this area: (1) improved ability to project the caseload and the characteristics of typical terminating plans due to the build up of a case "data base"; (2) a concentrated effort to define and plan the benefits administration activity; and (3) the initiation of benefit payments directly from PBGC to participants of plans under PBGC trusteeship. As trusteeships increase, the benefits administration workload will grow. By the end of FY 1977 an estimated 9,000 participants will be receiving monthly benefit checks from PBGC. This number should grow to almost 19,000 by the end of FY 1978.

   Development of a multi-faceted benefit payment and master beneficiary record ADP system is progressing on a priority basis to permit efficient use of the staff and other resources assigned to this function.

5. Trusteeships. The proportion of plan terminations for which the PBGC will be unable to issue a determination that plan assets are sufficient to cover guaranteed benefits is expected to increase as the provisions of Titles I and II become effective. Prior to the effective dates of these titles, upon termination most small plans funded by means of individual insurance policies vested active participants in cash values rather than in defined benefits. Such plans were by definition sufficient. Under Titles I and II, most such plans will now have to vest participants in defined benefits guaranteed by PBGC. As a result, PBGC expects that future terminations of such plans will give rise to an increased proportion of insufficiencies and a corresponding increase in PBGC trusteeships.

   Moreover, the Act requires that, as a condition of sufficiency at termination, benefits that are payable as an annuity under the plan must be made available to participants as an annuity. Currently, appropriate annuities are not readily available in the private market, especially for small plans.

Consequently, PBGC must become trustee in order to provide the required annuity. As the number of small plans which vest participants in defined benefits as opposed to cash values increases, the number of PBGC trusteeships resulting from an inability to purchase such benefits privately may also increase.

6. Pension Trust Funding. In both the FY 1977 and FY 1978 budgets, the "Benefit Payments" program contains an estimate of: (a) the amount of benefit payments the Corporation expects to pay; and (b) the reimbursements from the trust accounts for that portion of those benefits funded by plan assets and employer liability collections. Pending a final decision by the Board of Directors concerning the investment policies and transfer of premiums to fund the trust, PBGC will retain premium revenues in the revolving fund and retain plan assets of trusteed plans in the trust fund.

H. BASIS FOR THE FY 1978 BUDGET

1. Termination Notices. PBGC believes that the peak level of notices of intent to terminate has been reached and that there will be a steady decline until the quarterly rate of receipt levels off at 600 notices in the second quarter of FY 1979. The budget plan submitted by PBGC in January 1976 was based on the receipt of 5,083 notices of intent to terminate during FY 1976 and the transition quarter. In fact, 8,932 (or 76% more than projected) were received. The projected totals for FY 1977 and FY 1978 were 2,533 and 2,243 respectively. This budget plan was based on a revised projection of 4,680 notices in FY 1977 (up 85% from the previous projection) and 3,150 in FY 1978 (up 40%). The FY 1977 estimate will have to be re-evaluated based on the fact that almost half of the projection for the year was reached in the first quarter. The longer range projection remains essentially unchanged and is 2,400 notices annually. The following table indicates the anticipated quarterly level of receipt of notices by PBGC:

Year	Quarter	Notices Received
FY 1977	2	1,200
	3	1,100
	4	1,000

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FY 1978	1	900
	2	800
	3	750
	4	700
FY 1979	1	650
	2	600

(NOTE: Beginning in the second quarter, FY 1979, the projected level of notices is 600 per quarter.)

Figure 1 on page 11 depicts the quarterly receipt of termination notices from inception of the program through the first quarter of FY 1977 as well as quarterly projections through FY 1978. These figures are contrasted to the estimates upon which the budget plan submitted last January was premised.

2. Categorization of Cases. Cases received by PBGC fall into one of three types:

a. Administrative closings - these involve pension plans which, for one reason or another, are not subject to the provisions of Title IV of ERISA (e.g., a profit sharing plan), or for which a case should not have been opened (e.g., a duplicate filing).

b. Notices of Sufficiency - these cases pertain to covered pension plans most of which can be processed under the expedited procedures whereby the plan administrator certifies certain information regarding the plan which enables PBGC to issue a Notice of Sufficiency that permits the plan administrator to close out the plan.

c. Trusteeship - these are cases pertaining to plans in which PBGC is unable to determine sufficiency and which ultimately result in trusteeship. These cases fall into one of two sub-categories:

(1) Plan assets insufficient - these are cases involving plans where the assets are insufficient to pay guaranteed benefits.

(2) Plan assets sufficient - these are cases where the plan is unable to provide guaranteed benefits but where PBGC is able to satisfy such benefit obligations with plan assets.

The following table indicates the estimated breakdown of cases projected to be received in FY 1977 and FY 1978:

	Estimated Cases Openings FY 1977		Estimated Case Openings FY 1978	
	No.	%	No.	%
1. Administrative Closings	368	8%	146	5%
2. Notices of Sufficiency	3,669	78.2%	2,534	80.1%
3. Trusteeships				
a. Plan assets sufficient	429	9.2%	298	9.4%
b. Plan assets insufficient	214	4.6%	172	5.5%
TOTALS	4,680	100%	3,150	100%

These projections pertain to non-multiemployer pension plans only, and do not reflect the termination of multiemployer plans. Currently applications are being considered from four terminating multiemployer plans requesting that PBGC exercise its discretionary authority and guarantee their benefits. There are approximately $35 million in unfunded liabilities associated with these four plans, which are added to the expected total of unfunded liability associated with the terminating insufficient non-multiemployer plans in FY 1977. For FY 1978, an additional $10 million in unfunded liability pertaining to multiemployer plans is added to the unfunded liability of non-multiemployer plans.

3. Characteristics of Terminating Plans. A recent review and analysis of terminating plans whose notices of intent to terminate are currently being processed by PBGC, provided the basis for the following assumptions:

		Insufficient	Sufficient
a.	Total participants	100	25
	(1) Pay status participants	(20)	(3)
	(2) Deferred vested participants	(45)	(10)
	(3) Ineligible participants	(35)	(12)
b.	Average monthly benefit payment	$150	$125
c.	Benefit liabilities	$500,000	$100,000
	(1) Amount funded by plan assets	$240,000	$100,000
	(2) Amount of unfunded liability	$260,000	none
	(a) Amount of unfunded liability recoverable from employers	$104,000	none due
	(b) PBGC net liability	$156,000	none

I. FINANCIAL SUMMARY

This budget is based on the assumption that pension benefits will be paid out of the PBGC revolving fund which will then be reimbursed by the PBGC trust fund for that portion of the liability attributable to the trust fund.

A policy decision is currently pending which could change this approach to one in which the PBGC trust fund pays all pension benefits. The proposal under consideration would call for the PBGC revolving fund to transfer money to the PBGC trust fund in order to fund the unfunded portion of the trust fund's liability. The impact would be that more budget authority would be required to transfer sufficient money from the PBGC revolving fund to meet this liability. Until that policy issue is resolved, PBGC's budget will be based upon the approach described below:

1. Revenue

   a. Insurance Premium Income (line 1). The principal source of revenue flows from the collection of mandatory annual premiums assessed the ongoing covered plans, based on the number of their participants. The Corporation is required to prescribe insurance premium rates and coverage schedules for their application as necessary to provide sufficient revenue to carry out its

Title IV functions including the payment of guaranteed benefits and administrative expenses.

ERISA established the premium rate for PBGC's basic insurance program for the first full year following enactment at $0.50 per participant for multiemployer plans and at $1.00 per participant for the non-multiemployer plans. The same rates were applied during the second full plan year following enactment and are being extended into the third full plan year. Premium payments are expected to provide $28,520,000 in FY 1977 and FY 1978.

The contingent employer liability insurance and non-basic benefits insurance programs are not yet in force, and therefore no premium revenue has been received.

b. Employer Liability Collections (line 2). An employer sponsoring a covered pension plan which terminates with insufficient assets to pay benefits guaranteed by PBGC is liable to the PBGC for the amount of the insufficiency, up to 30 percent of the employer's net worth. It is estimated that, on the average, $104,000 will be recovered from the sponsor of each insufficiently funded non-multiemployer terminating pension plan. $12,610,000 is expected from this source in FY 1978. For the purpose of this budget it is calculated that, on the average, employers will repay PBGC over a five year period at 7% interest per annum.

c. Accrued Employer Liability (line 3). This line represents the $24,607,000 accrued unpaid portion of the unfunded liability which will ultimately be recovered from employers sponsoring insufficiently funded plans terminating during FY 1978.

d. Investment Income (line 4). Whenever the Corporation determines that its revolving fund balances are in excess of current needs, it may, as it determines advisable, request the investment of such amounts by the Secretary of

Treasury in obligations issued or guaranteed by the United States. $4,787,000 in income is projected from this source during FY 1978 based on an assumed 7% annual rate of return.

e. Benefit Payment Reimbursements (line 5). This $13,937,000 represents the payment to the PBGC revolving fund from the PBGC trust fund of that portion of the benefit payments made which are attributable to the trust fund.

f. Trustee Cost Reimbursements (line 6). This $781,000 is payment to the PBGC revolving fund from the trust fund of an amount which represents administrative costs incurred by PBGC in carrying out trustee duties in behalf of the PBGC trust fund.

g. Other Income (line 7). This $8,000 represents collections of fees under the Freedom of Information Act, and similar collections for services provided by PBGC.

2. Expenses

a. Pension Benefit Payments (line 8). An estimated $24,071,000 in benefit payments will be made by PBGC during FY 1978. This figure is based on the assumption that the cumulative build-up of pay status participants in insufficiently funded plans whose benefits are guaranteed by PBGC will total almost 19,000 by the end of FY 1978. Each participant is expected to draw an average monthly benefit of between $125 and $150. A more detailed explanation of the benefit payments activity is contained under Activity 2: Benefit Payments.

b. Accrued Unfunded Liability Payable--Assumed Plans (line 9). The unfunded liability was computed based on an estimated closing of 343 insufficiently funded non-multiemployer pension plans terminated in fiscal year 1978. An average insufficiency of $260,000 per plan is estimated, plus an estimated $10,000,000 in unfunded liability associated with terminating multiemployer plans. The $89,046,000 is net of benefit payments made during the year.

c. Estimated Net Unfunded Benefit Liability of Unprocessed Plans (line 10). This -$26,676,000 represents unfunded liability associated with the end of year backlog of unprocessed pension plans.

d. Administrative Expenses (line 11). The $20,683,000 in FY 1978 represents estimated expenses based on 571 ceiling positions and other expenses necessary to administer PBGC programs.

3. Retained Income (lines 12-15). These represent the consolidated financial position of the PBGC at the end of each fiscal year. The -$78,926,000 closing balance in FY 1978 is due primarily to the large accrued unfunded benefit liability payable (line 9). The nature of the program is such that there will be large benefit liabilities. Such liabilities do not present an immediate problem since benefit obligations will be discharged over a number of years.

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Program Purpose and Accomplishments

Activity 1: Program Administration (Employee Retirement Income Security Act of 1974, Title IV)

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
571	$20,551,000	Indefinite	571	$20,738,000

Purpose: The Pension Benefit Guaranty Corporation (PBGC) is established under the provisions of Title IV of the Employee Retirement Income Security Act to administer insurance programs to prevent the loss by participants of pension benefits if covered plans terminate without sufficient assets to pay guaranteed benefits. It also administers a portability assistance program to provide advice and assistance to individuals on establishing tax-qualified individual retirement accounts and on transferring amounts from qualified pension plans to such accounts.

Explanation: The PBGC is directed to establish two insurance programs and authorized to establish a third. The first is a program to guarantee "basic" retirement benefits (up to $750 per month, with this amount automatically adjusted after enactment for changes in the Social Security Act contribution and benefit base) if an insured plan terminates with insufficient assets to pay guaranteed benefits. During calendar year 1977, the guaranteed level is $937.50. The second is a program to insure employers against possible payment of a financial liability imposed by the Act if their insured plan terminates with insufficient assets to pay the guaranteed "basic" benefits. The third, the content and timing of which are left to the PBGC's discretion, is a program to insure other classes of benefits (non-basic benefits) in the event that an insured pension plan terminates.

The PBGC is entirely self-financing and its budget is not included in the totals of the U.S. Budget. It is, however, subject to the Government Corporation Control Act. Its main sources of revenue are the insurance premiums it collects, recoveries from employers for liabilities imposed by the Act, and earnings on investments. The PBGC is authorized to borrow up to $100 million from the U.S. Treasury at prevailing interest rates.

Accomplishments in 1977: Through the first quarter of FY 1977, PBGC had become trustee of 70 pension plans thus ensuring the continuation of benefits payments to approximately 3,700 pay status participants who receive almost $400,000 per month. Of those, almost 2,900 pay status participants in 37 plans are receiving benefit checks directly from PBGC under the recently established benefits administration function. Through the first three months of FY 1977, PBGC has closed approximately 1,800 termination cases, 6% of which were closed administratively, and the remainder closed under a procedure developed whereby, in cases where plan assets were clearly sufficient, a certification of certain information regarding the plan by the plan administrator enabled PBGC to issue a Notice of Sufficiency so that the plan could be wound up. To date in FY 1977, interim and proposed final regulations have been issued concerning allocation of terminating plan assets and valuation of plan benefits as well as a proposed regulation concerning the determination of plan sufficiency and termination of sufficient plans. These move PBGC closer to the ability to routinely process cases involving insufficiently funded plans.

Objectives for 1978: PBGC objectives for FY 1978 include the continued routine processing of termination cases involving funding insufficiency, the maintenance of a benefit payments system which ensures the timely payment of benefits to covered participants, and the initiation of coverage for multiemployer plans on January 1, 1978.

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Activity 2: Benefit Payments (1977, $11,504,000, Pos. ...;
1978, $24,071,000, Pos. ...)

NARRATIVE DESCRIPTION OF PROGRAM

A. BASIC BENEFITS INSURANCE PROGRAM

1. Limits of Coverage. Effective upon enactment and subject to the limitations of payment described below, PBGC was required to establish an insurance program to guarantee payment of all "basic" benefits under the terms of a covered plan if the plan should terminate without sufficient assets to meet that obligation. Under this insurance program, PBGC guarantees the payment of the plan's basic benefits up to a maximum amount equal to the lesser of 100% of a plan participant's average consecutive high five-year earnings or $750 per month as adjusted for changes in the Social Security Act contribution and benefit base. The current guaranteed monthly benefit is $937.50. Subject to this limit a benefit increase resulting from adoption or amendment of a plan is fully guaranteed if it has been in the plan for five or more years prior to the plan's termination date. Benefits which have been in force less than five years prior to a plan's termination are partially covered, depending on years in force. This "phase in" is accelerated for small benefit increases.

PBGC is not required to pay benefits to covered multiemployer pension plans which terminate prior to January 1, 1978, unless the PBGC determines that such payments will not jeopardize its payment of like benefits after December 31, 1977. A multiemployer plan must have been maintained for the 60 months immediately preceding its date of termination in order to apply for insurance program coverage before January 1, 1978.

2. Plan Terminations. The decision as to whether or not to terminate a plan ordinarily is left to the plan administrator, but if he decides to terminate he must give the PBGC written notice at least 10 days in advance of the proposed termination date. The PBGC has 90 days to determine if the plan assets are sufficient to pay basic

guaranteed benefits (unless the 90 day period is extended). If the plan assets are sufficient, the plan administrator will normally wind up the plan.

If the plan assets are not found to be sufficient, or if sufficiency cannot be determined within the 90 day period, a trustee will be appointed to wind up the plan. The trustee may be the plan administrator, the PBGC, or a third party. The appointment of a trustee will ordinarily be by agreement between the plan administrator and the PLGC, but if there is disagreement, the appointment will be made by a U.S. District Court. The trustee is responsible for winding up the plan, and the PBGC has a liability to the plan to pay amounts necessary to provide the basic guaranteed benefits. The amount of the PBGC's liability to the plan gives rise to an equal liability on the employer or employers sponsoring the terminated plan, so long as the liability does not exceed 30 percent of the employer's net worth, calculated as of a date up to 120 days prior to the date of plan termination. To assist in collecting this liability, the PBGC has a lien against the employer equal in standing to a tax lien.

3. Withdrawals or Closings. There is also provision for a liability to be assessed by the PBGC if a substantial employer (10 percent or greater contributor) withdraws from a plan to which more than one employer contributes or if an employer ceases operation at a facility and more than 20 percent of the participants in the plan are dropped from employment. To satisfy this liability, the employer must pay the assessed amount to the PBGC to be held in escrow, or post a bond for up to 150 percent of the amount, or make other arrangements agreeable to the PBGC. If the pension plan in question does not terminate within five years, the liability is abated, the escrowed amounts are returned or the bond canceled.

4. Reportable Events. There is also a requirement in the Act that plan administrators notify the PBGC within 30 days after they learn of the occurrence of certain "reportable events." These are events such as the plan or associated trust losing its tax qualification, a cut in plan benefits, a large drop in plan participants, inability to pay benefits when due, distribution of plan assets above a certain amount and under certain circumstances, or "other events" which the PBGC requires to be reported.

If, after reviewing these events, or at any time, the PBGC determines that its liability to the plan "may reasonably be expected to increase unreasonably," or if the plan is unable to pay benefits, or if it fails to meet the funding requirements of the Act, the PBGC may seek to terminate the plan. To do so, the PBGC must obtain a court decree ordering that the plan be terminated, and the court appoints a trustee, which may be the PBGC, to carry out the termination. In other respects, the termination is handled like a termination described above where plan assets are not found to be sufficient, and the PBGC's liability, if any, is assessed against the employer or employers sponsoring the plan.

B. ESTIMATED BENEFIT PAYMENT AMOUNTS

By the end of FY 1977, it is estimated that there will be almost 9,000 pay status participants in pension plans for which PBGC is trustee, with an additional 13,000 participants with vested rights but not yet in pay status associated with those plans. In FY 1978 the totals will grow to almost 19,000 participants in pay status and almost 36,000 with deferred vested rights. The average monthly benefit payment will be between $125 and $150, and the total benefits paid will be $11,504,000 in FY 1977 and $24,071,000 in FY 1978.

This budget is based on the assumption that pension benefits will be paid out of the PBGC revolving fund which will then be reimbursed by the PBGC trust fund for that portion of the liability attributable to the trust fund ($6,661,000 in FY 1977 and $13,937,000 in FY 1978). A policy decision is currently pending which could change this approach to one in which the PBGC trust fund pays all pension benefits. The proposal under consideration would call for the PBGC revolving fund to transfer money to the PBGC trust fund in order to fund the unfunded portion of the trust fund's liability.

PENSION BENEFIT GUARANTY CORPORATION
PENSION BENEFIT GUARANTY FUND

Program Purpose and Accomplishments

Activity 2: Benefit Payments (Employee Retirement Income Security Act of 1974, Title IV)

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
...	$11,504,000	Indefinite	...	$24,071,000

Purpose: Benefit payments will be made so that plan participants and beneficiaries do not lose guaranteed pension benefits, within defined limits, when covered plans terminate without sufficient assets.

Explanation: When it becomes trustee of a terminating pension plan, PBGC will establish and maintain the benefit payment roll of all participants eligible for immediate or deferred benefit payments. The maximum amount of the benefit guaranteed is the lesser of 100 percent of a plan participant's average consecutive high five-year earnings, or $750 per month adjusted after enactment for changes in the Social Security Act contribution and benefit base. The calendar year 1977 maximum guaranteeable monthly benefit is $937.50. Subject to this limit, a benefit increase resulting from adoption or amendment of a plan is fully guaranteed if it has been in the plan five or more years prior to the termination. A plan or plan amendment which is less than five years old is insured 20 percent (or $20, if less) for each year of its existence.

This budget presentation is based on the assumption that benefits will be paid to participants out of premiums collected. The trust accounts (i.e., accounts in which the existing assets of terminating plans are maintained) will then reimburse PBGC's premium account for a percentage of the benefits paid equal to the ratio of plan assets to total assets required to pay all guaranteed basic benefits.

Accomplishments in 1977: Through the first quarter of FY 1977, PBGC has become trustee of 70 pension plans to avoid interruption of benefit payments to participants while case processing

is underway. These cases involve approximately 3,700 retired participants now receiving about $400,000 in monthly benefits. Of those, almost 2,900 retired participants in 37 plans are receiving benefit checks directly from PBGC under the recently established benefits administration function.

Objectives for 1978: PBGC expects to pay $24,071,000 in benefit payments to participants of terminating plans during FY 1978. By September 30, 1978, the monthly benefit payment level should rise to $2.6 million payable to approximately 19,000 retired participants.

FRIDAY, FEBRUARY 4, 1977.

RAILROAD RETIREMENT BOARD

WITNESSES

JAMES L. COWEN, CHAIRMAN
JOSEPH J. MELE, ASSISTANT TO CARRIER MEMBER
CHARLES POULIOT, ASSISTANT TO LABOR MEMBER
JOHN S. SUKER, DIRECTOR, BUDGET AND FISCAL OPERATIONS

Mr. FLOOD. We would like to welcome the Railroad Retirement Board and James L. Cowen, the Chairman.

We have your biographical sketch, Mr. Cowen, which we will place in the record at this point.

[The sketch follows:]

BIOGRAPHICAL SKETCH OF JAMES L. COWEN, CHAIRMAN, RAILROAD RETIREMENT BOARD

Home address: 7506 Kildare, Skokie, Ill., 60076. Born: April 27, 1925 in Boston, Mass. Father: Benjamin Michael Cowen (deceased). Mother: Mary Cohen Cowen (deceased). Family status: Married Muriel Lois Cohen Peretsman, June 1956 in Brookline, Mass.: two stepdaughters.

Education: High school: Boston Public Latin School, class of 1943. College: Harvard, A.B., class of 1949; University of Michigan, 1 semester, spring of 1949.

Military service: U.S. Army Air Force, June 1943–November 1945, commissioned August 1944 as 2d lieutenant. Served December 1944–June 1945, 8th Air Force; flew 31 combat missions. Separated from active duty November 1945 as 1st lieutenant.

Work history: 1951–52: Boston Mutual Life Insurance Co., actuarial trainee. 1952 to October 1972: Actuarial office of Railroad Retirement Board, advancing from GS–7 to GS–17. (Chief Actuary from August 1970). October 1972 to date: Sworn in as chairman of the Railroad Retirement Board on October 25, 1972, after being appointed to this position by President Nixon.

Professional memberships: Member, American Academy of Actuaries; Associate, Society of Actuaries, and member of the Society's Committee on Self-Administered Retirement Plans; Fellow, Conference of Actuaries in Public Practice.

Awards: Military: Air medal with 4 oakleaf clusters. Railroad Retirement Board: Superior accomplishment awards, 1956 and 1960; Outstanding efficiency rating, 1960; nominated for Arthur S. Flemming awards program, 1959, 1960, 1961, 1962, 1963; nominated outstanding professional employee in Chicago area, 1962.

Published papers: Transactions of Society of Actuaries: 1962 RRB Female Mortality and Remarriage Tables, Vol. XVII, 1965; New Mortality Tables for Railroad Disability Annuitants, Vol. XIX, 1967 (with A.M. Niessen).

Railroad Retirement Board publications:

11th Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 1968 with Technical supplement (with A.M. Niessen), 1970.

Occupational Differences in Separation Rates, 1954–56, RRB Actuarial Study No. 2, 1959.

Occupational Differences in Separation Rates 1957–59, RRB Actuarial Study no. 5, 1962.

Occupational Differences in Separation Rates, 1962–65 (with J. J. Stotland), RRB Actuarial Study No. 8, 1968.

Numerous unsigned articles appearing in the Railroad Retirement Board Monthly and Quarterly Reviews and as actuarial notes.

Mr. FLOOD. I see you have some people with you.

Do you want us to meet them?

Mr. COWEN. Yes, I will be glad to introduce them.

To my immediate left is Mr. John Suker, the Board's Director of Budget and Fiscal Operations; Mr. Joseph Mele, Assistant to the Carrier Member, and Mr. Charles Pouliot, Assistant to the Labor Member.

Mr. FLOOD. Now I see you have a prepared statement.

Mr. COWEN. I would like to have it introduced for the record and for the purposes of expediency I would just like to bring out some high points of that statement.

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

[The statement follows:]

RAILROAD RETIREMENT BOARD STATEMENT ON APPROPRIATION ESTIMATES REQUEST FOR FISCAL YEAR 1978

Mr. Chairman and members of the committee, before discussing the specifics of our 1978 budget request, I would like to furnish some general information regarding the Railroad Retirement Board.

PROGRAMS ADMINISTERED BY THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board administers a regular retirement system for the payment of retirement and disability annuities to railroad employees, annuities to their spouses, benefits to their survivors, and payment under certain conditions of supplemental annuities, in addition to regular annuities. The Board also administers a system for the payment of unemployment and sickness benefits to qualified railroad workers, and participates in the administration of the medicare program for persons covered by the Railroad Retirement Act.

STRUCTURE OF THE BOARD

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate—one member upon the recommendation of representatives of employees, one upon recommendation of representatives of carriers, and one, the Chairman, without designated recommendation.

FINANCING THE RAILROAD RETIREMENT PROGRAM

The railroad retirement system is financed by taxes paid by railroad employees and employers into trust funds. The amounts needed for benefit payments and administrative expenses are derived from these trust funds.

Congress must authorize the amounts to be spent for administrative expenses.

PAYMENTS FOR DUAL BENEFITS

Under the Railroad Retirement Act of 1937, an individual engaging in covered employment under both the Railroad Retirement Act and Social Security Act could, under certain conditions, receive benefits under both acts. Because the weighting factors inherent in the social security benefit formula produce a proportionately higher benefit for low earnings and short term employees, dual beneficiaries receive a higher return for the taxes contributed since in most instances the social security coverage is only supplementary to their regular railroad employment. The cost of this higher return was borne by the Railroad Retirement Account. The Railroad Retirement Act of 1974 authorizes annual general fund appropriations on a level cost basis from 1976 through year 2000 to phase out the cost of this higher return. The appropriation request of $250,000,000 for 1978 represents the third such appropriation.

PAYMENTS FOR REGIONAL RAIL REORGANIZATION PROTECTIVE BENEFITS

The Regional Rail Reorganization Act of 1973 provides for various benefits to protected employees adversely affected in the establishment of the Midwest and Northeast rail system provided by that act.

The payment of all allowances, expenses, and costs provided protected employees will be made by specified organizations under that Act. Upon certification to the Railroad Retirement Board these organizations will be reimbursed for amounts paid to protected employees. A general fund appropriation request of $50,000,000 for 1978 is being made to cover estimated benefit payments of $49,900,000 and $100,000 for administrative expenses in 1978. In addition, a request is being made to increase the 1977 appropriation by $25,000,000. Benefit payments under the Regional Rail Reorganization Act for the October-December quarter of 1976 were $14,100,000. The Board anticipates benefit payments to be approximately $5,000,000 monthly for the remainder of 1977. Accordingly, the amount originally appropriated for 1977, $40,000,000, will be insufficient to meet the projected benefit payments.

LIMITATION ON SALARIES AND EXPENSES—1978

The amounts requested under this appropriation account title represent a limitation on the use of trust fund monies for the administrative expenses of the railroad retirement system. Repeated amendments to the basic acts present a continuing problem in attempting to keep abreast of workloads. These amendments were culminated by the passage of Public Law 93-445, the Railroad Retirement Act of 1974, effective January 1, 1975, which completely restructured the railroad retirement system.

The major revisions to the system were in the retirement benefit formulas, in the eligibility requirements for a supplemental annuity, in the eligibility requirements for spouse annuities, an increase in survivor benefits rates, in the restrictions placed on the future payment of separate benefits under the railroad retirement and social security systems to the same individual, and cost-of-living increases to railroad annuitants. The retirement benefit formula was restructured to a two-tier format—the first tier computed under the social security benefit formulas, counting both the employee's railroad and social security credits combined, and the second tier based on service in the railroad industry alone. Two new elements were added—a savings clause component for those with certain vested rights on the changeover date of December 31, 1974, and scheduled cost-of-living adjustments in other components of the benefit formula.

Rather than read the following table, I would like to have it entered in the record. It is a comparison of man-year requirements and key workload data classified by activity for 1976, 1977, and 1978.

	1976 actual	1977 estimate [1]	1978 estimate [1]
1. Maintenance of earnings account	18.8	31.9	27.1
2. Processing applications	916.2	556.3	608.0
3. Maintenance of beneficiary rolls	417.8	772.6	772.9
4. Medicare	77.2	69.4	79.3
5. Administration	135.5	141.5	150.5
Total	1,565.5	1,571.7	1,587.8

[1] Estimated man-year requirements for these years are based on redefined and new work performance indicators.

	1976 actual	1977 estimate	1978 estimate
Pending load, start of year	26,200	36,600	35,000
New applications	[1] 187,600	180,000	141,700
Reactivated applications	147,300	175,000	155,000
Total for disposition	361,100	319,600	331,700
Pending load, end of year	[2] 38,700	25,600	28,000
Total dispositions	332,400	366,000	303,700

[1] Include social security certifications.
[2] Pending load decreases to 36,600 during transition period.

In March 1976, the Railroad Retirement Board began to develop an improved workload measurement system designed to enable the Board to effectively measure work performance in various activities and to accurately determine future manpower needs on the basis of workload projections. Effective October 1976, the start of the new budget year, a revised and expanded monthly performance and cost reporting system for the various headquarters organizations and the field was instituted. Under the revised system, work activities were more clearly defined and detailed particularly in the areas of processing railroad retirement initial award or denial actions and the maintenance of beneficiary rolls and the roll of persons receiving social security benefits where entitlement to such benefits is after 1974 and the persons are or could receive railroad retirement benefits. It is particularly in the area of maintenance of the beneficiary rolls where there has been increased activity and this activity has accelerated as the complexities introduced by the Railroad Retirement Act of 1974 have taken full effect. The new work restrictions, alone, have considerably expanded the Board's policing activities with adjustments in benefits rates increasing not only because of these new restrictions but also because of other provisions affecting annuity rates. Correspondingly, there has been an increase in the number of inquiries concerning benefits and adjustments.

While the 1974 act became effective on January 1, 1975, the extent and complexity of the required changes in the railroad retirement system necessitated a step-by-step approach. Those provisions which had the greatest immediate impact on railroad employees and annuitants, the liberalized spouse and supplemental annuity provisions, survivor annuity increases, and the payment of social security benefits through the Board, were effected in the 1975 fiscal year; however, certain other changes were not carried out until the 1976 fiscal year. These were the processing of initial employee and spouse applications using the 1974 act two-tier formulas, the implementation of additional work restriction provisions, and effecting the provision for the refund of certain retirement taxes to individual annuitants.

For fiscal year 1977, the regular limitation on salaries and expenses is $33,723,000, which is the amount approved by the House and Senate. It included $2 million for relocation of the Board's headquarters to new quarters; $1 million in increased rental charges annually, $500,000 for new equipment and $500,000 for the actual movement of the headquarters facilities.

With the remaining funds, we expect to finally implement the residue of work from the Railroad Retirement Act of 1974. Generally speaking, these are recertifications of previous benefit awards which require limited manual handling to make final rate adjustments which became effective with the new law. In addition, we will continue to service the monthly benefit roll of 1 million beneficiaries and process 180,000 new applications for benefits.

For fiscal year 1978, we are requesting $33,282,000 as the limitation on salaries and expenses. In fiscal year 1978, we expect to be in a period where claims receipts and related activity will return to normal with backlogs created by the new legislation decreasing appreciably. The requested amount will be used to adjudicate claims under the 1974 act on an ongoing basis; service the monthly benefit roll of 1 million beneficiaries; process 170,000 new applications for benefits; and make cost-of-living adjustments effective July 1, 1978.

OPENING STATEMENT

Mr. COWEN. In the fiscal year 1978 appropriation request there is a figure of $250 million for dual benefits. This is the third such appropriation and the authorization for this appropriation was introduced in 1974 by Public Law 93–445. In this year's budget there is also a request for $50 million for the payment of protective payments and separation allowances under the Railroad Reorganization Act.

Also there is a request for an additional $25 million for this purpose for fiscal year 1977.

The budget request also includes an allowance of $33,282,000 for the limitation salaries and expenses. This compares with the $33,723,000 request for fiscal year 1977, which was approved.

I believe that covers briefly the main points of the prepared statement.

CURRENT MEMBERSHIP OF THE BOARD

Mr. FLOOD. All right. Before we start talking about the budget, can you tell us the current membership of the Board, their terms, and any changes you anticipate in the near future?

Mr. COWEN. I am the Chairman of the Board and I am the public member. My term expires August 29, 1977.

The terms of all three Board members are 5-year terms, and they have staggered termination dates.

At present the management member's position is vacant. The preceding member was retired on disability. A successor has not yet been appointed. Whoever is appointed will fill the unexpired term, which will expire on August 29, 1978.

The labor member of the Board is Mr. Neil Speirs. His term expires August 29, 1979. He has been on the Board since 1969. I have been on the Board since 1972.

PROTECTIVE PAYMENTS

Mr. FLOOD. Now, although our primary interest this morning is, of course, the 1978 request, I would like to talk about the adequacy of your 1977 appropriation.

Now, there is no supplemental requested here in the President's current budget, and you have a statement there which refers to the $25 million shortfall for the protective account.

What is that all about?

Mr. COWEN. Under the Regional Rail Reorganization that created ConRail there are protective payments made to employees who are separated. The payments are made by ConRail or the acquiring railroads who acquired the bankrupt properties. ConRail and those railroads come to the Board for reimbursement of those payments.

At the time we made the estimate for fiscal year 1977 we were under the impression that the takeover of the bankrupt properties would be made earlier than it actually was, and that more money would have been expended in fiscal year 1976.

Because of the lateness of the takeover, many of those payments that we anticipated being made in 1976 were not made, and will be carried over into fiscal year 1977.

Mr. FLOOD. Why are these protective payments running about 60 percent above your estimates for last year?

Mr. COWEN. As I stated there are both protective payments and separation allowances. Separation allowances will be heavily concentrated in the first year. Because, conversion to ConRail did not take place until April 1, 1976, close to the end of the fiscal year, those first year separation allowances which we had originally anticipated making in fiscal year 1976 have been deferred to fiscal year 1977.

Mr. FLOOD. Well, now, if these first quarter disbursements were so much higher than you budgeted for, why haven't we received a deficiency apportionment letter from the Office of Management and Budget?

Mr. COWEN. I would like to ask Mr. Suker to answer in this particular instance where the amounts were supposed to be included in the budget, but were not. We had requested the $25 million in our budget request.

Mr. FLOOD. Are you sure the administration would approve this budget request of an additional $25 million?

Mr. SUKER. We understand they are favorable to this particular proposal, since the amount appropriated for 1977 will run out probably in May of this year.

Mr. FLOOD. Well, when can we expect a formal budget request?

Mr. SUKER. As soon as we hear from the Office of Management and Budget. As to the formalities we will submit whatever documents are necessary.

Mr. FLOOD. Now, is funding of your other accounts adequate for 1977 or do you have additional problems?

Mr. COWEN. According to our budget estimates, they will be adequate.

RETIREMENT DISBURSEMENTS

Mr. FLOOD. Now, could you tell us how many persons are being served by the railroad retirement system, how many are expected, how much money is going to be disbursed in the next year?

Mr. COWEN. At the end of November, which is the latest for which I have statistics, we were paying 1,024,850 beneficiaries.

The number of employees now working in the railroad industry come to about 540,000. The benefit payments during the month of November 1976——

Mr. FLOOD. How much are you going to disburse next year?

Mr. COWEN. During fiscal year 1976, we actually disbursed $3,569 million.

Mr. FLOOD. I know, but do you have any idea——

Mr. COWEN. We will have an increase because there was a cost-of-living increase effective in June 1976.

Mr. FLOOD. Still, how much do you expect to disburse in the next year?

Mr. COWEN. I don't have a figure readily available.

Mr. FLOOD. You will get that for the record.

Mr. COWEN. We can get that for the record.

Mr. SUKER. We can furnish it for the record now.

We anticipated benefit payments would be $3,700 million.

DUAL BENEFITS

Mr. FLOOD. Explain briefly to the committee exactly what is meant by dual benefits. Suppose you give us one or two specific examples.

Mr. COWEN. Under the Railroad Retirement Act of 1937——

Mr. FLOOD. What we want you to do is submit a full written explanation for the record. This is something that is very often misunderstood. You know that.

Mr. COWEN. Yes.

Under the Railroad Retirement Act of 1937 railroad employees who had sufficient earnings to qualify for both social security benefits

and railroad retirement benefits could receive full benefits under each program.

However, the formula in the social security law is weighted so that employees with low earnings or employees with only a short period of service receive a relatively higher return for their tax dollars than does an employee who worked a full working career in social security covered employment.

Because railroad employees are not covered by social security, many of them who work for short periods in social security covered employment receive this proportionately higher return based on their social security earnings record.

However, because of the financial interchange provisions of the Railroad Retirement Act the cost of this proportionately higher return was borne by the railroad retirement program under the 1937 act. This was recognized, and in 1974 when the Railroad Retirement Act of 1974 was enacted, railroad labor and railroad management negotiated an agreement whereby this porportionately higher return would be equalized over the combined lifetime of the individuals under both systems. In converting to the two-tier system the first tier has the same effect, given the weighting, as if the railroad employees had been employed under social security during their entire working lifetime.

However, because many people were vested for benefits under both systems at the time of this changeover, the negotiators wanted to preserve the rights that had been earned prior to the conversion to the new act. This is what is involved in the dual benefit.

Mr. FLOOD. You see why we want a full explanation for the record.

Mr. COWEN. I can see. It is an extremely complicated subject.

[The information follows:]

STATEMENT ON DUAL BENEFIT WINDFALLS

Before the 1974 Railroad Retirement Act amendments, one of the major financial problems of the system was the availability of concurrent social security and railroad retirement benefits. Because of the existence of these dual benefits, the individuals who receive them have a proportionately greater return for their taxes than others. As a result of certain coordination between the two systems as explained below, the railroad retirement system bore the additional cost of his disproportionately greater return.

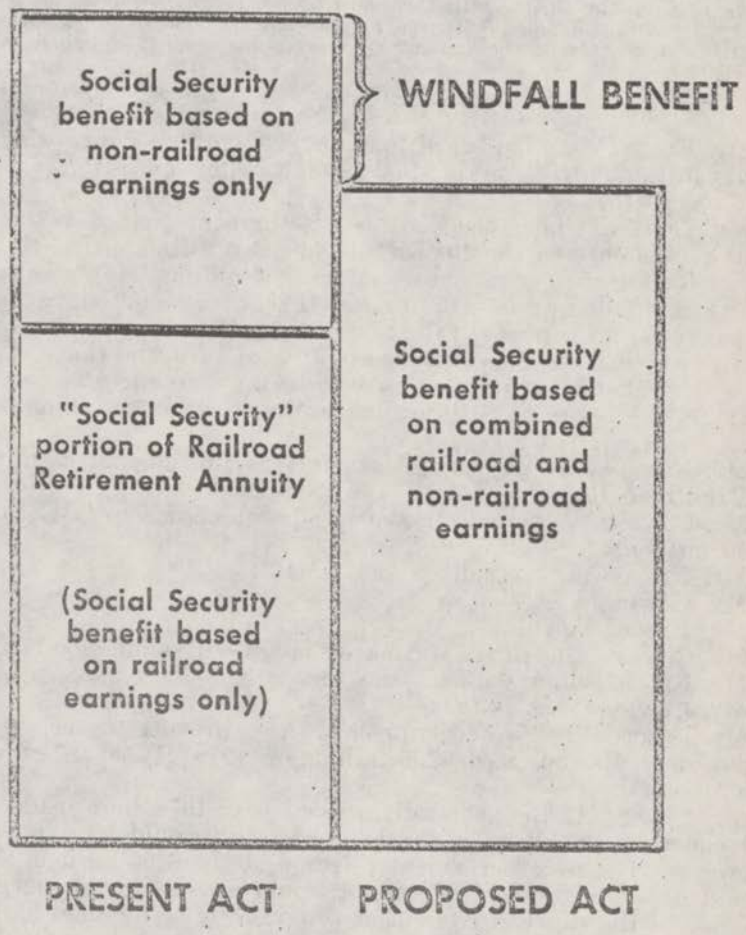
Essentially, the problems are traceable to the heavy emphasis on social adequacy in the social security benefit formulas. The social security formulas give about 2½ times the weight for that part of the average monthly wage which is under $110 as they do to the part above that amount. Thus, the effect of splitting careers produce a lower average monthly wage under each system which, in turn, results in their receiving a larger return for their taxes than others who worked entirely under one system or the other.

The cost of having social security pay these proportionately larger benefits was indirectly borne by the railroad retirement program through the financial interchange program. Under that program there are annual transfers between the two systems to place the social security system in the same position it would have been in if there had been no separate railroad retirement program. For this purpose credit is given for the amount of social security taxes that would have been collected by the Social Security Administration if all railroad employment had been covered under that program. In return the railroad retirement program is credited with the additional benefits which the Administration would have paid.

The loss attributable to dual benefits is due to the fact that any social security benefit actually paid by the Social Security Administration to a railroad beneficiary is deducted from the benefit amount calculated under the financial interchange. Thus, if dual benefits were not permitted, the Board would have received the full amount of benefits based on the employee's combined earnings rather than the excess of such benefits.

To put this another way, railroad retirement benefits consist of two separate components (a) a social insurance benefit, and (2) a staff pension. The social insurance component is equivalent to a social security benefit that would have been payable based on the employee's railroad earnings alone. This amount plus the social security benefit dual beneficiaries are actually receiving based on their nonrailroad earnings produces a greater total than would have been paid by the Social Security Administration on the combined earnings under both systems. Since practically all other employment is covered by social security, individuals in other industries receive only the single benefit based on all of their earnings regardless of how many employers they may have had. Thus, the excess for railroad workers was an unintended gain, the cost of which was borne by the railroad retirement system through the financial interchange as explained above. This is shown pictorially below :

ILLUSTRATION OF WINDFALL DUAL BENEFITS



In 1974 when the Railroad Retirement Act was restructured, it was felt that it would not be proper to remove this gain retroactively. Thus, the 1974 act preserves the dual benefit rights for those people who had already sufficient credits to be vested under both programs. It is these preserved rights which are being financed through appropriations from general funds as explained below.

Annual appropriations will be made to the Railroad Retirement Account for the fiscal year 1976–2000 to cover the estimated phaseout costs of dual benefits (windfall amounts). However, such estimates, made by the Board, exclude the estimated additional amount of interest income earned under the new investment policy. These appropriations are intended to completely amortize the total cost of the windfall benefits by the year 2000 even though "windfalls" will continue to be paid by the Board until there are no longer any beneficiaries entitled. Every 3 years, coinciding with the regular triennial actuarial valuation, the Board will reevaluate the annual appropriations needed to implement this provision.

ADEQUACY OF BUDGET REQUEST

Mr. FLOOD. We have heard that the $250-million figure which appears in the budget for the dual benefits is low by as much as $100 million. Is that so?

Mr. COWEN. Under the Railroad Retirement Act of 1974 at the time it was enacted the Board had made an estimate that the level figure for the 25-year period would be $250 million. However, section 15(d) of Public Law 93–445 provides that this amount be reevaluated as part of every actuarial valuation of the railroad retirement system.

A new valuation was completed in July of 1976, and that valuation does show that if an increase were to be put into effect during fiscal year 1977, a figure of $350 million, rather than $250 million, would have been required.

Mr. FLOOD. Why do you not ask for the full amount required by the Railroad Retirement Act?

Mr. COWEN. We actually asked in our submission to OMB for the $350 million.

Mr. FLOOD. You actually asked OMB?

Mr. COWEN. Yes.

Mr. FLOOD. You did?

Mr. COWEN. The Board did have that in our submission to OMB.

Mr. FLOOD. So any cutback was there.

Mr. COWEN. That is true.

Mr. FLOOD. What would happen to the railroad retirement system if we only appropriated $250 million in 1978? What effect would that have?

Mr. COWEN. If the shortfall in fiscal year 1978 were made up in subsequent years, then in the long range it would have no effect. However, if it were permanently frozen at the $250 million, then it would have a significant effect and would increase the actuarial deficiency of the railroad retirement program by better than half of 1 percent of the taxable payroll.

PROTECTIVE ACCOUNT

Mr. FLOOD. Are you confident that this $50 million request for the protective account in 1978 is sufficient, even though you have now estimated 1977 at $65 million?

Mr. COWEN. As I said earlier, the protective payments are made up of two parts: separation allowances, which are single lump sum payments, and protective payments where there is a replacement of lost salary.

The separation allowance is a single payment, and therefore is concentrated heavily in the first year of operation under the program, and that will not take place in subsequent years.

Mr. FLOOD. Mr. Michel.

PENDING CASELOADS

Mr. MICHEL. Thank you, Mr. Chairman.

In the table in your statement listing the Board's caseload it shows a projected 25,600 applications pending at the end of fiscal 1977, and 35,000 pending at the beginning of fiscal 1978. I don't know if that is a mistake. How can that be?

Mr. COWEN. What figures are those?

Mr. MICHEL. On page 4, pending loads, start of year.

Mr. COWEN. 26,200.

Mr. MICHEL. If I go down here to the pending load end of year, 38,700; 25,600 in 1977, go right across, but if I go back up to the top again, pending load start of year 1978, pending load end of year, I get what is obviously an incorrect amount.

Mr. SUKER. That is an incorrect figure. Page 15 of the justifications indicates the correct amount. It carries it forward to 25,600. We will review all figures in that table and make the required corrections.

MAN-YEAR REQUIREMENTS

Mr. MICHEL. According to your statement there will be a decrease in total dispositions in fiscal 1978 from 361,100 to 350,600, but an increase in the number of man-years to handle your workload. Why is that?

Mr. SUKER. What we are indicating there is that the 1974 Railroad Retirement Act, which completely restructed our system, has caused some serious complications in the adjudication of claims and also in the maintenance of our beneficiary rolls.

We now will engage in the activity of making sure all of our beneficiaries are being properly paid.

During the implementation of the 1974 act, there were a number of activities which were either pended or there was decreased activity in them, and now we feel we once again must police these beneficiaries and make sure the amounts we are paying are correct. There is an allowance for this particular type of activity in the man-years.

Mr. MICHEL. The statement also indicates that the estimated man-year requirements are based on "redefined and new work performance indicators." What are these new indicators?

Mr. COWEN. As of November of this year we completely revised our methods of measuring workloads in our field offices. We expect to put in a similar revision for our headquarters in the very near future. These are the changes that will take place because we have broken down and brought in more measures than we had previously. As a result we expect to have much clearer and better figures.

SUPPLEMENTAL REQUEST

Mr. MICHEL. Regarding the payment of benefits to employees adversely affected by that Northeast Railway Reorganization Plan you are requesting a supplemental increase to $25 million.

Mr. COWEN. That is right.

Mr. MICHEL. That is to cover the higher expected demands. That is about a 62-percent increase. How is it that your estimates were so bad?

Mr. COWEN. As I told the chairman, part of this is due to the delays of the takeover by ConRail, and that many of the expenditures for one-time lump sums separation allowances that we expected to be in our fiscal 1976 expenditures have been moved into fiscal 1977. That is really the cause of the shortfall.

At the time we testified last year we still thought we would make those expenditures in fiscal year 1976.

Mr. MICHEL. I was going to ask you if that ceiling of $250 million in total benefits is a firm one, but I gather from your responses to the questions of the chairman earlier that is not so.

Mr. COWEN. No; that we could not do.

TOTAL NUMBER OF BENEFICIARIES

Mr. MICHEL. How many former employees have received benefits thus far in this program?

Mr. COWEN. Since 1937 under the Railroad Retirement Act it is well over a million. I don't have an exact figure. Currently we are paying 1,024,850 beneficiaries.

AVERAGE SIZE BENEFIT

Mr. MICHEL. What is the average size benefit for employee?

Mr. COWEN. The average size benefit awarded to people retiring on age and service in November of 1976 was $500.

The average being paid to all retired employees currently on the rolls is $363. That is for those retiring for age and service only. Disabilities were receiving somewhat different amounts.

Mr. MICHEL. How much?

Mr. COWEN. The disabilities awards in November were $480 for disability as compared to $500 for age and service. The average for those disability annuitants on the rolls was $381 for those still under age 65 as against $363 for the age and service retirees.

BENEFICIARIES FROM ILLINOIS

Mr. MICHEL. You may not have it, but if you can supply it for the record, how many former employees of my home State of Illinois are receiving benefits?

Mr. COWEN. That we can supply for the record.

[The information follows:]

The figures requested are given below:

At the end of November 1976, in Illinois, there were 48,500 retired employees and their wives receiving benefits under the Railroad Retirement Act, and 22,800 survivors of deceased railroad employees also were receiving benefits. During the fiscal year beginning in 1975 and ending in 1976, 8,806 individuals received unemployment insurance benefits, and 7,416 individuals received sickness benefits.

The total amount expended to individuals in Illinois during fiscal year 1975–76 came to $271,072,000. Of this amount, $249,188,000 were paid in retirement and survivor benefits and $21,885,000 were paid in unemployment and sickness benefits.

PROTECTIVE PAYMENTS

Mr. MICHEL. If we approve your request for $180 million of the $250 million, the maximum will have been used up by the end of fiscal 1978. When do you expect to use up the total amount?

Mr. COWEN. I gather you are talking about the protective payments under the Railway Reorganization Act?

Mr. MICHEL. Yes.

Mr. COWEN. I don't have any estimates on that. We will try to get some estimates on that.

[The estimates referred to are as follows:]

The following amounts have been appropriated, requested, or used to date:

Fiscal year—	Appropriated or requested	Used or estimated
1976	$37,600,000	[1] $700,000
Transition quarter	10,030,000	[1] 9,252,000
1977	65,000,000	[2] 65,000,000
1978	50,000,000	[2] 50,000,000
Total	162,630,000	124,952,000

[1] Actual expenditures.
[2] Estimated.

In addition, payments in future years should decrease as employees are recalled, die, or retire, but this will be partially offset by increased rates. Thus, just about one half of the $250 million, will have been used up at the end of fiscal year 1978.

Mr. MICHEL. Are any employees likely to receive fewer or no benefits as the ceiling is approached who otherwise might have been entitled to more?

Mr. COWEN. As I say, we don't make the payments; we just reimburse the railroads that make the payments, and we do not have any say in that.

You asked how many people were being paid in the State of Illinois.

Mr. MICHEL. Yes.

Mr. COWEN. Actually I have an amount of money. We paid out $271 million in fiscal year 1975–76 in the State of Illinois.

STAFF PRODUCTIVITY

Mr. MICHEL. Thank you.

Last year we were told of a decline in staff productivity due to the intricacies of the new law. Has productivity improved during this past year?

Mr. COWEN. Productivity has improved over what it was when the new law first went into effect. It is not back to what it was under the 1937 act, and I don't think it can ever be back because the new law is so much more complicated.

Mr. FLOOD. Mr. Natcher.

EMPLOYEE SALARIES

Mr. NATCHER. Thank you, Mr. Chairman.

Airline pilots for some of the large companies draw salaries ranging from $80,000 to $100,000 a year. What is the average salary of an engineer with 10 or 15 years?

Mr. COWEN. I do not have such figures available. Actually under the Railroad Retirement Act, the total salary of railroad employees is not covered. The railroad employees have their salaries covered only up to a monthly limit equal to one-twelfth of the annual maximum covered under social security.

We do get a sample of gross earnings but it is not a large enough sample to be able to analyze it by occupation.

Right now the maximum covered is $1,375 a month under the Railroad Retirement Act.

NEW HEADQUARTERS PLANNED

Mr. NATCHER. Have you moved into your new headquarters?

Mr. COWEN. No; we have not, and right now there are no plans to move into a new headquarters, although you approved the money for it last year. That money will revert to the railroad retirement account if it is not used.

Mr. NATCHER. I know my chairman is probably going into that in a little more detail.

Thank you, Mr. Chairman.

Mr. FLOOD. Mr. O'Brien.

RETIREMENT BENEFIT PAYMENTS

Mr. O'BRIEN. Mr. Cowen, on page 15, what is meant by the term reactivated? I don't understand that.

Mr. COWEN. Because of the nature of the benefit formulas and some of the restrictions in the law, benefit amounts will change as things happen, and those cases have to be rehandled.

For instance, in the tier 1 benefit, in the Railroad Retirement Act, there it is a reduction for any concurrent social security benefit the individual is receiving.

If the railroad retirement benefit is awarded when the individual is not receiving a social security benefit, we will pay the full tier 1 without any reduction. However, subsequently, when the person becomes entitled to a social security benefit, we have to reopen the file and adjust the annuity to make such a reduction.

RETIREMENT TRUST FUND ESTIMATE

Mr. O'BRIEN. Would you go back to that point raised by the chairman. I think you had asked for $350 million, and OMB cut you back to $250 million, and if that condition continued over 2 or 3 years, it would be a problem.

Mr. COWEN. That is correct.

Mr. O'BRIEN. Where do they get this authority to cut your request, on something you can statistically justify?

Mr. COWEN. I would prefer to have the OMB people answer that. I believe that they have written a letter to the Speaker asking for a bill to be introduced which would permanently freeze the appropriation at $250 million. I believe that came from Mr. Lynn while he was still Director of OMB.

Mr. O'BRIEN. Are you aware of any justification that he gave for that?

Mr. COWEN. No, I am not. I have a copy of the letter that was sent to the Speaker.

Mr. MICHEL. If the gentleman will yield.

Mr. O'BRIEN. Yes.

Mr. MICHEL. I think that was the figure we were talking about, very much so, when we were debating the legislation on the floor. Was it not?

Mr. COWEN. The figure of $250 million was the estimate that was made at the time the 1974 amendments were enacted. That was made on static economic conditions assuming the value of the dollar as existed at that time, and was made from very rough estimates because of the time limit we had.

Mr. O'BRIEN. I think that is all I have, Mr. Chairman.

EMPLOYEES PAID FROM PROTECTIVE ACCOUNT

Mr. FLOOD. Do you have a breakdown of the numbers and types of employees that are being paid from the protective account?

Mr. COWEN. I don't have it here. I believe we can develop it, but I would not want to say for sure.

Mr. FLOOD. Try.

[The information referred to is as follows:]

CHART I

REIMBURSEMENT SUMMARY - CONSOLIDATED RAIL CORPORATION AND OTHER ROADS - 4/1/76 THROUGH 6/30/76

	TERMINATION ALLOWANCES	SEPARATION ALLOWANCES	MONTHLY DISPLACEMENT ALLOWANCES	RELOCATION ALLOWANCES	
NUMBER OF ACTIONS REPORTED BY CONRAIL AND OTHER ROADS	0	2	466 2/	0	
					TOTALS
REIMBURSEMENT CLAIMED FOR PROTECTIVE PAYMENTS	0	$40,000.00	$302,577.05	0	$342,577.05
REIMBURSEMENT CLAIMED FOR:					
RR TAXES	(INCLUDED WITH	$ 195.71	$ 75,196.69		$ 75,392.40
RUIA CONTRIBUTION	SEPARATION	$ 22.00	$ 10,170.41		$ 10,192.41
FICA TAXES 1/	ALLOWANCES)	0	0		0
STATE UNEMPLOYMENT COMPENSATION TAXES 1/			0		0
PENSION PREMIUM PAID 1/			0		0
HEALTH/WELFARE PREMIUM PAID			$ 40,396.44		$ 40,396.44
SUB-TOTAL	0	$40,217.71	$428,340.59	0	$468,558.30
RUIA BENEFITS REPORTED			$197,833.91		$197,833.91
TOTALS:	0	$40,217.71	$626,174.50	0	$666,392.21
				ADMINISTRATIVE EXPENSES	$ 32,036.66
					$698,428.87

1/ PENNSYLVANIA TRUCK LINES, INC.

2/ NUMBER OF PAYMENTS AND NOT THE NUMBER OF INDIVIDUALS INVOLVED.

CHART II

REIMBURSEMENT SUMMARY - CONSOLIDATED RAIL CORPORATION AND OTHER ROADS - 7/1/76 THROUGH 9/30/76

	TERMINATION ALLOWANCES	SEPARATION ALLOWANCES	MONTHLY DISPLACEMENT ALLOWANCES	RELOCATION ALLOWANCES	
NUMBER OF ACTIONS REPORTED BY CONRAIL AND OTHER ROADS	38	153	12,028 2/	268	
					TOTALS
REIMBURSEMENT CLAIMED FOR PROTECTIVE PAYMENTS	$167,439.38	$2,518,277.72	$4,043,418.66	$717,258.49	$7,446,394.25
REIMBURSEMENT CLAIMED FOR:					
RR TAXES	(INCLUDED WITH	$ 31,863.66	$ 586,286.45		$ 618,150.11
RUIA CONTRIBUTION	SEPARATION	$ 3,262.43	$ 54,054.38		$ 57,316.81
FICA TAXES 1/	ALLOWANCES)	$ 381.85	$ 10,339.07		$ 10,720.92
STATE UNEMPLOYMENT COMPENSATION TAXES 1/			$ 3,031.93		$ 3,031.93
PENSION PREMIUM PAID 1/			$ 15,335.53		$ 15,335.53
HEALTH/WELFARE PREMIUM PAID			$ 122,208.32		$ 122,208.32
SUB-TOTAL	$167,439.38	$2,553,785.66	$4,834,674.34	$717,258.49	$8,273,157.87
RUIA BENEFITS REPORTED			$1,072,701.63		$1,072,701.63
TOTALS:	$167,439.38	$2,553,785.66	$5,907,375.97	$717,258.49	$9,345,859.50
				ADMINISTRATIVE EXPENSES	$ 7,423.25
					$9,353,282.75

1/ PENNSYLVANIA TRUCK LINES, INC.

2/ NUMBER OF PAYMENTS AND NOT THE NUMBER OF INDIVIDUALS INVOLVED.

CHART III

REIMBURSEMENT SUMMARY - CONSOLIDATED RAIL CORPORATION AND OTHER ROADS - 10/1/76 THROUGH 12/31/76

	TERMINATION ALLOWANCES	SEPARATION ALLOWANCES	MONTHLY DISPLACEMENT ALLOWANCES	RELOCATION ALLOWANCES	
NUMBER OF ACTIONS REPORTED BY CONRAIL AND OTHER ROADS	66	448	17,799 2/	288	
					TOTALS
REIMBURSEMENT CLAIMED FOR PROTECTIVE PAYMENTS	$460,366.27	$7,639,462.70	$4,582,843.92	$756,421.55	$13,439,094.44
REIMBURSEMENT CLAIMED FOR:					
RR TAXES	(INCLUDED WITH	$ 82,198.15	$ 484,588.93		$ 566,787.08
RUIA CONTRIBUTION	SEPARATION	$ 7,958.85	$ 48,597.60		$ 56,556.45
FICA TAXES 1/	ALLOWANCES)	$ 30.52	$ 11,564.97		$ 11,595.49
STATE UNEMPLOYMENT COMPENSATION TAXES 1/			$ 1,859.71		$ 1,859.71
PENSION PREMIUM PAID 1/			$ 17,729.25		$ 17,729.25
HEALTH/WELFARE PREMIUM PAID			$ 221,788.19		$ 221,788.19
SUB-TOTAL	$460,366.27	$7,729,650.22	$5,368,972.57	$756,421.55	$14,315,410.61
RUIA BENEFITS REPORTED			$1,683,168.36		$ 1,683,168.36
TOTALS:	$460,366.27	$7,729,650.22	$7,052,140.93	$756,421.55	$15,998,578.97
				ADMINISTRATIVE EXPENSES	$ 28,714.95
					$16,027,293.92

1/ PENNSYLVANIA TRUCK LINES, INC.

2/ NUMBER OF PAYMENTS AND NOT THE NUMBER OF INDIVIDUALS INVOLVED.

NO AUTHORITY TO AUDIT

Mr. FLOOD. Have you set up a procedure for certification of the accuracy of these payments? In that I include the required reductions as a result of the outside earnings, et cetera.

Mr. COWEN. There was some question as to what authority the Board would have to audit the payments made by the ConRail and the acquiring railroads. We asked an opinion of the Comptroller General as to what our responsibilities were because the Railroad Reorganization Act was very vague. The answer we received was that we have no authority to audit.

FUNDS APPROPRIATED FOR NEW BUILDING

Mr. FLOOD. Since you expected to move into a new building and since that has not materialized, what is going to happen to that $2 million we appropriated?

Mr. COWEN. That will revert back to the fund, sir. The reason we have not moved is we asked GSA, and they said there is a limitation in their appropriation as to the amount that could be expended by GSA for leasing private space, and there was not enough in that leasing limitation to permit them to acquire new space for the Board.

We are now talking with them. We had a meeting with them in November. We will be working closely with them. They do not anticipate being able to do anything for us until fiscal year 1979 or 1980.

Mr. FLOOD. What is your next step on acquiring satisfactory space?

Mr. COWEN. We have to work with GSA to get space. We are now going to work very closely with them, and hopefully both they and we will be able to come together at the same time so that we will be able to get space in 1979 or 1980.

STANDARD LEVEL USER CHARGES

Mr. FLOOD. What about the statement as to the standard level user charges? What effect does the language in the Appropriations Act have on that?

Mr. COWEN. As you are aware, this committee has prohibited trust fund agencies from paying standard level user charges. We are paying actual expenses for space we are occupying, which is somewhat less than 70 percent of standard level user charges.

NUMBER OF POSITIONS AUTHORIZED

Mr. FLOOD. How many positions are you currently authorized?

Mr. SUKER. For 1977 the number of permanent positions authorized is 2,103.

Mr. FLOOD. How many are currently filled?

Mr. SUKER. At the present time we have around 1,880 positions filled.

CASE BACKLOG

Mr. FLOOD. What about that backlog of yours? Is it better or worse than a year ago?

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Mr. COWEN. It is better than a year ago. We have done fairly well in cleaning up the backlog caused by the conversion to the new act.

WORKING RELATIONSHIP WITH SOCIAL SECURITY

Mr. FLOOD. In general what are your working relationships with the Social Securty Administration? Do you get along all right? Do you actually talk to each other?

Mr. COWEN. Our working relationships with social security are very good. We do have a problem with respect to our unemployment program due to an interpretation of the Privacy Act which we are trying to work out. Hopefully we will have that worked out in March. That is what they promised us.

Mr. FLOOD. Thank you very much.

[The following questions were submitted for the record:]

Answers to written questions submitted by Congressman Early:

1. First, I would appreciate it if you would send a copy of your response to the Chairman's request for a full explanation of the dual benefits situation to my office. Also, like Mr. Michel, I would appreciate knowing how many persons in Massachusetts are receiving benefits under the program and how much in benefits is being paid out per year in Massachusetts. Please have that send to my office as well as placed in the Record.

Answer. A copy of the explanation of dual benefits will be sent to Mr. Early's office. As to the number of people who received benefits in Massachusetts, the benefits paid in Massachusetts are as follows: During fiscal year 1975–76, a total of $49,161,000 were paid. Of this, $47,346,000 were in retirement and survivor benefits and the remainder was in unemployment and sickness benefits. As of November 30, 1976, there were 9,300 individuals receiving employee retirement and wife's benefits, and 4,900 survivors receiving survivors' benefits. In addition, during the fiscal year 1975–76, 794 individuals received unemployment insurance benefits and 645 received sickness benefits.

2. I am concerned about this $100 million increase over last year's request of $250 million. Although I understand that your original request to the Office of Management and Budget included the increase, my concern is, at what rate do you expect your costs to increase in the coming years. Can we expect a request for $450 million in fiscal year 1979? And, in your response to the Chairman and Mr. O'Brien on this matter, you stated that were we to appropriate only $250 million for fiscal year 1978 you would not be affected over the long run provided that the additional request was made up in the following years. Would you explain why, then, you are requesting the additional amount now. And, again, I am most interested in what your future projected increases might be.

Answer. Under the law, the request for dual benefit windfall is supposed to be an estimated level amount for the 25 years from fiscal year 1976 through fiscal year 2000 based on projected future actuarial disbursements. The projected disbursements will vary in amount but they have the same actuarial value as the level amounts. At the time of the 1974 amendments, the level amount was estimated at $250 million. The 13th actuarial valuation, which was completed late in 1976, determined that the original estimate was short and that the revised estimate will require a level annual amount of $356 million for fiscal year 1978 through 2000. This $350 million will stay fixed until the next actuarial valuation is completed and the projected amount revaluated on the basis of more up-to-date experience.

Answers to written questions submitted by Congressman Roybal:

Question 1. You indicate that the Railroad Retirement Fund is similar to the Social Security Trust Fund.

(*a*) Have you computed the amount in the fund and anticipated revenue against actuarial tables to determine if you have any unfunded liability? What is the level?

(*b*) How do you propose to meet this unfunded liability?

(*c*) Has the level increased since last year?

Answer. The Railroad Retirement Board makes complete actuarial valuations at intervals of three years. The 13th such valuation was completed late in 1976 and the results are included in the Board's annual report for 1976 which is just currently being released. That valuation indicates that as of December 31, 1974, the actuarial deficiency of the program was 3.59 percent of taxable payroll. Because this deficiency continued to exist through calendar years 1975 and 1976, the actuarial deficiency has increased to 4.13 percent of future taxable payrolls which is equivalent to $359 million per year on a level basis. Under the law, there is no provision to take care of this deficiency.

Question 2. You indicate that payments for Regional Rail Reorganization Protective Benefits now run at an annual rate of almost $60 million. Last year, you testified that only $40 million would be needed. (We appropriated that amount.)

(*a*) Why were your estimates so far off the mark?

(*b*) Will the program continue to grow?

Answer. In 1975, when the congressional budget estimates were prepared for fiscal year 1977, the Board estimated benefits under the Rail Reorganization Act would approximate $68,500,000 in 1977. This amount was reduced by OMB to $40 million on the basis that no information was available as to when benefit payments would begin. Benefit payments are expected to grow in 1977 and then begin to decrease in 1978.

Question 3. The reorganization Act was passed in 1973.

(*a*) Why are there still people being added to the rolls of recipients?

(*b*) Do you have any projections of the total number of people who will apply for benefits under this program?

Answer. The conveyance agreement which triggered payments under the act was not made until April 1976, the first month in which payments could be made. Accordingly, the qualified individuals under the Act were not eligible for any benefits until after March of 1976. Because of the delay in the conveyance, Conrail is still making decisions and developing proposals to eliminate and change traffic patterns and this caused additional people to come on the rolls. The latest figures we have as to the number who will come on the rolls are the same as we gave last year; that is, 3,317.

Question 4. You indicate that you have instituted a revised and expanded monthly performance and cost reporting system. The results according to your figures have been encouraging.

(*a*) How does your new system work?

(*b*) Does it have any applicability to Social Security, or to the Veterans' Administration, or to the Immigration Service, where applications are also backed up?

Answer. In November of 1976, the Board introduced a new performance and cost reporting system for our field service. This gives more weight to items other than retirement and survivor applications and unemployment claims. Under the previous system, weighting was only given certain retirement and survivor applications and unemployment and sickness claims. The Board is not in a position to state whether this system would be applicable to Social Security, the Veterans' Administration or the Immigration Service. A similar system will be introduced for our headquarters in the very near future.

Question 5. You indicated on page 1228 of last year's hearings that the U.S. Railway Association has a computer-developed model in which they have estimated payments to be made from the fund.

(*a*) Has this model been updated and what does it show?

Answer. The Board is not aware of any later revised projections made by ConRail as to the number of projected payments and separate allowances to be made under the Rail Reorganization Act.

Answers to written questions submitted by Congressman Conte:

Question 1. What progress has been made since last year in your efforts to increase efficiency and productivity at the administrative level?

Answer. We have continued to convert existing manual operations to our computer systems and have developed computer output information which can be furnished to our field offices instantaneously to provide better service to our claimants. Our adminstrative expenses as related to a benefit dollar disbursed is now at $.0079. That is to say, for every $1 of benefits paid less than 1 cent, about 8 mills, is used for administrative expenses. This compares favorably with 1 year ago when administrative expenses were at 8½ mills.

Question 2. How effective has computerization been in cutting the backlog in your workload and has it been cost-efficient? Is this modernization completed?

Answer. Our computer operations were very effective until the enactment of the 1974 Railroad Retirement Act. As a result of that legislation we have had to develop new computer programs for the processing of cases. Presently, our operations are effective to the extent that with our computer programs we are making partial payments to new applicants within 45 days. The new programs enable us to completely process and pay approximately 90 percent of the cases through our computer facility.

We are constantly reviewing the operation to reduce the time frame for the final payment of cases. We are in the process of devising automated methods to handle the post adjudication functions as part of the overall process.

In the very near future we will be installing an automated process to exchange data with the Social Security Administration for the payment of social security benefit amounts to railroad employees. We believe our computer operations as they relate to the processing and payment of retirement and survivor claims have been cost effective. Without the computer system substantial increases in manpower would have been necessary for the processing and payment of claims. It will be some time before modernization is completed. We are continually identifying areas of operations for inclusion in the computer process as well as the refinement of existing areas that have already been automated.

Question 3. To what extent were the railroad employees adversely affected by the reorganization of the Midwest and Northeast rail systems?

Answer. Of an estimated 217,000 railroad employees in the Midwest and Northeast rail systems, some 10,260 employees have been adversely affected by the reorganization. (This is based on 104 terminations, 603 separations, and 556 relocations reported by ConRail and for which allowances were paid under the Reorganization Act, and an estimated 9,000 employees who are being paid monthly displacement allowances. A 50- to 60-percent increase in the number of employees eligible for monthly displacement allowances may be expected under the Rail amendments of 1976. Note: By changing the test period, the amendment increased the level of monthly protection, which in turn, increased the number of employees who might be adversely affected with respect to their compensation, thus becoming eligible for monthly displacement allowances.)

Question 4. Would you tell us about the successes of your employment service, used for placing employment benefit claimants in jobs?

Answer. Placements for the benefit year ending:

6/30/75—Railroad: 1,089; Nonrailroad: 1,308; Total: 2,397.
6/30/74—Railroad: 1,400; Nonrailroad: 1,207; Total: 2,607.
6/30/73—Railroad: 2,111; Nonrailroad: 2,098; Total: 4,209.
6/30/72—Railroad: 2,499; Nonrailroad: 2,604; Total: 5,103.
6/30/71—Railroad: 2,708; Nonrailroad: 1,800; Total: 4,508.

Placed by—	Railroad	Nonrailroad	Total	Savings
Period, July 1, 1975 to June 30, 1976:				
Railroad Retirement Board	939	214	1,153	$624,926
Unemployment claims agent	1,489	1,850	3,339	1,809,738
State employment service	12	37	49	26,558
Total	2,440	2,101	4,541	2,461,222
Period, July 1, to Dec. 31, 1976:				
Railroad Retirement Board	731	130	861	466,662
Unemployment claims agent	1,105	786	1,891	1,024,922
State employment service	9	22	31	16,802
Total	1,845	938	2,783	1,508,386

Note: The average number of claimants for the period July 1, 1976, through Dec. 31, 1976, was 23,878 per month.

. What are some of these jobs and how are they received by these former career rail employees?

Answer. An analysis of placements by unemployment claims agents during January 1977 revealed:

A. Thirty-four percent of these placements involved placing the claimant in another job in the railroad industry.

B. Sixty-six percent of the placements involved placing claimants in nonrailroad jobs.

C. Of the placements in the railroad industry, 73 percent appear to be placement to an equal or better job.

There is insufficient information concerning placements in nonrailroad industry to allow an evaluation of the quality of the job.

As the chart previously furnished indicates, most information concerning job vacancies is furnished to claimants by unemployment claims agents. These agents acquire their knowledge of railroad job openings through their positions as railroad employees. They acquire their information concerning nonrailroad job openings from their knowledge of the current hiring practices of local nonrailroad employers. The district offices of the Board also furnish placement information to claimants. This information is obtained through job orders solicited from railroad and nonrailroad employers, liaison with offices of the various State employment services, and screening newspaper help wanted ads.

5. In requesting a supplemental $25 million to meet the needs of the regional rail reorganization protective benefits for 1977 you said in your opening statement that an estimated $5 million per month is needed. Yet you spend $4.7 million per month from October through December 1976. Why do you anticipate this additional $300,000 per month?

Answer. Since September 1976, there has been a steady increase in the amount of regional rail reorganization protective benefits paid. It was anticipated that as the program matured, benefit outlays would gradually increase. In October 1976, these outlays were $4.4 million while in December 1976, outlays were at $5.3 million. Based on this experience, we expect outlays to remain at about $5 million for the remainder of the fiscal year.

6. Your justifications state the need for $65 million for the reorganization benefits in 1977. What are the reasons for a $15 million decrease in 1978?

Answer. The benefit payment projections furnished by the U.S. Railway Association in their final system plan indicated first-year payments under the act would be substantially higher than in subsequent years. Consequently, we anticipate benefit payments will peak in 1977 or early 1978 because of the heavy concentration of separation and determination allowances in the first year of the program. The $50 million request for 1978 reflects an aniticipated decrease due to the reduction in such payments.

JUSTIFICATION OF THE BUDGET ESTIMATES

RAILROAD RETIREMENT BOARD
JUSTIFICATION OF ESTIMATES FOR FISCAL YEAR 1978
SUMMARY OF APPROPRIATIONS AND APPROPRIATION ESTIMATES

Account Title	Estimate 1977	Estimate 1978	Increase or Decrease
General funds:			
Payment for dual benefits	$250,000,000	$250,000,000	-0-
Payment for regional rail reorganization protective benefits	40,000,000	50,000,000	$+10,000,000
Proposed increase in payment for regional rail reorganization protective benefits:	(25,000,000)		
Trust fund:			
Limitation on salaries and expenses (trust fund)	33,723,000	33,282,000	- 441,000

SUMMARY AND HIGHLIGHTS

Programs Administered by the Railroad Retirement Board

The Railroad Retirement Board administers a regular railroad retirement system which provides monthly benefits to employees who retire because of age or disability, and to the eligible wives of such employees. The disability annuities are payable both to employees not able to do any regular work and to career railroad employees not able to work at their regular railroad job. In addition, the system provides for monthly and lump-sum benefits to widows, children, and parents. There is also a provision for a residual payment designed to insure that an employee and his family receive at least as much in benefits as the employee contributes in railroad retirement taxes before 1975. Finally, railroad employees with concurrent social security employment can, under certain conditions, receive tax refunds for taxes paid before 1975. For all benefits except the residual payment, a basic requirement is that the employee have at least 10 years of creditable railroad service, including service before 1937.

The Board also administers a program for the payment of supplemental annuities under certain conditions to career railroad employees awarded retirement annuities after June 1966. The supplemental annuity paid to employees is in addition to the regular annuity.

Under the provisions of the Social Security and Railroad Retirement Acts, the Board participates in the administration of the hospital and medical insurance programs for persons covered by the Railroad Retirement Act. Also, railroad employees and members of their families insured under both systems who apply for social security benefits after December 31, 1974, will have their benefits paid by the Railroad Retirement Board. The Social Security Administration will still determine eligibility to benefits under the Social Security Act.

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

Organizational Structure of the Railroad Retirement Board

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate--one member

upon the recommendation of representatives of employees, one upon recommendation of representatives of carriers, and one, the Chairman, without designated recommendation. The Board's administrative organization is designed to integrate the administration of the programs conducted by the Board without duplication of facilities or operations.

Means of Financing

The regular railroad retirement system is financed by taxes paid by railroad workers and employers. The Railroad Retirement Account is credited with the taxes and annuity payments are made from the Account. Funds held in reserve earn interest which is used to help finance future benefit costs of the railroad retirement system.

The supplemental annuity program is financed by a tax paid by employers based on the number of man hours for which they pay compensation. This tax is deposited in a separate trust account titled Railroad Retirement Supplemental Account from which the supplemental annuities are paid.

The amounts needed for administrative expenses of these programs, as authorized by Congress in annual appropriation Acts, are derived from these trust accounts.

The Social Security Administration reimburses the Railroad Retirement Board for the administrative costs incurred for certain Medicare activities.

The unemployment and sickness insurance system is financed by contributions paid wholly by employers. Of the total contributions paid for this purpose, the portion represented by 0.50 percent of the taxable payroll is permanently appropriated to the Board to cover the administrative costs of the system, with the remainder being credited to the Railroad Unemployment Insurance Account in the unemployment trust fund for the payment of benefits.

Payments to Railroad Retirement Account for Dual Benefits

Under the Railroad Retirement Act of 1937, an individual engaging in covered employment under both the Railroad Retirement Act and Social Security Act could, under certain conditions, receive benefits under both Acts. Recipients of such benefits are referred to as dual beneficiaries. Because the weighting factors inherent in the social security benefit formula produce a proportionately higher benefit for low earnings and short term employees, dual beneficiaries receive a proportionately higher return for their taxes since in most instances the social security coverage is only supplementary to their regular railroad employment. Even though there is a financial interchange arrangement between the Railroad Retirement Board and the Social Security Administration whereby the latter reinsures benefits paid by the Board, the cost of the proportionately higher return is borne solely by the Railroad Retirement Account.

The appropriation request for $250,000,000 recognizes this disparity and is being made as provided in P. L. 93-445. It is the third of 25 annual appropriation requests designed to phase out the higher return contained in dual benefits.

Payments to Railroad Retirement Account for Regional Rail Reorganization Protective Benefits

The Regional Rail Reorganization Act of 1973 (P. L. 93-236) provides for various benefits to protected employees adversely affected in the establishment of the Midwest and Northeast rail system provided by that Act. The payment of all allowances, expenses, and costs provided protected employees will be made by the Consolidated Rail Corporation, the United States Railway Association (where applicable) and acquiring railroads, as the case may be. These organizations upon certification to the Railroad Retirement Board of the amounts paid to protected employees then will be reimbursed for such amounts by the Board up to a total of $250,000,000 over the years. The appropriation request of $50,000,000 for 1978 is to cover the amount of estimated benefit payments in 1977, $49,900,000, as well as $100,000 for administrative expenses of the Railroad Retirement Board in implementing its responsibilities under the law.

Benefit payments under the Act began in July 1976 with $668,000 being certified in the transition period. In the first three months of fiscal year 1977, the anticipated surge of qualified recipients was realized and $14,100,000 was paid in benefits. The total appropriation for 1977 was $40,000,000. Payments are expected to continue at approximately $5,000,000 monthly for the remainder of fiscal year 1977. Accordingly, this request contains a supplemental of $25,000,000 to insure sufficient funds are available to meet obligations for the remainder of 1977. Benefit payments are expected to decrease somewhat in 1978. The amount requested, $50,000,000, for 1978 is expected to be sufficient to meet obligations in that year.

Limitation on Salaries and Expenses

The request for the Limitation on Salaries and Expenses is a request for authorization to use railroad retirement trust funds in the amount specified for the administrative expenses of the railroad retirement system. The system is financed by taxes paid by railroad workers and railroad employers into these trust funds, with amounts needed for benefit payments and administrative expenses derived from these funds.

The amount requested for 1978 for the Limitation on Salaries and Expenses is $33,282,000, which is $441,000 less than the total amount approved for 1977. The decrease of $441,000 includes identifiable increases of $195,000 for within-grade salary advances; an increase of $30,000 for promotion of trainees to journeymen levels; an increase of $219,000 for an additional 16 man years in computer related activities; other personnel compensation increases of $137,000; an increase of $72,000 in rent and maintenance costs of buildings; an increase of $187,000 in rental charges for computer and related equipment; an increase of $35,000 for payments to the Post Office Department and the Treasury Department because of increased postage costs and check preparation costs; an increase of $25,000 in travel costs; an increase of $16,000 in communication costs; an increase of $59,000 for medical examination fees; an increase of $55,000 in supply, printing and contractual service costs; other net increases of $42,000; a decrease of $201,000 in anticipated use of overtime; a decrease of $88,000 because of one less compensable day in fiscal year 1978; and a decrease of $224,000 in the purchase of ADP equipment; a decrease of $1,000,000 in nonrecurring costs (replacement of old equipment and actual physical move) incidental to the relocation of RRB headquarters.

The 1977 limitation would provide for total usage of 1,572 man years for direct activities under the railroad retirement program compared to 1,588 man years that would be provided by the 1978 request, representing an increase of 16 man years.

Effect of Public Law 93-445

The Railroad Retirement Act of 1974, was enacted on October 16, 1974, as Public Law 93-445 and became effective January 1, 1975, completely restructured the railroad retirement system. The major revisions to the system were in the retirement benefit formulas, in the eligibility requirements for a supplemental annuity, in the eligibility requirements for spouse annuities, an increase in survivor benefits rates, in the restrictions placed on the future payment of separate benefits under the railroad retirement and social security systems to the same individual, and cost of living increases to railroad annuitants. The retirement benefit formula was restructured to a two-tier format--the first tier computed under the social security benefit formulas, counting both the employee's railroad and social security credits combined, and the second tier based on service in the railroad industry alone. Two new elements were added--a windfall dual benefit component for those with certain vested rights on the changeover date of December 31, 1974, and a schedule of cost-of-living adjustments in other components of the benefit formula.

Under the 1974 Act, the tier I benefits of all railroad annuitants will automatically rise by the same percentage as social security benefits whenever the latter are increased, whether by Act of Congress or through the cost-of-living provision presently in the Social Security Act. Previously, increases in railroad retirement annuities to match social security had to be legislated by Congress except for the cases paid under the overall-minimum guaranty (O/M). Under the 1974 legislation, there are four fixed automatic cost-of-living increases applicable to specified portions of the employee's and

spouse's tier II amounts. For beneficiaries then on the rolls, the first such adjustment will become effective as of June 1977 and will be calculated on the basis of 32.5 percent of the increase in the Consumer Price Index (CPI) between the first quarter of the prior year and the first quarter of the current year (rounded to the nearest one-tenth of one percent). Similar adjustments will be made effective in June of each of the following three years. Thus, unlike the automatic cost-of-living provisions of the Social Security Act, the Railroad Retirement Act of 1974 may provide for a cost-of-living adjustment, even though the increase in the Consumer Price Index on which the adjustment is based may be less than three percent, the minimum needed to trigger a social security increase.

In March 1976, the Railroad Retirement Board began to develop an improved workload measurement system designed to enable the Board to effectively measure work performance in various activities and to accurately determine future manpower needs on the basis of workload projections. Effective October 1976, the start of the new budget year, a revised and expanded monthly performance and cost reporting system for the various headquarters organizations and the field was instituted. Under the revised system, work activities will be more clearly defined and detailed particularly in the areas of processing railroad retirement initial award or denial actions and the maintenance of beneficiary rolls and the roll of persons receiving social security benefits where entitlement to such benefits is after 1974 and the persons are or could receive railroad retirement benefits. It is particularly in the area of maintenance of the beneficiary rolls where there has been increased activity and this activity has accelerated as the complexities introduced by the Railroad Retirement Act of 1974 have taken full effect. The new work restrictions, alone, have considerably expanded the Board's policing activities with adjustments in benefit rates increasing not only because of these new restrictions but also because of other provisions affecting annuity rates. Correspondingly, there has been an increase in the number of inquiries concerning benefits and adjustments.

Finally, the net effect of the preceding changes will serve to keep the number of beneficiaries serviced by the Board at 1,000,000 in 1978 or at about the same level as in 1977. Over the years, there has been a continual and gradual rise in the number of persons who receive benefits under the railroad retirement system because of periodic liberalizations in the law. Total benefit payments to these beneficiaries will rise from $3,694,000,000 in 1977 to $3,863,000,000 in 1978 due essentially to anticipated cost-of-living increases.

Relocation of Board's Headquarter Offices

The 1977 Limitation on Salaries and Expenses included $2,000,000 to relocate headquarters offices in the Chicago area. The Railroad Retirement Board is one of the few government agencies whose headquarters is located outside of the Washington, DC area. The building now occupied by the Board is 55 years old, construction occurring in the early 1920's. The Board first occupied this building in 1942 and has continually been the major or sole occupant since that time. It now occupies virtually the entire space of approximately 240,600 square feet. Because of the building's irregular dimensions, it has been estimated approximately 6% of the floor space is unusable.

Efforts have been made to secure space in 1977. GSA has advised the Board that because their 1977 and 1978 space rental limitations do not include amounts for the Board, appropriate space might not be available until 1979 or 1980. In that event, the $2,000,000 set aside for the relocation in 1977 will revert to the Railroad Retirement Account.

JUSTIFICATION OF ESTIMATES

PAYMENTS TO RAILROAD RETIREMENT TRUST FUNDS

For payment to the Railroad Retirement Account, as provided under sections 15(b) and 15(d) of the Railroad Retirement Act of 1974, [$250,000,000]$250,000,000.

	Estimate 1977	Estimate 1978	Increase or Decrease
Program by activities			
Payment to Railroad Retirement Account.	$250,000,000	$250,000,000	-0-
Financing			
New obligational authority (appropriation).....	$250,000,000	$250,000,000	-0-

Significant Items in House and Senate Appropriations Committee Reports

Item	Action taken or to be taken
Payment for Dual Benefits 1977 House Report The report explained that this appropriation was the first appropriation to cover the cost of phasing out the "windfall" portion of benefits received by persons covered by both the railroad retirement system and the social security system.	No action required by agency.
1977 Senate Report The report contained an explanation similar to that included in the House report.	No action required by agency.

Appropriations History Table

Payment for dual benefits

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1976	$250,000,000	$250,000,000	$250,000,000	$250,000,000
1976 Transition Period	-0-	-0-	-0-	-0-
1977	$250,000,000	$250,000,000	$250,000,000	$250,000,000
1978	$250,000,000			

Authorizing Legislation

	1978 Authorized	1978 Appropriation requested
Legislation		
Railroad Retirement Act of 1974: Section 15(d)-- Payment for dual benefits.....	Indefinite	$250,000,000

Railroad Retirement Act:
Section 15(d):

"(d) There is hereby authorized to be appropriated to the Railroad Retirement Account for each fiscal year, beginning with the fiscal year ending June 30, 1976, such sums as the Board determines to be necessary on a level basis to pay before the end of fiscal year 2000 the total of (A) the amounts of the annuities paid and to be paid after 1974 pursuant to the provisions of sections 3(h), 4(e), and 4(h) of this Act and pursuant to the provisions of sections 201(a)(3), 201(a)(4), 206(3), and 207(3) of title II of this Act, plus (B) any loss in interest to such Account resulting from the payment of such amounts reduced by (C) such amount as the Board determines, on an estimated basis, is equal to the excess of (i) the interest which such account will actually earn in the fiscal years 1976 through 2000 over (ii) the interest which such account would have earned in such fiscal years if the provisions of subsection (e) of this section were identical to the provisions of section 15(e) of the Railroad Retirement Act of 1937. The Board shall, at the time of each actuarial valuation made prior to the fiscal year 2000 pursuant to the provisions of subsection (g) of this section re-evaluate the amount determined under the preceding sentence for the purpose of determining the amounts to be appropriated thereunder.

Explanation of 1978 Request

This is the third request for appropriations authorized by the Railroad Retirement Act of 1974 to cover the cost of the windfall portion of benefits received by persons covered by both the railroad retirement system and the social security system, until the windfall can be phased out.

Because the social security benefit formula heavily favors persons with short periods of service and low earnings, persons acquiring eligibility under both systems generally receive a substantially higher return for their taxes than others. Under financial arrangements between the two systems, the excess costs resulting from this have been borne by the railroad retirement system and have been a material factor contributing to its financial problems. The windfall benefits will be phased out starting January 1, 1975. While being phased out, the cost of this is to be financed by general fund appropriations to the railroad retirement system.

The Railroad Retirement Act of 1974 authorizes annual appropriations on a level cost basis from 1976 through the year 2000 for costs of phasing out the windfall portion of dual benefits. Actuarial estimates made at the time of the 1974 Congressional hearings of the gross level annual amount required is $285,000,000. This amount is for reduction by the level annual gain expected from the new investment policy authorized by that Act for the Railroad retirement account. This annual gain was estimated at $35,000,000, which is offset against the $285,000,000 and results in a net annual appropriation request of $250,000,000.

JUSTIFICATION OF ESTIMATES

REGIONAL RAIL TRANSPORTATION PROTECTIVE ACCOUNT

For payment of benefits under section 509 of the Regional Rail Reorganization Act of 1973, to remain available until expended, including not to exceed $100,000 for payment to the Railroad Retirement Board for administrative expenses, [$40,000,000] $50,000,000.

	Estimate 1977	Estimate 1978	Increase or Decrease
Program by activities			
Payment to Regional Rail Transportation Protective Account	$40,000,000	$50,000,000	+10,000,000
Financing			
New obligational authority (appropriation)	$40,000,000	$50,000,000	+10,000,000

Significant Items in House and Senate Appropriations Committee Reports

Item	Action taken or to be taken
Regional Rail Transportation Protective Account 1977 House Report The report explained the amount requested was to provide for the payment of separation and displacement allowances to eligible railroad employees, with actual payments made by the Consolidated Rail Corporation, the United States Railway Association, and acquiring railroads, as the case may be.	No action required by agency.

Item	Action taken or to be taken
1977 Senate Report The report stated the full amount of the budget request would be needed since the final reorganization plan under the Regional Rail Reorganization Act was implemented on April 1, 1976. The appropriation for 1977 covered the first full fiscal year of benefit payments to protected railroad employees adversely affected in the establishment of the Midwest and Northeast rail system provided under the Regional Rail Reorganization Act of 1973. The appropriation included $100,000 for Railroad Retirement Board administrative expenses incurred while reimbursing the Consolidated Rail Corporation, the U. S. Railway Association, and acquiring railroads which will pay separation and displacement allowances.	No action required by agency.

Appropriations History Table

Payment for regional rail protective benefits

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1976	$55,100,000	$37,600,000	$37,600,000	$37,600,000
1976 Transition Period	$10,030,000	$10,030,000	$10,030,000	$10,030,000
1977	$40,000,000	$40,000,000	$40,000,000	$40,000,000
	$25,000,000 1/			
1978	$50,000,000			

1/ Supplemental appropriation requested for this account in 1977.

Authorizing Legislation

	1978 Authorized	1978 Appropriation requested
Legislation		
Regional Rail Reorganization Act of 1973: Section 509-- Payment for regional rail protective benefits.....	$250,000,000	$50,000,000

Regional Rail Reorganization Act of 1973:
Section 509--

PAYMENTS OF BENEFITS

SEC. 509. The Corporation, the Association (where applicable), and acquiring railroads, as the case may be, shall be responsible for the actual payment of all allowances, expenses, and costs provided protected employees pursuant to the provisions of this title. The Corporation, the Association (where applicable), and acquiring railroads shall then be reimbursed for such actual amounts paid protected employees, not to exceed the aggregate sum of $250,000,000, pursuant to the provisions of this title by the Railroad Retirement Board upon certification to said Board by the Corporation, the Association (where applicable), and acquiring railroads of the amounts paid such employees. Such reimbursement shall be made from a separate account maintained in the Treasury of the United States to be know as the Regional Rail Transportation Protective Account. There is hereby authorized to be appropriated to such protective account annually such sums as may be required to meet the obligations payable hereunder, not to exceed in the aggregate, however, the sum of $250,000,000. There is further authorized to be appropriated to the Railroad Retirement Board annually such sums as may be necessary to provide for additional administrative expenses to be incurred by the Board in the performance of its functions under this section.

Explanation of 1977 Request

The Regional Rail Reorganization Act of 1973 provides for various benefits to protected employees adversely affected in the establishment of the Midwest and Northeast rail system provided by that Act. Protected railroad employees who meet the eligibility requirements of the Act and who have been deprived of employment or adversely affected with respect to their compensation will be entitled to the payment of monthly displacement allowances, certain other expenses and costs covered under the Act. Upon certification to the Railroad Retirement Board, the Consolidated Rail Corporation, the United States Railway Association (where applicable), and acquiring railroads, as the case may be, will be reimbursed for amounts paid to protected employees. The Act authorizes appropriations to the Board for this purpose up to the aggregate sum of $250,000,000. The appropriation request of $50,000,000 for fiscal year 1978 is to cover the estimated benefits to be paid in that period. Administrative expenses of the Railroad Retirement Board in handling that function are estimated to be $100,000 in fiscal year 1977.

JUSTIFICATION OF ESTIMATES

LIMITATION ON SALARIES AND EXPENSES

For expenses necessary for the Railroad Retirement Board, [$33,723,000]$33,282,000 to be derived from the railroad retirement accounts: *Provided*, That $500,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Status, as amended (31 U.S.C. 665), only to the extent necessary to process work loads not anticipated in the budget estimates and after maximum absorption of the costs of such workloads within the remainder of the foregoing limitation has been achieved: *Provided futher*, That notwithstanding any other provision in law, no portion of this limitation shall be available for payments of standard level user charges pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490(j)).

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Positions	Amount	Positions	Amount	Positions	Amount
Program by activities						
Direct program:						
1. Maintenance of earnings account	32	$ 675,000	32	$ 680,000	...	$+ 5,000
2. Processing applications	556	11,759,000	569	11,842,000	...	+ 83,000
3. Maintenance of beneficiary rolls	775	16,331,000	772	15,771,000	...	-560,000
4. Medicare	70	1,466,000	73	1,476,000		+ 10,000
5. Administration	142	2,992,000	146	3,013,000		+ 21,000
Total direct program	1,575	33,223,000	1,592	32,782,000	...	-441,000
Reimbursable program:						
6. Medicare activities (Social Security Administration)	60	1,200,000	60	1,200,000	...	...
Financing						
Reimbursements (Social Security Administration)	-60	-1,200,000	-60	-1,200,000	...	...
Unobligated balance lapsing		500,000		500,000		
Limitation		33,723,000		33,282,000		-441,000
Obligations by object						
Personnel compensation						
Permanent positions		20,944,000		21,388,000		+444,000
Positions other than permanent		406,000		400,000		- 6,000
Other personnel compensation		872,000		671,000		-201,000
Total personnel compensation		22,222,000		22,459,000		+237,000
Personnel benefits		2,045,000		2,182,000		+137,000
Travel and transportation of persons		374,000		399,000		+ 25,000
Transportation of things		65,000		74,000		+ 9,000
Rent, communications, and utilities		3,701,000		3,960,000		+259,000
Printing and reproduction		93,000		98,000		+ 5,000
Other services		3,471,000		3,055,000		-416,000
Supplies and materials		377,000		404,000		+ 27,000
Equipment		875,000		151,000		-724,000
Total obligations		33,223,000		32,782,000		-441,000

	1977 Estimate	1978 Estimate	Increase or Decrease
Personnel summary (direct program)			
Total number of permanent positions	1,575	1,592	+ 17
Full-time equivalent of other positions	50	50	....
Average paid employment	1,482	1,482	....
Average GS grade	7.68	7.68	....
Average salary	$13,565	$14,243	$+678

SUMMARY OF CHANGES

Limitation presently enacted for 1977	$ 33,723,000
Limitation requested for 1978	33,282,000
Net change revised	- 441,000

Explanation of Increases/Decreases Based on 1977

Increases: Recurring	Positions	Amount	
1. Increase for postage payments to the Post Office Department and Treasury Department		$+ 35,000	
2. Increase for within-grade salary advancements		+ 195,000	
3. Promotions of trainees to journeyman grades		+ 30,000	
4. Increase in communication charges		+ 16,000	
5. Increase in employer payments for health and life insurance		+ 38,000	
6. Increase in payments to civil service retirement fund		+ 72,000	
7. Increase in change-of-station costs		+ 27,000	
8. Increase in rental charges for computer and related equipment		+ 187,000	
9. Increase in cost of supplies, printing and contractural services		+ 55,000	
10. Increase in rent and maintenance		+ 72,000	
11. Increase in travel costs		+ 25,000	
12. Increase in medical examination fees		+ 59,000	
13. Increase in man years 16.0		+ 219,000	
14. Other net increases		+ 42,000	
Total, recurring increases			$+1,072,000

	Positions	Amount	
Decreases:			
One-time			
1. Costs to relocate the Board's headquarters offices			
a. Replacement of old equipment	$-500,000		
b. Actual move of facilities	-500,000	$-1,000,000	
2. Reduction in purchase of peripheral computer equipment		- 224,000	
Recurring:			
1. One less compensable day in 1978		$- 88,000	
2. Reduction in overtime		- 201,000	
Total, decreases			$-1,513,000
Total, net change			$- 441,000

Significant Items in House and Senate Appropriation Committee Reports

Item	Action taken or to be taken
Limitation on Salaries and Expenses 1977 House Report The report stated the Board requested no new positions for 1977. The increase over the 1976 appropriation was accounted for by increases that were generally considered mandatory, such as postage increases, the annualization of the most recent Federal pay raise, and within-grade promotions; by one-time costs of $1,275,000, of which $1,000,000 was associated with the Board's plan to relocate to a different building in 1977; and by increased annual rental charges of $1,000,000 as a result of the relocation.	No action required by agency.
1977 Senate Report The Senate report included an explanation similar to that contained in the House report.	No action required by agency.

Appropriations History Table

Limitation on salaries and expenses

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1967	$12,975,000	$12,975,000	$12,975,000	$12,975,000
1968	14,474,000	14,150,000	14,150,000	14,150,000
1969	15,006,000	15,006,000	15,006,000	15,006,000
1970	16,382,000	16,462,000	16,462,000	16,462,000
1971	19,160,000	19,160,000	19,160,000	19,160,000
1972	19,663,000	19,663,000	19,633,000	19,633,000
1973	21,380,000	20,922,000	20,922,000	20,922,000 1/
1974	21,330,000	21,330,000	21,330,000	21,330,000
1975	26,061,000	24,336,000	24,336,000	24,336,000
1976	30,492,000	29,492,000	29,492,000	29,492,000
1976 Transition Period	7,710,000	7,455,000	7,455,000	7,455,000
1977	33,723,000	33,723,000	33,723,000	33,723,000
1978	33,282,000			

1/ No appropriation enacted for fiscal year. Represents amount made available under Joint Resolution.

Authorizing Legislation

	1978	
	Authorized	Appropriation requested
Legislation		
Railroad Retirement Act:		
Section 15(a)--first two sentences & 15(c).	Indefinite	$33,282,000

"RAILROAD RETIREMENT ACCOUNT

"SEC. 15. (a) The Railroad Retirement Account established by section 15(a) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby authorized to be appropriated to such Account for each fiscal year, beginning with the fiscal year ending June 30, 1975, to provide for the payment of benefits to be made from such Account in accordance with the provisions of section 7(c)(1) of this Act, and to provide for expenses necessary for the Board in the administration of all provisions of this Act, an amount equal to amounts covered into the Treasury (minus refunds) during each fiscal year under the Railroad Retirement Tax Act, except those portions of the amounts covered into the Treasury under sections 3211(b), 3221(c), and 3221(d) of such Tax Act as are necessary to provide sufficient funds to meet the obligation to pay supplemental annuities at the level provided under section 3(c) of this Act and, with respect to those entitled to supplemental annuities under section 205(a) of title II of this Act, at the level provided under section 205(a).

"(c) The Railroad Retirement Supplemental Account established by section 15(b) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby authorized to be appropriated to such account for each fiscal year, beginning with the fiscal year ending June 30, 1975, to provide for the payment of supplemental annuities under section 2(b) of this Act, and to provide for the expenses necessary for the Board in the administration of the payment of such supplemental annuities, an amount equal to such portions of the amounts covered into the Treasury (minus refunds) during each fiscal year under sections 3211(b), 3221(c), and 3221(d) of the Railroad Retirement Tax Act as are not appropriated to the Railroad Retirement Account pursuant to the provisions of subsection (a) of this section.

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

General

The request for the Limitation on Salaries and Expenses is a request for the amounts needed for administrative expenses of the railroad retirement system. The system is financed by taxes paid by railroad employees and railroad employers into the railroad retirement accounts. The amounts needed for administrative expenses, as authorized by Congress, and benefit payments are paid from the railroad retirement trust funds.

The amount available for the Limitation on Salaries and Expenses for 1977 is $33,723,000. The 1977 amount will finance 1,572 man years of employment, including the man year equivalent of overtime. The amount requested for 1978 for the Limitation on Salaries and Expenses is $33,282,000. The 1978 request is $441,000 less than the amount anticipated for 1977. The 1978 request provides for an increase of 16 man years in employment.

The decrease of $441,000 in the 1978 request is made up largely of built in recurring increases totaling $853,000 resulting primarily from increased postage, life and health insurance, communication, supply and material and other sundry costs. Also, an increase of $219,000 in personnel costs is provided for an additional 16 man years for expanded computer activities. The increases have been offset by decreases totaling $1,513,000 primarily in reduced equipment needs of $724,000, $201,000 in overtime, $88,000 because of one less compensable day in 1978 and $500,000 in other services--the estimated amount to physically relocate the Board's headquarters offices.

The single most one-time cost decrease in the 1978 request involves $1,000,000 to relocate the Board's headquarters offices in the Chicago area. Of this amount, $500,000 was provided for upgrading equipment such as desks, tables, chairs, etc., while the other $500,000 was provided for actual relocation expenses including such major items as movement of our EDP operations and site preparation costs prior to actual relocation.

Since May of 1974, the Board has been in constant communication with the General Services Administration to find ways to alleviate the space conditions in its headquarters building. A number of facilities, both commercial and federal leased space, have been visited with the idea of obtaining as much information as possible before making any proposals for a relocation of the Board's headquarters offices. The situation became more grave when in October 1974, Congress passed a bill completely restructuring the Railroad Retirement System. This new law required the hiring of an additional 170 employees. At the time of enactment, there were approximately 1,200 employees at the headquarters facility. We are now approaching approximately 1,400 employees. At this time there is some question as to whether the Board will actually move its headquarters facilities in 1977. The Board has been advised by GSA that there is a possibility the move could be made as late as 1979 or 1980.

The 1977 limitation also included an estimated $1,000,000, on an annual basis, in increased rental charges for space in commercially leased space in the Chicago area. We believe a similar amount would be needed if federally leased space were obtained instead of commercially leased space. The 1978 request includes a similar amount in the event the relocation is made. Should the relocation not take place, the amounts reserved for equipment, relocation and increased rental would revert to the Railroad Retirement Account.

In March 1976, the Railroad Retirement Board began to develop an improved workload measurement system designed to enable the Board to effectively measure work performance in various activities and to accurately determine future manpower needs on the basis of workload projections. Effective October 1976, the start of the new budget year, a revised and expanded monthly performance and cost reporting system for the various headquarters organizations and the field will be instituted. Under the revised system, work activities will be more clearly defined and detailed particularly in the areas of processing railroad retirement initial award or denial actions and the maintenance of beneficiary rolls and the roll of persons receiving social security benefits where

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entitlement to such benefits is after 1974 and the persons are or could receive railroad retirement benefits. It is particularly in the area of maintenance of the beneficiary rolls where there has been increased activity and this activity has accelerated as the complexities introduced by the Railroad Retirement Act of 1974 have taken full effect. The new work restrictions, alone, have considerably expanded the Board's policing activities with adjustments in benefit rates increasing not only because of these new restrictions but also because of other provisions affecting annuity rates. Correspondingly, there has been an increase in the number of inquiries concerning benefits and adjustments.

For activities where there is measurable output, whether applications, inquiries, change of address, etc., there will be included in the monthly performance and cost reports not only man-hours and costs but also processed units along with an expected unit rate. The unit rate, which will reflect in hours the expected amount of time to complete one output unit, will be fixed and will not change unless there are procedural or legislative changes. The unit rate will act as vehicle for not only measuring productivity but also for forecasting manpower requirements within each specific area of activity. Since this is an entirely new system, we anticipate refinement will be made during fiscal year 1977.

The Railroad Retirement Act of 1974, enacted on October 16, 1974, as Public Law 93-445 and becoming effective January 1, 1975, completely restructured the railroad retirement system. The major revisions to the system were in the retirement benefit formulas, in the eligibility requirements for a supplemental annuity, in the eligibility requirements for spouse annuities, an increase in survivor benefits rates, in the restrictions placed on the future payment of separate benefits under the railroad retirement and social security systems to the same individual, and cost-of-living increases to railroad annuitants. The retirement benefit formula is restructured to a two-tier format--the first tier computed under the social security benefit formulas, counting both the employee's railroad and social security credits combined, and the second tier based on service in the railroad industry alone. Two new elements are added--a windfall dual benefit component for those with certain vested rights on the changeover date of December 31, 1974, and a schedule of cost-of-living adjustments in other components of the benefit formula.

While the 1974 Act became effective on January 1, 1975, the extent and complexity of the required changes in the railroad retirement system necessitated a step-by-step approach. Those provisions which had the greatest immediate impact on railroad employees and annuitants, the liberalized spouse and supplemental annuity provisions, survivor annuity increases and the payment of social security benefits through the Board, were effected in the 1975 fiscal year; however, certain other changes were not carried out until the 1976 fiscal year. These were the processing of initial employee and spouse applications using the 1974 Act two-tier formulas, the implementation of additional work restriction provisions and effecting the provision for the refund of certain retirement taxes to individual annuitants.

In an effort to expedite the payment of initial employee retirement awards at 1974 Act rates, new procedures were effected during the year. Using microfilm of data generated by the Board's electronic data processing equipment, field service personnel compute an estimated monthly rate for most employee age-and-service retirees at the time applications are filed. This estimated rate is then paid while the application is processed and a final annuity rate determined. These procedures were put into effect in April 1976 and by the end of the fiscal year about 1,800 estimated awards had been made, in some cases within two or three weeks of the application date.

Earnings restrictions were provided by the 1974 Act for many retired employee and spouses whose annuities were never before subject to such restrictions. Under the 1937 Act, only railroad employment or return to the last pre-retirement employer affected the payment of most retirement annuities. Thus, the new earnings restrictions were contrary to the information about the effect of work on railroad retirement benefits supplied many railroad employees and spouses at the time of their retirement.

While general information about these new restrictions was circulated widely through Board publications and railroad and labor union magazines, these provisions posed a difficult problem because the restrictions affected individual retirees in different ways, depending on their work history. Accordingly, 117,750 tailored work deduction notices were prepared and released. These individual computer printed notices which informed annuitants of the new earnings restrictions included specifics about the maximum annuity amount that would be subject to work deductions if their 1976 earnings exceeded $2,760.

A 6.4 percent cost-of-living increase for survivor annuities and the tier one portion of retirement annuities became effective June 1 and payable July 1, 1976, following social security benefit increases of 6.4 percent effective on that date. Some 856,000 retirement and survivor annuities were accordingly adjusted on July 1. The Board also adjusted approximately 37,000 social security benefits being paid through the Board under the 1974 Act.

For fiscal year 1977, the regular limitation on salaries and expenses is $33,723,000, which is the amount approved by the House and Senate. It included $2,000,000 for relocation of the Board's headquarters to new quarters; $1,000,000 in increased rental charges annually, $500,000 for new equipment and $500,000 for the actual movement of the headquarters facilities. For fiscal year 1978, we are requesting $33,282,000 as the Limitation on Salaries and Expenses compared to the $33,723,000 approved by the House and Senate for 1977.

A breakdown of number of positions, amount of expenditures, and man years by activity follows.

Activity 1. Maintenance of Earnings Accounts

	1977 estimate		1978 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	32	$493,000	32	$510,000	...	$+17,000
Other expenses	..	182,000	..	170,000	...	-12,000
Total	32	675,000	32	680,000	...	+ 5,000

	Man Years		
	1977	1978	Change
Average manpower estimates:			
Permanent and temporary employees	31	27	-4
Overtime equivalent	..	..	..
Total	31	27	-4

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

This is a relatively minor activity which accounts for about 2% of total man-year requirements in administering the railroad retirement system. Because more accurate reporting is anticipated under the revised and expanded work performance reports, 31 man-years will be expended in 1977 for this activity. In 1978, an estimated 27 man-years will be used.

Activity 2. Processing Applications

	1977 estimate		1978 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	556	$ 8,584,000	569	$ 8,882,000	+13	$+298,000
Other expenses	...	3,175,000	...	2,960,000	..	-215,000
Total	556	11,759,000	569	11,842,000	+13	+ 83,000

	Man Years		
	1977	1978	Change
Average manpower estimates:			
Permanent and temporary employees	529	601	+72
Overtime equivalent	29	19	-10
Total	558	620	+62

This activity covers work involved in processing applications for regular retirement and survivor benefits and applications for supplemental annuities. The work involved includes time in field offices spent in assisting the persons in completing their applications; securing necessary proofs of age and relationship; explaining rights and obligations of the applicant; explaining various restrictions if benefits are to continue, including complete forfeiture of the supplemental annuity if there is any return to compensated service to a railroad employer no matter how brief the service; explaining reductions that would be made in the regular annuity if there is subsequent entitlement to a social security benefit; eliciting information as to whether the employee is also entitled to a pension from his railroad employer and explaining the reduction such entitlement would require in the supplemental annuity otherwise payable; explaining the medicare program for those eligible or about to become eligible for enrollment. Work involved in headquarters includes time spent in developing months of creditable service and average creditable compensation, including in some instances service performed prior to 1937; securing information from railroad employers on amounts of pensions payable after applying reductions to the supplemental annuity for entitlement to a company pension, and reductions to the regular annuity for entitlement to the supplemental annuity and social security benefits; issuing notices of awards; paying the accrual amount; and establishing the person on the monthly payment rolls.

A comparison of claims receipts, dispositions, and pending loads for 1976, 1976 TQ, 1977 and 1978 are as follows:

	1976 Actual	1976 TQ Actual	1977 Estimate	1978 Estimate
Pending Start of Year	26,200	38,700	36,600	25,600
New Applications				
Employee Age and Disability	35,400	10,000	34,000	30,000
Spouse	27,500	7,100	27,000	26,000
Survivor	52,100	11,500	56,000	53,000
Annuitant Disability	600	200	1,000	1,000
Supplemental Annuities	26,800	5,400	16,000	16,000
Medicare for Aged	5,400	1,200	5,000	4,000
Social Security Certifications	39,800	8,300	41,000	40,000
Total	187,600	43,700	180,000	170,000
Reactivated	147,300	43,500	175,000	155,000
Total Dispositions, Excluding Partial Awards	322,400	89,300	366,000	329,000
Pending End of Year	38,700	36,600	25,600	21,600

Included as claims receipts for the first time are "social security certifications." Since 1975, the Board has been receiving and paying social security certifications for railroad employees and members of their families insured under both systems. Under procedures now in effect, the Social Security Administration adjudicates all claims for benefits under the Social Security Act. If the individual to whom such benefits are to be paid is insured under the Railroad Retirement Act of 1974, then Social Security Administration certifies the benefit rate to the Board for inclusion with any benefits payable. While the initial receipts of social security certifications were small, they now constitute a substantial portion of the number of work units processed by the Board. In 1977, such certifications are estimated at 41,000 and are expected to remain at approximately the same level in 1978.

Beginning in October 1976, the activities Processing Applications, Maintenance of Beneficiary Rolls, and Medicare will be measured by using new parameters as the standard measure. For activities where there is measurable output there will be included in the monthly performance and cost reports not only man-hours and costs but also processed units along with an expected unit rate. The unit rate, once it is fixed, will reflect in hours the expected amount of time to complete one output unit and will not change unless there are procedural or legislative changes. Included in the time to complete one output unit will be unmeasurable time for certain support activities such as electronic analysis, waiver and recovery, training, etc.

Activity 3. Maintenance of Beneficiary Rolls

	1977 estimate		1978 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	775	$11,922,000	772	$11,828,000	-3	$- 94,000
Other expenses	...	4,409,000	...	3,943,000	..	-466,000
Total	775	16,331,000	772	15,771,000	-3	-560,000

	Man Years		
	1977	1978	Change
Average manpower estimates:			
Permanent and temporary employees	748	703	-45
Overtime equivalent	25	20	- 5
Total	773	723	-50

This activity covers the maintenance of the monthly roll of 1,000,000 persons receiving retirement and survivor benefits, the roll of persons receiving supplemental annuities, and the roll of persons eligible for medicare benefits, and includes work relating to handling regular changes in the rolls, handling inquiries from persons on the rolls, policing to verify that persons continue to be eligible to receive monthly benefits, making rate changes required by amendments to the Social Security and Railroad Retirement Acts, and related operations. New work measures for this activity are covered in the preceding table.

Manpower usage for this activity is expected to be 723 man years in 1978, a decrease of 50 man years over 1977.

Activity 4. Medicare

	1977 estimate		1978 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	70	$1,466,000	73	$1,476,000	+3	$+10,000
Other expenses	..		..		..	
Total	70	1,466,000	73	1,476,000	+3	+10,000

	Man Years		
	1977	1978	Change
Average manpower estimates:			
Permanent and temporary employees	67	68	+1
Overtime equivalent	2	2	..
Total	69	70	+1

This is a new activity which formerly was included as part of the processing of applications and maintenance of beneficiary rolls. Measurable output for this activity in 1977 and 1978 has been identified as enrollments and adjustments for health insurance benefits and inquiries related to health insurance benefits.

Activity 5. Administration

	1977 estimate		1978 estimate		Change	
	Positions	Amount	Positions	Amount	Positions	Amount
Personnel compensation and benefits	142	$2,184,000	146	$2,260,000	+4	$+76,000
Other expenses	...	808,000	...	753,000	..	-55,000
Total	142	2,992,000	146	3,013,000	+4	+21,000

	Man Years		
	1977	1978	Change
Average manpower estimates:			
Permanent and temporary employees	140	144	+4
Overtime equivalent	1	1	..
Total	141	145	+4

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

Railroad Retirement Board

Limitation on Salaries and Expenses of the Railroad Retirement System

Program Purpose and Accomplishments

Revised 1977		1978		
			Budget Estimate	
Positions	Amount	Authorization	Positions	Amount
1,575	$33,723,000	Indefinite	1,592	$33,282,000

Purpose: The railroad retirement system provides for the payment of retirement and disability annuities to railroad employees, annuities to their spouses, and benefits to their survivors.

Explanation: The system is financed by taxes by railroad workers and employers paid into the Railroad retirement accounts. The amounts needed for benefit payments and administrative expenses are derived from these accounts.

Accomplishments in 1977: In fiscal year 1977, we expect to finally implement the remnants of the Railroad Retirement Act of 1974. Generally speaking, these are recertifications of previous awards which require limited manual handling to make final rate adjustments which became effective with the new law. In addition, we will continue to service the monthly benefit roll of 1,000,000 beneficiaries and process 180,000 new applications for benefits.

Objectives for 1978: In fiscal year 1978, we expect to be in a period where claims receipts will be normal; backlogs created by new legislation will decrease appreciably; we

will be able to devote more time to those work activities which have been pended during the implementation of the 1974 Act; service the monthly benefit roll of 1,000,000 beneficiaries; process 170,000 new applications for benefits; and make cost-of-living increase adjustments effective July 1, 1977.

New Positions Requested
Fiscal Year 1978

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MONDAY, FEBRUARY 7, 1977.

FEDERAL MEDIATION AND CONCILIATION SERVICE

WITNESSES

JAMES F. SCEARCE, NATIONAL DIRECTOR, FEDERAL MEDIATION AND CONCILIATION SERVICE
TALLY R. LIVINGSTON, DEPUTY NATIONAL DIRECTOR
ROBERT P. GAJDYS, DIRECTOR, OFFICE OF ADMINISTRATION
L. LAWRENCE SCHULTZ, DIRECTOR, OFFICE OF ARBITRATION SERVICES
HERBERT FISHGOLD, GENERAL COUNSEL
RICHARD D. WILLIAMS, REGIONAL DIRECTOR, CHICAGO, ILL.
SORINE A. PRELI, ASSOCIATE DIRECTOR, OFFICE OF ADMINISTRATION
JEROME H. ROSS, ASSISTANT DIRECTOR, OFFICE OF MEDIATION SERVICES
JOHN J. POPULAR II, ASSOCIATE DIRECTOR, OFFICE OF TECHNICAL SERVICES

Mr. FLOOD. We will now have the Federal Mediation and Conciliation Service. The presentation will be made by James F. Scearce, the National Director of the Federal Mediation and Conciliation Service.

I see we have a biographical sketch here, so we will place that in the record at this point.

[The biographical sketch follows:]

JAMES F. SCEARCE, NATIONAL DIRECTOR, FEDERAL MEDIATION AND CONCILIATION SERVICE

James F. Scearce was sworn in as the eighth National Director of the Federal Mediation and Conciliation Service, April 26, 1976.

As National Director of the Service, he directs the operation of the Federal Government's independent labor-management peacekeeping agency.

The FMCS with eight regional and 72 field offices has 550 employees. More than 300 are highly skilled professional mediators. The mission of the agency is to assist labor and management in resolving their differences, both during contract negotiations and at other times and in other situations as the need arises.

Prior to becoming the National Director, Scearce served 2 years as Deputy National Director. During that time he was the chief operating officer of the agency and assisted in mediating critical negotiations of national scope.

Born October 11, 1932, in High Point, N.C., he is a graduate of the University of North Carolina and holds a master of science degree from Florida State University.

During his tour with the Department of Labor and FMCS, Scearce has participated as a Government representative at many national and international conferences and seminars dealing with collective bargaining. He was the U.S. representative at the ILO conference on collective bargaining in Geneva in May 1976, and was previously the U.S. delegate to the Working Party on Industrial Relations, at the Organization for Economic Cooperation and Development (OECD) in Paris, France.

Prior to becoming associated with the FMCS, Scearce served as a consultant on labor matters for the Environmental Protection Agency for approximately 1 year. From 1969 to 1973, he was special assistant to the Assistant Secretary of Labor for Labor-Management Relations of the U.S. Department of Labor. During this period he participated as a mediator in numerous railroad and airline disputes and other negotiations of national significance.

His first Government service was for a 3-year period 1965–66 when he was labor-industry relations adviser to the National Aeronautics and Space Administration at the John F. Kennedy Space Center. This was during the era of construction and activation of the Nation's launch center.

Scearce has an extended and varied background in private industry. He was program manager for Spindletop Research in Lexington, Ky., doing research work in the socio-economic study field. From 1958 to 1965, he was industrial and public relations manager for the Douglas Aircraft Co. at the John F. Kennedy Space Center. His work experience also includes several years as a construction craftsman and in management in that industry.

During both his prior work with Douglas and his tenure with NASA, he served on the President's Missile Sites Labor Relations Committee.

Scearce is married to the former Jewel Harris of High Point. The Scearces have two sons, Scott, 20, and Robert, 15, a high school student at McLean, Va., where the family makes its home.

Mr. FLOOD. You have some people with you I suppose you want us to meet.

Mr. SCEARCE. If I could, Mr. Chairman, I would like to introduce the witnesses today. To my far left, Mr. Jerome Ross, Assistant Director of the Office of Mediation Services; next to him, Mr. John Popular, Associate Director of the Office of Technical Services; then Mr. Lawrence Schultz, the Director of the Office of Arbitration Services; to my immediate left is the Deputy National Director, Tally R. Livingston; to my immediate right, Mr. Robert Gajdys, Director, Office of Administration; Mr. Herbert Fishgold, General Counsel; Mr. Richard Williams, Regional Director, Chicago, Ill.

Mr. FLOOD. I see you have a prepared statement.

Mr. SCEARCE. If I might, sir, I would like to read it into the record, and I will be as rapid as I can in the process. I do have a summary statement I might read from.

Mr. FLOOD. You have a statement to be inserted in the record?

Mr. SCEARCE. We can submit it for the record.

Mr. FLOOD. And then you want to summarize. Suppose you do that.

[The full statement follows:]

STATEMENT BY JAMES F. SCEARCE, NATIONAL DIRECTOR, FEDERAL MEDIATION AND CONCILIATION SERVICE BEFORE THE LABOR, HEALTH, EDUCATION, AND WELFARE SUBCOMMITTEE OF THE HOUSE COMMITTEE ON APPROPRIATIONS

Mr. Chairman and members of the committee, I am pleased to present to you the fiscal year 1978 appropiration for the Federal Mediation and Conciliation Service.

Due to the deep understanding of the chairman and members of the committee of the Service, of our mission and the job that is being done by FMCS mediators, I won't belabor you with background.

But I would like to point out what may not readily be noticeable, and that is the steady growth over the past 5 years that has taken place in the number of cases handled by our agency, and the number of arbitration referrals processed by the FMCS.

In fiscal year 1972, the Service closed 19,461 dispute mediation cases, 523 technical assistance cases, and processed 13,842 requests for panels of arbitrators. By contrast, in fiscal year 1976, FMCS mediators closed 24,442 dispute cases and 1,082 technical assistance cases, and the Service submitted 22,090 panels to requesting parties.

There is every reason to believe the upward trend will continue. The reasons are basic:

1. The FMCS's reputation for effectiveness and thus its acceptability in negotiations continues to elevate and broaden. We continue to become involved in more negotiations and in being asked to provide more technical assistance help.

2. The changing nature of our economy—with adjustments being made in almost every industry due to automation, inflation, the cost of energy, unemployment, changing market demands, et cetera—is creating new bargaining problems for the parties and making negotiations more complicated than ever before.

3. The Service has been given much broader responsibilities in the health care industry since the passage in 1974 of the Health Care Amendments to the Taft-Hartley Act. Organizing and bargaining in the health care industry are increasing rapidly each year and are expected to continue to do so for many years to come. I am sure I need not point out how critical strikes in this area can be; nor do I need to add that, with large portions of hospital budgets dependent on third party payers such as Blue Cross and Blue Shield and State and Federal health care programs, bargaining is even more complicated and poses serious problems for both sides.

4. Voluntary arbitration has become the accepted method of resolving most grievances. Demands for arbitration services continue to escalate as illustrated by the 30 percent increase in panels provided in fiscal year 1976 over fiscal year 1974. The Service's efficiency in selecting and providing panels and its advice on matters of procedure are encouraging the parties to use this resource at an even higher rate.

5. Both the workforce and union membership are expected to grow during the next 2 fiscal years, particularly in the public sector. Additionally, more unions are competing for membership in this sector, which gives rise to more active organizing. We estimate that the number of public sector cases will increase by about 35 percent over the next 2 years.

6. Increased emphasis on technical assistance in recent years has resulted in the development of several new programs and the expansion of others. Relations by objectives (RBO) is one such program; a broad training program to reduce wildcat strikes in the coal industry is another. Under FMCS guidance, formation of in-plant labor-management committees, while not new, is increasing. However, the efforts of FMCS to encourage such committees on an industrywide basis as well as area and community labor-management committees are new initiatives and are meeting with success. In that regard, the Service recently hosted the first nationwide conference of area labor-management committees.

Fiscal year 1978 looms as another critical year of negotiations. Major contract expirations will occur in a number of significant industries, such as aerospace, Eastern underground and Western surface coal mines, transportation, and retail food stores.

In addition, a recent NLRB ruling that interest arbitration provisions are not mandatory subjects of bargaining in the health care industry will necessitate mandatory mediation assignments and more intensive mediation efforts as well as increased boards of inquiry appointments in cases where contracts previously provided for arbitration of health care disputes.

Large caseload increases are projected in the non-Federal public sector. The FMCS caseload in this area increased by 152 percent in fiscal year 1976 over fiscal year 1975. In addition, public sector disputes usually require more meetings and thus more work per mediator than private sector cases. Federal sector bargaining units continue to provide the Service with another area requiring experience and expertise to deal with their unique problems.

Key Federal agencies with responsibility in school desegregation, equal employment opportunity, community relations, and consumer rights have been calling upon the dispute settlement and training expertise of the Service. Such assistance is minimal at this time, but it could take on a larger role in the future.

In preparing this year's budget, we have gone over every item in detail and, where possible, have pared costs. Thus the total budget estimate is $21,932,000 for fiscal year 1978 and represents an increase of only $755,000 above the fiscal year 1977 appropriation. This increase includes $165,000 for personnel compensation and $590,000 for supporting costs. A complete breakdown of the budget estimate is contained in the overall budget submission.

I'd like to say a few words about the relationship of the FMCS budget estimate and the impact of the work of the Service on the economy of the Nation.

While it is impossible to determine exactly the impact FMCS has on the Nation's economy, some rough estimates are possible. It is estimated that over $400 million in potential wages lost to strikes were averted when mediators got the parties to agree to extensions that resulted in contracts without strikes.

Another $195 million in wages were saved due to shortened strikes through FMCS mediation efforts. And finally, a conservative estimate of $175 million in wages were saved in cases where mediation smoothed the way to a new contract without a work stoppage. In total, this comes to about $775 million in wages alone. The total impact on the GNP is many times higher.

The savings referred to above only pertain to our disputes mediation efforts. In recent years the Service has been expanding and refining its technical assistance program. You may recall, Mr. Chairman, that at one time these efforts were called preventive mediation because the initial intent of these programs was to reduce the likelihood of strikes during contract negotiations. We take a much broader view and feel that our service to the labor-management community extends over the life of the contract.

Now the goals of technical assistance programs are the overall improvement of labor-management relations, facilitating communications, and reducing the prevalence of grievances as well as its original one.

Certainly the feedback received from parties who have experienced technical assistance help overwhelmingly supports the benefits of these programs. Parties with long histories of strikes at every bargaining cycle have had the pattern broken through the help of technical assistance.

In the coal industry, wildcat grievance strikes continue to take an enormous toll in lost wages, profits, and coal production.

After the 1974 coal agreement, FMCS, in cooperation with the United Mine Workers and the Bituminous Coal Operators Association, began developing training programs to help the industry improve its grievance resolution system and reduce wildcat strikes. This program has the unqualified support of the leadership of both the United Mine Workers and the Bituminous Coal Operators Association.

It is anticipated that by fiscal year 1978, 100 technical assistance cases will be conducted in the coal industry, requiring the equivalent of 4 mediator man-years of time. But if wildcat strikes can be significantly reduced, it will be well worth it in terms of the hundreds of millions of dollars in wages that have been lost to wildcat strikes in recent years.

Despite the increasing workload that the Service has experienced, and expects to experience in the future, the budget request does not provide for any additional positions.

The detailed budget estimate which follows has been carefully worked out only after examining all program areas, evaluating the worthiness of each, and calculating their particular role in the makeup of the Service's overall program in fulfilling its mission to the Nation to improve labor-management relations and reduce stoppages.

Mr. Chairman, I am fully prepared to answer any questions you or your committee may have about this budget estimate. In addition, I have with me key staff people who helped me formulate the budget and who will have varying degrees of responsibility for its execution.

To my way of thinking, this budget estimate is not just a request for funds needed to carry out our mission; it is a working document. The fiscal year 1978 budget estimate of FMCS is a commitment to respond to the challenge of collective bargaining during this critical time.

So it is my pleasure to be here not only to answer questions, but to invite them.

Thank you.

OPENING STATEMENT

Mr. SCEARCE. Mr. Chairman and members of the committee, I am pleased to present to you the fiscal year 1978 appropriation for the Federal Mediation and Conciliation Service.

During the past 5 years, the FMCS has experienced a continuing increase in the number of cases handled by our agency, and in the number of arbitration referrals processed by the FMCS.

In fiscal year 1972, the Service closed 19,461 dispute mediation cases, 523 technical assistance cases, and processed 13,842 requests for panels of arbitrators. By contrast, in fiscal year 1976, FMCS media-

tors closed 24,442 dispute cases and 1,082 technical assistance cases, and the Service submitted 22,090 panels to requesting parties.

There is every reason to believe the upward trend will continue. The reasons are basic:

One: The FMCS' reputation for effectiveness and thus its acceptability in negotiations continues to elevate and broaden. We continue to become involved in more negotiations.

Two: The changing nature of our economy—with adjustments being made in almost every industry due to automation, inflation, the cost of energy, unemployment, changing market demands, et cetera—is creating new bargaining problems for the parties.

3. Increased bargaining units and broader demands in the health care industry since the passage in 1974 of the health care amendments to the Taft-Hartley Act continue to draw heavily upon our resources.

4. Demands for arbitration services continue to escalate as illustrated by the 30-percent increase in panels provided in fiscal year 1976 over fiscal year 1974.

5. Both the workforce and union membership are expected to grow during the next 2 fiscal years, particularly in the public sector. We estimate that the number of public sector cases will increase about 35 percent over the next 2 years.

6. Increased emphasis on technical assistance in recent years has resulted in the development of several new programs and the expansion of others. Relations by objectives—RBO—is one such program; a broad training program to reduce wildcat strikes in the coal industry is another. Under FMCS guidance, formation of inplant, company, industry, and area labor-management committees is increasing.

Major contract expirations will occur in 1978 in a number of significant industries, such as aerospace, eastern underground and western surface coal mines, transportation, and retail food stores.

Large caseload increases are projected in the non-Federal public sector. The FMCS caseload in this area increased by 152 percent in fiscal year 1976 over fiscal year 1975. In addition, public sector disputes usually require more meetings and thus more work per mediator than private sector cases.

In preparing this year's budget, we have gone over every item in detail and, where possible, have pared costs.

Thus the total budget estimate is $21,932,000 for fiscal year 1978 and represents an increase of only $755,000 above the fiscal year 1977 appropriation. This increase includes $165,000 for personnel compensation and $590,000 for supporting costs.

While it is impossible to determine exactly the impact FMCS has on the Nation's economy, some rought estimates are possible. It is estimated that over $400 million in potential wages lost to strikes were averted when mediators got the parties to agree to extensions that resulted in contracts without strikes. Another $195 million in wages were saved due to shortened strikes through FMCS mediation efforts. And finally, a conservative estimate of $175 million in wages were saved in cases where mediation smoothed the way to a new contract without a work stoppage. In total, this comes to about $775 million in wages alone. The total impact on the GNP is many times higher.

The savings referred to above only pertain to our disputes mediation efforts. In recent years, the Service has been expanding and refining its technical assistance program. Certainly the feedback received from parties who have experienced technical assistance help overwhelmingly supports the benefits of these programs. Parties with long histories of strikes at every bargaining cycle have had the pattern broken through the help of technical assistance.

If we had the opportunity to single out any one technical assistance program to highlight, it would be the one in cooperation with the United Mine Workers and the Bituminous Coal Operators Association which was developed following the 1974 coal agreement. Its purpose is to help the industry improve its grievance resolution system and thus reduce wildcat strikes. It is anticipated that by fiscal year 1978, 100 technical assistance cases will be conducted in the coal industry, requiring the equivalent of four mediator man-years of time. But, if wildcat strikes can be significantly reduced, it will be well worth it in terms of the hundreds of millions of dollars in wages that have been lost to wildcat strikes in recent years.

Despite the increasing workload that the service has experienced, and expects to experience in the future, the budget request does not provide for any additional positions.

This of course does not deal at all with the production that has been lost during this period of time.

Mr. Chairman, I am fully prepared to answer any questions you or your committee may have about this budget estimate. In addition, I have with me key staff people who helped me formulate the budget and who will have varying degrees of responsibility for its execution.

To my way of thinking, this budget estimate is not just a request for funds needed to carry out our mission; it is a working document. The fiscal year 1978 budget estimate of FMCS is a commitment to respond to the challenge of collective bargaining during this critical time.

So it is my pleasure to be here not only to answer questions, but to invite them.

Thank you.

I might add, Mr. Chairman, we put this budget for 1978 together with the full involvement of the management of the organization, and I think this is the first time this has been done in recent years.

The fiscal year 1978 budget represents a commitment to respond to the challenges of collective bargaining at this critical time.

COLLECTIVE BARGAINING FORECAST

Mr. FLOOD. What can we expect for the next 12 or 18 months?

Mr. SCEARCE. Of course we are well into fiscal year 1977 bargaining now. The oil negotiations are virtually behind us, and I think that we got through those negotiations without any difficulty, without any strike.

I think that perhaps Mr. Ross can summarize the remaining negotiations. I would say, of course, we do have steel negotiations coming up, and then of course next year, in the next fiscal year, the coal negotiations which would have started in fiscal year 1977.

Mr. Ross. I think the outlook for the remainder of fiscal 1977, as Director Scearce has mentioned, is one of a reasonable amount of certainty that there shouldn't be too much in the way of labor unrest.

One of the questions concerns the steel industry negotiations. A lot of that will have to do with the upcoming election this week in the Steel Workers Union.

Another big one, as the Director has mentioned, in December of this year, is coal. In coal, the chances are, there will be some sort of job action. I am not sure what form it will take, and we are working in the technical assistance area to do what we can to avert any sort of work stoppage.

Mr. FLOOD. What will likely be the elements of these disputes, wages and benefits or what?

Mr. SCEARCE. Mr. Chairman, we would think as the economy improves the issues that have been on the bargaining table in past years should abate. That is, particularly, the cost of living demands that have been made which are peripheral to wages but which are very important.

We would expect that job security will be a key issue this year in light of the concerns that the workers have felt in the past several years through the recession. So we would anticipate that, given an improving economy, some of the added demands other than wages, such as cost of living allowances and job security, will abate; but we do not believe that will be the case in 1977.

FMCS INVOLVEMENT

Mr. FLOOD. Right across the board, what proportion of these disputes do you expect the mediation service to play a role in?

Mr. SCEARCE. Of course our brother organization, the National Mediation Board, handles railroads and airlines, but in all other respects we would anticipate that the ratio that we have been dealt with in past years will continue, and that is about 30 percent of the negotiations our people are directly involved in.

TECHNICAL ASSISTANCE

Mr. FLOOD. You mentioned that your purpose is going to be prevention as well as the resolution of disputes. What do you mean by preventing disputes?

Mr. SCEARCE. It is something, Mr. Chairman, that is done over a long period of time. You work with all the parties to try to get them to improve their relationships on a day-to-day basis so they don't come to the bargaining table with the same complaints and grievances that they had the last time they bargained with each other, and that there is a better means of communication between the parties and they can settle the issues that crop up during the life of the contract.

We feel that our responsibility to the labor-management community is throughout the life of the contract. I think that perhaps the program, such as the one we are carrying on now in the coal industry, is a good example of the kind of thing we would hope to do over a long period of time which we can not do in the near term.

I would like to ask Mr. Popular to expand upon that since he is personally involved with that program.

Mr. FLOOD. Yes.

Mr. POPULAR. What has happened in the coal industry is the end of 50 years of very strong centralized leadership of that union, and 3 years of union democracy, which, in effect, has put a lot of decision-making in the coal fields in the various districts.

Mr. FLOOD. Do you include anthracite when you say coal?

Mr. POPULAR. Yes.

Mr. FLOOD. When they talk coal around here they can't spell anthracite.

Mr. POPULAR. In any event, it has been for the purpose of trying to provide training to the district leadership, the mine committeemen, and mine management primarily at the mine superintendent level. It is aimed at more effective means of grievance administration, and to focus in on problem solving and to try to nip the wildcat strike at the mine-site in the bud.

We have completed about 50 such training programs and have about 50 more scheduled. If there is more peace at the mine site, hopefully it will take some of the pressure off the contract negotiations.

PUBLIC SECTOR

Mr. FLOOD. What portion is the public sector? Is there anything about those cases that gives you any particular concern?

Mr. SCEARCE. Yes. Our work in the public sector has increased dramatically over the last several years. Part of it has to do with the reticence on the part of the Service to deal with public sector cases in the past. I am referring now to the non-Federal public sector.

Mr. FLOOD. I understand.

Mr. SCEARCE. It has to do to a great extent with the inclination of the State where these negotiations take place where the relationships exist, because there are varying degrees of interest and support for collective bargaining. Your own State of Pennsylvania has a very viable operation. Other States have, to varying degrees, adopted different approaches to collective bargaining.

We take a 3-step attitude toward collective bargaining in the public sector. Where there is a viable alternative to the Service, where there is an established mediation process in the State, where there is an established system whereby the workers in the State can be given an opportunity to air grievances and to present demands, we do not take an active role. In those States where there is no such alternative and where a dispute does arise, then we may take the unilateral action in order to get involved.

Third, Where there is the viable alternative in the first place, such as in the State of Pennsylvania or New York or several of the other States and we are asked to participate and assist, we will do so, but only where we are asked to do so. We will not try to usurp the responsibility.

Mr. FLOOD. What is the current legal position of public employees with respect to collective bargaining?

Mr. SCEARCE. Again, that depends upon the particular States since there is no Federal legislation in that regard, and I would ask the General Counsel, Mr. Fishgold, to give you a more recent update.

Mr. FISHGOLD. At the present time there are roughly 30-some-odd States that have passed some form of legislation governing, in whole or in part, collective bargaining rights of public employees, but they vary in terms of their scope and the type of services that the States provide in terms of dispute resolution.

There have been varying calls for Federal legislation to govern collective bargaining in the public employee sector, but the recent Supreme Court decision in the League of Cities involving 1974 amendments of the Fair Labor Standards Act indicated there might be some problem in Federal resolution of terms and conditions of employment of public employees, thereby usurping the power of the States.

The role of the FMCS is not one of being a regulatory or enforcement agency but rather one of providing assistance for the most part, at the request of parties to the disputes. Therefore, we believe under the existing mandate that we have, and as the courts have interpreted the National Labor Relations Act to involve labor disputes, that we currently have that mandate and authority at the request of States to get involved.

Mr. FLOOD. Last year you told us many States and localities were developing their own dispute resolution capabilities.

Mr. SCEARCE. It is not coming along as well as we would hope. I would suspect that the economic conditions may have something to do with it. It may also have to do with the attitudes of the States.

If I might ask Mr. Ross—this is his specialty area—to expand upon it.

Mr. ROSS. I think that is essentially right. Most States have enacted laws, as Mr. Fishgold has said, that have some type of legislation dealing with public sector bargaining. The problem is, even if they enact a law, often they don't fund the resolution forum. Consequently, the Federal Mediation and Conciliation Service is called upon either by the State agency, by the administrative neutral agency, or by either or both of the parties to get involved.

Mr. Williams has a situation in his region. Indiana enacted a law and has begun to take positive steps forward to resolve disputes locally. Iowa is another State where a law was enacted. Last year they relied very heavily on the Federal Mediation Service. This year they have increasingly been training some of their own people; have been using outside arbitrators to serve as mediators; and, along with our Service, are doing a very good job of handling their public sector disputes this year.

Mr. SCEARCE. From our standpoint we would be in favor of the States enacting legislation, funding, and moving ahead with their own mediation process. We would be happy to assist those States in setting up those programs, but until this is the case, we feel that we have an obligation. I think that the obligation extends throughout the United States to be of assistance to the parties in public sector cases, and we expect to continue to do so until such time as States have an alternative to the Service.

Mr. FLOOD. Mr. O'Brien.

RELIANCE OF PARTIES ON FMCS

Mr. O'BRIEN. Are there written in the contracts provisions to use your Service?

Mr. SCEARCE. Which contracts?

Mr. O'BRIEN. I was thinking of just union contracts, labor-management contracts.

Mr. SCEARCE. Yes, there are.

Mr. O'BRIEN. I was just wondering, do people rely on you to the extent you are a part of their ultimate bargaining?

Mr. SCEARCE. There are contracts where we are written directly in, saying that the parties can't strike until such time as the Service is called into the case and given an opportunity to try to mediate the case. Of course, the law requires that we be notified prior to the contract expiration. Upon that notice we assign mediators and the mediators reach out to the parties, so there is a contact. We have mediators located in 80 locations around the United States. They are very close to the negotiations that take place, very knowledgeable of what is happening in the area they serve, and have a tremendously high degree of acceptability to the parties.

We, of course, do not have any right to force our way into negotiations, with the possible exception of health care, but we don't use that mandatory right anyway. Nonetheless, we do have a very high degree of acceptability among the parties.

Mr. O'BRIEN. It is a joint operation. You don't go in unless both want it?

Mr. SCEARCE. That is approximately right. Sometimes we have to contact one of the parties, but in the final sense both parties have to ask for the mediator to become available.

ROLE OF MEDIATION

Mr. O'BRIEN. As I understand it, your authority is to cajole and not to decide; is that right?

Mr. SCEARCE. Ours is to improve the communications process between the parties and because the mediators are competent in their field without exception to add something to the negotiations that didn't exist before they got there, that is the expertise they bring through their many years of collective bargaining in one sense or the other. They add that to the bargaining table by bringing the parties along, throwing new ideas out, proposing different approaches. It is the skill of the mediator we are talking about.

STATE MEDIATION SERVICES

Mr. O'BRIEN. One of the gentlemen was talking about State services. Are there some States that have copied your service and fund it so they are performing within the States?

Mr. SCEARCE. Yes. Mr. Ross——

Mr. ROSS. There are about a dozen States, Pennsylvania being one, New York, Massachusetts, Minnesota, and several others—about a dozen have State mediation service capability which is quite similar to the kinds of services that we provide.

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Mr. O'BRIEN. So far as you can tell, they are working well?
Mr. ROSS. In those 12 States, yes, sir.

COMPATIBILITY WITH NATIONAL MEDIATION BOARD

Mr. O'BRIEN. Just one other thing. I am new on this committee. Is there any fundamental reason why what you do and what the National Mediation Board does wouldn't be compatible?

Mr. SCEARCE. We are, of course, under two completely separate statutes. There are different procedures that we operate under as the National Mediation Board does. Once you get the parties to the bargaining table the mediation function is the same, but there is a vast difference between the collective bargaining relationships that exist under the Railway Labor Act, as the members of the Board here can tell you, and those under our statute, the National Labor Relations Act. The mediation has no lack of compatibility between the organizations concerning the work the mediator does at the bargaining table, but there is a substantial difference in how the parties get into the relationship under the different acts.

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal.

RELATIONS BY OBJECTIVES

Mr. ROYBAL. You speak about a technique known as relationship by objectives.

Mr. SCEARCE. Yes.

Mr. ROYBAL. Can you explain what that is and what you are doing with it?

Mr. SCEARCE. Our RBO program is alive and well, and we are more convinced than ever that it is the kind of program that can be useful in certain cases. It is not a panacea. It will not cure all the problems in labor-management relations. I might ask Mr. Popular to expand on that. He can give you an update on RBO.

Mr. POPULAR. In 2 years we have done 22 of those programs. Three of those prior to that had accounted for 2½ million man-days lost due to strikes. We know of one settled without a strike. There is one between now and next week in Evansville, Ind., that had gone through three successions of 100-day strikes each. It now looks like they are on the way to settlement. We are tracking these very closely. The point is, by going into very seriously divisive relationships, we are seeing more real payoff in terms of parties beginning to program and work themselves out of their problems after 5 and 10 years of nothing but trouble. The end result, we think, is going to be a real diminishing of work stoppages in some of those situations.

Mr. ROYBAL. How does this differ from the regular techniques?

Mr. POPULAR. It is the process. It is much more in depth, requires much more commitment, and requires six times as much mediator time. It involves many more people at levels within the particular plant and the union, and it also has a built-in tracking and following process.

Mr. SCEARCE. Actually, the RBO program is most useful where there is a very serious relationship problem between the parties. Both

parties must recognize a need to step back and see we have to do something different. We have to work our way out of this communications problem. It is really a matter of communications basically. The RBO is not something we would use helter-skelter. We have to be very sure there is a full commitment at the top of the organization, whether it be the union or the company, before we would undertake it.

They have to make a commitment and have to stay with the commitment because not only do we conduct the program but there is a followup by the mediator going back to the parties and saying, "Have you met this goal?" If they haven't, then they get back in and start pressing to pick up this responsibility.

Mr. ROYBAL. This was no doubt used in the past, but not called RBO; is that correct?

Mr. SCEARCE. Pieces have been used.

Mr. POPULAR. It is an amalgamation of a lot of lessons that we have learned, and we have it set up in the RBO process. I am thinking of Alcoa, the steelworkers out in California, continual repeated problems. What it does is move them through a series of steps, identifying their problems, and committing themselves to doing certain specific things about them, and putting a timetable and responsibilities on all levels of union and management personnel to make sure these things are done. And we come back every 90 days.

Mr. ROYBAL. You actually put the responsibility on them?

Mr. POPULAR. Yes.

Mr. ROYBAL. Then they have to follow a certain process?

Mr. SCEARCE. They commit themselves to do certain things by a certain point. We go back in and birddog, if you will, to make sure they do.

Mr. ROYBAL. Does this come about mostly after long discussions and finally almost giving up?

Mr. POPULAR. Yes.

Mr. ROYBAL. Is this the last thing?

Mr. SCEARCE. That is where it has been. We refer to it as the open heart surgery of technical assistance.

Mr. ROYBAL. I remember that term. Actually, I thought it was just a fancy-sounding phrase. I am beginning to appreciate more and more a developed technique that is applied.

Mr. SCEARCE. We would like to send up for the members a kind of summary of these programs to let you see what has been done and the results that have flowed out of it. We know there are going to be some successes and some failures but thus far the program has been eminently successful almost entirely.

Mr. ROYBAL. Also include in that something about technical assistance programs?

Mr. SCEARCE. We will.

Mr. ROYBAL. And how they are being used to prevent disputes, the success you have had, and so forth.

Mr. SCEARCE. We will.

[The requested information is as follows:]

ARTICLE—WORK IN AMERICA INSTITUTE

(By John J. Popular II, Associate Director for Technical Services, Federal Mediation and Conciliation Service)

The year was 1974. Three big strikes had been called into Washington, D.C. headquarters of the Federal Mediation and Conciliation Service. The Teamsters strike against United Parcel Service of New York City was in its third month. Whirlpool of Evansville, Ind., was experiencing its third strike in excess of 100 days with IUE Local 808. Borden's Columbus Coated Fabrics plant had been struck by the Textile Workers Union for over 100 days. Round the clock negotiations and intensive mediation efforts settled each strike. But when the workers went back on the job it was clear that although the strikes had been settled the dispute was still on. All three strikes had one thing in common. Money, wasn't the real issue—bad labor relations was the basis of conflict.

Today, because of third party help by Federal mediators, all three situations are greatly improved.

United Parcel reports an amazing turnaround in their day to day labor relations. Productivity and cooperation is vastly improved.

In Evansville, Whirlpool and IUE are seriously discussing the prospects of an early agreement before next year's contract expiration date. Grievances at Columbus Coated Fabrics have dropped by 90 percent and management reports significant improvements on all fronts.

All three cases attribute the breakthrough in the turnaround of their relationship to RBO—Labor-Management Relationships by Objectives. Developed and introduced by the Federal Mediation and Conciliation Service in 1975, eighteen RBO programs have been completed in some of the toughest labor relations situations on the American industrial relations scene. The number of RBO's is small compared to 1,000 technical assistance programs conducted annually by 300 Federal mediators for labor and management. The reason: RBO is an indepth conflict resolution process reserved for the really "tough ones". As an indication of how tough they can be, one recent RBO program on the west coast required 8 months of repeated contacts with local representatives, corporate executives in Pittsburg and top union officials in Detroit before they finally agreed to participate in the program.

BACKGROUND

Traditionally, FMCS's major role has been that of a firefighter. Only after management and labor had reached a stubborn impasse, would FMCS be asked to mediate the dispute in the hope of settling the strike. The FMCS was created as independent agency by the 1947 Taft-Hartley Act to do just that, and since its inception, crisis mediation has been its primary mission. During the early 1960's, the FMCS introduced a concept known as "preventive mediation" though the program was relegated to a secondary role. Throughout the late 1960's, though, the preventive role began to take on increasing importance, as the traditional adversarial roles of management and labor began to gradually mellow with the changing realities and priorities of American society. Ultimately, the old preventive mediation aspect was accorded equal priority by the leadership of the FMCS, and was to evolve into a dual-focused "technical assistance" activity in the 1970's. Its major thrusts have become training and labor-management committees.

RBO is a higher-order offshoot of the elevated preventive mediation role of FMCS; a much more sophisticated application. It represents some of the most advanced conflict resolution techniques to date. It has been used very selectively on an experimental basis for the past year and a half. It is rapidly gaining recognition, acceptance, and respect by the labor relations community. It is offered by its innovators as a very effective vehicle for identifying problems before they explode, and working on these problems before they become stalemates at the bargaining table. Currently, it is being used almost exclusively in situations following protracted strikes, or where there are volatile labor-management histories. The criteria established by FMCS as a prerequisite for RBO is simple. Both parties must be sincerely concerned about their divisive relationship and committed at all levels to do something about it. In exchange for their cooperation in the RBO program, FMCS commits itself to assist the parties on a long term basis with time and manpower to help rebuild a lasting relationship and thus reduce the prospects of strikes in subsequent negotiations.

THE PROGRAM

RBO is a down-to-earth approach to labor-management relations. Theories are pushed aside, and representatives from both sides are asked to sit down, roll up their sleeves, and identify the problems in the relationship and their expectations of it, then to develop means to solving them.

To begin with, the groups are divided into three or four teams. Each team is comprised of labor and management members with a mediator. First, each team is asked to respond to the question: "What do you expect to gain from this program?"

Next, the teams are shown the FMCS-developed and produced movie, "Barney and Clyde (Or You Can't Negotiate an Attitude)." The 22-minute film is a dramatization of a contract negotiation which depicts how poor attitudes which exist on the shop floor can spill over into the negotiations. After viewing the film, the teams are asked to:

1. Analyze the attitudes of the supervisor and the union steward.
2. List the problems in the company-union relationship depicted in the film.
3. Make recommendations to improve the relationship.

After each of these team exercises, the group reassembles to discuss their respective reports. Up to this point, it is an exercise in group dynamics to get the participants thinking, which the FMCS considers important psychological groundwork to the program itself. Throughout the team discussions and reports, participants begin to associate their observations of "Barney and Clyde" with their own situation.

The RBO program begins by separating the group by labor and management components. In separate conferences, the participants are asked to respond to the questions:

1. What should the other party be doing to improve labor-management relations?
2. What should you be doing to improve labor-management relations?

Next, the responses are collected by the mediators. Similar answers are consolidated. Negative complaints are stated as positive goals. Then the mediators draw up four lists:

1. According to the company, the union should . . .
2. According to the company, the company should . . .
3. According to the union, the company should . . .
4. According to the union, the union should . . .

This ends the first RBO phase.

In step two, labor and management meet to review the four lists compiled by the mediators in the first phase as a basis for drawing up mutually agreeable objectives. Although there are numerous variations, almost all the goals touch on: (1) Labor-management communications, (2) attitudes and practices—management, (3) attitudes and practices—union, and (4) training.

In the next step, the entire group is assembled and asked to consolidate the form lists into a single consolidated list. Then the "mutual objectives" list is broken into four parts, and each part is assigned to one of the four original teams for study. The teams are challenged to develop ideas for action steps to accomplish the objectives. Following these "mixed team" meetings, management and union groups again meet in separate conference to review the team proposals and to formulate specific action steps to enable both parties to attain the objectives the two sides had agreed upon.

In the next to the last step, the entire labor-management group reassembles to hammer out differences between union and management thinking. Finally, a review of the goals, action steps, and assignments of responsibility are made, and a timetable for resolution is adopted by the whole group.

The RBO process does not end with the concentrated and intense seminar format. Built in are automatic 90-day followups (or more frequent, if necessary), at which time FMCS personnel return to the original setting to track the progress of the new labor-management mechanism—based on changed attitudes and the spirit of mutual trust and participation—and to offer additional advice and counsel if need be.

The key to the entire process is its focus. Instead of hammering out agreements at the lofty level of the company's board room or international union headquarters, RBO seeks to enlist participants at the plant level, where the actual problems occur. Therefore, mediators work largely with the union committeemen, and key supervisors right off the shop floor. This is where the all-

important communications take place; and it is the plant level union committeemen and managers who must come to terms and learn to deal with each other in good faith.

HOW SUCCESSFUL?

So far, FMCS has completed the initial phase of 18 such RBO activities, and is in various stages of the tracking process. Some of the results are startling. All companies report that grievance and arbitration caseloads are down 50 to 70 percent. But more importantly, all parties report a problem solving environment conducive to working out daily problems without the obstacle of win-lose attitudes. Furthermore, the parties report that operational efficiency has improved dramatically.

How successful is relations by objectives? The best that can be said is that it has worked every time so far, to one degree or another. In the words of Ron Carey, president of Teamsters Local 804, who represents 6,000 members at United Parcel:

"I am pleased to report that your program and personnel have helped to remove difficult built-in labor relations obstacles, and have brought about for both parties, a meaningful attitude. I congratulate you and the entire staff for pointing out that there must be a better way."

Listing of RBO programs completed since introduction 1975

Georgia Pacific-UPIU, IBEW, IAM Carpenters, F. & Oilers.	Woodlands, Maine.
United Parcel Service-Teamsters Local 804, (3 programs).	New York, N.Y.
GSA–AFGE	Washington, D.C.
Olin-UPIU	Pisgah Forest, N.C.
Alabama Kraft-UPIU, IAM	Phoenix City, Ala.
ICI-Teamsters Local 515	Chattanooga, Tenn.
Desoto Industries-Carpenters	Desoto, Miss.
Midland Ross-IAM	Paris, Tenn.
National Airlines-ALEA	Miami, Fla.
Columbia Coated Fabrics-TWUA	Columbus, Ohio.
Marion Power Shovel-USW	Marion, Ohio.
Whirlpool-IUE	Evansville, Ind.
Paper Calmeson-IUE	Minneapolis, Minn.
Freeman Industries-Boilmakers	Peru, Ind.
Blish, Mize & Silliman-Teamsters Local 696	Atchison, Kans.
McCormick Distillery-Distillery Workers	Weston, Mo.
Vandenberg Air Force Base-NFFE	Vandenberg, Calif.
Alcoa-UAW	Vernon, Calif.
Ameron-USW	Los Angeles, Calif.
DuVal Industries-USW	Carlsbad, N. Mex.

Scheduled 1977

Union Carbide-IAM	South Charleston, W. Va.
Tennaco Chemical-USW	Hazelton, Penn.
Dravo Shipbuilding	Pittsburgh, Pa.
Lever Brothers-Chemical Workers	St. Louis, Mo.

TECHNICAL ASSISTANCE PROGRAM

The mission statement of the Federal Mediation and Conciliation Service includes, "promoting the development of sound and stable labor-management relationships; developing the art, science, and practice of dispute resolution; fostering constructive joint relationships of labor and management to leaders to increase their mutual understanding and solution of common problems."

Consistent with this philosophy, the Office of Technical Services and the mediator staff across the Nation increased technical assistance activities by almost 100 percent over the last 3 fiscal years. In fiscal year 1976, 1,082 technical assistance activities took place, a 15-percent increase over the activities of the prior fiscal year.

Traditionally, the majority of these cases had developed as a result of a mediator's prior involvement with the parties during a contract dispute. Even

though a settlement is usually reached, the mediator becomes aware of problems affecting the day-to-day relationship between the parties, and frequently follows up the dispute case activity with an offer to help with a technical assistance program.

In fiscal year 1976, 616 training programs were conducted by FMCS mediators, 70 percent of which were joint union-management programs. The emphasis of such programs is directed toward improved problem solving capabilities and grievance administration. During the same period, 216 labor-management committees were initiated by Federal mediators. The purpose of such committees is to improve communications on day-to-day operational problems outside the adversary channel of the grievance procedure.

The range of technical assistance activities have a basic goal—overcoming hostile attitudes through improving communications, credibility and thus enhancing the prospects for long-range cooperation. This is the necessary atmosphere that is conducive to responsible collective bargaining which in turn minimizes the prospects of bitter and lengthy work stoppages.

FMCS has been advised of numerous specific cases where the parties feel that technical assistance programs contributed to improvements. Examples include:

United Parcel—IBT Local 804 in New York City reports productivity increases, decreases in grievance activity and complete elimination of wildcat strikes.

Georgia-Pacific—UPIU in Woodland, Maine, reached agreement 11 days before the contract expiration without FMCS mediation. (Note this was the FMCS's first RBO program in 1975.)

Midland-Ross—IAM in Paris, Tenn., attributes their settlement without a strike (two previous strikes in 1970 and 1973) to intensive technical assistance work 7 weeks prior to the contract expiration.

Freightliner—Teamsters Local 716 in Indianapolis reports an 80-percent reduction of grievances, an absentee rate of 3 percent versus 15 percent and increased productivity following a TA program. (This followed an 80-day strike.)

The effectiveness of technical assistance in achieving the goal of more stable and responsible labor-management relations was the subject of evaluation last year.

FMCS surveyed 35 companies and unions which had recently participated in technical assistance programs. Two out of three reported that grievances and disciplinary actions had decreased following the TA program. Using a quantitative scale of how the parties perceived their relationship before and after the program, the weighted average showed a 30-percent improvement (that is, foreman-steward relations, organizational relations, communications, employee morale). All of these findings demonstrate that the overall goals of the program are being achieved.

Mr. FLOOD. Mr. Early.

PUBLIC SECTOR MEDIATION

Mr. EARLY. Thank you, Mr. Chairman.

You suggested the involvement with the public sector has increased dramatically. Do you suspect that is because the public sector doesn't really go into full bargaining now?

Mr. SCEARCE. I think there are two reasons. We previously have not offered our services. We have been asked on occasions in the past to be of assistance. In addition to that, there has been a tremendous upsurge in collective bargaining throughout the United States in the public sector. So I would say it is a combination of several things. On the one hand, once you go in and you are visible in an area or in a State in collective bargaining, other people know that you are available and you are called upon to do these things.

We have experienced the same situation with Members of the Congress. We are very pleased that they have identified the service as an alternative. We came before the committee a year or so back on the Hopi-Navajo negotiations where they had been arguing over a land

claim and mediation was successful to a significant extent in helping rationalize the issues. That dispute will probably settle up in the next month or so, and it has been going on for 100 years.

I must tell you that sitting to my immediate right is a member of the Mohawk nation. I would say the service may very well possibly be of assistance.

Mr. EARLY. I just suggest that maybe you defeat your own purpose. No longer do labor and management settle their own strikes.

Mr. SCEARCE. We get 120,000 notices a year of collective bargaining. Once they are consolidated they will come down to 30,000 or 40,000 cases. Of those 30,000 or 40,000 cases, two-thirds are settled without mediation, so I think the collective bargaining process—talking in the private sector now——

Mr. EARLY. My question was about the public sector. What percentage of the public sector disputes are settled without a mediator?

Mr. Ross. I don't have any direct figures except on some individual States. In Iowa the first year it was very high. I would say probably two-thirds of all settlements involved a third party, involved a mediator. This year I think it is down to probably 30 or 40 percent.

Mr. EARLY. I happen to think it is going in just the other direction. They wait for the mediator.

Mr. Ross. I don't think the figures will stand up to that.

Mr. EARLY. Will you submit that for the record.

[The requested information is as follows:]

THE IMPACT OF THE AVAILABILITY OF MEDIATION ON THE COLLECTIVE BARGAINING PROCESS IN PUBLIC SECTOR LABOR RELATIONS

In the absence of a national labor policy for State and local government labor relations with supporting research and statistical programs, there is not adequate data to determine, with satisfactory precision, either the number of mediation assisted cases or their impact on the collective bargaining process at the State and local governmental level. The Association of Labor Mediation Agencies (ALMA), composed primarily of State mediation agencies, is currently planning the development of a data collection program in this area, but it has no statistical information available at this time.

The Service has limited information available on the extent of mediation nationwide at the State and local governmental level. Our principal source is the labor-management relations data program for State and local governments conducted by the Governments' Division, U.S. Bureau of the Census (see attached table). This program, funded in part by the Labor-Management Services Administration, U.S. Department of Labor, and performed in cooperation with the U.S. Bureau of Labor Statistics, does provide data on the extent to which mediation has been the final step in the resolution of work stoppages at the State and local governmental levels.

While this data provides information on only a small portion of all labor agreements at the State and local level—in 1975, for example, there were only 490 work stoppages compared to the 25,770 labor agreements in effect that year—each work stoppage is significant as an indication of how the governmental labor relations process is functioning. Examination of this nationwide data for impasses resulting in work stoppages does not reveal any addictive effect of mediation. Direct agreement of the parties is the dominant mode of resolving these work stoppages and there is no evidence of any increasing dependence upon mediation to settle them. Again, it should be noted that this data is limited to a small, but significant number of dispute cases and we do not have information on the extent to which mediation played a role in assisting State and local jurisdictions in reaching their current 25,000 plus labor agreements.

In terms of FMCS experience, over recent years the States of Illinois and Ohio have continued to provide a major portion of FMCS State and local cases.

But these are States with a substantial amount of collective bargaining activity which do not have public sector labor legislation or State mediation agencies to meet local needs. Our continuing participation serves a public service function in lieu of local facilities. Our own data on FMCS involvement in State and local government dispute cases does not reveal any significant dependency on mediation in the collective bargaining process.

A crucial case study in this regard may possibly be the Iowa experience with mediation. In fiscal year 1975, prior to the passage of State legislation, there were 18 negotiations in the State with FMCS involvement in 17. During fiscal year 1976 after the passage of a new public sector law, at the request of the Iowa Public Employment Relations Board, we provided considerable assistance to local jurisdictions during their first year of bargaining. There were 223 total negotiations with FMCS involvement in 136, with agreements reached in all 136; the State agency was involved in 64 and in 23 cases the parties settled by themselves. To date in fiscal year 1977, there has been a total of 104 negotiations. FMCS has been involved in and settled 23 of these cases. The State agency has been in 15 cases and the parties have settled by themselves in 6 cases. There are still 60 cases in process for which the data are incomplete.

While the ultimate evaluation will depend upon the outcome of these 60 cases in process, the information on the current round of bargaining in Iowa does not indicate any trend for an addictive dependence upon mediation, at least for FMCS participation.

LABOR-MANAGEMENT AGREEMENTS AT STATE AND LOCAL GOVERNMENT LEVEL AND METHODS FOR RESOLUTION OF WORK STOPPAGES

	Number of Labor-management agreements at State and local level	Number of work stoppages per year	Final method of resolution					
			Agreement of parties[1]	Mediation[1]	Fact-finding[1]	Arbitration[1]	Injunction[1]	Other[1 2]
Year:								
1972	19,547	382	188 (49)	104 (27)	27 (7)	19 (5)	33 (9)	10(3)
1973[3]								
1974	23,820	471	190 (40)	85 (18)	12 (3)	18 (4)	53 (11)	113 (24)
1975	25,770	490	214 (43)	92 (19)	17 (3)	17 (3)	67 (14)	83 (17)

[1] Figures in parentheses equal percentage.
[2] Other; returned to work without agreement; dismissal of workers engaged in work stoppage, etc.
[3] Data not available.

Note: FMCS closed joint dispute cases at state and local government level (fiscal years): 1972, 109; 1973, 89; 1974, 140; 1975, 264; 1976, 665.

Source: Governments' Division, U.S. Bureau of the Census. Data obtained in joint program with the U.S. Bureau of Labor Statistics.

Mr. EARLY. You suggested three alternatives in which you would get involved. What percent in how many States do you get involved?

Mr. SCEARCE. Part of it would be an activist role on our part, where we know the State does not have a mediation process and yet there is a major dispute that is going to disrupt the processes of the city.

Mr. EARLY. Do you think you should be the activist?

Mr. SCEARCE. We may contact the parties and say, "we know where you are in a situation here, can we be of service?"

PUBLIC SECTOR LEGISLATION

Mr. EARLY. Will you give me your opinion of the 30 States that have passed collective bargaining laws versus the 20 that have not?

Which seem to be settling strikes faster, reducing the number of potential strikes or doing a better job?

Mr. SCEARCE. Being a supporter of the collective bargaining process, I feel it is important that employees have some means of expressing

their attitudes and getting their grievances handled. If there is not such an alternative, then you have a problem that erupts, as erupted in 1970 in the postal dispute, with employees eventually taking things in their own hands.

In those States where they have viable collective bargaining laws, there is a more orderly means of dispute settlement than in the States that are in the process now of changing or the attitudes of the workers are changing. I think that it rationalizes the ability to handle the whole relationship between the employee and the entity.

Mr. EARLY. Isn't the cost of living now accepted as a fringe and not as a tool to eliminate or remove negotiations annually?

Mr. SCEARCE. Mr. Early, in 1970 the cost of living was a very high priority item because we had a recessionary problem. In 1963–64 nobody wanted it because it was no longer in vogue. The cost of living was down, wages were important. I think cost of living will eventually drop out of the picture if the economy stabilizes and if we don't have high inflation and high unemployment.

Mr. EARLY. Wasn't it written originally that if the index went down prices were to go down hypothetically?

Mr. SCEARCE. Wages, you mean?

Mr. EARLY. Yes.

Mr. SCEARCE. I think that is true, and I remember for a 7-year period I was involved with a company—we had a cost of living indicator that would rise and fall and over 7 years it went down 1 penny. Other than that, it was always either stable or went up. So this does not rise and fall. The cost of living has been on a gradual incline.

Mr. FLOOD. Mr. Michel.

ROLE OF MEDIATION SERVICE

Mr. MICHEL. Mr. Scearce, I would like to ask you several general questions as to what you view the proper role of the Service. Should the Service, for example, be activist and insert itself in temporarily stalemated disputes, or should it only intervene when both parties have indicated they are at an impasse and have invited its assistance?

Mr. SCEARCE. Sir, I will tell you exactly how I feel. I am a realist. The fact is, if there was a major dispute somewhere and the Service had not been involved and it was disrupting the process and people were suffering, I don't think we would stay out of it under any circumstance because I would suspect we would be hearing from people who represent the people being impacted.

Mr. MICHEL. Would you wait for that kind of pressure or would you just, regardless, plunge right in because you view your role as being activist?

Mr. SCEARCE. If we felt the third party neutral could be of assistance in resolving a dispute and could in the process of doing so head off a disruptive strike, we would very probably recommend that we offer our services. We don't force our way into anyone's negotiations.

INITIATION OF TECHNICAL ASSISTANCE

Mr. MICHEL. What about the technical assistance you provide; is that usually solicited by the parties involved or do you actively seek out situations where it might be helpful?

Mr. SCEARCE. It is some of both really. It does not come from us; it comes from the mediator. He or she knows the parties, knows the situation far better than anyone in Washington could know. This mediator says this is a terrible circumstance. If the parties go back through this again they are going to be in worse shape next time because there is a lack of understanding of what the responsibilities and rights are.

The mediator would make that recommendation through the organization. It may be handled at the regional level where they can formulate and go back to the parties and say, "Let's recommend to you a program over a period of time after the dust has settled from these negotiations; let's sit down and see if we can't find a better way to work out these problems than we have in the past, stop using the picket line, stop using strikes to bludgeon each other in the negotiations; let's see if we can't improve."

We may, on a national scope, if we perceive a dispute that has been debilitating, go back through the organization, through the mediator, and say, "Give us some insight." Would it be of assistance if this program were to be implemented? But that is the internal process.

A very large percentage of this comes from the parties themselves, particularly if they are professionals in the field of collective bargaining who recognize they have a problem.

Mr. MICHEL. How many labor-management committees have you actually helped to set up?

Mr. SCEARCE. Let me ask Mr. Popular.

Mr. POPULAR. There were 216 last year.

Mr. MICHEL. Have they been helpful?

Mr. POPULAR. Yes, sir. An interesting development, just adding on, is the area community-type labor-management committee, of which I am sure many of you are aware through Congressman Lundine and the Jamestown Committee. There are 24 of those committees around the United States, and our service was involved in initiating a dozen of them.

Mr. MICHEL. Are they pushed more by labor or by management?

Mr. POPULAR. To tell you the truth, it is usually by the mediator because both parties have always suffered some sort of trauma in their community; they have lost a plant; they have gone through an extremely serious strike; there is a threat of losing a plant; and there is a recognition something has to be done. Invariably the mediator is the catalyst who starts getting them to focus in on what can be done.

PUBLIC SECTOR CASELOAD

Mr. MICHEL. Turning to another area, your statement indicates that the caseload in the non-Federal public sector increased by 152 percent in fiscal 1976 over 1975. What is the reason for that?

Mr. SCEARCE. It is partly because we have been more active in the public sector. This is the non-Federal public sector. As a result of increased collective bargaining, more contracts——

Mr. MICHEL. Because we have more union activity in the public sector than we had before?

Mr. SCEARCE. Because we had more recognition in the States that collective bargaining is the means of settling disputes. States are enacting legislation, giving the workers the right to organize, and they are organizing and in those cases where in the past it was the

result of a turndown in the economy, there has been a tremendous upsurge in union demands and the whole bargaining posture has speeded up.

Mr. MICHEL. You indicate that the public sector disputes usually require more meetings and thus more work per mediator than the private sector cases. To what do you attribute that?

Mr. SCEARCE. Again, part of it has to do with the fact there is less skill in bargaining among the people in the public sector because they are just coming in.

Mr. MICHEL. Lack of experience in the area or field as distinguished from the long experience in the private sector?

Mr. SCEARCE. That is correct. In addition, the strike may not be permitted in a case. If you don't have the potential of building the climax, things have a tendency to drag on. Mr. Ross, do you want to explain?

Mr. Ross. I think those are probably the two major reasons: I think the unsophistication and the lack of pressure.

The other major factor is the fact that in many instances in the public sector the people who have final decisionmaking authority are not at the bargaining table. A school board who can talk about how much, in terms of dollars, may not be represented on that education bargaining team.

State legislators are not in those negotiations so the parties in the executive branch tend to go a little slower because they are not sure they can get the dollars.

PERCENTAGE OF NEGOTIATIONS

Mr. MICHEL. What percentage of all contract negotiations would you say the Service is involved in?

Mr. SCEARCE. We figure about 30 percent.

Mr. MICHEL. How does that compare with previous years?

Mr. SCEARCE. It is increasing but not at a very high rate. Our increased activity—I am talking now in the private sector.

Mr. MICHEL. Right.

Mr. SCEARCE. The increased activity is in the public sector.

Mr. MICHEL. There has been a slight increase in the private sector.

Mr. SCEARCE. Yes. It tends to go up.

REDUCTIONS IN FUNDING REQUEST

Mr. MICHEL. Your statement on workload projections show an increase in arbitration cases in fiscal 1978 but your budget shows a dollar decrease, from $595,000 to $539,000. How do you explain that?

Mr. SCEARCE. Let me say first that we put together the 1978 request and we tried to be as conservative as we could in requesting funding. To a large extent we tried to incorporate into our request not only the slight increase, but to also show a decrease in some of the spending by line item.

So we tried to pare down our request for funding in order to give as realistic and as conservative a budget as we can.

Mr. GAJDYS. There are various elements within our budget that support all of the Service. Some support arbitration, and, where we

have identified decreases, their proportionate share would be reduced. So that reflects the small differentiation.

Mr. MICHEL. Did the Service provide the arbitrator who ruled against the baseball reserve clause?

Mr. SCEARCE. No. They have a permanent umpire.

Mr. MICHEL. What accounts for that nearly 50 percent reduction of funds you are requesting for boards and panels?

Mr. SCEARCE. This is our assessment, a realistic appraisal of the amount of money that we would need in order to meet the request of the parties for boards and panels. Most of this is under the health care amendments. We do not believe that it is in the best interest of collective bargaining, nor do we think it necessarily will assist in health care delivery to name boards for every health care case. We found this out over a period of time as we went through carrying out our responsibilities on health care. Consequently we are saying to Congress that we do not need a million dollars. We think a more realistic funding level for boards and panels is $615,000. These funds, of course, are not just for health care boards. They are also used for Taft-Hartley boards, the Health Care Labor-Management Advisory Committee, and the Arbitration Services Advisory Committee.

HEALTH CARE DEVELOPMENTS

Mr. FLOOD. On the Taft-Hartley amendments of 1974, they gave you people a very special responsibility in the health care field. What were the major developments in that part of your work last year?

Mr. SCEARCE. Mr. Chairman, we are hopeful that the attitudes in collective bargaining in health care will continue in the future. We find that cases going to strike in health care run at about 3 percent of our caseload as compared to 15 percent for overall. We are hopeful that this will continue.

We feel part of it has to do with the fact that there is early servicing of the case by the mediators because the law requires the board of inquiry to be established 30 days prior to the contract expiration, and consequently perhaps getting into the case early.

Mr. FLOOD. The big word here is inflation—inflation in health care costs, particularly medicare, medicaid. Do you feel that upward pressure on wages is likely to continue in that sector or will wage demands level off?

Mr. SCEARCE. Mr. Chairman, if you hear the union it is not the wages that the workers are getting; it is increasing inflation. In fact, they would make the argument to the contrary. I would suspect there will be a leveling off in demands in wages for workers given a leveling off in inflationary purchases so far as what they can go buy, but I certainly do not anticipate a downturn in activity of health care so far as bargaining is concerned. In fact, we anticipate a continuation of a very heavy bargaining in private nonprofit health care cases. Because of the fact that the laws are now on the books, and in such areas as the South where you have many health care institutions and very little collective bargaining, we do notice an area where the unions are going to be pushing.

Another factor that needs to be dealt with and which we must handle ourselves is where we find a fourth party in the bargaining.

There is labor, management, the mediator, and the third party payer. This is out of our concern. We don't know how to deal with the fact there is another body that has to determine whether or not costs can be passed through and approved by the States.

I would like to ask Mr. Fishgold, our General Counsel, to talk about this. If I might, sir, very briefly to present another problem we are having from trying to carry out our mandate.

Mr. FISHGOLD. With regard to the third-party payer, the problem is the union gears its bargaining demands in terms of wages where there are cost review commissions which can establish the rates. Prior to the amendments, for the most part, the health care institutions took the position that whatever they were going to give to the unions they could then go to the insurance companies or the medicare or whatever third-party payer system, and say, "Based upon our increased costs, we need to increase our daily rates by so much."

With the financial crisis hitting the States and with several States instituting these cost review commissions, there was no direct relationship between increased labor costs and the costs passed through, and the unions found themselves frustrated.

If the cost review commissions are going to inform the health care institution before the negotiations take place as to what the ceiling is going to be in terms of increased costs, then labor and management will both have that information at the bargaining table. To the extent they don't have that information the unions are in the dilemma of determining whether their package should be higher or lower. Also, several of the recent studies done both by private organizations and by the Council of Wage and Price Stability have indicated that the labor costs have not constituted the major increase in health care. They have attributed it to other factors. I think one of the factors we are starting to see now, in addition to the health care institutions trying to have more knowledgeable labor relations people handling their negotiations, is the fact that they are getting people at the table who are also more conscious of the relationship between the cost relationships.

Mr. FLOOD. Has there been any increase in the number of long-term agreements in the health care industry? For instance, you state in your justifications that less than 20 percent of the health care industry contracts are for longer than 2 years compared with over 50 percent in other industries.

Mr. SCEARCE. Yes; that is correct. We would see this as a function of two things. No. 1, the insecurity in collective bargaining in this industry as a result of the inflation push on the moneys that the worker has, and partly because of the concern that they have over making agreements that may not last, where there is a hesitancy on the part of management not being sure they can get approval to pass through wages. This is what Mr. Fishgold was just talking about.

Mr. FLOOD. Has there been any perceptible increase?

Mr. SCEARCE. No; not at this point. We are still seeing contracts of 1 or 2 years' duration.

DEMAND FOR ARBITRATION

Mr. FLOOD. About your arbitration, why is the demand for arbitration services increasing so rapidly all of a sudden?

Mr. SCEARCE. It is not really a sudden increase, Mr. Chairman. Let me ask Mr. Schultz to speak to that.

Mr. FLOOD. It is not sudden?

Mr. SCHULTZ. Mr. Chairman, I don't think there is a single reason; I think it is a combination of reasons. One, I think the impact of the economy the last few years has made the average employee working under a labor agreement more conscious of their job rights, especially the work preservation. Also, our records show the number of cases that are for discharge, discipline, remain the same, which is the largest issue placed before arbitrators. About 40 percent are of this nature, which indicates there is on the management side a strict interpretation of the contract.

Another is that the individual employee wants his full day in court.

The third contributing factor is the increase in the number of cases that are going to the courts where an official of the union is charged with a breach of duty of fair representation under Taft-Hartley. Union leaderships will possibly, if you get them on a 1-to-1 relationship—tell you it is a lot cheaper to take a case to arbitration for $3,600 than to be a defendant in a $250,000 suit in a regular court. I think it is a combination of those essentials I have just set out.

STAFFING AND FUNDING

Mr. FLOOD. What is your current employment ceiling in your shop—full time?

Mr. SCEARCE. We have a total of 575 permanent positions.

Mr. FLOOD. How many do you have onboard now?

Mr. SCEARCE. We have 532 onboard now.

Mr. FLOOD. Listening to this whole story, this budget seems to be pretty much of a status quo request. You are going to do a lot more work with the same number of people?

Mr. SCEARCE. That is right. We feel that with better management of our resources and better management of our personnel we can meet the demands we expect upon the organization in fiscal year 1978.

Mr. FLOOD. You are going to be exhibit A around here for some people, aren't you?

RENTS AND COMMUNICATIONS

But the main exception, you have a 25-percent increase in your rents and communications. Last year the increase was over 23 percent. Why these large increases?

Mr. SCEARCE. I will ask Mr. Gajdys to expand upon it.

Mr. GAJDYS. It is a combination of factors, Mr. Chairman. We had approved in fiscal year 1976, 51 additional positions; in fiscal year 1977, 25, so this was a 16-percent increase in our staff. Of course the majority were mediators in our field locations. Many of our locations are small offices and when these mediators were placed there they

needed space. So in fiscal year 1977 and into 1978 we are now increasing space at increased rent.

Mr. FLOOD. You say almost $400,000 is for the additional space rental for 25 new employees that you received in fiscal 1977. Doesn't a 20-percent increase for the office rental to support an increase of 5 percent for staff seem unreasonable?

Mr. GAJDYS. This is also in relation to the bill we get from GSA, who is our landlord. There have been adjustments in GSA rental figures that we have to accept. Some of these amounts have increased substantially. In addition, many of our space moves are planned to be accomplished in late fiscal year 1977. Therefore, the full yearly costs of these moves won't be realized until fiscal year 1978 and thus the higher rent costs in fiscal year 1978.

Mr. FLOOD. Will you do this for the record, give us a detailed breakdown of this $3.1 million request for rents and communications.

[The information follows:]

FEDERAL MEDIATION AND CONCILIATION SERVICE—RENTS, COMMUNICATIONS, AND UTILITIES

[In dollars by fiscal years]

	1974 actual	1975 actual	1976 actual	1977 appropriation	1977 revised estimate	1978 request	1978 over 1977 revised estimate
Rentals:							
Office space	[1] 2,000	1,110,635	1,331,908	1,830,000	1,979,000	2,219,000	+240,000
ADP equipment	14,394	17,895	19,152	30,000	45,000	50,000	+5,000
Reproduction and miscellaneous equipment	27,552	83,025	142,302	85,000	158,000	150,000	−8,000
Boards and panels		2,343	5,340	5,000	5,000	5,000	
Total rentals	43,946	1,213,898	1,498,702	1,950,000	2,187,000	2,424,000	+237,000
Communications:							
FTS system	196,752	182,075	223,427	190,000	250,000	244,000	−6,000
GSA service	144,335	149,565	226,437	150,000	250,000	300,000	+50,000
Answering service	11,141	13,136	12,839	20,000	15,000	15,000	
Telegraph	6,523	3,372	4,968	5,000	5,000	5,000	
Commercial telephone	33,605	42,980	50,033	45,000	50,000	55,000	+5,000
Postage	38,000	54,322	70,079	70,000	80,000	75,000	−5,000
Total communications	430,356	445,450	587,783	480,000	650,000	694,000	+44,000
Total rents, communications, and utilities	474,302	1,659,348	2,086,485	2,430,000	2,837,000	3,118,000	+281,000

[1] Prior to fiscal year 1975, GSA was responsible for office space rental charges on existing space. The $2,000 expense in fiscal year 1974 reflects space assigned to FMCS that was not programed into the GSA budget for that fiscal year.

ANALYSIS OF RENTS, COMMUNICATIONS, AND UTILITIES

A comparison of the fiscal year 1977 appropriation level and fiscal year 1978 request for "Rents, communications, and utilities," indicates that the FMCS expects an increase of 28 percent in fiscal year 1978. However, the fiscal year 1977 appropriation did not provide sufficient funds for these items of expenditure, and the Service found it necessary to reprogram funds internally. A set of revised fiscal year 1977 estimates has been developed and these estimates are used in the table above.

The total amount requested for rents, communications, and utilities, $3,118,000, reflects only a 10-percent increase over the revised projections.

The Service has experienced a steady increase in rental and communication costs and the 5-year comparison demonstrates the rapid increase in expenses. From fiscal year 1975 to fiscal year 1976 FMCS experienced a 26-percent increase

in costs and a 36-percent increase is expected from fiscal year 1976 to fiscal year 1977.

The reasons for the increase from year to year are varied, but primarily they include the increased need for office space, conference facilities, reproduction equipment, and communications equipment for the additional staff appropriated during the period fiscal years 1974–78. Also, over the past few years, the Service has attempted to upgrade its offices—to locate them in areas readily available and acceptable to the labor-management community. Another contributing factor is the ever-increasing costs of GSA communications, including the FTS system, as well as GSA office space rental.

In fiscal year 1977 the Service began renting a computer hookup called Data 100. This direct link with the Department of Justice computer provides the Service more timely data on disputes, technical assistance, and information and educational cases, as well as arbitration panel processing information.

The Service believes that the fiscal year 1978 request is reasonable when compared with the past 3 fiscal years and the revised fiscal year 1977 estimate.

Mr. GAJDYS. If I might, Mr. Chairman, the communications also is an increase by the GSA for the FTS, the communication lines, and also relates to our increased staff.

FMCS RESEARCH AND TRAINING

Mr. FLOOD. What kind of research does your outfit get involved in?

Mr. SCEARCE. Our research, Mr. Chairman, is limited to the kinds of work that we do in order to equip our field mediators to go into collective bargaining.

Mr. FLOOD. How much do you have in the budget for that?

Mr. SCEARCE. We do not have a line item for outside research in our request.

Mr. FLOOD. Do you think you should have? What about training? What kind of training do you provide?

Mr. SCEARCE. This is handled through our Office of Technical Services. Through an extension to the regions we have one of the members of the management handle the training programs.

Mr. FLOOD. What kind of training do you provide?

Mr. SCEARCE. Formal steward training, a special project that we have in coal, training the committeemen how to process the grievances.

Mr. POPULAR. Are you referring to internal professional development training?

Mr. FLOOD. Yes.

Mr. POPULAR. Under the Office of Technical Services we provide all the training for the new mediators who come onboard, and that is built into that OTS budget as well as making that same training available to any State coming onboard with a new mediation group. We have an invitation to all States to send their people in for mediator-type training. We also have specialized workshops that take place once or twice a year on special topics of interest.

Mr. FLOOD. How much do you have in the budget for training?

Mr. GAJDYS. The only item is the professional development training (Civil Service Commission and university courses) which is $25,000 in 1978. In addition to that $25,000, would be personnel compensation funds for our staff to conduct in-house training.

Mr. FLOOD. I wish you would give more attention to a breakdown of line items as to both research and training.

Mr. SCEARCE. Let me expand on those. We do not have a request in this budget, Mr. Chairman, to contract for outside research assistance. I was trying to respond to what I thought your initial question was. We do our in-house research with the personnel in the Office of Technical Services, which is a staff operation in the national office. The research we do now is to equip our mediators with the best possible tools to do their work.

WORKLOAD PROJECTIONS

Mr. FLOOD. How do you determine how many mediators you need? Do you have some kind of workload measurement system?

Mr. SCEARCE. Mr. Gajdys.

Mr. FLOOD. Do you have a yardstick for that?

Mr. GAJDYS. What we attempt to do is to estimate the growth in disputes, technical assistance, and informational/educational cases in the next year and to review our past performance to see how much workload effort is required in each one of those areas and then project on the basis of that increase how many additional personnel we would need, if any, in those different categories.

Mr. FLOOD. You actually have a workload budget in your system?

Mr. SCEARCE. Yes, sir. Actually we take a 3-year moving scale; we use that as an average and add to it the increments of increased bargaining certification from NLRB, and then other assignments such as in the private sector in health care.

UNFILLED POSITIONS

Mr. MICHEL. I would like to follow up on those unfilled positions. I don't mean by asking questions in that area that I am critical over the fact that there are authorized positions going unfilled, but if I remember correctly, some 42 or 43 are authorized that are not filled. Then I go back to the request of last year, that we need 25 more, and I find they aren't filled. Then I ask my question: Have I been had?

Mr. SCEARCE. No, sir. We found as we viewed the 1976 budget—this is a year or so back—that we had made a very bad calculation in our budgeting process. We had not used the proper base in some cases and we had underestimated our rents. In addition, as we went down the home stretch in 1976, for the last 6 months, looking toward the transition quarter, we were asking ourselves seriously, how can we get through the process realizing, of course, that our 1977 budget had already been locked in.

In addition to the 25 positions we had asked for, we had also locked in our shortfall. We could have gone back to OMB and asked for a supplemental and come back up and tried to fund ourselves that way, or we could look at our shortfall and say: Now can we work this out without having to go back and ask for additional funding, which, to be quite candid with you, I doubt we could have gotten up here with.

If we bring on individuals, we automatically increase our base whether we have the money to pay or not. It is not just a matter of bringing these 25 people on board and placing them somewhere and they stay there. When we bring them in they go through a very de-

tailed process of training which takes them from one location to the other. This is necessary if they are to become useful, complete mediators.

So we literally had to swallow hard, hard to turn away from some of our responsibilities, so that we would not overrun our budget and have to come back up and say we can't manage ourselves. What we preferred to do was work our way out of our problem by cutting all nonessential expenditures and travel—and we cut it considerably—and there were howls of derision because people had to have their travel budgets cut.

We just did not bring on the employees even though we needed them. This is one of the reasons we are looking at 1978 and saying we can't ask you for more employees. We think we can do it with what we have, but we are going to have to pick up some work we have not done.

Mr. MICHEL. How many of those vacant position will be filled by the end of this fiscal year?

Mr. SCEARCE. We will fill them all by the end of this year.

Mr. MICHEL. I am not forcing jobs on you. I prefer your honesty to say that you overestimated and if you can't fill the final 10 legitimately you will tell us so.

Mr. SCEARCE. That is precisely how we got to where we are with our budgeting. We worked from month to month to make sure we did not overrun in 1976 before we got to 1977.

Mr. FLOOD. Mr. O'Brien.

ROLE OF FMCS DIRECTOR

Mr. O'BRIEN. In the previous administration, Mr. Scearce, it seemed that the Secretary did not enjoy the confidence of the President. Due to the fact we have contracts dealing with probably 2 million employees coming up in this year, what would you think about someone being appointed? I don't mean to say it as a self-serving statement, but it seems to me if you don't get experienced people you may find yourself in trouble.

Mr. SCEARCE. In general, I think the Director of the Service needs to have as full opportunity as he can to be able to reach out to the parties in collective bargaining. I feel the same, of course, should be appreciated by the other bodies in the Service, in the Government service, who are involved in mediation. I think that it is important that you give the officials of an organization the fullest possible means of dealing with collective bargaining and parties in collective bargaining, and sometimes the White House approach does help, there is no question about that.

I would think it would be my own personal attitude it is a right that would have to be used very carefully so as not to upset the relationships that exist within this organization and between the parties themselves, but I think that it would be a useful tool if used properly.

Mr. O'BRIEN. Thank you.

Mr. FLOOD. Thank you very much.

The following questions were submitted for the record:

FEDERAL MEDIATION AND CONCILIATION SERVICE QUESTIONS SUBMITTED BY CONGRESSMAN MICHEL

Question. You expect considerable increased activity in the construction field in fiscal year 1978. If there is a substantial increase in federally financed public works projects this coming year, is that likely to result in increased demands for higher wages?

Answer. No, certainly not on the short term anyway. If recent experience is any indication, demands for increased wages will not result. For example, in 1976, the settlements were running substantially below those for 1975. Further example, where in 1975, the settlements were about 9.5 percent, they were about less than 7.5 percent for 1976.

There is also a substantial amount of unemployment in the construction industry with an unemployment rate of about 15 percent and a level of unemployment of about 750,000 which will tend to moderate wage demands. It must be recognized that eventually some increase in demand could develop as unemployment diminishes and if the opportunity/unemployment ratio were to change.

Question. Has the relatively high unemployment rate in the construction field over the past couple of years resulted in any reduction in wage demands or disputes in that field?

Answer. The level of unemployment and the growth of open shop construction have both resulted in moderated wage settlements for 1976 below that which would have occurred under more ordinary circumstances. The number of disputes was somewhat lower in the industry in 1975 and 1976.

FEDERAL MEDIATION AND CONCILIATION SERVICE QUESTIONS SUBMITTED BY CONGRESSMAN CONTE

Question. Do you feel that it is a worthwhile goal to try and replace mediation and arbitration services with technical assistance?

Answer. Mediation, technical assistance, and arbitration are not mutually exclusive; they are complementary. Mediation addresses itself to the contract expiration dispute. Arbitration is the forum for adjudication of disputes which arise under the the terms of the contract. Whereas mediation is performed by the FMCS professional staff, arbitration is performed by private citizens who are qualified arbitrators. The principal aim of technical assistance is to reduce emotional "win-lose" conflict between the parties. Its goal is to assist in building constructive labor-management relationships to minimize the prospects for excessive arbitration of contract disputes and provide an atmosphere conducive to peaceful contract negotiations. Actually there have been situations where an extensive technical assistance program resulted in contract negotiations being concluded peacefully without a mediator. For 3 years FMCS has administered an "arbitration OTS alert" which is aimed at offering technical assistance in those situations characterized by disproportionately high numbers of arbitration cases. Company-union relationships with requests for an excessive number of arbitration panels are contacted by FMCS. The backlog of arbitration cases are often symptomatic of other serious problems. Thus far, the parties have accepted an offer of technical assistance in 20 percent of those FMCS initiated contacts.

Question. What progress have you made in your public information and education activities?

Answer. During fiscal year 1976 mediators in all eight regions strongly participated in the various informational and educational programs of the service. This took the form of talks to many types of groups, including seminars, labor and business conventions, panel discussions, and the like, as well as radio and television "talk" shows and newspaper interviews. The underlying purpose of these activities is to familiarize the public and the parties with their privileges and obligations under the NLRA, as well as the functions of the service.

Question. On page 13 of your justifications you refer to a more active approach to mediation in the public sector. In what agencies will you take a more active role, and how much of an increase in workload do you expect?

Answer. The more active public sector (non-Federal) approach will be taken in those States where public employee unrest and threatened job actions require

mediation assistance. This approach will not be taken in those States with active mediation services. In the public sector (Federal) the increase in workload will encompass virtually all agencies covered under Executive Order 11491, as amended. In fiscal year 1978 public sector caseload will increase by approximately 60 percent over the fiscal year 1976 level. The FMCS projects approximately 2,000 public sector cases for fiscal year 1978.

Question. With the severe instability of the coal industry, what attempts have you made to assist the miners and the management in reaching agreements before the "wildcat" strikes occur?

Answer. Wildcat strikes occur over grievance-type disputes. The proper forum for resolution is the contractual grievance-arbitration procedure. Appoximately 80 percent of the wildcats occur as a result of complaints before they are initiated through the grievance procedure. Thus mediation is the improper forum for resolution of grievances, and the spontaneity of most wildcats provides no opportunity for notification to request assistance.

By emphasizing improved problem-solving approaches and proper utilization of the grievance procedure in the BCOA–UMW training programs, we are attempting to change attitudes, that is, use of the grievance procedure as the proper alternative to the wildcat strike.

The service has instituted one of its most comprehensive technical assistance programs involving first and second level union and management training in contract administration, communication and leadership skills. Further, several key national office personnel of the service maintain continuing liaison with top level management and union officials to anticipate and prevent such job actions where possible. Finally, the service has assisted the parties in establishing and maintaining district arbitration panels which must respond rapidly to grievances under rigid contractual time constraints.

Question. To what do you attribute the low number of long-term contracts in the health care field, and is there anything you can do about lengthening these short-term contracts to prevent the need for such frequent negotiations?

Answer. The rapid organization under the health care amendments has created a large number of initial contract negotiations which usually result in shorter term agreements. The newness of bargaining in those situations result in the parties desiring to make short term commitments until stable labor-management structures have developed. There is also the past uncertainty of economic trends which has affected the length of all contracts. Finally, the factor of a third party payer in health care negotiations is a dominant force in producing short term agreements.

Other than subtle influence by the mediator at the bargaining table, little can be done to change the desires of the parties.

Question. Do you foresee parties increasing their demand for your services because of the energy crisis and factory closings as a result?

Answer. These problems will cause more issues to surface during contract negotiations, and as such, could result in an increased demand for mediation assistance. Restrictions on energy sources can create volatile job security questions at the bargaining table or during the term of contract as well as increase the need for stability in those industries which have not been shut down due to energy considerations. The in-plant labor-management committee provides a forum outside the grievance procedure whereby innovative ideas directed at short-term job security problems may be explored. This is particularly necessary where existing contractual provisions provide no relief or procedure for handling dislocations prompted by the current energy problem.

Question. You have stated in your justifications that negotiations in the public sector tend to take longer than those in the private sector because public employees are prevented from striking. What sort of leverage can they use to have a strong bargaining position?

Answer. Leverage by employee organizations may take the form of unfavorable publicity to management if management is "foot dragging." Such publicity is usually viewed adversely by top-level agency administrators and the public who are interested in the public agency fulfilling its mission and not devoting unduly large periods of time to contract negotiations.

Question. Why have you changed the terminology from "preventive mediation" to "technical assistance," and how does this reflect a change in this Service's activity?

Answer. The terminology was changed from "preventive mediation" to "technical assistance" in 1974. Preventive mediation confined itself to labor-management committees and training programs. Technical assistance is intended to encompass a broader range of activities. Specifically, this includes the RBO program, FMCS-initiated conferences with labor and management associations and academic institutions, technical assistance with State and local governments on both legislative format and the administration of new public sector legislation and training for professional neutrals in those jurisdictions. The renewed emphasis on area labor-management committees provides a structure for the community to initiate further projects in the self-interest of the community such as manpower training, vocational education, coordination of community services for troubled employees, all of which do not have a direct bearing upon the more traditional mission of the mediator with regard to labor-management relations.

Question. What steps have you taken to get to labor-management disputes before the need for arbitration and a loss of production becomes necessary?

Answer. As a general rule, mediator contact escalates prior to a contract's expiration. This escalation may take the form of (1) separate and formal conferences; (2) direct individual mediation assistance; and (3) assignment of additional mediators either from the field office, regional office, or national office, if warranted by the difficulty of the issues, economic or political impact of the dispute, or the prospect of a strike.

In specific or critical industries, different approaches may be required depending on the structure of bargaining or, in the case of health care, statutory requirements. In the construction industry, the service has assigned specific coordination to a representative in the national office who monitors bargaining developments through over 80 regional and field mediators who have been assigned construction industry responsibilities.

In the health care industry, the service has assigned a national office coordinator who monitors health care bargaining developments and evaluates the necessity of board of inquiry. Further, statutory requirements and agency policy requires that the mediator assigned to health care negotiations directly involve himself in the collective bargaining process prior to the appointment of a board of inquiry.

In industries where substantial economic impact is anticipated, the service engages in discussions with the parties several months prior to the initiation of negotiations so that specific problems can be projected and the necessary level of mediation assistance determined.

JUSTIFICATION OF THE BUDGET ESTIMATES

SALARIES AND EXPENSES
COMPARATIVE BUDGET ESTIMATE
FISCAL YEAR 1978 OVER FISCAL YEAR 1977

Description	Fiscal Year 1977 1/ Positions	Fiscal Year 1977 1/ Amount	Fiscal Year 1978 Positions	Fiscal Year 1978 Amount	Increase (+) or Decrease (-) Over 1977 Estimates Positions	Increase (+) or Decrease (-) Over 1977 Estimates Amount
Personnel Compensation						
Mediation Services	464	$11,283,246	464	$11,768,374	---	+ $485,128
Technical Services	24	703,204	24	714,752	---	+ 11,548
Arbitration Services	17	244,532	17	249,779	---	+ 5,247
Management and Administrative Support	70	1,303,018	70	1,315,095	---	+ 12,077
Total Permanent Positions	575	$13,534,000	575	$14,048,000	---	+ $514,000
Positions Other Than Permanent		832,000		478,000		- 354,000
Other Personnel Compensation		42,000		47,000		+ 5,000
TOTAL PERSONNEL COMPENSATION		$14,408,000		$14,573,000		+ $ 165,000
Other Objects						
Personnel benefits		$ 1,453,000		$ 1,609,000		+ $156,000
Travel and transportation of persons		1,500,000		1,570,000		+ 70,000
Transportation of things		85,000		58,000		- 27,000
Rents, communications, and utilities		2,430,000		3,118,000		+ 688,000
Printing and reproduction		45,000		31,000		- 14,000
Other services		760,000		660,000		- 100,000
Supplies and materials		145,000		192,000		+ 47,000
Equipment		350,000		120,000		- 230,000
Insurance claims and indemnities		1,000		1,000		---
TOTAL OTHER OBJECTS		$ 6,769,000		$ 7,359,000		+ $ 590,000
TOTAL OBLIGATIONS		$21,177,000		$21,932,000		+ $ 755,000
Financing						
Appropriation		$20,328,000		$21,932,000		+ $1,604,000
Proposed supplemental for civilian pay raises		849,000		---		- 849,000
TOTAL FINANCING		$21,177,000		$21,932,000		+ $ 755,000
COMPARATIVE ESTIMATE BY ACTIVITIES						
1. Mediation Services		$13,340,000		$14,375,000		+ $1,035,000
2. Technical Services		995,000		1,024,000		+ 29,000
3. Arbitration Services		595,000		539,000		- 56,000
4. Management and Administrative Support		5,105,000		5,379,000		+ 274,000
5. Boards and Panels		1,142,000		615,000		- 527,000
Total program costs, funded		$21,177,000		$21,932,000		+ $ 755,000
Change in selected resources		---		---		---
TOTAL OBLIGATIONS		$21,177,000		$21,932,000		+ $ 755,000

1/ FY 1977 column reflects $849,000 requested for pay costs effective October 1976.

FEDERAL MEDIATION AND CONCILIATION SERVICE

SALARIES AND EXPENSES

TITLE III--FEDERAL MEDIATION AND CONCILIATION SERVICE

SALARIES AND EXPENSES

For expenses necessary for the Federal Mediation and Conciliation Service to carry out the functions vested in it by the Labor Management Relations Act, 1947, (29 U.S.C. 171-180, 182), including expenses of the Labor-Management Panel and boards of inquiry appointed by the President; hire of passenger motor vehicles; and rental of conference rooms in the District of Columbia; and for expenses necessary pursuant to Public Law 93-360 for mandatory mediation in health care industry negotiation disputes and for convening factfinding boards of inquiry appointed by the Director in the health care industry; $21,932,000.

FEDERAL MEDIATION AND CONCILIATION SERVICE

BUDGET ESTIMATES FISCAL YEAR 1978

SALARIES AND EXPENSES, FEDERAL MEDIATION AND CONCILIATION SERVICE STATUTORY AND OTHER LEGAL AUTHORITIES

The mission of the Service is to prevent and to minimize labor-management disputes throughout the Nation, both in the private and public sectors of the economy, excepting the railroad and airline industries. In particular, the agency objective is to prevent work stoppages and to reduce their duration when they occur. Statutory and other legal authorities which authorize the mediation program are:

A. The Labor Management Relations Act, 1947, (Title II) directs the Service to prevent and minimize interruptions of the free flow of commerce growing out of labor disputes; to assist parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation.

B. Public Law 93-360, signed July 26, 1974, and effective August 25, 1974, amending the National Labor Relations Act to extend its coverage to employees of private nonprofit hospitals, makes mediation mandatory in all health care institution disputes. Under amended Section 8(d) of the Act, the Service is directed to use its best efforts, by mediation and conciliation, to bring the parties to agreement. In addition, Public Law 93-360 also added a new Section 213 to Title II of the Labor Management Relations Act of 1947 by providing for discretionary use of boards of inquiry to resolve negotiation disputes.

C. The Postal Reorganization Act, Public Law 91-375 (1970), provides that a collective bargaining agreement between the Postal Service and bargaining representatives may include resolution procedures involving binding, third-party arbitration. The Act

provides for the establishment of factfinding panels and arbitration boards by the Service where the parties fail to reach an agreement.

D. Executive Order 11491, dated October 29, 1969, as amended by Executive Orders 11616, 11636 and 11838, makes mediation and conciliation facilities available to federal agencies and labor organizations in the resolution of negotiation disputes.

E. Executive Order 11374, dated October 11, 1967, transferred the responsibilities of the Missile Sites Labor Commission (created by Executive Order 10946) to the Federal Mediation and Conciliation Service.

PROGRAM STRUCTURE

A brief description of the major elements of the program structure designed to accomplish the Service objectives is as follows:

A. Mediation Services

1. Private Sector. Dispute mediation in the private sector provides assistance, when needed, in the negotiation or renegotiation of a collective bargaining contract. Through national coordinators added emphasis will be placed on mediation activity in the construction, food, health care, mass media, transportation, energy, and aerospace industries.

2. Public Sector. Dispute mediation in the public sector is comprised of federal sector bargaining and state and local sector bargaining.

In the Federal Sector, the Service is responsible for providing mediation and conciliation facilities to federal agencies and labor organizations in the resolution of negotiation disputes. The Service has promulgated rules and regulations setting forth the manner and the circumstances under which mediation assistance and services will be available to the parties.

In the State and Local Sectors, under a broadened policy the Service is responsible for:

(a) Encouraging development of independent dispute resolution capability by state, county, and municipal governments.

(b) Participating by direct involvement in dispute resolution in state and local jurisdictions in which adequate mediation services is not available.

(c) Where jurisdictions have adequate mediation facilities, assisting in nonfederal cases if the parties request such assistance or the chief executive of the jurisdiction involved so requests or the interested state or local mediation service so requests.

3. Health Care Industry. The Service, under responsibilities defined in Public Law 93-360, provides assistance in dispute mediation in the negotiation or renegotiation of all collective bargaining contracts involving private, profit and nonprofit health care institutions. Emphasis is placed on the assistance offered to newly organized bargaining units.

   The Service is also responsible for deciding implementation of discretionary use of board-of-inquiry procedure in all health care industry disputes where the threat of a work stoppage may interfere with the delivery of health care services to the particular community affected. Such procedure requires findings of fact and recommendation within a statutory limitation of 15 days.

B. Technical Services

The Technical Services Program has been established in response to the accelerated demand by the labor-management community for technical assistance from FMCS. The primary responsibilities are technical assistance, professional development, technical information and research. The purpose is to create programs which will meet the requirement for greater knowledge and understanding of the collective bargaining process.

The major purpose of the Service's technical assistance program is dispute avoidance through long-term improvement of the labor-management relationship. The objective is to encourage the parties to discuss their problems away from and without the tensions of a strike deadline or a contract expiration.

Under the Technical Services Program the Service devises (through research) and implements (through education and training) new techniques that will promote peaceful labor-management relations in the rapidly changing process of collective bargaining. Programs are promoted to help management and labor enter into effective joint approaches aimed at improving labor-management relationships.

C. Arbitration Services

The Service is responsible for assisting disputants in employing the arbitration process as the final step in resolving differences. This assistance includes providing panels of skilled arbitrators from which selections of individuals can be made by the parties to hear and decide the issues in dispute. Through the system of voluntary arbitration--a system uniquely American--thousands of contractual matters are resolved annually in a just, speedy, and inexpensive procedure impacting on countless businesses, millions of employees, and vast sums of money.

The FMCS Arbitration Information Tracking System (ARBIT) permits this centrally administered function to perform its mission of providing for the settlement of contractual disagreements at the workplace for a multiplicity of industries and meeting the varied needs of unions and management. Further refinements which continue to be made to ARBIT include the generation of management information reports and case tracking procedures, particularly regarding expedited arbitration. All sections of the Nation's economy utilize arbitration as the final and binding step in the resolution of conflict situtations that might otherwise pit adversaries in damaging economic struggles. Through its Office of Arbitration Services, FMCS carries out its responsibilities to this vital arena for settlement of differences.

Outside of the ARBIT system are special requests for arbitrators particularly skilled in selected industries, products, and racial considerations. Most of these call for professional participation in the selection of panels.

Other special requests involve imminent or actual work stoppages with community, state, and national impact in which the Office of Arbitration Services must act immediately in the selection of a panel or designate an arbitrator to provide the professional arbitration services to resolve disputes.

D. Public Information and Educational Activities

This program is an important supporting function to the total mediation, technical assistance, and arbitration effort. It helps explain the collective bargaining process in general and the mediation and arbitration processes in particular as well as the technical assistance programs provided to the labor-managment community and the public. Typical activities include speeches before professional groups; press and broadcast relations; public reports and pamphlets; orientation of visitors from foreign countries; and other activities related to the overall mission of the Service.

E. Management and Administrative Support

This program provides for policy planning, evaluation, direction, coordination, management and administrative support for the programs of the Federal Mediation and Conciliation Service.

F. Ad Hoc Boards, Panels, Mediators and Consultants

Provision is made for ad hoc employment of labor relations experts, individually or in panels, in support of the mediation function, and for boards of inquiry appointed by the President in emergency disputes.

Public Law 93-360 also amended Title II of the Labor Management Relations Act, 1947, by adding a new Section 213 which provides that the FMCS may appoint an impartial board of inquiry to look into the facts of a contract dispute involving health care institutions and to publicly report its findings and recommendations to the parties. During Fiscal Year 1976, a total of 48 boards of inquiry were appointed.

COMPARATIVE ANALYSIS OF WORKLOAD

A comparison of Service workload activities is shown in the following statistical data tabulations:

TABLE A

Shows a summary of dispute mediation workload over the past five fiscal years.

TABLE B

Shows a summary of technical assistance workload over the past five fiscal years.

TABLE C

Shows a five-year summary of the Service's arbitration activity.

TABLE A

COMPARISON OF MEDIATION SERVICES PROGRAM WORKLOAD

Fiscal Years 1972 - 1976

		1972	1973	1974	1975	1976
A.	Number of Mediation Cases					
	In process, start of year	4,889	4,736	5,449	6,910	6,403
	Assigned during year	19,308	21,745	25,185	24,428	25,571
	Total	24,197	26,481	20,634	31,338	31,974
	In process, end of year	-4,736	-5,449	-6,910	-6,403	-7,532
	Total cases closed	19,461	21,032	23,724	24,935	24,442
B.	Type of Mediation Activity					
	Joint conference cases	7,215	7,238	8,479	8,795	8,985
	Separate conference cases	295	320	242	264	289
	No conference cases	8,484	9,372	10,088	10,712	10,582
	No mediation activity	3,467	4,102	4,915	5,164	4,586
	Total cases closed	19,461	21,032	23,724	24,935	24,442
C.	Total Number of Meetings Conducted	29,223	26,973	30,265	32,707	32,802

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TABLE B

COMPARISON OF TECHNICAL ASSISTANCE PROGRAM WORKLOAD

Fiscal Years 1972 - 1976

		1972	1973	1974	1975	1976
A.	Total Technical Assistance Assignments	523	515	642	935	1,082
B.	Type of Activity					
	Labor-Management Committee					
	Joint meetings	502	524	621	751	729
	Separate meetings	211	267	200	230	198
	Consultation/Liaison					
	Joint meetings	140	134	294	340	304
	Separate meetings	674	591	640	762	850
	Training Sessions					
	Joint	582	703	686	1,207	1,067
	Separate	672	772	561	951	1,099
	Total meetings	2,781	2,991	3,002	4,241	4,247

TABLE C

COMPARISON OF ARBITRATION SERVICES PROGRAM WORKLOAD

Fiscal Years 1972 - 1976

	1972	1973	1974	1975	1976
Processing Requests for Panels					
Number of requests received	13,005	13,626	15,445	18,619	20,738
Number of panels issued	13,842	15,121	16,952	20,508	22,090
Number of arbitrators appointed	6,295	6,665	7,612	10,278	10,505
Number of arbitration awards reported	3,432	3,954	4,349	4,484	5,550

WORKLOAD PROJECTIONS FISCAL YEARS 1977 AND 1978

A. Dispute Mediation

The Service, under provisions of the Labor Management Relations Act, 1947, receives notice from a party of the desire to terminate or amend an expiring collective bargaining contract. Approximately 100,000 such notices either individually or in association bargaining are received each year. They constitute the basis for the Service's major workload.

In addition, there is steady increment each year to the potential workload arising out of new National Labor Relations Board bargaining certifications after representation elections. In Fiscal Year 1975 the NLRB conducted a total of 8,577 representation elections of which the unions won 4,138. About 42 percent or 1,730 of the elections won by the unions were in manufacturing industries.

The NLRB provides the Service with copies of these bargaining certifications. In Fiscal Year 1976 a total of 3,788 NLRB certifications was received, from which 1,997 mediation assignments were made. Subsequently, 1,158 of these assignments involved Service participation and were closed successfully through joint meetings. Such certifications are initial contract situations and mediation is especially important and somewhat involved because of the absence of a prior bargaining relationship between the parties.

These notices form the basis for case assignments. In Fiscal Year 1976, 25,571 dispute case assignments were made.

The dispute mediation workload projection for Fiscal Years 1977 and 1978 is based on:

1. The average actual workload in terms of dispute case assignments for the three preceding fiscal years (1974 - 1976).

2. An added increment of 2,000 case assignments arising out of new National Labor Relations Board bargaining certifications.

3. The number of additional assignments expected from the more active FMCS approach to mediation in the public sector (federal and non-federal) and the private sector.

4. Assignments resulting from the health care legislation requiring FMCS mediation in each hospital and health care unit case.

Since approximately three out of every ten assignments involve active FMCS participation, the projected figures for joint meeting cases closed reflect this proportion.

Increases in both the private and public sector caseload are expected during Fiscal Years 1977 and 1978. Public sector caseload will increase from 757 joint meeting cases closed in Fiscal Year 1976 to 1,000 joint meeting cases closed during Fiscal Year 1978. Similarly, the private sector caseload will increase from 8,228 in Fiscal Year 1976 to 9,640 in Fiscal Year 1978.

B. Technical Assistance

Through its technical assistance program, the Service has undertaken a broader and more technical approach to meet the needs of the labor-management community. The term "preventive mediation" has been replaced by "technical assistance," which more aptly describes the added emphasis and new concentration of efforts to strengthen collective bargaining relationships.

Technical assistance now includes "...efforts by the mediator, other than dispute mediation or public information activities, to reduce or prevent conflict, to improve labor-management relations, and to promote the understanding and implementation of responsible collective bargaining policies and procedures. These include training, education, consultation, and problem-solving activities with representatives of labor and management, neutrals in dispute resolution, professional associations, and academic institutions."

In the public sector (federal and non-federal), technical assistance cases will increase from 226 in Fiscal Year 1976 to 400 in Fiscal Year 1977 and 450 in Fiscal Year 1978. This increase will result from a special program tailored to the specific needs of public sector bargaining parties.

In the private sector, technical assistance cases will increase from 857 cases in Fiscal Year 1976 to 900 in Fiscal Year 1977 to 1,260 in Fiscal Year 1978. A portion of the case increase will occur in health care institutions where approximately 600 bargaining units will be newly certified in FY 1977 and 700 in FY 1978. FMCS assistance in this area will aid the parties in successfully completing negotiations for an initial contract.

C. Arbitration Services

Arbitration per se is not a part of the individual mediator's job. The Service performs an important administrative function in the field of labor-management relations through the maintenance of a select roster of over 1,300 highly respected and well-qualified persons from which the parties can select an arbitrator to adjudicate their differences.

Demands for arbitration services continued to escalate during Fiscal Year 1976, and the Service provided an annual record level of 22,090 panels, a 30.3 percent increase over Fiscal Year 1974. The workload is expected to continue this upward trend in Fiscal Years 1977 and 1978 as shown in the workload projections on page 16.

D. Public Information and Educational Activities

Part of the mediator's job is to participate in the dialogue of his profession and to help explain the collective bargaining and mediation processes.

These activities help labor and management and the public to understand the obligations, pressures, and responsibilities involved in collective bargaining and the mediation process and serve to enhance labor peace and industrial stability.

A total of 948 assignments was closed in the area of public information and educational activities in Fiscal Year 1976, and the estimated workload projection for Fiscal Year 1978 is 1,050 assignments.

The tabulation that follows shows the workload projections for FMCS activities for Fiscal Years 1977 and 1978.

WORKLOAD PROJECTIONS, FISCAL YEARS 1977 AND 1978

	Actual FY 1974	Actual FY 1975	Actual FY 1976	Estimated FY 1977	Estimated FY 1978
A. Dispute Mediation					
1. Dispute case assignments in process during the fiscal year	30,634	31,338	31,974	36,600	38,000
2. Joint meeting cases closed	8,479	8,795	8,985	10,080	10,640
3. Percentage ratio of joint meeting cases closed to total assignments in process during the year	27.7%	28.1%	28.1%	28.0%	28.0%
B. Technical Assistance					
Total technical assistance assignments (new case assignments and carryover)	642	935	1,083	1,300	1,710
C. Arbitration Services					
Number of panels submitted to the parties	16,952	20,508	22,090	26,000	29,900
D. Public Information and Education					
Total assignments closed	832	770	948	1,000	1,050

FORECAST OF FMCS ACTIVITY

FISCAL YEAR 1978

I. DISPUTES MEDIATION

Private Sector

The dynamics of collective bargaining require a dispute resolution process that is professional and responsive to the immediate needs of the parties. Mediation assistance must be provided on a moment's notice and in a manner which will encourage its use in future disputes. The Service continues to meet the ever-growing needs of the collective bargaining process.

The Service anticipates no abatement in the level of private sector mediation. While strike activity has moderated in certain industries, others, particularly those subject to severe competitive pressures, are experiencing elevated strike activity. Rubber, chemicals, electronics, newspapers, and radio and television are typical. Unemployment continues to cause many job security-related disputes. Since the end of inflation and unemployment is not imminent, these root causes of labor-management friction can be expected to continue through FY 1977 and FY 1978.

Greater dispute mediation activity is anticipated in several industries, such as coal and longshore, in which the Service's pre-strike mediation activity has been limited. To increase this level of activity, high-level meetings are anticipated so that particularly troublesome areas can be pinpointed and measures developed for increasing the level of Service activity. Such measures may include company/union familiarization programs, individual meetings, and more aggressive mediation activity on specific case assignments. This effort could increase our activity in certain industries by as much as 15 to 20 percent.

While many large industries have been able to pass on the cost of increased wages, companies that fabricate and supply goods and services to other industries on a competitive basis have generally lacked this advantage. They have been caught in a squeeze, resulting in a high incidence of strikes. These companies will comprise the bulk of FMCS mediation activity now, in FY 1977, and in FY 1978.

Major Negotiations

During FY 1978, extending from October 1977 through September 1978, an estimated 3.5 million workers covered by major contracts are expected to negotiate new wages and benefits. Shown below are selected contracts covering 1,000 or more workers:

	No. of Workers Covered
Aerospace, including:	
Lockheed Aircraft	29,000
Boeing Company	41,000
McDonnell Douglas Corp.	31,000
Rockwell International	11,000
Beech Aircraft	6,000
United Aircraft	16,000
Bell Helicopter	7,000
Bituminous Coal Operators and Western Surface Mines	150,000
Associated Fur Manufacturers	6,000
Greyhound Lines	15,000
Chicago Transit	11,000
Realty Building in NYC	13,000
Metropolitan Life Insurance Co.	6,500
John Hancock Mutual Life	6,000
Cummins Engine	6,000
Seattle Restaurant Assn.	5,000
Maritime, including:	
Standard Freight Ship and Tanker Agt. (SIU)	20,000
Ingalls Shipbuilding	16,000
Bethlehem Shipbuilding	5,000
Tanker Vessel Agt. (MEBA)	6,500
Pacific Maritime	11,000
Zenith Radio Corp.	6,000
General Telephone of Florida	8,000
Chicago Restaurants	5,000
Various Retail Food Stores, including:	
N.E. New Jersey	24,000
Philadelphia	14,000
Jewel Food (North Central States)	14,000
Path Mark and Shop Rite (Interstate)	11,000

Health Care

Passage of Public Law 93-360 brought an additional 3,300 private nonprofit hospitals with 1.5 million employees under NLRA and FMCS jurisdictions, bringing the total to 4,030 private hospitals with 1.6 million employees. In addition, 18,000 nursing homes and 2,000 other health-related facilities, employing approximately 700,000 workers, are included under the new Law.

Through the use of special notice and mediation procedures and discretionary boards of inquiry, the legislation is designed to minimize work stoppages in contract disputes in all private health-care institutions--profit and nonprofit. Federal, state, and municipal hospitals are exempt from the legislation, as are administrative employers in the health field.

The added burden of these new and increased responsibilities upon the Service is readily apparent. More of a mediator's time now has to be devoted to these cases because of the rigid time-frame restraints placed on negotiations. The mediator must contact the disputing parties early in the proceedings to obtain a thorough understanding of the bargaining relationships between the parties so that a determination can be made of the necessity of appointing a board of inquiry. The mediator is required to actively participate in negotiations during the period prior to expiration in contract renewal bargaining and during the 30-day period required in initial contract situations. These cases consume a substantial amount of the mediator's time and thus limit his effectiveness in dealing with the other industrial relations segments of the labor-management community.

Specifically, the impact of the new legislation which requires the FMCS to assign a mediator to every health-care dispute, regardless of the size of the bargaining unit involved, to determine the impact on the delivery of health care services and to decide whether the National Director should appoint a board of inquiry, has created an increased mediation workload.

In the ten months of FY 1975 during which the new Law was in effect and in FY 1976, FMCS assigned 2,844 health care cases, of which 598 were pending on June 30, 1976.

In FY 1978, it is anticipated that this heavy workload will continue to increase over FY 1976 and FY 1977 demands. This is based on two factors: (1) the number of short-term contracts which are negotiated in the health-care industry (only 20 percent are for three years or longer compared to almost 50 percent for all other industries); and (2) more significantly the marked increase in newly organized units as reflected in NLRB data. NLRB figures show a 350 percent increase in health care cases between FY 1974 and FY 1975, and the demand upon FMCS assistance should increase dramatically in FY 1978.

Additional health care industry workload will be derived in FY 1978 as the result of a recent NLRB ruling which states that an interest arbitration clause is not required to be written into a contract. As a result, the disputing parties will have to

rely on the FMCS for more intensive mediation efforts as well as increased board of inquiry appointments.

To coordinate the overall mediation efforts of the Service, a National Health Care Industry Coordinator was appointed in August 1974 with specific responsibility centered on ensuring that the Service fulfills its statutory authority in implementing the board of inquiry procedures. Every health care case is reviewed by the Coordinator in conjunction with the recommendations from the field mediator through the regional office to the national office. The Health Care Industry Coordinator makes the final review and recommendations to the National Director who then makes the final decision on the appointment of a board of inquiry.

The board of inquiry procedures specified in the new legislation have also had a serious impact on the Service. If a board of inquiry is decided upon, FMCS has the responsibility of selecting qualified individuals to serve as factfinders and make written recommendations. These individuals have four major functions: (1) provide a peaceful forum for further negotiations; (2) provide a factual basis for further bargaining; (3) provide the "moral" pressure exerted by the opinion and recommendations of influential neutrals; and (4) exert public pressure on the parties to compromise. In the two years of coverage, FY 1975 and FY 1976, 102 health care cases involved the appointment of a board of inquiry.

It is anticipated that the number of board of inquiry appointments will be increased in FY 1978 based on the expected increase in initial contract case activity as reflected in figures referred to above.

Critical Industries

Construction Industry. Particular emphasis continues to be placed on coordinating the efforts of the Service in preventing or minimizing the adverse effect of serious disruptions in critical industries.

Work stoppages increased dramatically with the abolition of the Construction Industry Stabilization Committee on April 30, 1974. The demand for FMCS mediators increased as work stoppages reached 440 strikes for CY 1974 and 385 for CY 1975. However, CY 1976 stoppages total less than 300 and reflect the Service's increased mediation and technical assistance activity in that industry. Contracts covering over one million employees in construction will expire in FY 1978, continuing this extraordinary demand for mediators throughout the country. Abolition of a collective bargaining committee in construction in early 1976, made it necessary for the Service's Construction Coordinator to contact each of the unions and contractor associations separately. During FY 1976, FMCS pinpointed 200 key areas where construction bargaining was taking place, and assigned a mediator to monitor negotiations in each area and assist in any way possible. The Service will repeat this procedure in FY 1977 and FY 1978 which proved invaluable during 1976 after termination of the Collective Bargaining Committee.

In addition to the above procedure, the Service will be concentrating its efforts on improving relationships with specific segments of the construction industry and with particular unions. This effort, coupled with the continuing success mediators are experiencing in resolving construction industry disputes, will add to construction mediation activity and to continuing stabilization in this industry.

Food Industry. Since 1973 a National Food Industry Coordinator has monitored all FMCS activity in the food industry, with emphasis on preventing or minimizing the adverse effect of any labor-management disruptions in this critical industry.

Through a Joint Labor-Management Committee, the Food Coordinator maintains a liaison with the Retail Food Industry. This voluntary committee is composed of representatives of the major food chains and major labor unions in the food industry and is funded by the parties. The Coordinator utilizes the committee, and its individual members are also utilized, in particular labor-management disputes where the Service deems their assistance to be beneficial.

In FY 1978 the activity of the Service in the food industry will increase because of the large number of contract expirations. Several of these have been specified on page 18.

Energy-Related Matters. The energy crisis and the growing interdependence of the economy has required increased efforts by the Service to minimize the disruptive effects that a strike in a sole supplier operation can have on larger industries. FY 1978 will see critical national negotiations in the bituminous coal industry, anthracite, and western surface mining. The possibility of increased fragmentation among industry members will increase the number of bargaining situations and the number of mediators needed to meet the increased activity.

In addition to its role on the President's Atomic Energy Labor-Management Relations Panel, the Service is participating in the ERDA's Commission on Manpower and Labor Relations in nuclear power plant construction.

Labor relations in nuclear power plant and Alaskan pipeline construction are requiring greater FMCS attention. Natural gas pipeline construction in the Northwest will also create an additional direct and indirect demand on the Service.

Public Sector Mediation

Collective bargaining involving federal, state, and local employees has increased dramatically since the late 1960's and early 1970's when public employee disputes in which FMCS was involved numbered 40 - 50 per year. From 1973 through 1976, the Service's public sector caseload increased more than 400 percent.

Projections from 1976 envision further significant increases which should place the public sector caseload at more than 2,000 disputes in FY 1978 and 2,400 in FY 1979.

Federal Sector. Executive Order 11491 provided for FMCS assistance in federal service collective bargaining disputes beginning on January 1, 1970.

In FY 1978, the Service's federal service caseload should consist of approximately 600 - 700 disputes. However, the number of disputes in which mediators convene joint conferences should increase approximately 20 percent (275 in FY 1977 and 300 in FY 1978) as the parties become more familiar with mediation and as the issues become more difficult due to the expanding scope of bargaining.

In Fiscal Year 1976, dispute cases closed in the federal service totaled 592 cases, a 23.6 percent increase over the 479 closed for the same period last year. Joint meeting cases increased 38.7 percent--240 as compared with 173 for FY 1975. Joint meetings conducted increased by 33.4 percent--791 as compared with 593 for the last fiscal year.

More time will be devoted to bringing the parties to the bargaining table through the efforts of mediators, regional management, and national office staff. Further, mediation assistance at the bargaining table will increase due to the growing difficulty and complexity of issues.

The need for expanded mediation of federal service disputes centers on the need to create an atmosphere in which the parties feel compelled to conclude negotiations in a timely manner. Because relatively few pressures (as compared to the right to strike in the private sector) exist in federal service bargaining, negotiations may continue for many months, even years, before agreements are reached. In some cases FMCS has been very successful in focusing high level agency and union attention on particularly slow moving negotiations so that the bargainers at local levels may be prodded to reach agreement. Further, and equally important, mediators at the regional and national offices who are conversant with federal service procedures and issues have been invaluable in assisting in the settlement of federal service disputes.

The unique structure of Federal Government agencies and unions, as well as markedly different procedures and issues than found in private sector bargaining, requires an approach to dispute resolution which is responsive to the needs of federal service collective bargaining. The Office of Mediation Services will provide greater expertise and capability to deal with high level agency and union officials which is an important factor in the settlement of many of these disputes.

Nonfederal Public Sector. During the late 1960's and early 1970's the growth of nonfederal public sector unions was appreciable as more and more government employees turned to the bargaining table to voice their demands. As the bargaining table became primary vehicle for setting the standards of employment in the nonfederal public sector, the use of mediation to avert impasses and job actions became widespread.

The Service's nonfederal public sector caseload has increased dramatically from FY 1970 when 29 cases were recorded. During FY 1976, 665 dispute cases were closed, a 151.5 percent increase over the same period last year. Joint meeting case closings in the nonfederal public sector totaled 517, a 149.8 percent increase over 207 for last year. 1,853 joint meetings were conducted, a 159.5 percent increase over 714 for last year.

Although public reaction to many public sector bargaining settlements has been negative, union organization in the public sector is continuing to increase rapidly, and numerous jurisdictions are currently studying the possibilities for public sector bargaining legislation. There will be a continuing need for expanded mediation efforts in the nonfederal public sector during FY 1977-78, especially in light of the current financial constraints which are affecting many public employees' salaries, benefits, and job security.

FMCS efforts have been an important factor in the resolution of many state and municipal employee bargaining disputes which threaten the health, safety, and welfare of communities. Although the Service encourages the development of dispute resolution capability by state and municipal governments, it has been necessary to provide assistance, in the public interest, to those jurisdictions which have not developed the resources to deal with public sector labor-management disputes.

Membership in public employee unions should continue to grow. In 1974, the latest year in which statistics are available, there were 9.2 million full time state and local government employees of which 51.5 percent were members of unions. It is obvious that collective bargaining will be increasingly utilized by these unions and public management. So far, however, only 18 states have enacted laws to provide comprehensive collective bargaining procedures.

The Service shall continue to assist the states interested in developing public employee bargaining procedures, as well as public employee unions and government agencies involved in negotiation impasses with no adequate means for resolving their disputes.

II. TECHNICAL ASSISTANCE

Section 203(a) of the Labor Management Relations Act, 1947, Title II, places a responsibility on the Service not only to assist in settling the disputes that move toward a deadline with an actual or threatened strike, but also it directs the Service to work toward preventing these labor relations crises wherever possible. Consistent with this section of the Law, the Director of the Federal Mediation and Conciliation Service established the Technical Assistance Program (formerly designated preventive mediation) to assist labor and management in analyzing and correcting troublesome labor-management relationships.

The majority of the technical assistance cases develop as a result of a mediator's prior involvement with the parties during a contract dispute. Even though a settlement is usually reached, the mediator becomes aware of problems affecting the day-to-day relationship between the parties, and frequently follows up the dispute case activity with a technical assistance program. The purpose of such programs is to introduce constructive approaches to problem solving and thus minimize the prospects for serious labor disputes in the future.

Labor-Management Committees and Training Programs. More and more companies and unions are initiating inquiries to FMCS for labor-management committees and training programs from the top levels of their organizations. These national level requests have a multiplier effect, in that an average of 5 to 8 technical assistance programs at the local plant level are generated from each initial top level request. A single national level request last year (FY 1976) for joint foreman-steward training from a major chemical company and a national meatpacking company produced 11 and 12 programs, respectively, in their locations throughout the country. A single request from a leading supermarket chain (program for FY 1977) is tentatively involving 21 locations across the country.

In FY 1976, 616 training programs were conducted by federal mediators involving 3,600 training sessions. Almost 70 percent of these were joint foreman-steward programs. Because federal mediators are recognized as professional neutrals, they are in a unique position to deliver this training capability to joint labor-management groups. This has resulted in the number of increased requests and more extensive time devoted to current labor relations subjects. As such, the average number of training sessions has increased from 4 to 6 sessions per program.

Requests to establish labor-management committees are also on the increase. The in-plant committee (a single company and union), designed to allow the parties to discuss a number of subjects in a problem-solving approach and yet be free of bargaining table pressures, is very effective. FMCS participated in 216 such committees as chairmen of 927 meetings during FY 1976. Renewed interest in the labor-management committee approach for problem solving will undoubtedly increase, and it is projected that 100 additional such committees will be organized in FY 1978.

Prompted by the success of the in-plant Labor-Management Committee, there has been increased interest in the area/community wide labor-management committee concept. Their purpose is to reverse community depression and unemployment caused by poor labor-management relations and plant closings. In FY 1976 FMCS promoted and sponsored the first annual National Conference on Area Labor-Management Committees. Of the 18 area labor-management committees represented at that conference, 12 were initiated by FMCS. Working closely with the National Commission on Productivity and Quality of Working Life and the Department of Commerce, it is anticipated that the interest in forming additional labor-management committees will double in FY 1978. In this connection, FMCS has pledged its staff resources in support of the Javits-Lundine Bill (H.R. 14269) which proposes demonstration projects in labor-management cooperative efforts toward community-economic development.

The success of joint labor-management committees in the food and steel industry has prompted other industries with highly fragmented bargaining structures to take a second look at the industry-wide labor-management committee concept. FMCS has been involved with several major contractor groups and trade unions in the construction industry. Recently concluded negotiations in the rubber industry provided for such a mechanism. In FY 1978, it is anticipated that FMCS will intensify its efforts in initiating the formation of such committees in key industries.

Coal-Industry Training. Every year literally thousands of wildcat strikes plague the coal industry, thus disrupting production of millions of tons of coal for the Nation's energy needs. Since 1974, 4,355 wildcat strikes resulted in 27 million tons of lost coal production and 141 million dollars in wages. Working with the United Mine Workers Union (UMWA) and the Bituminous Coal Operators Association (BCOA) in FY 1976 the Service embarked on an industry-wide training program to improve grievance administration in this troubled industry. It is anticipated that such training programs will be intensified in FY 1977 and FY 1978. The goal of such programs is to stabilize coal-industry labor relations by substituting effective use of the grievance procedure for the "wildcat strike."

Relations by Objective Program (RBO). RBO expands the scope of the TA program one step further. It represents a more sophisticated application of TA, utilizing some of the most advanced conflict resolution techniques to date. It has been used very selectively on an experimental basis since introduced in 1975. It is rapidly gaining recognition, acceptance, and respect by the labor-management community. It is offered by its innovators as a very effective vehicle for identifying problems before they reach the boiling point, and working on these problems before they become stalemated at the bargaining table. Currently, it is being used almost exclusively in situations following protracted strikes or where there are volatile labor-management histories.

RBO requires six times as much mediator time as an average dispute mediation assignment. However, the dividends have justified the investment. Of 20 RBO's completed to date, all report at least a 50 percent decline in grievance activity and arbitration, and improvements in productivity.

A specialized aspect of the RBO Program involves proposed cooperation with other government agencies. The objective of this particular program is to establish a procedure to identify those industrial plants which are in danger of being permanently closed due to uncompetitive productivity and bad labor relations. Department of Labor - CETA funds are usually made available for manpower training and economic assistance after such plant closings. Our goal is to enter into a cooperative effort with the Departments of Labor and Commerce as well as the National Commission on Productivity and Quality of Working Life to formulate a plan for coordinated assistance to such marginal plants. RBO would hopefully serve as the "breakthrough" to facilitate a mutual concern for survival through cooperative efforts between labor and management. Other government organizations then provide required assistance, loans, and/or funding. The idea is to save the jobs and enterprise before a close down rather than trying to undo the damage to the community's economy afterwards.

III. ARBITRATION SERVICES

Since the establishment of the Office of Arbitration Services (OAS) in Fiscal Year 1974, there has been a marked escalation of requests for, and submissions of, panels of arbitrators as well as appointments of arbitrators to hear cases. In Fiscal Year 1974, OAS submitted 16,952 panels to disputants. In Fiscal Year 1976, the number of submissions had risen to 22,090 panels - an increase of 30 percent. During this same period of time, the number of arbitrator appointments for hearings increased from 7,612 in FY 1974 to 10,505 in FY 1976 - an increase of 38 percent. This growth is due to the increasing public awareness of the availability of our services as well as the increase in requests from parties.

Assuming that the same growth rate will exist between FY 1976 and FY 1978 as did between FY 1974 and FY 1976, (an accurate assumption based on the historically steady annual increases of the past), the number of arbitrator panel submissions in FY 1978 will be about 30,000 and the number of arbitrator appointments about 15,000. These figures represent an approximate four-year (1974-1978) increase of nearly 100 percent.

Accompanying the numerical climb in caseload is an ever-expanding need to handle the increased administrative functions that such growth generates. A major portion of the increase in administrative activity stems from the trend in most recent years for more formalized hearings, more frequent use of transcripts and submission of briefs, the increased concern for following more precisely hearing procedures, and adherence to rules of procedure.

Public Law 93-360 requires that the Federal Mediation and Conciliation Service provide Boards of Inquiry for disputes in the health care industry. The administration of this responsibility is delegated to the Office of Arbitration Services. The Board of Inquiry is ordinarily composed of one or more highly qualified factfinders/arbitrators from the FMCS roster. The Statute allows a total of fifteen days between initial contact of the factfinder and submission of the board's final report. Because of this rigid time constraint, OAS must act <u>immediately</u> to search out highly qualified and available arbitrators.

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STAFFING REQUIREMENTS

FISCAL YEAR 1978

The budget request for Fiscal Year 1978 includes a total of 575 permanent positions--the same as the Fiscal Year 1977 appropriation request.

In addition, the Fiscal Year 1978 request provides for 70 part-time and temporary positions, the same as for Fiscal Year 1977. Of this number, 50 part-time WAE positions are needed for appointments of boards of inquiry to serve as fact-finders in specific health care cases; and 20 are needed for temporary employment of secretarial and clerical assistance during peak workload periods.

A distribution of the positions for Fiscal Year 1978 is as follows:

Permanent Positions	Positions
National Office Staff	117
Field Staff	458
Total Permanent Positions	575
Part-Time and Temporary Positions	70
Total Positions	645

The following table shows a distribution of permanent positions by activity:

Activity Permanent Positions	Positions
Mediation Services	464
Technical Services	24
Arbitration Services	17
Management and Administration	70
Total Permanent Positions	575

Although there is an anticipated increase in caseload during Fiscal Year 1978, the Service believes that with additional effort and improved capability of mediators and support staff, the increased workload can be effectively handled without additional personnel. Therefore no additional staffing is being requested in Fiscal Year 1978.

JUSTIFICATION FOR FINANCIAL REQUIREMENTS

FISCAL YEAR 1978

FINANCIAL REQUIREMENTS

The budget request for Fiscal Year 1978 is $21,932,000--an increase of $755,000 over Fiscal Year 1977.

	FY 1977	FY 1978	Change
Appropriation	$20,328,000	$21,932,000	+ $1,604,000
Estimated Supplemental for Pay Increase (October 1976)	+ 849,000	---	- 849,000
Total	$21,177,000	$21,932,000	+ $ 755,000

For comparability, the FY 1977 column includes the supplemental pay raise increase effective October 1976. A distribution by object classification is as follows:

OBJECT CLASSIFICATION

	Approp. FY 1977	Approp. FY 1978	Change
Permanent positions	$13,534,000	$14,048,000	+ $ 514,000
Positions other than permanent	832,000	478,000	- 354,000
Overtime	42,000	47,000	+ 5,000
Personnel Compensation	14,408,000	14,573,000	+ 165,000
Personnel benefits	1,453,000	1,609,000	+ 156,000
Travel and transportation of persons	1,500,000	1,570,000	+ 70,000
Transportation of things	85,000	58,000	- 27,000
Rents, communications, and utilities	2,430,000	3,118,000	+ 688,000
Printing and reproduction	45,000	31,000	- 14,000
Other services	760,000	660,000	- 100,000
Supplies and materials	145,000	192,000	+ 47,000
Equipment	350,000	120,000	- 230,000
Insurance claims and indemnities	1,000	1,000	---
TOTAL OBLIGATIONS	$21,177,000	$21,932,000	$ 755,000

The increase of $755,000 includes $165,000 for personnel compensation and $590,000 for other objects of expenditures. The FY 1978 appropriation request includes decreases in several sub-categories totaling $1,056,000. These increases and decreases are discussed in more detail below.

Personnel Compensation--$14,573,000, an increase of $165,000 over FY 1977

	FY 1977	FY 1978	Change
Permanent Positions	$13,534,000	$14,048,000	+ $514,000
Positions Other Than Permanent	832,000	478,000	- 354,000
Overtime	42,000	47,000	+ 5,000
TOTAL	$14,408,000	$14,573,000	+ $165,000

The $14,573,000 requested for Personnel Compensation includes: (1) an increase of $514,000 for annualization costs of the 25 positions included in the FY 1977 appropriation and for periodic step increases and promotions; (2) an increase of $5,000 for the additional cost of overtime worked by the Service's permanent employees; and (3) a decrease of $354,000 for salaries of temporary employees and members of boards and panels, including health care Boards of Inquiry.

Personnel Benefits--$1,609,000, an increase of $156,000 over FY 1977

	FY 1977	FY 1978	Change
CSC Retirement Fund	$ 948,000	$ 983,000	+ $ 35,000
Life Insurance	63,000	66,000	+ 3,000
Health Benefits	217,000	269,000	+ 52,000
FICA Taxes	9,000	24,000	+ 15,000
Employees Compensation Payments	107,000	136,000	+ 29,000
Official Station Transfers	104,000	124,000	+ 20,000
Other Benefits	5,000	7,000	+ 2,000
TOTAL	$1,453,000	$1,609,000	+ $156,000

The $1,609,000 requested for Personnel Benefits includes: (1) an increase of $50,000 for payments to the Civil Service Retirement Fund for the Service's permanent employees and to FICA for the Service's temporary employees; (2) an increase of $57,000 for employee life insurance, health, and other benefits; (3) an increase of $29,000 for employee compensation payments; and (4) an increase of $20,000 for real estate fees, subsistence and miscellaneous expenses connected with the 40 official station transfers expected in FY 1978.

Travel and Transportation of Persons--$1,570,000, an increase of $70,000 over FY 1977

	FY 1977	FY 1978	Change
National Office Assignments	$ 190,000	$ 190,000	---
Field Station Assignments	775,000	1,000,000	+ $225,000
Training Seminars, Workshops and Conferences	200,000	200,000	---
Family Travel Expenses	40,000	20,000	- 20,000
New Mediator Costs	60,000	15,000	- 45,000
Boards and Panels	235,000	145,000	- 90,000
TOTAL	$1,500,000	$1,570,000	+ $ 70,000

The $1,570,000 requested for Travel and Transportation of Persons includes: (1) an increase of $225,000 for mediator travel costs directly related to the workload expected in dispute, technical assistance, and informational and educational activities as shown in the workload projections for FY 1978; (2) a decrease of $20,000 in family travel expenses connected with the 40 expected official station transfers; (3) a decrease of $45,000 in new mediator travel costs; and (4) a decrease of $90,000 in travel expenses for members of boards and panels, including health care Boards of Inquiry.

Transportation of Things--$58,000, a decrease of $27,000 over FY 1977

	FY 1977	FY 1978	Change
Transportation of Household Goods	$83,000	$56,000	- $27,000
Miscellaneous Transportation Costs	2,000	2,000	---
TOTAL	$85,000	$58,000	- $27,000

The $58,000 requested for Transportation of Things includes a decrease of $27,000 for transportation of household goods connected with the 40 official station transfers expected in FY 1978.

Rents, Communications and Utilities--$3,118,000, an increase of $688,000 over FY 1977

	FY 1977	FY 1978	Change
Rentals			
Office Space	$1,830,000	$2,219,000	+ $389,000
ADP Equipment	30,000	50,000	+ 20,000
Reproduction and Miscellaneous Equipment	85,000	150,000	+ 65,000
Boards and Panels	5,000	5,000	---
TOTAL RENTALS	$1,950,000	$2,424,000	+ $474,000
Communications			
FTS System	$ 190,000	$ 244,000	+ $ 54,000
GSA Service	150,000	300,000	+ 150,000
Answering Service	20,000	15,000	- 5,000
Telegraph	5,000	5,000	---
Commercial Telephone	45,000	55,000	+ 10,000
Postage	70,000	75,000	+ 5,000
TOTAL COMMUNICATIONS	$ 480,000	$ 694,000	+ $214,000
TOTAL RENTALS AND COMMUNICATIONS	$2,430,000	$3,118,000	+ $688,000

Rentals--The $2,424,000 requested for Rentals includes: (1) an increase of $389,000 for the annualization of office space requirements to house the 25 positions provided in FY 1977; (2) an increase of $20,000 for ADP equipment rental; and (3) an increase of $65,000 for reproduction and miscellaneous equipment rental.

Communications--The $694,000 requested for Communications and Utilities includes: (1) an increase of $214,000 for additional costs of FTS, GSA service, and commercial system charges expected in FY 1978; (2) an increase of $5,000 for additional postage charges; and (3) a decrease of $5,000 in answering service costs.

Printing and Reproduction--$31,000, a decrease of $14,000 over FY 1977

	FY 1977	FY 1978	Change
Annual Report	$ 6,000	$ 6,000	---
Technical Services	10,000	1,000	- $ 9,000
Agency Forms	22,000	17,000	- 5,000
Boards and Panels	2,000	2,000	---
Miscellaneous	5,000	5,000	---
TOTAL	$45,000	$31,000	- $14,000

The $31,000 requested for Printing and Reproduction includes: (1) a decrease of $9,000 for printing of technical services information; and (2) a decrease of $5,000 for printing of agency forms.

Other Services--$660,000, a decrease of $100,000 over FY 1977

	FY 1977	FY 1978	Change
Special Services	$ 50,000	$ 50,000	---
Professional Development and Training	30,000	25,000	- $ 5,000
ADP Operation, Maintenance and Hardware Support by Other Government Agencies	150,000	200,000	+ 50,000
Support Services for ADP Development	140,000	25,000	- 115,000
Office Repairs, Alterations and Maintenance	145,000	100,000	- 45,000
Civil Service Commission Investigations	23,000	20,000	- 3,000
Health Care Services	10,000	44,000	+ 34,000
Maintenance of Office Machines and Equipment	17,500	10,500	- 7,000
Boards and Panels	192,000	100,000	- 92,000
Station Transfers	---	8,000	+ 8,000
Official Representation Fund	2,500	2,500	---
Guard Service	---	75,000	+ 75,000
TOTAL	$760,000	$660,000	- $100,000

The $660,000 requested for Other Services includes: (1) an increase of $50,000 for increased costs and additional operation and maintenance of ADP support provided by other Federal agencies involving FMCS automated systems for Arbitration, Personnel, Payroll and statistical data on disputes, technical assistance, and informational activity;

(2) an increase of $34,000 in health care services to allow for an annual physical examination for each mediator;

(3) $75,000 for guard service at the national office;

(4) $8,000 for storage costs related to the 40 official station transfers;

(5) a decrease of $115,000 for support services for ADP development;

(6) a decrease of $92,000 for boards and panels expenses; and

(7) a decrease of $60,000 in professional development and training; office repairs, alterations, and maintenance; Civil Service Commission investigations; and maintenance of office machines and equipment.

Supplies and Materials--$192,000, an increase of $47,000 over FY 1977

	FY 1977	FY 1978		Change
Supplies and Materials	$ 94,000	$145,000	+	$51,000
Subscriptions	49,000	45,000	-	4,000
Boards and Panels	2,000	2,000		---
TOTAL	$145,000	$192,000	+	$47,000

The $192,000 requested for Supplies and Materials includes: (1) an increase of $51,000 for supplies and materials; and (2) a decrease of $4,000 for subscriptions.

Equipment--$120,000, a decrease of $230,000 over FY 1977

	FY 1977	FY 1978		Change
Furniture, Fixtures and Office Equipment	$270,000	$ 80,000	-	$190,000
Information and Training Center and Audio-visual Equipment and Training Films	80,000	40,000	-	40,000
TOTAL	$350,000	$120,000	-	$230,000

The $120,000 requested for equipment includes: (1) a decrease of $190,000 in furniture, fixtures, and office equipment; and (2) a decrease of $40,000 for information and training center and audio-visual equipment and training films.

Claims and Indemnities--$1,000, the same as for FY 1977

PROGRAM EFFECTIVENESS AND ESTIMATED COST/BENEFIT EVALUATION

There is no question that the labor-management community is being well served when the need for mediation exists. Each year the Service receives hundreds of letters from representatives of both labor and management testifying to the effectiveness of the assistance given the parties in their negotiations. These unsolicited testimonials are a sound but nonstatistical indication of the effectiveness of the mediation program.

Endeavoring, however, to relate the cost of operating the mediation program to the benefits achieved to the economy, in terms of work stoppages shortened or averted, is quite complicated because of the many imponderables present. The Bureau of Labor Statistics, as stated in its "Handbook of Methods," does not attempt to measure the cost of strikes in terms of the amount of production and wages lost because of the many complex and interrelated factors for which information is not readily available.

Based on certain assumptions, however, a rough approximation of cost effectiveness may be attempted although obviously no precise validation is possible. The following data, therefore, are presented with this important qualification in mind.

A. Wage Losses Eliminated or Minimized with Active Mediator Participation in Dispute Mediation Cases

1. Cases Settled Without Strikes as a Result of Intensified Mediation Efforts

In Fiscal Year 1976, strike deadlines were postponed and/or joint meetings were held on deadline dates (on the initiative of the mediator) in 2,603 cases. In about 2,012 of these cases, involving over 1,125,000 employees in the bargaining units, the additional time and intensive mediation effort prevented any strikes from developing. The potential strike time loss avoided in these 2,012 cases was over 20 million man-days, calculated by the use of the BLS average of 17.9 man-days lost per worker in stoppages for calendar year 1975 (the latest data available). Discounting this figure by 50 percent, on the basis that some postponements and subsequent settlements would have been reached without a mediator, or that strike duration would have been less than the BLS average, a conservative figure of 10 million man-days saved is estimated.

2. Cases Settled Without Strikes Prior to Deadline Date With Mediator Assistance

In Fiscal Year 1976, 4,737 additional active cases with over 1.2 million employees in the bargaining units were closed by FMCS mediators without strikes and without the necessity of postponement of strike deadlines and/or joint conferences on the deadline date. It is a conservative estimate that strikes would have occurred in 20 percent of these cases (involving 20 percent of the workers) without mediator assistance and that the work time lost (17.9 as in 1 above), would have been over 4.3 million man-days.

3. Strike Cases In Which Strike Time Losses Were Shortened Due to Mediator Assistance

That actual strike time losses are minimized by mediator assistance is a fair assumption. Referring to BLS data for 1974 for purposes of greater accuracy (Bulletin No. 1902), Federal mediators participated in the settlement of 2,531 strike cases involving nearly 1,620,000 workers and a total of 37,200,000 man-days of idleness.

Assuming that these strikes would have persisted for three work-days longer in the absence of mediator assistance (a conservative assumption), it is estimated that over 4.8 million man-days of additional idleness were avoided.

B. Summary of Savings Due to Program Effectiveness and Estimated Cost Benefit Evaluation

In terms of man-days, estimated total year strike time avoided is as follows:

1. Total Man-Days Saved

	(In Millions)
a. Cases settled without strikes as a result of intensified mediation efforts by the mediator where deadline dates were postponed and/or joint meetings were held on the deadline date. (A.1. above)	10.0 man-days
b. Cases settled without strikes prior to deadline date with mediator assistance. (A.2. above)	4.3 man-days
c. Strike time losses shortened due to mediator assistance (A.3. Above)	4.8 man-days
Total Man-Days Saved	19.1

2. Estimated Annual Wage Losses Avoided

At $40.56 per day (based on BLS data of average hourly earnings of $5.07 for manufacturing as of April 1976), the estimated annual wage losses avoided are $774.7 million

3. Additional Savings

In terms of Gross National Product, the value of the production of goods and services lost could be several times as great as the estimated wage loss.

Beyond the estimated wage loss, there are other potential losses inherent in strike situations such as decline in earnings and income, reduction in Federal, State and local income and corporate taxes, etc.

In summary, the data point to a high rate of benefit to the Nation's economy in relation to the funds expended for the Service's mediation program ($17,849,359 in Fiscal Year 1976).

FEBRUARY 7, 1977.

NATIONAL MEDIATION BOARD

WITNESSES

KAY McMURRAY, CHAIRMAN
DAVID H. STOWE, MEMBER
ROWLAND K. QUINN, JR., EXECUTIVE SECRETARY
ROY J. CARVATTA, STAFF DIRECTOR/GRIEVANCES
M. C. PRICCI, ADMINISTRATIVE OFFICER

Mr. FLOOD. Next we have the National Mediation Board.

I see we have a biographical sketch of you, Mr. McMurray, which we will place in the record at this point.

[Mr. McMurray's biographical sketch follows:]

KAY MCMURRAY

Date of birth: March 18, 1918.
Marital status: Married; three children.
Residence: 4101 Cathedral Avenue NW., Washington, D.C.
Education: Stanford University, A.B. in political science, 1940. Pursued M.B.A. at Graduate School of Business, 1947–48.

Employment history

October 1972 to present: member, National Mediation Board.
May 7, 1971, to October 1972: Consultant on government affairs, United Air Lines.
October 1953 to February 1, 1971: Executive administrator, Air Line Pilots Association, International, Washington, D.C.
1949 to 1953: Returned to Boise, Idaho, which was home prior to joining United Airlines, Inc., to develop personal business interests. Also was assistant to president of Inland Empire Insurance Co., and registered representative, NYSE, with Wegener & Daly.
Legislative Representative for Western Highway Institute during this period.
1940 to 1949: Captain, United Air Lines, Inc. Attended flight school. Served as copilot for 13 months and advanced to captain in 1942. Elected to United Air Lines Pilot Negotiating Committee and represented fellow pilots in negotiation of employment agreements.

Mr. FLOOD. I see you have a statement here.

Mr. MCMURRAY. Mr. Chairman, I have a very brief one I would like to read.

Mr. FLOOD. All right.

OPENING STATEMENT

Mr. MCMURRAY. Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before you this afternoon. I would like to give you the highlights of my statement.

In 1926 Congress enacted the Railway Labor Act, and the misssion of the National Mediation Board is to administer this act, which provides the railroad and airline industries specific mechanisms for the adjustment of labor management disputes; that is, for mediation and the investigation of questions of representation; for emergency disputes procedures and arbitration; and for boards of adjustment and a National Railroad Adjustment Board to handle individual and group grievances arising under agreements.

In order to continue these programs, the National Mediation Board is requesting $3,703,000 for fiscal year 1978, an increase of $43,000 over fiscal year 1977.

The National Mediation Board does not propose any changes in its programs or activities in administering the Railway Labor Act.

Then having said that, Mr. Chairman, I have following a four-page statement which breaks down in more detail. You have a copy and I would like to introduce it in the record.

Mr. FLOOD. Without objection, we will do that.

[The full statement follows:]

NATIONAL MEDIATION BOARD,
Washington, D.C.

STATEMENT

Mr. Chairman, members of the subcommittee, I appreciate your invitation to appear before the subcommittee and to discuss with you the National Mediation Board's budget for the fiscal year 1978.

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

The National Railroad Adjustment Board was also established in 1934 under the Railway Labor Act for the purpose of disposing of grievances arising under the terms of collective bargaining agreements in the railroad industry.

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

Thus, under the Railway Labor Act, Congress has provided for the railroad and airline industries specific machinery and procedures for the adjustment of labor-management disputes, that is, for mediation and the investigation of questions of representation; for emergency disputes procedures and arbitration; as well as for boards of adjustment and a National Railroad Adjustment Board to handle individual and group grievances arising under agreements between management and the labor organizations concerned.

The total amount requested to administer the Railway Labor Act is $3,703,000, an increase of $43,000 over the amount available for fiscal year 1977.

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

First, mediation, which is concerned with the making and amending of agreements, and the representation function. These activities are the responsibilities of the National Mediation Board.

A total of $1,849,000, an increase of $160,000 over the amount available for 1977, is being requested to finance the Board's activities in fiscal year 1978. The increase of $66,000 is required to finance the new mediator positions, anticipating delay in filling these positions, and for mandatory within grade promotions and accompanying benefits. Public Law 92–313 requires each agency to reimburse the General Services Administration for the cost of office space and recurring reimbursable services. This cost for the National Mediation Board for fiscal year 1978 is $45,353 more than the amount allocated in 1977. An additional amount of $8,000 is requested for travel expenses for the new positions. Increased cost of communications and utilities, printing, supplies, and materials account for $24,647 of the increase. Other services estimate for 1978 is $16,000 more than the 1977 estimate. This estimate includes $20,000 for technical assistance expenditures.

The second activity of the Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. In arbitration proceedings, disputes are voluntarily submitted by labor and

management to a neutral party for final and binding decision. The Board hopes it will be able to persuade management and labor to more frequently utilize the arbitration provision of the act to dispose of contract disputes.

Emergency boards are created pursuant to section 10 of the act when the Board notifies the President that a dispute threatens substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation. The President may, in these circumstances, in his discretion, create an emergency board to investigate and make recommendations as to the settlement of the dispute involved. The Board is not able to anticipate precisely the total expenditures for these arbitration and emergency board activities, and it is therefore, advisable to have a small reserve available for emergency situations.

For fiscal year 1978, the Board is requesting a total of $144,000, the same as available in 1977.

The third activity carried under this appropriation is the adjustment of grievances in the railroad industry. This activity pertains to the operations of the National Railroad Adjustment Board mentioned earlier, which is concerned with the interpretation and application of wage and rule agreements in the railroad industry as well as boards of adjustment established by individual carriers and organizations for the same purpose. In this submission all expenditures relating to the settlement of grievance disputes, that is special boards of adjustment and public law boards expense, have been included in this activity.

For this activity, the amount of $1,710,00 is requested for fiscal year 1978. This is $117,000 less than the amount allocated in 1977. This decrease was realized through the efficient operation of the National Railroad Adjustment Board.

In summary, the National Mediation Board is requesting a total of $3,703,000 to finance activities under the Railway Labor Act for fiscal year 1978. This is an increase of $43,000 over the amount authorized for fiscal year 1977.

Mr. McMURRAY. That completes our formal presentation, and of course we would be happy to answer any questions you might have.

EFFECT OF NEW LEGISLATION

Mr. FLOOD. With the passage of the Rail Passenger Act of 1970 that created Amtrak and the Regional Rail Reorganization Act of 1973, that is the one that gave birth to ConRail, the Federal Government has become very deeply involved in the railroad industry. How have these reorganization measures affected labor-management relations in the railroad industry?

Mr. McMURRAY. Mr. Chairman, it is a little hard to assess with any degree of accuracy right now. ConRail, as you know, is relatively new. In the Amtrak situation we are just now getting into the elections where we determine which bargaining unit the people belong to. We anticipate, of course, our volume of business will enlarge, but it is just now coming to us and it is very difficult to assess with any degree of accuracy.

Mr. Stowe, do you have any comment you would like to add?

Mr. STOWE. The decision of ConRail to join the National Railway Labor Conference probably will not increase the mediation function so far as ConRail is concerned. Amtrak has not joined yet, therefore it will be a separate system that will be like a new railroad to deal with.

In the representation area we have quite a different problem. As a result of mergers where certain crafts have been represented by one union traditionally on one system, when you merge a number of railroads you may find you have a number of different unions representing the same craft. We are now in the process of trying to work out under our representation responsibilities methodologies for resolving

this. This is going to be extremely complicated and can result in some pretty touch-and-go situations as you might imagine when there are three unions representing the same class or craft on a new merged system and they all want to continue.

In that area we expect to have a substantial increase in demand for mediator time.

Mr. McMURRAY. You will note we are asking for 5 more positions for mediators and this is part of the reason.

Mr. FLOOD. How have the reorganization measures affected the duties and functions of the National Mediation Board?

Mr. McMURRAY. Not at all.

ISSUES IN BARGAINING

Mr. FLOOD. What do you see as the major issues to be discussed in bargaining this year?

Mr. McMURRAY. Wages, rules, and working conditions.

Mr. FLOOD. I have heard of those.

Mr. McMURRAY. Let me start with the airline field. It has been a relatively quiet period of time outside of Continental, but they are just now starting to open up major contracts. American Airlines told me they had six major contracts opening this year. This will be true of many others. So that will change.

In addition, the railroads under their national contract are starting to file section 6 notices, labor and management are passing back and forth their demands, and that bargaining will step up by the middle of this summer. They can't strike until the first of January. So our workload is going to increase quite rapidly.

RAIL SITUATION

Mr. FLOOD. What measures are you going to take to prevent a breakdown in the rail situation?

Mr. McMURRAY. We are going to mediate. As you probably know, our statute, unlike the statute the FMCS operates under, requires they do more business with us than they do with the FMCS. At the request of either party or on our own we interject ourselves and this requires mediation, and they are not allowed to get into a strike situation until the Board determines that the mediation process has been exhausted. When we get into the mediation process we are as inventive as possible. I don't know that we have any specific things that we are going to do different from last year.

RENEGOTIATION OF AIRLINE CONTRACTS

Mr. FLOOD. You are talking about these two major airline contracts that are due to come up for renegotiation in 1977. What potential problem is going to arise?

Mr. McMURRAY. The same problem. It is getting a little more complicated. Wages we all understand, and of course the demands are getting larger. You are aware of that with our inflationary problems. The factors are getting a little more complicated because they are

going deeper into the pension field and fringe benefits areas, which are quite difficult to deal with.

Again we have some concern about the maintaining of the jobs which builds into your duty rigs and your working condition rules.

Mr. FLOOD. You have a trend in the airline industry for a longer, more complicated mediation, do you?

Mr. MCMURRAY. Oh, yes. Not only that, but the parties are getting structured a little more; they are bringing in outside experts. It used to be that the operating vice president would sit down and bargain for pilots. Today he has to bargain insurance, pension, so he brings in experts.

Mr. FLOOD. Why is it so difficult to get these two industries into a long-term contract?

Mr. MCMURRAY. At least in my viewpoint, and I represented the pilots for a considerable period of time, just from their selfish standpoint; they get more bites at the apple. It is a selfish viewpoint but that is the way the system works.

INTEREST ARBITRATION

Mr. FLOOD. Last year you told us you expected several of these contracts to include what you called interest arbitration. Can you tell us what that means? How much success have you had in broadening this?

Mr. MCMURRAY. We encourage it. A couple of carriers have sat down with their unions and developed a procedure that works out. Since my colleague Mr. Stowe has a special interest in that, I would ask him to comment.

Mr. STOWE. The procedures that we had in 1926 provided for interest arbitration. This is nothing new. It just hasn't been used very much. We have had the greatest experience in the country in handling interest arbitration, which is arbitration relative to the terms and conditions of the contract to avoid confrontation or strike. We have had over the years under the act some 350 interest arbitrations. Last year when I was chairman I did commit to you, Mr. Chairman, to attempt to expand the use of interest arbitration and we have developed new techniques in a number of situations. I brought along two examples. We have one between Braniff Airways and the airline pilots, which is a unique form of this arbitration and which has just been renewed for another 3 years. Last year we averted a strike by the use of this.

We also have one between the National Airlines and the Airline Employees Association which is a unique document which separates economic issues and the noneconomic issues and which permits the interest arbitration in the economic field without confrontation and does not permit a strike or lockout to occur from the noneconomic issues.

It also has another feature. When you write in perpetuity an interest arbitration provision there is a strong tendency for the bargainers to become very careless. They figure the arbitrator will work it all out. This National Airlines–ALEA has a unique feature. If the interest arbitration feature is used it is no longer automatically

available and has to be renegotiated. The tendency, therefore, will be that if the parties are awfully close but can't quite make it, they will make that extra effort to make the agreement and preserve the interest arbitration feature for the future when they may need it more.

We have evolved a number of other techniques in this area.

Right now the pilot group, ALPA, is considering interest arbitration in at least three areas. The flight attendants are considering it on one carrier.

Mr. McMurray. Would you like those in the record?

Mr. Flood. Yes; by all means.

[The information follows:]

LETTER OF AGREEMENT BETWEEN BRANIFF AIRWAYS, INC. AND THE AIRLINE PILOTS ASSOCIATION, INTERNATIONAL

This letter of agreement is made and entered into in accordance with the provisions of title II of the Railway Labor Act, as amended, by and between Braniff Airways, Inc. (hereinafter referred to as the "Company") and the Airline Pilots in the service of Braniff Airways, Inc., as represented by the Airline Pilots Association, International (hereinafter referred to as the "Association").

WITNESSETH

Whereas the company and the association are desirous of promoting harmony, trust, confidence, and a positive productive effort by management and the pilots toward their common goals of stability, economic opportunity, growth, and advancement, and;

Whereas it is in the best interests of all parties to initiate progressive steps to achieve greater labor stability and harmony and at the same time to assure that the interests of the pilots and the company shall be fully developed.

Whereas in order to implement and advance the foregoing objectives, it is the intention of the company to secure like agreements from unions representing other crafts of its employees.

Now, therefore, it is mutually understood by and between the parties to this letter of agreement that:

1. Since time is of the essence, and since written notices have been served by the parties pursuant to section 6, title I, of the Railway Labor Act, as amended, proposing changes in the pilots' employment agreement, signed on the 14th day of November, 1974; it is therefore agreed that conferences under the act to resolve the issues will be held at the company's general offices at Dallas, Tex., commencing at 10 a.m. on June 29, 1976.

a. The conferences stipulated in paragraph 1. above, shall continue for a period of thirty (30) days, in direct negotiations, for the purpose of resolving the issues and such conferences shall conclude no later than July 30, 1976.

b. If the parties have failed to reach complete agreement on all issues on or before July 30, 1976, conferences will continue until August 13, 1976, for the express purpose of defining the issues remaining unresolved which shall be submitted to mediation. During such conferences every effort shall be made to reduce the number of issues and jointly agree to the issues remaining unresolved for submission to mediation. Upon reaching agreement on the unresolved issues for submission to mediation before August 13, the parties agree to immediately jointly petition the National Mediation Board invoking its mediation services under the act. In the event that the parties do not reach agreement on unresolved issues for submission to mediation by August 13, the parties agree to jointly petition the Mediation Board for mediation services under the act at that time, or either party may independently petition the Mediation Board for mediation, and there shall be no objection by invoking the mediation process at that time.

c. Mediation shall continue for thirty (30) days, but no later than October 1, 1976. Upon termination of mediation the Board shall promptly proffer arbitration which both parties hereto agree to accept. Such arbitration shall commence not later than October 15, 1976, in accordance with paragraph d. below. The arbitration board shall conclude hearings within fifteen (15) days (October 30,

1976) after they begin and shall render a final and binding written decision no later than thirty (30) days (November 29, 1976) after the conclusion of hearings.

d. The arbitration board shall consist of one person designated by the company, one by the association and a neutral member, to be designated as follows. The parties will jointly apply to the National Mediation Board no later than October 3 for submission of a list of five (5) proposed neutrals to be provided promptly to both parties for the purpose of selection by alternative strikeoff. Either party may independently apply to the Mediation Board for such list if joint application is not made by October 3. Said strikeoff procedure to be conducted at the offices of the National Mediation Board as expeditiously as possible, but no later than October 7, 1976. Both parties expressely agree to participate in this strikeoff procedure, but either party may strike independently if the other refuses to participate.

(1) The neutral arbitrator, following consultation with the other Board members, shall determine the time, place and procedure for the conduct of the arbitration.

(2) The award shall require the concurrence of two or more members of the arbitration board.

(3) The parties shall submit to the Arbitration Board the last offers or positions of each of the parties made on the remaining open issues, not to exceed fifteen (15) in number by each party, as constituting their respective positions including any evidence or argument in support thereof. The Board shall be limited in its award to the open issues within the offers or positions, on the several issues so made; provided, however, that the award shall not in any case contain provisions less favorable to the pilots than that provided under the current agreement.

(4) The award shall provide an agreement of not more than twenty-four (24) months duration from the last amendable date.

2. In the event a dispute arises concerning the interpretation of this letter of agreement which cannot be immediately resolved by the parties, either party may notice such dispute for arbitration and such dispute shall be submitted forthwith for determination by arbitration by the Arbitration Board, using the procedures provided under paragraphs 1d., d(1), and d(2), with the express understanding that the selection of the arbitrator shall be made within 5 days after notice of such dispute and the arbitration conducted and award issued within 30 days after notice of such dispute, with time to be considered of the essence in all proceedings.

3. This agreement shall inure to the benefit of and be binding upon the parties hereto, their successors, assigns, and subsequent bargaining representatives, if any.

4. The foregoing agreement and procedures are hereby approved and agreed to as in satisfaction of and in lieu of procedures for direct negotiation, mediation and all procedures under the Railway Labor Act, for purposes of this particular negotiation, and shall be limited in its duration until conclusion of an agreement amending the 1974 Pilots' Employment Agreement either prior to an arbitration award or by rendering of an arbitration award.

5. In the event that agreement is reached on amending the 1974 Pilots' Employment Agreement prior to the award in arbitration being rendered, the parties agree to meet and consider whether they desire to negotiate a new agreement containing provisions similar to this letter of agreement for use in any future negotiations, it being understood that there is no obligation to negotiate such an agreement.

Witnesses:

_____ _____.

For Braniff Airways, Inc:

HARDING L. LAWRENCE,
Chairman of the Board
and Chief Executive Officer.

For the Airline Pilots Association, International:

J. J. O'DONNELL,
President.

Witnessed this 7th day of July, 1976, at Washington, D.C., The National Mediation Board, by David H. Stowe.

TERRELL S. SHRADER,
July 1, 1976.

MR. DAVID H. STOWE
Chairman, National Mediation Board,
Washington, D.C.

DEAR MR. STOWE: With regard to the letter of agreement between Braniff Airways, Inc., and the Air Line Pilots Association, International, dealing with the expedited proceeding for current negotiations, the parties hereto agree that paragraph 4, page 4, of said letter of agreement is hereby amended to read as follows:

"4. The foregoing agreement and procedures are intended to be in satisfaction of and in lieu of procedures for direct negotiation, mediation and all applicable procedures under the Railway Labor Act, for purposes of this particular negotiation, and shall be limited in its duration until conclusion of an agreement amending the 1974 Pilots' Employment Agreement either prior to an arbitration award or by rendering of an arbitration award."

Mr. O'Donnell is requested to attach this letter as an amendment to the original copies which are in his possession.

Sincerely,

TERRELL S. SHRADER.
M. R. FERRARA
R. L. JONES

LETTER OF AGREEMENT BETWEEN NATIONAL AIRLINES, INC. AND THE CLERICAL, OFFICE & STATION EMPLOYEES IN THE SERVICE OF NATIONAL AIRLINES, INC., AS REPRESENTED BY AIRLINE EMPLOYEES ASSOCIATION, INTERNATIONAL

This Letter of Agreement is made and entered into in accordance with the provisions of the Railway Labor Act, as amended by and between National Airlines, Inc. (hereinafter referred to as the "Company") and the Clerical Office & Station Employees in the service of Natonal Airlines, Inc., as represented by the Airline Employees Association, International (hereinafter referred to as the "Association").

Whereas, the Company and the Association are mutually desirous of attaining the objective of stability in economic growth and advancement, and,

Whereas, such objective would be best achieved through a means of resolution of major disputes under the Railway Labor Act, as amended, by avoidance of a last resort to self-help through economic sanctions by either party, and,

Whereas, the parties are confident that they possess the requisite ability and skills to resolve whatever differences may exist between them in future negotiations through the process of free collective bargaining, and,

Whereas, the parties believe that this letter of agreement will enhance the success of future negotiations and will enable the parties, in their mutual best interests and those of the employees represented by the Association, to devote their energies to the achievement of the above stated objective, and,

Whereas, the parties hereto have mutually agreed as hereinafter set forth and the Association representatives have advised the Company (and by their signatures hereto do so certify) that any and all conditions precedent to their finalization of this letter of agreement, as may be established by the Association's constituton and by-laws, and/or other requirements, have heretofore been met and complied with, so that this letter of agreement will become effective on the date of its signing.

Now, Therefore, it is hereby mutually agreed:

1. The Company and the Association will make every effort to resolve through negotiations any differences which may arise in collective bargaining in accordance with the provisions of the Railway Labor Act, as amended, including utilization of the services of the National Mediation Board as provided by the act. After thorough bargaining, the parties will submit any unresolved economic issue to final and binding arbitration, pursuant to sections 7 and 8, title I, of the Railway Labor Act, as amended, in accordance with the procedures hereinafter specified. The submission of any economic issue to final and binding arbitration hereunder shall not preclude the parties from continuing to bargain on such issue prior to the issuance of a decision by the arbitrator.

2. The parties will exchange opening proposals in accordance with section 6 of the Railway Labor Act, as amended, and begin direct negotiations no later than one hundred twenty (120) days prior to the renewal date specified in article XXI of the agreement (e.g., February 1, 1977, under the present agreement), and such direct negotiations shall continue for a period of up to thirty (30) days prior to such renewal date (e.g., through April 30, 1977). Simultaneously with the commencement of such direct negotiations, the parties will jointly notify the Chairman of the National Mediation Board of that fact and will transmit to him two (2) copies of the current agreement, including all supplemental documents, and of the opening proposals submitted by each party.

3. The parties will each be limited to no more than ten (10) issues in their (section 6, RLA and article XXI of the basic agreement) "openers". (Example: wages would include all basic pay scales and overrides; shift "premiums" would include all premiums for special shifts; holidays would include the numbers and specification of holidays; work rules for holidays would be a separate issue; overtime work rules would be a separate issue from wage rates and work rules for shift premiums would be a separate issue from definitive description and rates for premiums paid). As used herein the term "economic issues" means wages, numbers and specification of holidays, vacation accrual rate, group insurance, and pension plan.

4. If the parties have not, by the seventy-fifth (75th) day prior to the renewal date (e.g., March 15, 1977), resolved all issues in the major dispute, they shall jointly notify the Chairman of the National Mediation Board that, effective immediately following the expiration of the stipulated time period for direct negotiations (e.g., May 1, 1977), they are requesting mediation of the dispute by the Board and shall request, to expedite such mediation, that the Chairman designate the assigned mediator and that such assigned mediator personally attend the negotiations as an observer for the purpose of becoming familiar with the issues, commencing no more than thirty (30) days prior to the expiration of the stipulated time period for direct negotiations (e.g., April 1, 1977). The parties shall transmit, simultaneously with such notice, two (2) copies of all resolutions agreed upon up to that date and of their respective current position or proposal on each issue then remaning unresolved in the dispute.

5. In the event the parties have not reached agreement on all of the issues in the dispute by the expiration of the stipulated time period for direct negotiatons (e.g., May 1, 1977), they will, under the auspices of the assigned mediator, immediately commence mediation pursuant to section 5, first, title I, of the Railway Labor Act, as amended, which mediation shall continue until the renewal date specified in Article XXI of the then current Agreement (e.g., through and including May 31, 1977).

6. In the event agreement is not reached in the mediation process by the expiration of the stipulated time frame for such, the National Mediation Board shall immediately proffer arbitration of the unresolved issues in accordance with the provisions of the Railway Labor Act, as amended, modified in their application to conform to the provisions of this letter of agreement. (Example: If no agreement has been arrived at by May 31, 1977, the NMB shall proffer arbitration on June 1, 1977.)

7. It is stipulated that both parties hereto agree to accept the National Mediation Board's proffer of arbitration.

8. The National Mediation Board shall include along with its proffer of arbitration a list of seven (7) arbitrators who have been determined by the Board to be available and willing to serve under the rules established herein and who are qualified to serve as "arbitrators chosen by the Board" within the meaning of the Railway Labor Act, as amended. The parties shall strike one name at a time in turns (the first turn to be determined by a toss of a coin between chief negotiators for the parties) until one name remains who shall serve as arbitrator of all unresolved issues. However, if prior to submission of names the parties mutually agree on an arbitrator willing and available to serve under the rules esatblished hereunder, then that arbitrator shall serve hereunder. The arbitrator so determined shall be considered for all purposes under the Railway Labor Act as an "arbitrator chosen by the Board" and shall, in all matters concerning the arbitration of this matter, have all rights and privileges conferred by the act upon a "Board of Arbitration." The Company and the Association each hereby specifically waive their right under the act to designate additional arbitrators to serve on the Board of Arbitration.

9. The arbitrator shall be designated (either by mutual agreement or by the striking of names as provided hereunder) within five (5) working days from the renewal date specified in paragraph 5., above (e.g., by June 7, 1977).

10. The arbitrator so selected shall hold hearings beginning no later than fifteen (15) days from the above said renewal date (e.g., by June 16, 1977), and shall conclude such hearings and render a final and binding decision no later than forty-five (45) days from the above said renewal date (e.g., by July 15, 1977).

11. In accordance with the provisions of section 8(e) of the Railway Labor Act, as amended, the jurisdiction of the arbitrator shall be specifically limited to those questions submitted to him, which shall be the unresolved economic issues which have not been settled in either direct negotiations or in mediated negotiations. Further, the jurisdiction of the arbitrator is specifically limited to a maximum duration of two (2) calendar years from the renewal date (Example: from June 1, 1977 through May 30, 1979); and, with a stipulated agreed to cost-of-living increase of five percent (5 percent) applied to schedule "A" across-the-board (except for overrides) effective as of the renewal date and the annual anniversary of such renewal date (Example: 5 percent cost-of-living implemented across-the-board June 1, 1977, and a 5 percent cost-of-living implemented across-the-board June 1, 1978) and the cost of such stipulated cost-of-living provision will be considered by the arbitrator in rendering the decision on the wage issue presented to the arbitrator.

12. Noneconomic issues unresolved during direct and mediated negotiations, which are not within the jurisdiction of the arbitrator under paragraph 11 hereof, shall continue to be handled by the parties under the provisions of the April 1, 1975, letter of agreement concerning Joint Study Committees (letter No. 12), and the parties shall continue to negotiate and exercise their best efforts to resolve the said issues. It is understood and agreed that the parties cannot resort to self-help (strike or lockout) over these noneconomic issues during the term of this agreement and the basic agreement that flows from this agreement.

13. Each of the provisions, required by section 8(f) through (n) inclusive, of title I of the Railway Labor Act, as amended, to be specified in an agreement to arbitrate, is hereby incorporated by reference herein and shall be considered as having the same force and effect as if hereinafter fully set forth.

14. If, at any time during the procedures specified in this letter of agreement after the parties have reached a tentative resolution of all of the issues in the major dispute concerned, the Association submits such tentative agreement to its membership for ratification, the time limits and time periods specified herein shall be considered as being held in abeyance (i.e., the clock shall be stopped) pending the results of such membership ratification vote.

15. This letter of agreement shall continue in full force and effect from the date of signing hereof until sixty (60) days after the initial implementation of the arbitration procedures hereunder; provided, however, that the provisions hereof shall continue in effect as applicable to any arbitration hereunder for such additional period as may be necessary to fully effectuate the purposes of such arbitration under this letter of agreement and the Railway Labor Act, as amended; and provided, that the procedures of this letter of agreement may thereafter be reestablished by mutual agreement of the parties hereto in writing.

16. The approval and agreement to participate in all of the pertinent terms and conditions hereunder in their entirety by the National Mediation Board shall be a condition precedent to the validity of this letter of agreement. Any dispute as to the interpretation or application of this letter of agreement shall be decided by the National Mediation Board. When signed by the Board, this letter of agreement shall be deemed so approved and accepted and shall also be deemed as acknowledged by the Board, as required by the Railway Labor Act, as amended.

In witness whereof, the parties have signed this letter of agreement this 19th day of February, 1976 at

For National Airlines, Inc. Witness:
By ——— ———. ——— ———.
For the Airline employees association, ——— ———.
international. ——— ———.
By ——— ———. ——— ———.
——— ———.

Approved and acknowledged, this 19th day of February, 1976 at Miami, Fla.
The National Mediation Board
By David H. Stowe, Chairman.

Mr. FLOOD. Mr. Michel.

Mr. MICHEL. Thank you, Mr. Chairman.

NEW POSITIONS FOR MEDIATORS

You are adding five new positions in 1978. Are these all mediators?

Mr. MCMURRAY. Yes.

Mr. MICHEL. What is the total you are asking for each position?

Mr. STOWE. You want it by classification or total amount? It is approximately $118,000 in salary in total.

Mr. MICHEL. Which really means what now, talking about five people?

Mr. STOWE. First of all, the Office of Management and Budget has lapsed a half year. The reason for that is unlike our sister agency we can't go out and obtain people whom we train to become mediators. We are under civil service. Our requirements are that our starting mediator must have at least five years of experience as a collective bargaining representative of either management or labor usually in our industries.

REQUIREMENTS FOR MEDIATORS

Mr. MICHEL. That is the minimum requirement, 5 years experience, which puts him on a civil service register; right?

Mr. STOWE. Yes.

Mr. MICHEL. And you are obligated to take one of the top three from that group?

Mr. STOWE. Yes.

Mr. MICHEL. The starting salary at that level of experience is what?

Mr. STOWE. Grade 12. $20,442.

Mr. MICHEL. Is that the only criterion then for hiring these mediators, that they have passed a civil service exam which relates to 5 years experience in the field?

Mr. STOWE. No. If I may give you two examples of the type we have gotten as a result of the merger of Mohawk andAllegheny Airlines, a vice president of flight operations obviously wasn't needed, who had 5 years as vice president of flight operations at Mohawk and 25 years on the line as a flying pilot and a captain, and had been a leader in the ALPA organization. He had bargained both for the union and he had bargained for the company as a member of the company bargaining team.

We were fortunate in obtaining that man, and he now is one of our chief mediators.

Mr. MICHEL. Did he go through that qualifying business?

Mr. STOWE. Oh, yes. He had it without question. The reason we have lapsed half of these positions, we know we can't get them overnight. We can't get these types of people. These are specialists.

USE OF EMERGENCY BOARD

Mr. MICHEL. Is there any basis for your projection as to the amount of times the Emergency Board will be used in 1978, or is this strictly guesswork?

Mr. McMURRAY. You might call it guesswork. It is based on the past years' experience and the years when we haven't had the amount of boards. Then if we don't use it we turn it back to you anyway.

Mr. MICHEL. Is it possible for you to cite, like the Federal Mediation and Conciliation Services does, the total amount of lost wages that have been saved due to your mediation activities?

Mr. McMURRAY. We don't have it. I don't know how we would do it.

AIRLINE INDUSTRY LABOR UNIONS

Mr. MICHEL. Last year we were told the competition between labor unions in the airline industry was adding to your caseload.

Mr. McMURRAY. That is right. It still does. We have had a 10 percent increase, some of it from unions competing, some of it from the fact that the airlines are still not as well organized as the railroads are. Ticket agents are not yet organized and gradually being organized, so the caseload is increasing.

My colleague just reminded me, we have a whole new group of airlines, what we call the commuter airlines, the smaller carriers that are now coming in and now being organized.

Then we have one maybe the day after tomorrow called the taxi operators. These are the small outfits that operate, for example, out of Cleveland into another State. We lean back and say, "What kind of rule do we apply as to whether we assert jurisdiction?" The statute says if it goes interstate we do it. If we are placed in that position we will be back here for a lot more help.

Mr. MICHEL. Were you specific when you said day after tomorrow?

Mr. McMURRAY. No. It could happen in the next 6 months but it is on the horizon.

PUBLIC LAW BOARD CASELOADS

Mr. MICHEL. There is a fairly significant decline underway in the public law boards caseload. Why is that?

Mr. McMURRAY. Not in the public law board caseload, was there?

Mr. MICHEL. I may be in error.

Mr. McMURRAY. In an effort to assist, Congress amended the statute and said it could be put in a public ad hoc law board. The cases at NRAB have been going down but the public law boards have still quite a few grievances.

Mr. MICHEL. I am glad to have that cleared up because there is a distinction.

STANDARD LEVEL USER CHARGES

What accounts for that 25-percent increase in standard level user charges? Why is it 25 percent for you?

Mr. McMURRAY. You are talking about the area where our rent is. This, again, is GSA. We had to move to some new quarters, and our rent in the new quarters increases to the new charge GSA is applying to us.

Mr. FLOOD. Mr. Roybal.

EMERGENCY BOARDS FUNDING

Mr. ROYBAL. You requested funding for emergency boards last year.

Mr. MCMURRAY. You didn't have any last year. We return the money.

Mr. ROYBAL. I want to know what happened.

Mr. STOWE. As a part of that item, $80,000 is for emergency boards alone. For some 10 or 15 years the Congress has always put that amount in. That money cannot be used for anything else. If we don't use it it is returned to the Treasury. The reason is if we should suddenly have a situation where all the major negotiations are coming up, we could have five or six emergency boards. If that is the case we can't turn to the President and say we need an emergency board and don't have the money to fund it. It is actually an insurance because if Congress is not in session and we have to have an emergency board, we would have a real problem.

Mr. ROYBAL. You have had eight or nine boards meet in the past.

Mr. STOWE. Oh, yes. But not in the last 7 years.

Mr. ROYBAL. Do you think $80,000 would be sufficient?

Mr. MCMURRAY. Let me illustrate one of the things that happens. Administrations change and some administrations are more active in emergency board areas than others, and we don't know what is going to happen.

Mr. ROYBAL. It just seems to me that $80,000 is not much insurance if the situation gets rough.

Mr. MCMURRAY. You are correct, but we have been getting by with it for 3 or 4 years.

Mr. ROYBAL. The money comes back to the Treasury anyway.

Mr. MCMURRAY. That is right. I would be glad to receive any more you wish to give us.

Mr. ROYBAL. It seems to me that if you feel $80,000 is not enough perhaps you should be requesting more.

Mr. MCMURRAY. I think on balance we feel reasonably comfortable with that figure. That is why we put it in.

Mr. ROYBAL. Good. That is all, Mr. Chairman.

Mr. FLOOD. Mr. Early.

SALARY AND SELECTION OF MEDIATORS

Mr. EARLY. You suggested grade 12 for the mediator. What is the highest grade?

Mr. MCMURRAY. Fifteen.

Mr. EARLY. Do any mediators receive any overtime?

Mr. MCMURRAY. No; salary and per diem. It is barred by law.

Mr. EARLY. Do you have any unfilled positions now?

Mr. MCMURRAY. One. Since November 1st. We are looking. One of our mediators just retired.

Mr. EARLY. Is there an established list?

Mr. MCMURRAY. Not as yet.

Referring to what Mr. Michel asked a little earlier, we get them as you would hire a person. We start casting around to see where good people are and until we get some idea of where they are we don't move in the civil service register.

Mr. EARLY. Will you explain that. Do you people decide where you go to establish a list?

Mr. MCMURRAY. No. We cast around to find out where the people are and where people are that can qualify to fill the job. Then we send them down to Civil Service along with the others and have the Civil Service work out and inform us who we should take.

Mr. EARLY. I have no further questions.

SELECTION AND EMPLOYMENT OF REFEREES

Mr. FLOOD. How do you use referees?

Mr. MCMURRAY. We are asked on all the contracts in the airlines, for example. If they can't agree they ask us to appoint a referee.

Mr. FLOOD. How do you select them?

Mr. MCMURRAY. We have a roster of referees. They write in and give us their qualifications and if they are acceptable we put them on on a roster. We have a list.

Mr. FLOOD. What is the average length of employment of any given referee during the year?

Mr. CARVATTA. You mean on the average how many days does he work?

Mr. FLOOD. Yes.

Mr. CARVATTA. I would say about 60 days.

Mr. STOWE. Mr. Chairman, over the years, some 20 or 30 very knowledgeable arbitrators have become acceptable to the parties in the railroad industry; it is like a new surgeon who would like to get into the business, but the average patient goes to the doctor who has had 40 operations and never lost a case. Actually we find some 20 or 30 arbitrators carry a substantial part of the load. The rest of them, the new ones, only have a little until they become established, and that is why to get an average for the number on our roster would be almost impossible. We do have some that work approximately 20 days a month 12 months of the year.

EMPLOYMENT CEILING

Mr. FLOOD. What is your current employment ceiling?

Mr. MCMURRAY. Seventy-four.

Mr. FLOOD. How many do you have on board?

Mr. MCMURRAY. Seventy-three. We have the vacancy just mentioned.

Mr. FLOOD. We talked before about these five additional positions for 1978.

REQUEST FOR STANDARD LEVEL USER CHARGES

How much are you requesting for payment of the standard level user charges to GSA?

Mr. MCMURRAY. $105,243 for the National Mediation Board.

Mr. FLOOD. How does that compare with last year?

Miss PRICCI. It is about $30,000 more. The reason is that in 1978 new rates go into effect, rental rates. In 1977 we were still under our old lease.

Mr. MCMURRAY. This is a GSA charge.

NATIONAL RAILROAD ADJUSTMENT BOARD

Mr. FLOOD. You are asking for a decrease of $117,000 for the National Railroad Adjustment Board. What accounts for the decrease?

Mr. MCMURRAY. You might say we managed well if you don't mind our saying it. We instituted some new rules and we found, for example, in the case of the arbitrators if we restricted the days they could work, the productivity remained the same and the costs went down. That is a good portion of it.

ROTATION OF CHAIRMANSHIP

Mr. MICHEL. Mr. Chairman—do you rotate your chairmanship?

Mr. MCMURRAY. Yes. By law.

Mr. MICHEL. There are three of you?

Mr. MCMURRAY. Yes. The law says we select our own Chairman, but by practice we rotate.

Mr. FLOOD. Thank you, very much.

Mr. MCMURRAY. Thank you, sir.

The following questions were submitted by members of the subcommittee with the request that they be answered for the record:

Mr. CONTE:

Question. You closed 267 mediation cases in 1976 and anticipate settling only 200 in 1977 and 210 in 1978. What is the reason for this decline, keeping in mind the five new mediator positions you intend to fill in fiscal year 1978?

Answer. Eighty-eight of the 267 mediation cases closed in 1976 were closed by administrative action. Those 88 cases involved issues which were mooted by the settlements reached in national bargaining or were issues that the parties have declined to pursue. Most of these dormant cases did not involve any mediator time in fiscal 1976. Therefore, an estimate of 200 cases in 1977 and 210 cases in 1978 actually represents increased activity in the mediation function.

Question. How often, and under what circumstances will the Board enter negotiations of its own volition rather than upon the request of involved parties?

Answer. Although, the Board has authority to enter any dispute which threatens to interrupt interstate commerce, it is seldom necessary for the Board to enter negotiations of its own volition since in most instances one of the parties invokes the services of the Board. However, should neither party invoke the services of the Board and a threat of strike materialized involving sufficient impact to justify intervention in the public interest, the Board would proffer its services under section 5, First of the Railway Labor Act. The parties in either event would come under the restraints of the act and the maintenance of the status quo.

Question. Will you expand upon the statements made on pages 10 and 11 of your justifications about the "splintering of coordinated bargaining" and the "moratorium issue" as potential threats to collective bargaining?

Answer. Let me cite an example. In the past, it has been the practice of certain unions representing employees of the Long Island Railroad to bargain with the carrier as a coalition; thereby treating their notices as a single dispute. This year the organizations involved have abandoned the coalition with the result that we are presently mediating seventeen separate disputes on that carrier.

In the railroad industry, the moratorium has been the device used by the parties to limit the frequency with which certain selected issues may become a subject of collective bargaining. There has been some dissatisfaction expressed by some labor leaders on the interpretation of the moratorium provisions of prior settlements. Absent the moratorium, the stability of railroad labor relations would suffer.

Question. In your opinion, are "open ended" bargaining agreements detrimental to smooth operation of the rail industry?

Answer. No, in my opinion the "open ended" bargaining agreements are not detrimental to the smooth operation of the railroad industry. For all practical purposes, the economic issues are bargained nationally in this industry for specified periods under moratorium. The section 6 notices filed under "open ended" agreements are primarily local issues which rarely threaten to become disruptive, but should be handled promptly on the property to avoid the pyramiding of unresolved disputes.

Question. In your justifications you have stated that you expect a significant number of disputes in the airline industry. What difficulties do you foresee in successfully mediating these disputes?

Answer. Traditionally, the airline unions submit massive proposals involving hundreds of issues. In most instances very little is agreed to in direct negotiations. The mediator assigned is confronted with the task of sifting and sorting these proopsals in an effort to bring the dispute into some sort of focus on the important issues in dispute. This is a very time consuming process and of course frustrates to some degree the mediation process.

Question. What improvements have been made in the "adjustments of railroad grievances" service to allow for a $117,000 decrease in the fiscal year 1978 budget?

Answer. The decrease of $117,000 was brought about mainly by two administrative changes. One, all neutrals have been limited to 22 work days in any 1 month with the record showing no reduction in productivity: and two, better control of official travel. Also, overall better management has resulted in a reduction of funds needed to carry on this program.

Question. What steps have you taken to stabilize this annual increase in pending representation and mediation cases?

Answer. In light of the limitations to self help imposed upon the parties by the Railway Labor Act, the Board is not in a position to control the escalating requests for its services. When the mediation services of the Board are invoked they must be supplied. The Railway Labor Act also requires the Board to certify the representative, of the employees within 30 days after the receipt of the invocation of its services. To the extent that it is possible the Board must meet this requirement.

Question. You are requesting an additional $66,000 to cover the cost of five new mediator positions and other personnel expenses. Less than one-fifth of this sum seems like a small salary for a qualified mediator. What is the average salary per mediator and what effect does this have on your turnover rate?

Answer. It has been the Board's experience that finding qualified people for the position of mediator is not an easy task. We have requested that the five mediator positions be funded at half-year salary expecting delay in filling these positions. The average salary per mediator is $30,330. The turnover is minimal, and occurs by retirement.

NATIONAL MEDIATION BOARD

Federal Funds

General and special funds:

Salaries and Expenses

For expenses necessary for carrying out the provisions of the Railway Labor Act, as amended (45 U.S.C. 151-188), including emergency boards appointed by the President [$3,606,000] $3,703,000.

NATIONAL MEDIATION BOARD

DIGEST OF ESTIMATE OF APPROPRIATION, 1978

FUNCTION OF THE BOARD

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

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

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

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

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

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

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

PROGRAM AND PERFORMANCE

1. Mediation. The Board mediates disputes over wages, hours, and working conditions for some 650 carriers and approximately 800,000 employees in the railroad and airline industries. In the railroad industry the Board has jurisdiction over 525 carriers, each of which may negotiate labor agreements with some 20 national labor organizations. Coupled with national bargaining over certain issues, this system of bargaining accounts for approximately 6,800 collective bargaining agreements in the railroad industry covering about 500,000 employees. The Board also has jurisdiction over 125 airline carriers and their subsidiaries that have been signatories to more than 350 labor agreements covering the majority of the 300,000 employees.

	Mediation Cases				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	259	261	177	182	202
Received during period	232	183	46	220	240
Closed during period	230	267 1/	41 2/	200	210
Pending, end of period	261	177	182	202	232

1/ 88 cases administratively closed
2/ 8 cases administratively closed
These cases while provisionally closed by the Board due to inactivity, may be reopened by one or both parties upon proper justification to the Board.

2. Representation. The Board investigates representation disputes involving the various crafts or classes of railroad and airline employees to determine their choice of representatives for the purpose of collective bargaining.

	Representation Cases				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	19	23	37	40	45
Received during period	68	107	31	111	116
Closed during period	64	93	28	106	110
Pending, end of period	23	37	40	45	51

3. Voluntary Arbitration and Emergency Disputes. When the parties fail to resolve their dispute through mediation, they are urged to submit their differences to arbitration. If neither mediation nor voluntary arbitration is successful, the President, when notified of disputes which threaten seriously to interrupt service, may appoint an emergency board to investigate and report on the dispute. Such reports often serve as a basis for resolving the dispute.

	Number of Boards Convened				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Arbitration Boards.....	9	7	2	15	15
Emergency Boards.....	1	1	0	4	4

4. Adjustment of Railroad Grievances. Railroad employee grievances resulting from disputes over the interpretation or application of collective bargaining contracts may be brought for settlement to the National Railroad Adjustment Board. The Divisions of the Board are composed of an equal number of carrier and union representatives compensated by the party or parties he represents. Administrative direction and guidance are provided by the Staff Director/Grievances and clerical assistants who are compensated by the National Mediation Board. The appropriation also provides for neutral referees to sit with the Board when they are deadlocked. Boards of Adjustment are also financed under this activity.

	Number of Boards Convened				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Special Boards of Adjustment.....	33	41	18	40	40
Public Law Boards.....	324	302	127	325	325

	Public Law Boards Caseload				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	12,465	11,407	11,081	10,664	9,664
Received during period	4,346	5,280	633	4,500	4,500
Closed during period	5,404	5,606	1,050	5,500	5,500
Pending, end of period	11,407	11,081	10,664	9,664	8,664

	NRAB Caseload				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	1,522	1,392	1,476	1,484	1,457
Received during period	917	970	239	1,000	1,000
Closed during period 1/	1,047	886	233	1,025	1,025
Pending, end of period	1,392	1,476	1,482	1,457	1,432

1/ Includes referee and division awards, and cases withdrawn by parties.

SCHEDULE OF FUNDS AVAILABLE FOR OBLIGATION AND AN
ANALYSIS OF OBLIGATIONS BY UNIFORM OBJECT CLASSIFICATION

Standard Classification	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Permanent positions	1,394,663	371,010	1,547,000	1,595,000
Positions other than permanent	893,915	287,355	1,073,700	1,058,000
Total personnel compensation	2,288,578	658,365	2,620,700	2,653,000
Personnel benefits	161,673	41,728	187,700	191,000
Travel and transportation of persons	288,091	76,606	348,600	357,000
Rent, communications & utilities				
Standard Level User Charges	187,538	49,499	213,162	199,243
Other rent, communications & utilities	118,133	24,032	136,838	152,757
Printing and reproduction	21,445	16,796	33,000	27,000
Other services	34,448	46,415	78,000	91,000
Supplies and materials	22,050	9,275	23,000	23,000
Equipment	7,499	5,386	19,000	9,000
Total obligations	3,129,455	928,102	3,660,000	3,703,000

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NATIONAL MEDIATION BOARD
PROGRAM AND FINANCING

Program by activities:	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
1. Mediation	1,536,818	421,356	1,689,000	1,849,000
2. Voluntary arbitration and emergency disputes	20,940	1,140	144,000	144,000
3. Adjustment of railroad grievances	1,571,697	505,606	1,827,000	1,710,000
Total obligations	3,129,455	928,102	3,660,000	3,703,000
Financing				
Unobligated balance available, start of year	...	-275,545	...	...
Unobligated balance available, end of year	275,545	...	...	...
Unobligated balance lapsing	...	197,443	...	...
Budget authority	3,405,000	850,000	3,660,000	3,703,000
Budget authority				
Appropriation	3,405,000	850,000	3,606,000	3,703,000
Proposed supplemental for civilian pay raises	...	...	54,000	...

NATIONAL MEDIATION BOARD

PERSONNEL SUMMARY

	1976 Actual	1977 Estimate	1978 Estimate
Total number of permanent positions.	73	74	79
Full-time equivalent of other positions.....	24	27	27
Average number of all employees.....	97	101	106
Average GS grade.....	9.47	9.44	9.68
Average GS salary.....	18,666	20,117	20,830

NATIONAL MEDIATION BOARD

ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: MEDIATION AND REPRESENTATION	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Permanent positions	1,055,414	281,335	1,178,000	1,239,000
Positions other than permanent	8,745	2,072	4,000	4,000
Total personnel compensation	1,064,159	283,407	1,182,000	1,243,000
Personnel benefits	98,139	25,997	104,000	109,000
Travel and transportation of persons	165,925	40,991	184,000	192,000
Rent, communications and utilities				
Standard level user charges	67,543	19,255	84,890	105,243
Other rent, communications & utilities	93,461	16,746	75,110	117,757
Printing and reproduction	11,783	14,431	8,000	12,000
Other services	13,726	7,585	35,000	51,000
Supplies and materials	14,583	7,558	12,000	15,000
Equipment	7,499	5,386	4,000	4,000
Total obligations	1,536,818	421,356	1,689,000	1,849,000

NATIONAL MEDIATION BOARD

ORGANIZATION AND ACTIVITIES
Activity: MEDIATION AND REPRESENTATION

The Railway Labor Act, as amended, is the oldest of the major federal labor relations statutes in use today. Primarily drafted by representatives of railroad management and labor, it represents and incorporates features of all previous legislative efforts directed at resolving railroad labor disputes. A major feature of the Act is the recognition that the Federal Government has a responsibility and a role to play in encouraging responsible labor relations in this vital industry, albeit without undermining the principle of free collective bargaining. Congress reaffirmed the wisdom of this approach in 1936 when the Act was amended to bring the airline industry under its provisions.

The National Mediation Board performs two distinct functions under the Act. First, the Board mediates disputes over wages, hours, and working conditions which arise from time to time between the employees and the carriers. No changes in rates of pay, rules and working conditions may be implemented unless preceded by 30 days written notice to the other party. During the 30 day period, the parties must conduct negotiations over the proposed change. At any time during this initial negotiation stage, either party may request the services of the Mediation Board or the Board may, of its own volition, enter the negotiations. In either case, once the Board's services have been invoked, the status quo must be maintained and resort to self help is barred.

Once commenced, negotiations continue until settlement or until the Board, in its discretion determines that despite its best efforts to mediate the dispute, the parties have been unable to resolve their differences. Upon such a determination, the Board must seek to induce the parties to arbitrate the dispute. If either party refuses the offer of arbitration, the Board notifies both parties in writing that its mediation efforts have not produced a resolution to the dispute. This letter triggers a 30 day cooling-off period, at the end of which the parties are, in most cases, free to resort to self help.

However, if the dispute threatens to interrupt interstate commerce to a degree which would deprive any section of the country of substantial transportation service, the Board may notify the President, who may, at his discretion, create an Emergency Board to investigate the dispute and issue a report. This report becomes the basis for a final round of bargaining. The status quo must be maintained for 30 days following submission of the Emergency Board's report to the President, after which resort to self help is permitted.

The Board's second major function is to resolve representation disputes arising among the various crafts of railroad and airline employees. When an organization seeks to represent a craft or class of employees, it submits authorization cards to the Board seeking certification as the collective bargaining representative of those employees. The Board, thereafter, investigates the matter and may certify on the basis of a card check under certain circumstances or hold a secret ballot election to determine the wishes of the employees involved. If a dispute arises involving two or more organizations or individuals as to who shall be the representative of the employees, the Board may also conduct a secret ballot election to determine the employee representative favored by the majority of the employees.

In some instances, opposing organizations and carriers may take differing views as to the scope of the craft or class of employees to be recognized for representation purposes. In such a case, the Board conducts a hearing and issues a determination defining the class or craft for the purpose of representation under the Act.

In addition, the Board appoints referees to sit on the various divisions of the National Railroad Adjustment Board in deadlock cases, and when requested to do so, appoints neutral arbitrators to sit on arbitration boards set up under the Act. The Board also appoints neutrals to work with Boards of Adjustment on the rail carriers and the System Boards of Adjustment on the airlines.

At the present time, approximately 800,000 rail and airline employees are covered by the provisions of the Railway Labor Act and subject to the jurisdiction of the Board.

The National Mediation Board is composed of three members, who are Presidential appointees, as well as a professional staff of forty-three (43) Civil Service employees.

A. Mediation

A degree of stability has been achieved in collective bargaining in the railroad industry in recent years because of coordinated bargaining, the consummation of national collective bargaining agreements containing common expiration dates, and the necessity of labor and management to cooperate in meeting common problems, such as illustrated by the recent cooperation in adjusting the provisions of the Railroad Retirement Act.

However, there is a question as to the continuation of this stability. There are signs of potential troubles brewing in the industry which threaten to impair the relationships which have produced this relative tranquillity.

The potentially troublesome areas of concern facing the Board include the splintering of coordinated bargaining and the emergence of the moratorium issue in the railroad bargaining. These factors pose a real threat to the collective bargaining stability in the railroad industry and could precipitate a sharp increase in the number of requests for the Board's mediatory services.

Coupled with national bargaining over certain issues is a complicated system of bargaining for the approximately 6,800 collective bargaining agreements in the railroad industry covering slightly more than 500,000 employees.

Unlike those in other industries, railroad collective bargaining agreements are open-ended; that is, they contain no definite termination date and are subject to reopen for amendment or termination at any time upon proper notice by either party. To stabilize bargaining, railroad contracts contain moratorium provisions specifying time spans during which labor and management agree not to process demands for specific changes in their agreements. Approximately 1,000 modifications are made each year in local railroad collective bargaining agreements not covered by the moratorium provisions.

Besides the present local and national bargaining referred to previously, there are additional negotiations, involving the Consolidated Rail Corporation (Conrail) and the National Railroad Passenger Corporation (Amtrak). These are essentially national in nature and pose a further drain on the Board's resources. Conrail inherited some 140 collective bargaining contracts covering 34 crafts of employees which were negotiated by 26 separate unions with Conrail's 15 predecessor companies.

The National Railroad Passenger Corporation has also established a bargaining relationship with various crafts and classes of the employees. A number of collective bargaining disputes already have developed involving this carrier.

In the airline industry the Board anticipates a substantial number of disputes subject to the mediation processes of the Act. Many of the short term agreements negotiated during the past three years will be open for renegotiation in fiscal year 1978.

Because of the specific bargaining experience of the labor organizations which first organized airline employees, the parties in the airline industry adopted the practice of revising whole agreements at a stated point in time, resulting in disputes which inherently involve inordinately large numbers of proposed changes. Whereas, in the railroad industry such proposals are usually confined to a small number of subjects and are dependent upon moratoriums which cover specific provisions rather than the contracts as a whole.

An analysis in the handling of airline mediation cases indicates that time required to resolve the typical mediation case has increased more than 12 percent during the last two years. This can be traced directly to four factors: (1) a proliferation of proposals by the parties; (2) a broader range of complex issues in mediation; (3) a more formalized bargaining structure; and (4) an increased utilization of outside specialists by the parties in the mediation process.

B. Representation

During fiscal year 1976 the number of representation dispute cases for both the railroad and airline industries increased substantially. The Mediation Board handled a total of 130 representation dispute cases during this period. One hundred and seven new cases were docketed involving employees of 62 airline and 45 railroad carriers.

On January 2, 1974, the 93rd Congress enacted PL 93-236 providing for the establishment of the Consolidated Rail Corporation (Conrail), which is subject to the provisions of the Railway Labor Act. Underlying the reorganization of 15 separate railroad properties (25 separate carriers under the Railway Labor Act) is the anticipation of a number of representation disputes that will be particularly time consuming, as a result of the need to identify the many disparate elements associated with each former carrier and the need to integrate these elements within the context of craft or class consistent with the Conrail structure, the involved labor organizations and rail revitalization acts.

Conrail currently bargains with 26 separate unions representing 34 crafts of employees, who constitute the bulk of Conrail's 95,000 employees. Of particular concern to this Board is the potential inter-union rivalry which may be generated by having several different unions representing a particular craft or class. For example, one craft of employees found on the present Conrail property is currently represented by seven rival unions.

The increase in representation disputes in the airline industry is expected to continue. This trend results from several factors, such as competition among the various airline labor organizations to represent employees presently represented by rival unions, the continuous efforts of airline labor unions to organize unrepresented employees, as well as disputes involving the employees of the third level carriers, such as commuters and air taxi operators.

Together with the noted increase in the number of representation dispute cases there is a noticeable increase in the complexity of each case. The tendency is toward increasing formality in case handling on the part of carriers and organizations which is reflected in the greater use of attorneys.

This change has brought a proliferation of issues associated with each case, which tends to result in an exorbitant drain on both our field and headquarters staff resources. One indicator of this is the amount of resources expended in the holding of hearings to clarify questions arising out of representation investigations.

During fiscal year 1976, cases requiring public hearings encompassed a substantial amount of evidenciary exhibits and reported transcript. Also, additional pages of post hearing materials were filed for Board assessment in these dockets. All such hearing proceedings result in agency determinations directly evaluated and approved by the Board Members rather than by a subordinate level. Characteristically, the Board hearings present substantively novel propositions for Board consideration and accordingly require thorough analysis and research by agency staff. As a result, the Board's General Counsel and Research Department are frequently required to supplement the efforts of the assigned hearing official. Continued expanding organizational efforts on the part of labor unions, particularly in the airline industry, reasonably indicates a notably increasing need for Board hearing proceedings through the next several fiscal years.

While projection beyond this decade is difficult, it appears unlikely that the current trend toward greater complexity will appreciably stabilize until the major unrepresented components of the airline industry have been organized.

The following tables provide the actual caseload figures for mediation and representation cases for 1975 and 1976, as well as estimated figures for fiscal years 1977 and 1978. These figures are based on past experience.

	Mediation Cases				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	259	261	177	182	202
Received during period	232	183	46	220	240
Closed during period	230	267 1/	41 2/	200	210
Pending, end of period	261	177	182	202	232

1/ 88 cases administratively closed
2/ 8 cases administratively closed
These cases while provisionally closed by the Board due to inactivity, may be reopened by one or both parties upon proper justification to the Board.

	Representation Cases				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	19	23	37	40	45
Received during period	68	107	31	111	116
Closed during period	64	93	28	106	110
Pending, end of period	23	37	40	45	51

C. Technical Assistance

The year 1976 marked the 50th anniversary of the enactment of the Railway Labor Act. To commemorate this occasion the National Mediation Board held a symposium to evaluate the first half century of labor relations experienced under the Act. The symposium provided an opportunity for labor and industry representatives to meet informally with mediators and staff of the Board, and with their respective labor and industry counterparts.

The success of the symposium led labor and industry representatives to request the Board to conduct future conferences and work shops. The Board surveyed the needs and demands of both industries and concluded that future informal mediatory and technical service efforts should be geared to condition and improve the climate for formal negotiations at both the national and local level in the railroads and at the carrier level in the airlines.

The Board's technical assistance activities will enable labor and industry representatives to explore jointly, in an informal atmosphere away from the strain and tension of formal negotiations, the relevant economic and non-economic facts which condition collective bargaining in the railroad and airline industries. These activities encourage bargaining representatives to identify areas of mutual concern and hopefully narrow areas of disagreement. Efforts directed at improving railroad and airline collective bargaining relationships minimize the possibility of work stoppages in these two vital industries. These efforts are consistent with the general purposes of the Railway Labor Act, as amended, and the statutory functions of the Board.

An agendum of such activities would include a program of informal mediatory and related technical assistance efforts as illustrated by the following:

1. Prenegotiation conferences geared to influence the quantity and quality of proposals subsequently made by the parties during formal negotiations. The objective in this instance would be to free negotiations of the voluminous number of extraneous proposals which often characterize airline bargaining and consume an inordinate amount of time during the formal negotiation process;

2. Informal conferences and meetings to provide the parties an opportunity to explore a range of voluntary and creative procedures including the more effective use of voluntary arbitration;

3. Work shops for the purpose of educating inexperienced negotiators in the major dispute provisions of the Railway Labor Act, and in the functions and duties of the Board;

4. Research efforts aimed at identifying and cataloguing techniques and solutions successfully employed in past negotiations. Ideally, such an inventory would encompass a wide and diverse range of issues as well as the techniques and bargaining procedures employed.

ANALYSIS OF TRAVEL

The operations of the Mediation Board are directed from Washington, DC. No field offices are maintained. Field mediators, located at strategic duty stations, travel throughout the country depending on the need of the Board in providing service to its constituents as required by the Railway Labor Act.

The following table reflects actual travel expenses for fiscal year 1975 and 1976, and estimates for fiscal years 1977 and 1978. Approximately 40 percent of the travel days were spent in high cost geographical areas, such as New York City, Chicago, Los Angeles, and San Francisco.

Year	Total Travel Days	Cost per Travel Day	Total	Number Cases Closed	Number of Travelers	Travel Days per Traveler
1975	2,250	$ 59.10	$132,923	294	21	107
1976	2,116	78.41	165,925	360 1/	22	96
1977	2,346	78.40	184,000	306	23	102
1978	2,448	78.40	192,000	320	24	102

1/ 88 cases administratively closed

PERSONNEL REQUIREMENTS

The mediation and representation activity of the Board is carried out by 21 mediators. The past year's experience indicates an increase in the number of representation disputes for both the railroad and airline industries, a fifty-seven percent increase in the number of cases docketed over the previous fiscal year.

As already noted, along with the overall increase in the number of representation dispute cases, there has been a noticeable increase in the complexity of the content of each case. The new formalization of case handling practices by both carriers and organizations translates into an increasing drain upon personnel resources.

Other factors which are expected to increase the workload during fiscal year 1978 are: an increase in the number of airline negotiations along with the renewal of national negotiations in the railroad industry; the emergence of the moratorium issues in railroad bargaining.

Also, the accumulated increase in the number of representation certifications issued by the Board over the last three years created more than 120 new bargaining relationships. This accumulation will increase the potential pool of disputes which will come to this Board for resolution.

Additionally, there has been a discernable trend toward an increase in the amount of time necessary to resolve the typical mediation case. During the last two years mediation time increased more than 12 percent. Four factors have caused this increase in mediation time: (1) a proliferation of proposals issued by the parties; (2) a broader range of complex issues coming to mediation; (3) a more formalized bargaining structure; and (4) an increased utilization of outside specialists in mediation by the parties.

Adding to the pressure upon mediatory resources has been the requirements of the Freedom of Information Act (FOIA). FOIA requests are often utilized in conjunction with other case handling practices which in turn result in an overall increase in the amount of staff resources used on a per case basis.

In summary, considering both the quantative increase in mediation and the representation cases, and the qualitative change in these cases, plus the staffing of the technical assistance program, the Board proposes to augment the present staff by five mediator positions, of which three will serve as field mediators and two as technical assistants.

RENT, COMMUNICATIONS AND UTILITIES

During May of 1976, the National Mediation Board was forced to move its headquarters before the lease expired in 1977. This premature relocation resulted in an increase in the standard level user charges (SLUC) paid to the General Services Administration. The SLUC for fiscal year 1978 is estimated to be $105,243, $20,353 more than the amount allocated for 1977.

Lacking adequate space to house the Board on one floor it became necessary to divide the offices on two floors. This caused an increase in space requirements. The quality rating increased from 83 to 94. Also, beginning with fiscal year 1978 new rent rates become effective.

While at the previous location no expenditures were incurred for air conditioning and heating after regular working hours, these expenses will be incurred at the present site. A sum of $25,000 is estimated to cover recurring reimbursable services for fiscal year 1978.

TRAINING

The Board proposes to continue with its training program for the mediatory and office staff. Training of the office staff has been provided through the Interagency Training Program and local universities. For this purpose the Board is requesting $10,000, the same as allocated for fiscal year 1977.

SUMMARY

The amount requested for the mediation and representation activity is $1,849,000, an increase of $160,000 over the present year's estimate.

Personnel compensation and accompanying benefits account for $66,000 of the increase. This includes salary for five additional mediator positions, anticipating delays in filling the positions, and within grade promotions.

The additional amount of $8,000 is needed for travel expenses for the additional positions.

The increase in cost of office space and related services provided by the General Services Administration, and communications and utilities is $63,000.

Increased cost of printing, supplies and materials amounts to $7,000 of the increase.

Other services estimate for fiscal year 1978, which includes $20,000 for technical assistance expenditures, is $16,000 more than the 1977 estimate.

NATIONAL MEDIATION BOARD

ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: VOLUNTARY ARBITRATION AND EMERGENCY DISPUTES

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Positions other than permanent.....	11,985	654	78,000	78,000
Personnel benefits.....	701	38	5,000	5,000
Travel and transportation.....	3,447	143	30,000	30,000
Rent, communications and utilities.....	670	0	6,000	6,000
Printing and reproduction.....	165	0	5,000	5,000
Other services.....	3,972	305	20,000	20,000
Total obligations.....	20,940	1,140	144,000	144,000

Activity: VOLUNTARY ARBITRATION AND EMERGENCY DISPUTES

A total of $144,000 is requested for this activity to finance operations in the fiscal year 1978. This is the same amount that was allocated for fiscal year 1977.

A. Emergency Boards

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

During the past fiscal year one emergency board was created. Expenditures for this board amounted to $17,060.

The Board is not in position to precisely predict the number of emergency boards that may be created during a given year. However, based on past experience, we anticipate four emergency boards during the new fiscal year.

These boards serve a major purpose in focusing attention on issues involved in disputes which could seriously disrupt the economy of the nation. Emergency boards give the parties time to make a last-ditch effort to resolve their differences based upon objective recommendation by impartial experts.

B. Arbitration Boards

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

The Board has promoted the use of voluntary arbitration to resolve thorny collective bargaining problems, and substantial growth is anticipated in the use of this type of collective bargaining adjustment machinery.

Voluntary interest arbitration under the Act concerns the voluntary arbitration of "major" disputes as contrasted to the compulsory arbitration of disputes involving the interpretation or application of existing agreements, or "minor disputes". Between 1935 and the end of fiscal year 1976, 363 arbitration boards have been established to decide disputes coming within the major dispute category. Boards are generally convened to decide specific issues, however, it is not uncommon for a board to decide a number of separate questions as they arise over a continuing period.

The railroad industry continues to utilize arbitration boards to decide certain types of disputed issues which could otherwise result in interruptions to interstate commerce. In a recent settlement of a dispute over long-standing rules issues, both labor and management agreed to the use of voluntary interest arbitration to resolve their differences.

Airline labor and management are placing an increasing reliance on this type of dispute resolution machinery. The historic Pan American World Airways arbitration agreements negotiated with several different labor organizations during the mid-nineteen sixties have been followed recently by a series of agreements calling for a combination of mediation and arbitration procedures to resolve future disputes during a specified period. These agreements provide that in the event direct negotiations between the parties fail, the parties will make a joint application for mediation. If no agreement is reached through mediation, consistent with the Act, the Board will proffer arbitration, and the parties stipulate that they will agree to arbitrate. During the last six months several such agreements have been concluded between the Air Line Pilots Association and Braniff International Airways and Overseas National Airways, and the Air Line Employees Association and National Airlines. None of these agreements are reflected in the summary of expenditures listed below but involve future obligations under this activity.

Seven arbitration boards were created and six convened during fiscal year 1976, for which the Board paid the total of $3,880.

In summary, the expenditures for this activity during fiscal year 1976 were as follows:

Emergency Boards	$ 17,060
Arbitration Boards	3,880

It is not possible to forecast precisely the total expenditures needed for this activity, nor to determine exactly the amount required for the various types of boards established. The estimate is based on past experience, knowledge of the industry problems, and a reasonable reserve for contingencies. The request for this activity is $144,000, the same amount as is available for the current fiscal year.

NATIONAL MEDIATION BOARD
NATIONAL RAILROAD ADJUSTMENT BOARD
ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

CONSOLIDATED

Activity: ADJUSTMENT OF RAILROAD GRIEVANCES	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Permanent positions	339,249	89,675	369,000	356,000
Positions other than permanent	873,185	284,629	991,700	976,000
Total personnel compensation	1,212,434	374,304	1,360,700	1,332,000
Personnel benefits	62,833	15,693	78,700	77,000
Travel and transportation of persons	118,719	35,472	134,600	135,000
Rent, communications and utilities				
Standard level user charges	119,995	30,244	128,272	94,000
Other rent, communications and utilities	24,002	7,286	55,728	29,000
Printing and reproduction	9,497	2,365	20,000	10,000
Other services	16,750	38,525	23,000	20,000
Supplies and materials	7,467	1,717	11,000	8,000
Equipment	...	...	15,000	5,000
Total obligations	1,571,697	505,606	1,827,000	1,710,000

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NATIONAL MEDIATION BOARD
NATIONAL RAILROAD ADJUSTMENT BOARD
ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

ADMINISTRATION

Activity: ADJUSTMENT OF RAILROAD GRIEVANCES	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Permanent positions	339,249	89,675	369,000	356,000
Personnel benefits	31,952	8,603	36,000	35,000
Travel and transportation of persons	2,139	941	4,000	4,000
Rent, communications and utilities				
Standard level user charges	119,995	30,244	128,272	94,000
Other rent, communications and utilities	24,002	7,286	33,728	29,000
Printing and reproduction	9,497	2,365	20,000	10,000
Other services	16,750	38,525	23,000	20,000
Supplies and materials	7,467	1,717	11,000	8,000
Equipment	...	...	15,000	5,000
Total obligations	551,051	179,356	640,000	561,000

NATIONAL MEDIATION BOARD
NATIONAL RAILROAD ADJUSTMENT BOARD
ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

REFEREE COSTS

Activity: ADJUSTMENT OF RAILROAD GREIVANCES	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Positions other than permanent.....	218,879	85,364	242,200	242,000
Personnel benefits.....	7,580	2,525	12,400	12,200
Travel and transportation of persons.....	26,005	7,364	30,100	30,100
Total obligations.....	252,464	95,253	284,700	284,300

NATIONAL MEDIATION BOARD
NATIONAL RAILROAD ADJUSTMENT BOARD
ACTIVITY ANALYSIS BY OBJECT CLASSIFICATION

Activity: ADJUSTMENT OF RAILROAD GRIEVANCES - SPECIAL BOARDS OF ADJUSTMENT

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Personnel compensation				
Positions other than permanent.....	654,306	199,265	749,500	734,000
Personnel benefits.....	23,301	4,565	30,300	29,800
Travel and transportation of persons.....	90,575	27,167	100,500	100,900
Rent, communications and utilities.....	...	...	22,000	...
Total obligations.....	768,182	230,997	902,300	864,700

Activity: ADJUSTMENT OF RAILROAD GRIEVANCES

NATIONAL RAILROAD ADJUSTMENT BOARD

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

The National Railroad Adjustment Board consists of four divisions, each of which has jurisdiction over disputes involving certain groups of employees. The First Division has jurisdiction over disputes involving train and yard service employees; the Second Division, shop crafts; the Third Division, clerical forces, maintenance-of-way men, dispatchers, etc.; and the Fourth Division, water transportation and miscellaneous. The partisan members of the Board are required to consider disputes and endeavor to settle them without assistance. In the event of a deadlock, a neutral assists the partisan members in disposing of the dispute.

Salaries and Office Personnel

The number of employees requested for the National Railroad Adjustment Board for fiscal year 1978 is 28. The decrease in cost of $13,000 is due to anticipated delays in filling vacancies. None of the Board's personnel is engaged in public relations or publicity activities, nor is there any employee engaged as much as half time in personnel work. It should be noted that the Members of the National Railroad Adjustment Board are selected and paid for their services by the carriers and labor organizations.

Salaries of Referees

The Act creating the National Railroad Adjustment Board provides that in case of a deadlock or inability to secure a majority vote of the division members, a referee is selected to sit with the division as a member thereof to make an award. Referees are paid as authorized by 5 U.S.C. 3109 at rates not to exceed the per diem rate equivalent to the rate of GS-18, actual and necessary travel expenses and per diem in lieu of subsistence.

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

Referees were required 1,451 days in the settlement of 753 of the 886 cases closed in fiscal year 1976. In the interim quarter, 560 referee days were required in the settlement of 143 of the 233 closed. For fiscal year 1977, we anticipate 1,590 referee days during which we expect they will participate in the settlement of 844 of 1,025 cases estimated to be completed. The estimate of $242,000 for 1978 is approximately the same as the amount available in fiscal year 1977. This amount will provide 1,590 referee days to settle 844 of the 1,025 cases which we anticipate will be closed during fiscal year 1978.

Personnel Benefits

Personnel benefits consists of the employer's share of costs of employees' life insurance, health benefits, Civil Service Retirement and Federal Insurance Contribution Act taxes. The estimate of $47,200 is $1,200 less than the amount available in fiscal year 1977.

Travel Expenses

Almost all of the expenses will be incurred by referees in connection with travel between their official station and Chicago. Referees are selected from all parts of the United States. It is estimated that the overall cost will approximate $30,100 for the year, plus $4,000 for other official travel, making a total of $34,100. This amount is the same as is available in fiscal year 1977.

Standard Level User Charges

The amount estimated for rent in fiscal year 1978 is $94,000, a decrease of $34,272 over fiscal year 1977. The decrease is due to a projected decrease in net usable office space provided by the General Services Administration.

The lease at 220 South State Street, Chicago, Illinois, expires on April 30, 1977. We have been advised by the General Services Administration that the space does not meet Government safety standards. If necessary the lease will be temporarily extended until the General Services Administration locates suitable space. To insure that the new space is consistent with General Services Administration guidelines and the needs of the Agency, it was decided that the National Archives and Record Service conduct a reconnaisance survey. The preliminary survey was completed in September of 1976, and it identified the following areas with sufficient improvement potential: 1) a word processing feasibility/implementation study; and 2) a file maintenance and disposition survey. A comprehensive survey is now being conducted. Funds to cover these surveys were obligated during the interim quarter.

Other Rent, Communications and Utilities

The estimate of $29,000 covers telephone and penalty mail. The decrease of $4,728 from the amount available for fiscal year 1977 is due to a projected reduction in postal charges.

Printing and Reproduction

The estimate of $10,000 in the item Printing and Reproduction is $10,000 less than the amount available in fiscal year 1977. In order to comply with the Freedom of Information Act, the awards of the National Railroad Adjustment Board are available to outside interested parties on an annual subscription basis, and the monies collected (estimated at $5,000) are returned to the United States Treasury and shown as offsetting receipts deductions.

Other Items

The other items in the estimate involve comparatively small amounts, and the estimates are less than amounts available in fiscal year 1977.

Workload

There follows a statement showing the number of cases received, docketed, and disposed of by the various divisions during the fiscal years 1975 and 1976. The Board has no control over the number of cases submitted.

	Number Pending July 1	Number Received	Total	Number Closed	Number Pending June 30
			Fiscal Year 1975		
First Div.	852	97	949	323	626
Second Div.	148	193	341	156	185
Third Div.	461	475	936	438	498
Fourth Div.	61	152	213	130	83
	1,522	917	2,439	1,047	1,392
			Fiscal Year 1976		
First Div.	626	90	716	170	546
Second Div.	185	244	429	193	236
Third Div.	498	505	1,003	359	644
Fourth Div.	83	131	214	164	50
	1,392	970	2,362	886	1,476

Following is a statement which shows the workload of the Board as a whole, actual data for fiscal years 1975, 1976 and the interim quarter, and projected data for fiscal years 1977 and 1978.

	Workload				
	1975 Actual	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Pending, start of period	1,522	1,392	1,476	1,482	1,457
Received during period	917	970	239	1,000	1,000
Closed during period 1/	1,047	886	233	1,025	1,025
Pending, end of period	1,392	1,476	1,482	1,457	1,432

1/ Includes referee awards, division awards, and cases withdrawn.

SPECIAL BOARDS OF ADJUSTMENT

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

Neutral members of such boards are appointed and compensated by the National Mediation Board. Neutrals are appointed to dispose of disputes involving grievances resulting from the interpretation or application of collective bargaining agreements. The law also provides that neutrals may be appointed to dispose of procedural issues which arise as to the establishment of the board itself. All indications are that there will be no decrease in requests for boards to dispose of grievances in the railroad industry.

During fiscal year 1976, 211 new public law boards were established and 302 boards convened for which $676,498 was obligated.

Public Law Procedural Boards - Total Cost	$ 5,180
Number of boards convened.....	8
Total referee man-days.....	29
Public Law Merit Boards - Total Cost	671,318
Number of boards convened.....	294
Total referee man-days.....	3,970
Number of cases disposed of: (decided and/or withdrawn).....	5,606
Average cost per case.....	$ 119.75

Special boards of adjustment continued to function during fiscal year 1976. Fourteen new special boards were created, and a total of 41 boards convened during this period.

Special Boards of Adjustment - Total Cost	$ 91,684
Number of boards convened.....	41
Total referee man-days.....	562
Number of cases disposed of: (decided and/or withdrawn).....	806
Average cost per case.....	$ 113.75

During the interim quarter 39 new public law boards were established and 127 boards convened for which $197,502 was obligated.

Public Law Procedural Boards - Total Cost	5,180
Number of boards convened.....	4
Total referee man-days.....	20
Public Law Merit Boards - Total Cost	194,323
Number of boards convened.....	123
Total referee man-days.....	1,152
Number of cases disposed of: (decided and/or withdrawn).....	1,050
Average cost per case.....	$185.07

During the interim quarter one special board was created and 18 boards convened.

Special Boards of Adjustment - Total Cost	33,495
Number of boards convened.....	18
Total referee man-days.....	199
Number of cases disposed of: (decided and/or withdrawn).....	223
Average cost per case.....	$ 150.20

The Board anticipates a decrease in the expenditures for boards set up to dispose of grievances in the railroad industry. We are requesting $864,700 to cover these expenditures, which is $37,600 less than the amount available for the current fiscal year. This decrease is basically due to two administrative changes. First, all neutrals have been limited to twenty-two (22) work days in any one month; second, better control of official travel, i.e., co-mingling trips and avoiding trips that only involve signing of awards by the parties.

FEBRUARY 7, 1977.

UNITED STATES SOLDIERS' AND AIRMEN'S HOME

WITNESSES

LT. GEN. F. T. UNGER, GOVERNOR
COL. ERNEST L. JANES, SECRETARY-TREASURER
R. A. GRITTON, BUDGET OFFICER

Mr. FLOOD. Now we have the Soldiers' and Airmen's Home presentation made by General Unger, the Governor.

We have your biographical sketch, General, which we will place in the record at this point.

[The biographical sketch follows:]

BIOGRAPHICAL DATA OF FERDINAND THOMAS UNGER, LIEUTENANT GENERAL, U.S. ARMY, RETIRED

Personal Data: Born: 28 October 1913, Pittsburgh, Pennsylvania. Married: 28 October 1942 to Evelyn Bayly Bucher, 2 Children.

Military Schools attended

United States Military Academy, Command and General Staff School, Educational Equivalent to Command and General Staff College, Armed Forces Staff College, and The National War College.

Educational degrees

United States Military Academy—BS degree—Civil Engineering.

Major permanent duty assignments (Last 10 years)

Group Commander, 72d Artillery Group, U.S. Army, Europe—February 1960–July 1960.

Artillery Commander, 3d Infantry Division, U.S. Army, Europe—July 1960–July 1961.

Chief of Staff, Third U.S. Army, Fort McPherson, Ga.—August 1961–July 1962.

Director of Operations J–3, The Joint Staff, Office, Joint Chiefs of Staff, Washington, D.C.—July 1962–May 1964.

Commanding General, 7th Infantry Division, U.S. Army, Pacific—June 1964–August 1965.

Deputy Chief of Staff for Individual Training, U.S. Continental Army Command, Fort Monroe, Va.—September 1965–October 1966.

Commanding General, U.S. Army, Ryukyu Islands/IX Corps and High Commissioner, Ryukyu Islands—November 1966–February 1969.

Director, Civil Disturbance Planning and Operations, Office, Chief of Staff, U.S. Army, Washington, D.C.—March 1969–April 1969.

Director, J–5, Plans and Policy Directorate, Office, Joint Chiefs of Staff, Washington, D.C.—May 1969–July 1970.

Retired: August 1, 1970.

Medals and awards

Distinguished Service Medal (with Oak Leaf Cluster).
Legion of Merit (with 4 Oak Leaf Clusters).
Army Commendation Medal (with Oak Leaf Cluster).

Mr. FLOOD. I see you have a prepared statement.

General UNGER. Yes.

[The statement follows:]

STATEMENT OF THE GOVERNOR, U.S. SOLDIERS' AND AIRMEN'S HOME PRESENTING THE FISCAL YEAR 1978 BUDGET TO THE CONGRESSIONAL SUBCOMMITTEES

PURPOSE

The purpose of this statement is to furnish information on the home which may be of interest during the committee's consideration of the home's fiscal

year 1978 appropriation request. Included is pertinent information on the home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1978 appropriation request as compared with the fiscal year 1977 appropriation.

MISSION

The home was established by Congress in 1851 for the relief and support of old, invalid, or disabled soldiers of the Regular Army. Basic eligibility criteria have not been changed except to cover airmen and enlisted women of both services. The home's name has been changed to properly reflect the airman's eligibility and vested interest. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) Honest and faithful service for 20 years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or, (3) nonservice-connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order, not as priorities, but because about 87 percent of the membership is of the first group, and about 13 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the home was placed by Congress in a Board of Commissioners, now composed of the Governor of the home, the Chief of Engineers of the Army, the Comptroller of the Air Force, the Surgeon General of the Army, the Adjutant General of the Army, the Assistant Deputy Chief of Staff, personnel of the Air Force, the Judge Advocate General of the Air Force, the Sergeant Major of the Army, and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the home. The Governor is responsible to this Board for the management of the home. The law provides for an annual report of inspection of the home by the Army Inspector General and Auditor General to be submitted to Congress.

PHYSICAL PLANT

The home is situated in northwest Washington, D. C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the home is 2256 beds. Our hospital has a rated capacity of 410 beds, with an optimum capacity of 348. Throughout the years, the loss of home land to other activities has reduced the acreage from about 500 to the present 300. The members of the home are grateful for the support provided by committees of Congress for retention of the home's land against proposals to further reduce it.

FINANCING

The act of 1851 provided that the home be supported from two principal sources: (1) A monthly contribution while on active duty of 25 cents from each enlisted member and warrant officer of the Regular Army and Air Force, and, (2) fines and forfeitures imposed upon these personnel by sentence of courts-martial. The act of 1883 established a permanent fund in the U.S. Treasury and provided for the payment of interest of 3 percent per annum on the fund balance. On December 15, 1973, the act of 1883 was amended so as to increase the interest paid on our permanent fund balance. This increased rate is determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States. Under this amendment, the home is now receiving about 6.5 percent interest on its fund balance. In addition, Public Law 94–454, October 2, 1976, now authorizes the collection of a fee from the members of the home and an increase from 25 cents to 50 cents in the amount of the monthly active duty deduction. The permanent fund balance on October 1, 1976 was $92 million.

MEMBERSHIP

Our male members range in age from 38 to 101, with an average age of 63. Our female members range in age from 44 to 82, with an average age of 68. There are 85 female members at the home now. Average total membership during fiscal year 1976 was 2,532, including 2,410 present. Fiscal year 1977 average total membership is expected to be 2,490, including 2,370 present. The fiscal year 1978 budget is also based on an average total membership of 2,490, including 2,370 present. Because home membership was fast approaching full capacity, the Board of Commissioners' approved priority system for admission to the home was implemented in February 1974. Our hospital is full, which accounts for our waiting list of approximately 167 persons, all of whom require extended hospitalization.

THE FISCAL YEAR 1978 BUDGET FOR OPERATION AND MAINTENANCE

The home's fiscal year 1978 operation and maintenance appropriation request at $16,356,000 is $257,000 more than its fiscal year 1977 appropriation of $16,099,000, which includes a $726,000 pay raise supplemental. A detailed description of the $257,000 increase is included in the home's justification booklet which has been submitted to the committee. The increase is composed of the following additions:

$103,000: Recovery from internally-imposed limitations on those categories of maintenance performed by contract. During the period fiscal years 1971, 1972, 1973, the annual average expenditure for recurring maintenance was $153,000; whereas, the annual average expenditure for the period fiscal years 1974, 1975, 1976, was $105,000. The reduced maintenance in the latter period was the result of management efforts to reduce expenditures, with the knowledge that some recovery would later be necessary. The average annual recurring maintenance proposed for fiscal year 1977 and fiscal year 1978 is $154,000, approximating the level of expenditure prior to the reduction period. Items of recurring maintenance included in the fiscal year 1978 budget are painting, roofing, heating plant repairs, floor and ceiling repairs, stonework, road and walk repairs, and landscaping.

$46,000: Required equipment purchases, deferred from an earlier period.

$56,000: To cover two one-time items: $50,000 for the replacement of a passenger elevator in the lobby of the Grant Building; and $6,000 to convert a film projector from arc to sealed beam lighting.

$52,000: To cover the increased reimbursement of fiscal year 1978 to Department of Labor for compensation benefits actually paid in fiscal year 1976.

CAPITAL OUTLAY

The home is not requesting an appropriation for Capital outlay in fiscal year 1978.

INCOME LEGISLATION

General UNGER. I would like to say, very briefly, that since I appeared here last year we have been fortunate enough to have had approved a new piece of legislation which has increased our income for the home. We did not receive everything we had asked for. The House passed everything we had asked for, but the Senate denied one of the items, pending a review of our whole financial situation by the Comptroller General of the United States.

We are hoping that at the conclusion of the Government Accounting Office's look at the home we will be able to obtain the additional piece of legislation. If we do, we expect that this total legislation will insure the fiscal viability of the Soldiers' and Airmen's Home well into the 21st century.

Now, for the budget—our budget this year totals $16,356,000. That is $257,000 more than our fiscal 1977 budget. If you turn to page 4 of my formal statement you will see the items which account for that additional $257,000. We have no capital outlay request this year. I shall close my very brief remarks by expressing a hope that the committee will see its way clear to passing the request we have asked for.

NEW LEGISLATION

Mr. FLOOD. You are operating under new financing legislation this year. Can you tell us how that works?

General UNGER. Yes.

Mr. FLOOD. What effect do you think it is going to have on the long-term integrity of the trust fund?

General UNGER. In the last 4 years, Mr. Chairman, when I came before this committee, I gave you an annual status report on our fund. As I mentioned before, we found our trust fund being eaten up by inflation; therefore, the Board of Commissioners of the home instituted a study which has been going on now for 4 years. It culminated in the submission of new legislation to the Congress in 1975.

Our legislation asked for three items. One, we found that we should, in all fairness, charge the people who live at the home some fee, which we call a user fee. Such a fee has been charged, without being called a user fee, once in the 19th century and again in the 20th century. This new user fee was one of the items approved by the President in October of last year. Each home member is required to pay 12½ percent per month of the retired pay and VA compensation he receives.

Mr. FLOOD. Are you going to impose this?

General UNGER. It has been imposed. That is one part of the new legislation. The next item concerns the money withheld from active-duty people which, when the home was established in 1851, was by law, 25 cents. We finally got that amount increased to 50 cents. These are the two pieces of legislation which have been approved. These two items have increased our income by a little over $3 million this year. In the long run, however, these increases have extended by only years the date when our trust fund will be depleted—in other words, from 1986 to 1990.

The third piece of legislation which we had asked for—which the House approved, but which the Senate did not approve—was the retrieval of the nonjudicial forfeitures. By law, as you know, Mr. Chairman, we receive the fines and forfeitures from courts-martial actions. In 1963, however, when the courts-martial manual was amended, and one of the changes resulting therefrom was the removal of minor offenses from the court-martial milieu with the stipulation that they be handled by a senior officer in a nonjudicial manner. When that was done, the Comptroller General was asked whether forfeitures resulting from nonjudicial actions would continue to revert to the Home, and the answer was "No."

We thought that was wrong, for we felt that it was the intention of the Congress that these moneys be credited to the home. If we

receive these moneys, which we are hoping to receive—and which the House approved but the Senate did not—the fiscal viability of the Soldiers' and Airmen's Home will be insured well into the 21st century.

GAO REPORT

Mr. FLOOD. Do you have any idea of what the GAO report might recommend on the use of those different services you now have?

General UNGER. The GAO has been at the home since October 28, and I keep asking myself that same question.

USER FEE

Mr. FLOOD. You are not charging any user fee, are you?

General UNGER. Yes; we are. We hope that the GAO recommends the very same thing we are asking for. We ask for additional income, but under the self-supporting principle which has been the hallmark of the Soldiers' and Airmen's Home since its foundation. Very few people come before your committee and do not ask for money. We ask for no money from the Treasury. All we ask is the authority to use our own trust fund money.

Mr. FLOOD. I understand that.

General UNGER. We are hoping the GAO will see it the same way.

ELIGIBLES AND WAITING LIST

Mr. FLOOD. How many men and women are potentially eligible, let's say, for membership in the home?

General UNGER. It is over half a million.

Mr. FLOOD. How do you explain this? There is a relatively small number on the waiting list compared to the big number of eligibles.

General UNGER. It is no more explainable than the fact that the total membership of the home represents only one-half of 1 percent of the people eligible to come to the home. So you might say, the same reasons whatever they are, cause our waiting to be so low.

The waiting list today is 165 people. Every person on that list is waiting to go directly into our hospital. In other words, all are permanent hospitalized cases.

Our hospital is full.

EXPANSION AND RENOVATION

Mr. FLOOD. Does the home have any plans of expanding service to a larger number of retirees?

General UNGER. Yes; we do. We have a plan that we have had for quite some time. It provides for the building of dormitories and additions to our hospital plant. We have put those plans in the background during the last 3 or 4 years while we have been trying to get ourselves healthy, fiscally speaking.

Mr. FLOOD. How do you rate the condition of the facilities at the home?

General UNGER. Very good, sir. Our fiscal requirements for the future, of course, took into consideration the needs of our plant to be refurbished. At the same time, we considered needs for capital investment to build new structures.

Mr. FLOOD. Do your facilities out there meet the standards the long-term care providers must meet, such as the life safety requirements?

General UNGER. I am sure that they do, for we respond to all OSHA requirements.

Mr. FLOOD. You touched on this. What are your long-term plans for building renovation or replacement?

General UNGER. The first requirement of the Board of Commissioners, in determining the home's future capital needs, was to maintain the purchasing value of the trust fund.

Second, the Board recognized the necessity of increasing our fund balance sufficiently so as to provide for necessary refurbishment and capital improvement as those needs arise.

LEVEL OF CARE

Mr. FLOOD. Of course you know very well we are very much concerned about the level of care that your 1978 request is going to provide. Very frankly it is hard to understand how you can maintain quality care without at least keeping up with the inflation. We are all for saving money here, that is our business. But I want assurances from you that you are not doing this at the expense of your members.

General UNGER. I can give that assurance. My $16 million request, which is only 1½ percent higher than last year, does not include money for an estimated 5.3 percent October pay raise, or for an estimated $256,000 inflationary increase in the cost of goods and contractual services. When these additional costs are added to the $257,000 increase already included in our fiscal year 1978 budget, you will see that our total fiscal year 1978 requirement will be approximately 7.3 percent greater than fiscal year 1977.

Mr. FLOOD. I was concerned about the quality of services to members.

General UNGER. I am confident that we are continuing to maintain services at a high level, both in our hospital and in our domiciliary areas.

WAITING LIST

Mr. MICHEL. Thank you, Mr. Chairman.

You speak of those 167 that are waiting to be admitted. Are they from all around the country?

General UNGER. Yes, sir.

Mr. MICHEL. Does that suggest that there are not hospitals available in those geographical areas to which these people might otherwise be admitted?

General UNGER. Not necessarily.

Mr. MICHEL. Are most of them currently in hospitals, but simply would prefer to come to your place?

General UNGER. There are a great many who are currently in hospitals, particularly VA hospitals around the country.

TURNOVER RATE

Mr. MICHEL. What kind of turnover rate do you have out there?

General UNGER. I would estimate the total change of membership, to include new members, voluntary discharges and deaths, to equate to an annual turnover of a little better than 30 percent.

Mr. MICHEL. Would most of those be by death?

General UNGER. Our death rate runs around 13 per month, or about 160 per year.

Mr. MICHEL. Do the projections show that with the number of veterans leaving the service, there is an increasing need or declining need?

General UNGER. I wish I could answer that in an intelligent way, and support it with statistics. In the 5-plus years I have been at the home I have attempted to make an analysis along those lines. I have read the many studies that have been made, many of which espouse different theories, the most common of which is that 20 to 25 years after the termination of a conflict, home membership will take a steep rise—but, very little of these projections are borne out by reality.

SICK LEAVE

Mr. MICHEL. I was interested in the testimony presented last year, to the effect that you were able to reduce the use of sick leave of employees from 78 to 58 percent. How was that accomplished?

General UNGER. We published the fact that the home was, potentially, in bad financial straits. Not currently, for we now have $92 million in our trust fund. As we look down the road, however, if we continued to spend just at the average annual CPI rate, we would run out of money in 1986.

So we brought these facts to the attention of not only the membership, the people for whom the home is designed, but also to the notice of our work force. We stressed the need for our employees to help solve this problem, and pointed out that one of the things that costs us money is the item you mentioned.

Mr. MICHEL. Is that same pattern going to hold for this year, do you think?

Mr. GRITTON. I doubt that we can reduce sick leave use below that which resulted from our previous efforts.

FUEL AND HEATING

Mr. MICHEL. What kind of fuel do you use out there?

General UNGER. Fuel oil for our central heating plant. We had been using No. 6 fuel oil; however, because of air quality requirements, we changed our burners so that we could use No. 2 fuel oil. We are now burning No. 4, which costs less. Incidentally, the cost of fuel oil has gone up from 10.8 cents per gallon to 36 cents in the past 3½ years.

Mr. MICHEL. Have you a specific figure as to the increase of this year over last year on just fuel?

General UNGER. We budgeted for about a 5 percent increase in fuel oil this year, but found that because of the severe winter weather conditions, we should have budgeted for about a 14 percent increase.

Mr. MICHEL. Isn't it difficult for an institution like yours to follow the admonishment that we ought to lower our thermostats to 65 or less. Since you have mostly elderly people, you can't really accomplish that, can you?

General UNGER. You are correct, sir. Part of the home falls into the category of a nursing home. Also, the average age of the male members of the home is 63, and the average age of the ladies is 68. In our hospital, the average age is 71.

USER FEE

Mr. MICHEL. What kind of fee or user fee do these patients pay?

General UNGER. Any member of the home must, by law, pay the fee specified in the law I have referred to.

Mr. MICHEL. Does it vary?

General UNGER. Yes, according to the ability of the person to pay. It starts out during the first year with a fee at a rate of 12½ percent, which is applied against retired pay or VA disability compensation; or, if they get both, against both. It is not applied against social security payments. The rate of the fee increases from 12½ to 25 percent in 5 years, at an incremental increase of 2½ percent per year.

LENGTH OF STAY

Mr. MICHEL. What is the longest any person has stayed at the Home?

General UNGER. Every Friday morning I conduct—what has been going on now for perhaps, a century—a Governor's inspection. The Deputy Governor and the Quartermaster of the home accompany me. My attention is devoted exclusively to discussion with the members in their respective rooms. The member whom I believe was there longest is a man who died just about 3 years ago. He came to the home in 1907, and drove what he termed the first horseless ambulance purchased by our hospital. He was a handsome man in his early nineties, was about 6 feet 4 inches tall, and had wide shoulders, blue eyes, all of his hair. The first time I saw this gentleman in his room, I inquired about his health to which he replied, "General, I am as good as you are." His time at the home took in a span from 1907 to 1973; but he was in and out of the home many times, not remaining there continuously.

I have some people who have been at the home continuously for 30 years or more.

Mr. FLOOD. Mr. Roybal.

WITHHELD PAY

Mr. ROYBAL. I have just one question. You mentioned that the servicemen fees were increased from 25 cents to 50 cents. Does that mean every serviceman pays that amount?

General UNGER. Only Regular Army and Regular Air Force personnel, both enlisted and warrant officer.

Mr. ROYBAL. I was going to ask whether that fee was imposed during World War II for all.

General UNGER. No; just for the regulars.

Mr. ROYBAL. Does that mean that just those who are active members of the service are eligible for membership?

General UNGER. The membership eligibility criteria are three. In each of the three criteria is the specification that the prospective member have had some time as a regular, enlisted person or warrant officer.

Mr. ROYBAL. So those who have all kinds of combat ribbons during World War II would not be eligible?

General UNGER. If they weren't in the regular forces; no. That is why VA was set up. This is a retirement home of the professional soldier and airman who spent his life going about the world wherever his assignment took him. As a result, many of these men have no place to go when they retire. Many find that families have left them, many are divorced, and all of a sudden they are shifting with the winds.

Mr. ROYBAL. Thank you.

Mr. FLOOD. Mr. Early.

HOME HOSPITAL

Mr. EARLY. Do you have a 400-bed hospital?

General UNGER. Yes, sir. We rate the capacity at 410, with an optimum capacity of 348. The differential there, as in most hospitals, is a 15-percent factor to take care of epidemics and separation of infectious diseases.

Mr. EARLY. What is the average say of a member in the hospital?

General UNGER. Mr. Early, that is hard to say. Let me give you a brief hospital profile. Generally speaking, the great majority of the people who are in our hospital will never come out.

Mr. EARLY. How about the ones that do come out; are they discharged to the home?

General UNGER. They go back to the domiciliary area. Further to your question, all of our surgery is done at Walter Reed. This was initiated years ago, at the request of Walter Reed—for the active-duty population did not provide sufficient patients to remain board-qualified in some fields of surgery. I would estimate that our patients remain in our hospital for 5 days before going to Walter Reed, and 1 week after they return from Walter Reed.

USER FEE

Mr. EARLY. What is the aggregate income from the 12½ percent that you take from your members?

General UNGER. This year—it is an 11-month year—we are getting about $1.2 million from the user fee.

Mr. EARLY. Why is it an 11-month year?

General UNGER. The President signed the bill on the 2d of October, so we could not put it in effect until the 1st of November; and, the fiscal year started on the 1st of October.

Mr. FLOOD. Mr. O'Brien.

HOSPITAL CAPACITY

Mr. O'BRIEN. With regard to the hospital, General, that 15 percent is around 60 beds; is that correct?

General UNGER. That is correct.

Mr. O'BRIEN. Have you ever had such a catastrophe?

General UNGER. We have had cases where my chief surgeon finds, all of a sudden, that the incidence of colds and flu has increased considerably. Also, except for those people who go on leave, we find a great many of our members become depressed during the holiday period. For instance, even though our hospital has an optimum capacity of 348, we actually have about 370 patients.

Mr. O'BRIEN. So you are really closer to 10 percent?

General UNGER. Oh, yes.

WAITING LIST

Mr. O'BRIEN. The 167 you are talking about are people not in the home at all?

General UNGER. Awaiting membership.

Mr. O'BRIEN. But people in the home who need hospital care you take in the hospital?

General UNGER. We do take care of our own. That is correct.

Mr. O'BRIEN. I used to serve on a hospital board in Joliet, Ill., and I know they are sensitive to have some kind of reserve. It just occurred to me, with 167 scattered around who need that, do you think that 15 percent is a little too generous?

General UNGER. I don't think so. There is another aspect. In fiscal year 1978, it will cost us about $23,000 a year to keep a patient in our hospital, whereas keeping him in the domiciliary area will cost a little under $4,000. The overall average cost runs a little under $7,000.

We conducted a study on how big our hospital should be to take care of the normal health progression of a member during an average membership span, and found that our hospital could be reduced in size. Accordingly, we reduced its size in order to help curb the depletion of our trust fund balance.

Mr. O'BRIEN. Thank you, General.

Thank you, Mr. Chairman.

Mr. FLOOD. Thank you, gentlemen.

FEMALE MEMBERS

Mr. MICHEL. How do those women break down; are they nurses or WAVE's?

General UNGER. They are both Air Force and Army, and we have 85 of them. They average in age, as I mentioned before, about 68. The youngest lady is about 44 and our eldest is about 82.

[The following questions were submitted for the record:]

RESPONSES TO MR. CONTE'S QUESTIONS

EMPLOYMENT

Mr. CONTE. You have a total of 2,350 residents and 1,084 employees in the home and hospital in 1977 and 1978. What is the reason for your high employee-patient ratio?

General UNGER. The home's workforce totals 1,084, 487 of which are employed at the hospital, for a ratio of 1.3 employees per patient. Based on an informal survey made several years ago of Government, military and civilian hospitals in the Metropolitan Washington area, our employee-patient ratio of 1.3, by com-

parison, is low. As you will understand, the remaining 597 employees are used in support of the 2,000 members living in our domiciliary area and for the performance of various functions required in support of our physical plant, to include maintenance of structures, procurement and supply, laundry and dry cleaning and grounds maintenance.

Mr. CONTE. Are you over staffed?

General UNGER. No. During the past 3 years, the home has undergone an intensive management reduction program. As for its effectiveness: At the beginning of fiscal year 1974, we had an authorized ceiling of 1,266 employees; whereas, our fiscal year 1977 and fiscal year 1978 budgets include a ceiling of only 1,084 employees.

BUDGET INCREASE

Mr. CONTE. In your justifications you request a $159,000 increase for "other services." What are these other services?

General UNGER. The $159,000 increase includes $103,000 for recurring maintenance, such as painting, roofing, and general repairs, and $56,000 for two items of a nonrecurring maintenance nature: one item is a replacement passenger elevator, and the other is the conversion of our film projector from arc to sealed beam lighting.

WAITING LIST AND ELIGIBILITY

Mr CONTE. How many people who are eligible for your services are waiting to be admitted?

General UNGER. There are approximately 165 people on the waiting list at this time, all of whom will require extended hospitalization. Since our hospital is full, these people will be admitted when beds become available.

Mr. CONTE. What criteria is used to admit eligible people?

General UNGER. The Board of Commissioners-approved Priority System, which establishes precedence of admission according to a composite rating, based on years of service, age, and disability.

EMPLOYMENT

Mr. CONTE. Transition from full-time employees to part-time employees seems to have ended. Is the staff now at peak efficiency?

General UNGER I believe that we have fairly well exhausted the opportunities for converting full-time positions to part time. Our current staff is continually reviewed by my Department directors each time a vacancy occurs, to determine the necessity for hiring a replacement and to determine if a full-time job may be made part time.

Mr. CONTE. Last you expressed the desire to have your shop personnel do even major maintenance. Have you succeeded to limit going outside for this major repair work?

General UNGER. Although we have endeavored to strike an optimum balance between in-house and contract work, major maintenance work must still be accomplished by contract.

JUSTIFICATION OF ESTIMATES FOR THE U. S. SOLDIERS' AND AIRMEN'S HOME, FY 1978

LANGUAGE

Operation and Maintenance: For operation and maintenance of the United States Soldiers' and Airmen's Home to be paid from the Soldiers' and Airmen's Home permanent fund, $16,356,000: Provided, That this appropriation shall not be available for the payment of hospitalization of members of the Home in United States Army hospitals at rates in excess of those prescribed by the Secretary of the Army, upon the recommendation of the Board of Commissioners of the Home and the Surgeon General of the Army.

24 U.S.C. 41-60; 31 U.S.C. 711(12), 725s(a): Departments of Labor, and Health, Education and Welfare, and Related Agencies (1977).

MEMBERSHIP

	1976 actual	19TQ actual	1977 estimate	1978 estimate	+ or -
Distribution (averages):					
Domiciliary present	2,014	1,936	2,000	2,000	0
Hospital present	378	338	350	350	0
Contract hospitals	18	19	20	20	0
Absent (domiciliary and hospital)	122	131	120	120	0
Total	2,532	2,424	2,490	2,490	0

EMPLOYMENT

Year-End:					
Full-time permanent	948	948	965	965	0
Other than permanent	113	110	115	115	0
Other (Army Drs., Summer Youth)	4	4	4	4	0
Total	1,065	1,062	1,084	1,084	0
Average paid employment (Man-years):					
Full-time permanent	943	941	955	955	0
Other than permanent	67	68	64	64	0
Other (Army Drs., Summer Youth, Terminal Leave)	11	14	12	12	0
Total	1,021	1,023	1,031	1,031	0

PER CAPITA COST

	1976 actual	19TQ actual	1977 estimate	1978 estimate	+ or -
Average members present	2,410	2,293	2,370	2,370	0
Obligations (In $1,000's)	$14,494	$3,859	$16,099	$16,356	$257+
Annual cost per member present (In $1's)	6,014	$6,677	$ 6,793	$ 6,901	$108+

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($1,000's)

Operation and maintenance:					
11 Personnel compensation	$10,360	$2,687	$11,494	$11,494	$ 0
12 Personnel benefits	1,045	248	1,155	1,207	52+
21 Travel and transportation of persons	3	0	3	3	0
23 Rent, communications, and utilities	383	124	361	361	0
24 Printing and reproduction	8	2	8	8	0
25 Other services	336	135	401	560	159+
26 Supplies and materials	2,363	602	2,604	2,604	0
31 Equipment	71	80	148	194	46+
Deduct quarters, subsistence, and laundry	-75	-19	-75	-75	0
Total	$14,494	$3,859	$16,099	$16,356	$257+

EXPLANATION OF $257 INCREASE

11 Personnel compensation ($0):

12 Personnel benefits ($52+):

$ 52+ Reimbursement in FY 78 to Department of Labor for compensation benefits actually paid in FY 76 by Department of Labor to Home employees is greater than the FY 77 reimbursement for payments in FY 75.

21 Travel and transportation of persons ($0):

23 Rent, communications and utilities ($0):

24 Printing and reproduction ($0):

25 Other services ($159+):

Each year, certain categories of maintenance are done by contract, with the work performed under the various categories varying according to need. The total amount requested for recurring maintenance for the period FY 71-72-73 annually averaged $153; whereas, the annual average for the period FY 74-75-76 was $105. The reduced maintenance in the latter period was the result of management efforts to reduce expenditures, with the knowledge that some recovery would later be necessary. The average annual recurring maintenance proposed for FY 77 and FY 78 is $154, approximating the level expended prior to the reduction period. The categories of recurring maintenance listed below reflect the increase or decrease of FY 78 over FY 77:

$ 22+ Painting: The normal painting cycle is being resumed in FY 77 and FY 78--contract painting was eliminated in FY 76.

$ 52+ Roofing: New roof and flashing for the QM office building; replacement of tin roof on the west front of the Grant Building; and, flashing for Grounds and Shop buildings in the QM service area. No contract roofing was performed in FY 76, and none is scheduled for FY 77.

$ 10+ Heating Plant Repairs: Repairs to fire boxes and boilers must be accomplished each year. Because repairs are made primarily in the summer, $9 was allocated to 76TQ, leaving $7 for FY 77. The level for FY 78 resumes normal annual expenditures.

$ 11- Floor/ceiling repairs: This decrease results from the fact that work programmed for FY 77 is greater than the normal level due to the extensive repair to floor tile in the Hospital dining room, and the replacement of terrazzo flooring in the General and Hospital messes.

$ 20+ Stonework: FY 75 was the last year that contract expenditures were made for caulking and repairing stonework on buildings throughout the Home. The increased work programmed for FY 78 reflects the aggravated need for repairs resulting from the lack of expenditures in FY 76 and FY 77.

$ 10+ Road and Walk Repairs - Landscaping: Due to the restricted use of funds available in recent years, large areas of roadway now need resurfacing and repair, particularly in the QM Service Area.

Each year, certain one-time repairs must be made to preserve the integrity of the physical plant. There were no such items planned for FY 77. Listed below are the items and cost planned for FY 78:

$ 50+ Passenger elevator in the lobby of the Grant Building is the original elevator in that building, and is 67 years old. Price includes removal of existing equipment.

$ 6+ Existing 35mm film projector will be converted from arc lighting to sealed beam lighting. (Arc lighting is dangerous and the replacement cost factor of sealed beams is less.)

26 Supplies and materials ($0):

31 Equipment ($46+):
Recovery from internally-imposed limitations on equipment purchases during FY 75 and FY 76.

Deduct OSL ($0):

TUESDAY, FEBRUARY 8, 1977.

CORPORATION FOR PUBLIC BROADCASTING

WITNESSES

HENRY LOOMIS, PRESIDENT
DR. BEN POSNER, VICE PRESIDENT FOR FINANCE AND TREASURER
RILEY TEMPLE, ASSISTANT GENERAL COUNSEL
GEORGE W. LINN, SPECIAL ASSISTANT TO THE PRESIDENT

Mr. FLOOD. We have this morning the Corporation for Public Broadcasting. The presentation will be made by Henry Loomis, president. We have a biographical sketch of you, Mr. Loomis, which we will place in the record at this point.

[The biographical sketch follows:]

HENRY LOOMIS

Henry Loomis has been president of the Corporation for Public Broadcasting since October 1, 1972. Prior to becoming president of CPB, he served as Deputy Director of the U.S. Information Agency—a position he assumed in March 1969. His previous Federal service includes appointment as Deputy U.S. Commissioner of Education during the Johnson administration, director of the Voice of America between 1958 and 1965, and Staff Director and Special Assistant to the President for Science and Technology, 1957 and 1958.

A 1941 graduate of Harvard University, Loomis spent 5 years overseas as a Navy radar specialist in World War II, attaining the rank of lieutenant commander.

In 1963, he was the recipient of the Rockefeller Public Service Award for Foreign Affairs and International Operations and of the USIA's Distinguished Service Award. He lives in Virginia.

BEN POSNER

Ben Posner was elected by the board of directors in September 1973, to serve as vice president for finance, planning, and support services, and treasurer of the Corporation for Public Broadcasting.

Prior to his service with the corporation, and subsequent to his retirement in spring 1972, as top administrative officer of the U.S. Information Agency, Posner was on the faculty of George Washington University as a professor of public administration; had served as executive director of the Presidential Study Commission on International Radio Broadcasting chaired by Mr. Milton Eisenhower; and as a principal associate of Executive Management Service, Inc., a management consulting firm.

From 1953 to 1972, Posner was affiliated with the USIA. He was a member of the task force created in 1953 by the Department of State to set up the new agency, and he was its first budget officer. In 1964, he was appointed Assistant Director for Finance and Administration.

In 1970, Posner was the recipient of the Rockefeller Public Service Award in Administration, and in 1962, the USIA's Distinguished Service Award.

Posner holds a Ph. D. in public administration from American University.

Mr. FLOOD. Now, I see you have some people with you.

Mr. LOOMIS. Yes. Dr. Posner who is vice president and treasurer of the Corporation.

Mr. FLOOD. Yes; how do you do?

Mr. POSNER. Good morning, sir.

Mr. FLOOD. Now, you have a prepared statement, Mr. Loomis. How do you want to handle it?

Mr. LOOMIS. I would like to put it in the record, speak from it and then summarize.

Mr. FLOOD. All right.

Mr. LOOMIS. I think I can cover the highlights in perhaps half the time required to read it.

Mr. FLOOD. Suppose you do that.

Mr. LOOMIS. All right.

[The above referred to statement follows:]

STATEMENT OF HENRY LOOMIS, PRESIDENT, CORPORATION FOR PUBLIC BROADCASTING

Mr. Chairman and members of the committee, I would like to express my appreciation for your past support of funds for public broadcasting. Last year, you provided appropriation ceilings for 4 of the 5 years authorized under the Public Boardcasting Financing Act, and you endorsed the 2-year advance funding concept.

For fiscal year 1980, the Financing Act authorizes an appropriation ceiling of $160 million. As you know, public broadcasting must earn 2.5 non-Federal dollars for each Federal dollar granted, with a 2-year lag between the years in which non-Federal earnings occur and Federal appropriations are granted.

We ask that your committee approve the $160 million appropriation ceiling, rather than the $115 million proposed by the Ford administration in its fiscal year 1978 Federal budget. Such a reduction, more than 28 percent below the authorized ceiling, negates almost completely the intent of the authorizing legislation to provide an incentive to public broadcasting to broaden and improve the services it provides to all the American people. The $115 million proposal represents an absolute reduction of $5.2 million from the $120.2 million, which this committee and the Congress have already set as the appropriation ceiling for fiscal year 1979. Assuming a conservative inflation factor, the $115 million ceiling results in a real cut of approximately 10 percent.

Furthermore, an appropriation ceiling that is so low as to effectively negate the match between non-Federal revenues and Federal funds has the effect of establishing in advance a fixed appropriation, which eliminates the incentive and insulation built into the matching principle of the legislation. To illustrate this point:

In order to earn the authorized ceiling of $160 million, public broadcasting must earn $400 million in non-Federal income in fiscal year 1978, a goal that will pose a very real challenge. In fiscal year 1975, the last year for which we have data, non-Federal revenue was $270 million. A ceiling of $115 million would require non-Federal revenue of only $287.5 million in fiscal year 1978, or an increase over fiscal year 1975 experience of only about 6 percent.

Finally, a 10-percent cut in appropriated funds would retard the momentum of public broadcasting's growth toward maturity in a uniquely critical year—fiscal 1980—when public broadcasting will be at a watershed.

Satellite interconnection for public television is scheduled to become a reality in 1979 and for public radio in 1980. For television, this will mean that public broadcasters have greater flexibility in providing program scheduling. It will greatly expand the ability to provide program offerings which are less than national but more than local. To take advantage of this opportunity, however, public television must increase the availability of programs. For CPB, this means there is a strong need for developing and for piloting new programs; and for increased support of new program series, sometimes through consortia with other underwriters. But frequently support must come entirely from CPB, especially when the programs are for specialized audiences. Under the low ceiling for fiscal 1980, support for these purposes would be reduced by approximately one-third.

For public radio, satellite interconnection will, for the first time, make possible a truly national public radio service that would permit nationwide distribution of public radio programs in stereo. It will also permit distribution of several programs simultaneously, one of which could provide a national service for the visually impaired.

The budget before you, Mr. Chairman, reflects what we believe to be the use of resources over the next 3 years, starting with fiscal 1978, in a manner that

establishes an appropriate balance between the need for predictability and the need for CPB to retain some discretion. Principal components of public broadcasting need to know what amounts they can depend upon for advance planning. At the same time, CPB must retain resources that can be used to meet contingencies of new and unforeseen opportunities. If resources so held are not required for these purposes, they can and will be used to supplement those ongoing activities, like increased national productions, that would have the highest priority claim on available resources.

You may, in this connection, have noted some current debate concerning the Corporation's role within public broadcasting. The problems cited are those in our judgment that can be expected whenever any program exists to serve several constituencies that have particular and diverse interests which are not entirely the same and that are competing for scarce resources. It is the Corporation's responsibility to achieve the appropriate balance throughout public broadcasting. It must be sensitive and responsive to all the segments of the community, but ultimately its responsibility is to the public as a whole, and it has a direct responsibility to the Congress for the stewardship of the Federal funds granted to it.

Let me now, Mr. Chairman, discuss the highlights of the request before you and indicate why we feel the $160 million appropriation ceiling is needed.

Some 90 percent of this budget is for four activities that constitute direct support of local television and radio stations. These activities are: direct support grants to local stations; the costs of distributing national programs to stations; costs of expanding coverage to unreached populations; and costs involved in support of national program production. The balance of the budget goes primarily for indirect support activities such as aiding in the training and development of personnel throughout public broadcasting and in the enhancement of technological improvements. About 3 percent of the total is for administration. The budget also reflects moneys that are earmarked for contingencies and to enable the Corporation to respond to new and unexpected opportunities.

More specifically, an appropriation of $160 million would be distributed approximately as follows. I say approximately, because as you will note in the justifications, we have not anticipated the precise distribution we will make each year between television and radio activities and the final distribution decided upon will have a minor impact on some of the estimates shown:

1. $93.5 million—58.5 percent of the appropriation—would go directly to local television and radio stations in the continental United States, Hawaii, Puerto Rico, the Virgin Islands, and American Samoa. The bulk of those funds—in the form of community service grants—are used at the discretion of each local station for such purposes as local program production, payment for the production of national programs, local operating costs, or for any other purpose related to public broadcasting.

At the $115 million level, the budget for this purpose would be some $26 million less—approximately $67.5 million. For television, this would mean a reduction in the probable average community service grant of 28 percent, from $476,000 to $342,000. For radio this would mean a reduction in the average community service grant of about 22.4 percent, from $50,500 to $39,200.

At the $160 million level, approximately $1.8 million would be used to continue local support grants designed to expand radio coverage. The $115 million level would not only reduce this effort in fiscal 1980 but would force cutbacks in fiscal years 1978 and 1979, since it would not be possible to continue support in fiscal 1980 of new projects initiated in those years.

2. At the $160 million ceiling, $32 million—20.0 percent of the appropriation—would be used for national television and radio production and directly related promotion costs. While CPB's contribution to the total share of public television's national program production is not large—approximately 20 percent—its role is unique and essential. It is the principal source of new, innovative programs for public broadcasting; and it must attempt to maintain an overall balance in types of programs offered. It frequently takes the lead in establishing consortia with other funders in order to bring long leadtime, high quality, and hence expensive program series to the American people through public television. It plays a special role in supporting the production of programs for such audiences as racial and ethnic minorities, women, and the physically handicapped. Programs for these selected target audiences are not readily available from other program funding sources.

At the $115 million level, total production funds would have to be reduced to approximately $19.5 million. This means that CPB's ability to develop television programs through the development and piloting of new programs would be reduced, and that its ability to provide first and second year support of program series would have to be cut even more sharply.

3. At the $160 million ceiling, $18.5 million—11.5 percent of the appropriation—would support the distribution costs of television and radio. These amounts would be used for national program distribution to lease a fourth transponder for the television satellite system as well as to help support the initial year of a satellite interconnection system for public radio. Annual operation and maintenance of distribution systems will cost substantially the same under a satellite interconnection as under the current terrestrial system, even allowing for annual debt service costs over a 10-year period.

At $115 million, it would not be possible to lease the fourth satellite transponder for television. And the full use of satellite by public radio would have to be deferred.

4. At the $160 million ceiling, $6.4 million—4 percent of the appropriation—would be required for other support activities. The largest component in this category is for training and development of personnel throughout public broadcasting ($1.7 million). Communications research, engineering research, and educational activities would each receive approximately $806,000. Other activities included are: CPB's acquisition, maintenance and analysis of significant data about public broadcasting; a citizens relations and public affairs function; a human resources activity designed to aid public broadcasting to fulfill its equal opportunity responsibilities; and, similar general support activities.

At the $115 million level, funds for these other support activities would be reduced by approximately $800,000 to $5.6 million. This would slow development in a number of special areas that were reemphasized by the Congress last summer—the implementation of equal opportunity goals, training programs for minorities and women, and the expansion of public broadcasting's role in education, for example.

5. At the $160 million ceiling, $4.8 million—3 percent of the appropriation—would be required to meet program direction and administration costs, including staffs engaged in direct support of television and radio activities.

Under a $115 million ceiling, these costs would have to be reduced by $300,000.

6. At the $160 million ceiling, $4.8 million—3 percent of the appropriation—would be reserved for later distribution as a general reserve fund. CPB believes that prudent advance planning for 3 years into the future calls for setting aside reasonable sums of money to be used for protection against contingencies and for opportunities that cannot be foreseen. If not needed for such items, these sums will be used—as they have been in the past—for high priority purposes of national program production and additional broadcast services.

At the $115 million level, CPB believes that it would still be appropriate to maintain a contingency reserve, but the amount would be reduced to $1.4 million.

Before closing, Mr. Chairman, I should like to report briefly on the very healthy advances that CPB has made during the past few years—aided by the enactment of the Financing Act of 1975.

With respect to programs for television, CPB has just established a new $1 million fund to encourage the production of public affairs documentaries. CPB augmented the stations' special events fund by $200,000 to sign and caption the Presidential and Vice Presidential debates for the deaf and hearing impaired. And we recently provided $270,000 to permit coverage of the Senate hearings on the new Cabinet appointees.

In the area of cultural programs, CPB has been able to provide continued support for two major projects: the critically acclaimed drama project, "Visions", which received $3.2 million, and the successful "Dance in America" series, which received $1 million.

In the area of instructional television, CPB has authorized a grant of approximately $200,000 for an experimental pilot for a series of programs designed to strengthen essential learning skills. In addition, because of the long-term planning advantages of the Financing Act, we were in a position to reserve up to $1.2 million (one-third of the total project cost) for the production of the series over a multiyear period. CPB joins a consortium of 18 State agencies in funding this project.

In the area of specialized audience programs, CPB provided $109,000 for a pilot program dealing with the aged, "Over Easy". The staff is recommending

to the Board that up to $1.7 million of future year funds be made available for series funding contingent upon other funds being obtained. This again illustrates the advantages of advance-year funding.

CPB has continued its efforts in providing programs for minorities and women. In addition to support for continuing series, it has embarked on a heavy development and pilot activity to insure future programs. Over the past several years, CPB has committed $1.3 million to women's programs; $1 million to black programs; and $1 million to Latino programs.

CPB has been active in the technological area as well. To demonstrate that UHF broadcasting can be improved and UHF signals made to increase audiences, CPB is this year contributing $100,000 to Washington's station WETA to help pay for an improved antenna design and a more efficient transmitter.

The most dramatic demonstration of the benefits of advance funding is the conversion from terrestrial to satellite interconnection that I mentioned to your committee last year. The $50 million capital estimated to be necessary to construct ground segments of this project for both television and radio will be raised by: $10 million from TV and radio licensees; $5 million from CPB funds; $1 million from national public broadcasting organizations—Public Broadcasting Service and National Public Radio; and $34 million to be borrowed against CPB's credit. The project is currently in the developmental phase. We hope to move into the construction phase of the television satellite interconnection around the first of July of this year. We could not have undertaken this project without the ability to plan in advance and without advance year appropriations.

This concludes my statement, Mr. Chairman. On behalf of all of public broadcasting, let me thank you and your committee again for your past support and assistance.

OPENING STATEMENT

Mr. LOOMIS. First of all, Mr. Chairman, I would like to express my appreciation and the appreciation of the Corporation and all of public broadcasting for the past support of public broadcasting by this committee; not only the funds that you have appropriated, but and perhaps of equal importance, is the way you have appropriated them.

Since last year you provided appropriated ceilings for 4 of the 5 years authorized, and endorsed the principle of 2-year advanced funding; this year, therefore, we are asking for the fiscal year 1980 appropriation ceiling. This is the last year that we can come to you under the present authorization act. That will have to be extended to cover 1981 and beyond.

We come to you seeking the full ceiling of $160 million authorized for 1980. But we also come recognizing that the Ford administration established a ceiling of $115 million on the 1980 appropriation.

We have, of course, appealed this to Mr. Ford without results. We have appealed it again to Mr. Carter and have, as yet, heard no response.

We feel this $115 million ceiling would be a very serious blow to public broadcasting. It would be 28 percent below the authorized ceiling.

It would actually be $5 million less than the $120.2 million which this committee and the Congress set as an appropriation ceiling for 1979. Assuming moderate inflation, that would be, in effect a 10 percent reduction in 1980 from 1979.

Even more important than the actual dollars, is that it would eliminate the incentive to raise nonpublic funds. That is, of course, the main thrust of the matching concept. Additionally, the $115 million ceiling would further reduce the insulation from political influence.

The $160 million ceiling would require public broadcasting to raise

a total of $400 million non-Federal funds in fiscal year 1978. This is a very large number. It is way beyond the $270 million earned in fiscal year 1975.

I am not at all sure we could do it. Of course, if we did not do it we wouldn't get any more dollars than the 2½ to 1 match would justify.

On the other hand the $115 million would only require that public broadcasting raise $287.5 million in fiscal year 1978. Our preliminary figures show we have already raised about $290 million in 1976. Thus we have already passed the minimum matching requirement and by 1978, which is the year that would generate the 1980 match, we expect to raise considerably more than that.

1980 is also a very special year to us because it is the first year the television satellite will be in full operation. The radio satellite will be commencing also. This permits far greater diversity and far greater flexibility in interconnecting receiving points, than is now possible. Therefore, it will provide far greater opportunity to public broadcasting in general, and to the corporation in particular, to produce and acquire more diverse programs of higher quality once the distribution system is in operation.

For radio it is the first time there will be a real, high quality national interconnection, permitting coverage of live music to be nationally distributed. It would permit simulcast between television and radio; and many other opportunities to bring the American people quality programing.

The budget before you, Mr. Chairman, tries to show a balance between the predictability permitted by advanced year appropriation and the need for discretionary funds to give flexibility for future planning. Different segments of public broadcasting need to know in considerable detail the absolute minimums that they can count on for 3 years in advance and plan accordingly.

At the same time the Corporation proposes to put a small amount aside, about 3 percent of the 1980 appropriation as a discretionary fund. The purpose is to enable it to act on and fund unexpected problems or unexpected opportunities without disrupting ongoing activities.

If neither occurs, of course, the money would then be spent for TV programing or expanded radio coverage or other high priority continuing responsibilities.

In this connection, Mr. Chairman, you may have noted questions concerning the Corporation's role in the public broadcasting industry.

The problems that are mentioned, in our judgment, are those that can be expected whenever any program exists to serve several constituencies that have special interests which are not entirely the same, and that are competing for scarce resources.

It is the Corporation's responsibility to achieve the appropriate balance throughout public broadcasting. It must be sensitive and responsive to all of the segments of the industry, but ultimately its responsibility is to the public as a whole. It has a direct responsibility to the Congress for stewardship of the Federal funds granted to it.

If I may, I would like to indicate in broad terms how the money would be spent in 1980 and how we plan to spend it. About 58.5 per-

cent of the appropriation, a total of $93.5 million, would go directly to the television and radio licensees, mostly in the form of community service grants which are unrestricted in nature.

At the $115 million level, this would have to be cut by $26 million. The average television community service grant would be reduced from $476,000 to $342,000, a 28-percent reduction, with similar reductions in the radio side.

The next major item, consisting of 20 percent of the appropriation, or $32 million, would go directly for the funding of production of national television and radio programs.

While the Corporation's contribution to the production of television programs is a small percentage of total annual funding, approximately 15 percent, it is still a principal source of new programing, research and development, piloting of new programs, new techniques, new talent, new subjects.

We see this as our principal role, though there are many other funders and participants in this process. We welcome the other funders because they give diversity and strength to public broadcasting.

At the $115 million level this number would be cut from over $30 million to just under $20 million, a 30-percent cut.

The third major area of our funds, 11 percent of $18.5 million, cover the distribution costs of the national television and radio programs. By 1980 this distribution will be by satellite. This will cost no more than what it would have cost terrestrially. In fact, in a few years it will cost less, but it will provide added diversity. It will provide four television channels as compared to one. It will also provide high quality ratio for the first time.

At the $115 million level we will have to forgo the fourth television channel. We will postpone getting that; that is $800,000. Aside from that, distribution costs are essentially fixed.

About 4 percent, or $6.5 million, would go to fund a variety of other support activities. The most expensive is the training and development of personnel; largely, but not exclusively, women and minorities, where we spend about $1.7 million. We spend about $800,000 each for communications research, engineering research, and educational activities.

At the $115 million level all of these would have to be reduced. I should point out that most of these activities were reemphasized by the Congress last summer. About 3 percent of the 1980 budget of $160 million—$4.8 million—goes directly for direction and administration of the Corporation.

Lastly, 3 percent, or $4.8 million, would be reserved for later distribution. This is the discretionary fund that I mentioned earlier. At the low ceiling of $115 million that would be cut back to just over $1 million.

I believe, Mr. Chairman, that we have made healthy advances at CPB but more importantly, the public broadcasting industry, aided by enactment of our authorizing legislation and its advanced funding.

We have just created a million dollar revolving fund for documentaries. We were able to sign and caption the Presidential and Vice Presidential debates for the deaf and hearing impaired. We were able to repeat the programs the following night. We have just covered the confirmation hearings of the Cabinet appointees.

In the cultural field, we along with others have funded "Visions," the first continuing theatrical series done specifically for television.

We and others have funded "Dance in America." For the first time in many years dance programs are being brought to television.

We have started a new program of aiding directly in instructional television. In this area we are aiding the 18-State consortium that initiated a series of programs to strengthen essential learning skills. This is a good example of how advanced year funding benefits our planning.

We have put up $200,000 of this year's money to permit the development and production of a pilot. But we have earmarked $1.2 million in succeeding year funds so that the producer has the assurance that if the pilot is of the quality we all think it will be, the program will continue. We are attempting the same thing with another very special program called Over Easy, for the aged. We are funding $109,000 for a pilot, and we are earmarking $1.7 million in future year funds.

In the past several years we have spent and committed about $3.3 million for "Women's and minority programs"—a million and a third for women's programs, about a million for black programs, and a million for Latino programs.

Perhaps, Mr. Chairman, the most dramatic demonstration of the effect of the advanced year funding, which the Congress has authorized, is in the "Satellite construction project." This is a $50 million project, for both TV and radio. Some $10 million of this has been raised from licensees themselves, the radio and television licensees; $5 million will come from the Corporation's funds; $1 million will come from the Public Broadcasting Service and National Public Radio. But the bulk of it, $34 million, has been borrowed against the credit of the Corporation, and the only credit that the Corporation has is advanced year funding.

Without that we would not have been able to borrow this and we either would not have constructed the satellite or we would have had to come back, like a Government agency, for a special supplementary appropriation for capital funds. This way we are able to fund our needs in a logical and businesslike fashion.

That concludes my statement on this subject, Mr. Chairman, but I would like, if I could to make one short statement on another program which is not in this act. That is the "Facilities program", as you know, is included in the HEW budget.

The facilities program authorization for this coming year is $30 million. Last year's appropriation was $15 million. Although it is in the HEW budget, this is my only opportunity to comment on it. As you know, the facilities program is a key part of public broadcasting. I just want to say we heartily endorse an increase in the Ford administration ceiling of $7 million to at least the $15 million that we have this year and, hopefully, closer to the $30 million authorized.

Thank you, Mr. Chairman.

LONG-RANGE PLANNING

Mr. FLOOD. Well, now, now that you have this 2-year advance funding that we established last year, have you been able to substantially improve your long-range planning that we talked about for the last several years?

Mr. LOOMIS. I have tried to give some examples of that. We certainly have in the programing area, where we fund pilot programs in the order of $50,000 to $100,000, and then commit several million in advance year funds. They are earmarked in these appropriations, assuming that the pilots work out.

The fact that we are able to borrow the money for the satellite is proof positive of the importance of the advance year funding.

CARTER BUDGET AMENDMENT

Mr. FLOOD. Well, you touched on this, but do you anticipate any amendment to the budget by the new administration?

Mr. LOOMIS. We would hope, Mr. Chairman, that the ceiling that has been put on the 1980 match by the Ford administration would be reconsidered by the Carter administration. And that is the only activity which really is a subject for discussion at this time. A new financing act, of course, is a different matter. We have just started getting together an industry group of ourselves, three of our directors, and three of the PBS directors, and three directors of National Public Radio to try to determine what the industry should propose to both the administration and the Congress in terms of future long-term authorization.

INCREASE OVER 1979

Mr. FLOOD. Well now, you already have your 1979 appropriation. That is $120.2 million, and today you are asking for $160 million for 1980.

Mr. LOOMIS. Yes, sir.

Mr. FLOOD. That is the full amount authorized. It's an increase of $40 million over the 1979 level. How do you plan to use that $40 million increase? What are your plans for the $40 million?

Mr. LOOMIS. Most of that increase would go to community service grants, directly to the television and radio stations. About $35 million of that would be for direct support, which includes distribution, national program production, and local station support. I would like to point out that as we understand, the possibility was raised last year that if we could show our match was much greater than required to reach our appropriation ceiling. We could consider submitting a request for supplemental funds.

We would hope that during 1977, if we would earn enough non-Federal money, we could make a good enough case to request that you consider raising the 1979 amount. But we can't obviously discuss that until we know what we have raised.

AUTHORIZING LEGISLATION

Mr. FLOOD. Well, we see here you plan to seek a new 5-year authorization bill. Can you tell us if you plan to propose any significant changes from the present law?

Mr. LOOMIS. Speaking for myself, sir, because this has not been an official Corporation position nor has it been fully——

Mr. FLOOD. I understand that.

Mr. LOOMIS. For myself, I think the present law is excellent. I think we have not operated under it long enough to have enough experience to justify recommending substantial changes. I think that I would certainly be very happy to welcome and accept a similar law with new authorized ceilings for coming years.

Mr. FLOOD. What appropriation ceilings do you plan to seek in this new authorization bill?

Mr. LOOMIS. We have begun very tentatively to develop forecasts on what we think the non-Federal money would be or could be. Then, as we did in the previous case, we will probably add an incentive number. If we are able to reach that, then we would draw down the match, and if we don't make it we don't make the match. We take all of the down-side risks.

FEDERAL PERCENTAGE SHARE

Mr. FLOOD. In fiscal 1976, what percentage of public broadcasting's total funding came from the Federal Government?

Mr. LOOMIS. About 28 percent. Some of that, of course, was from HEW for instructional purposes.

Mr. FLOOD. Twenty-eight percent?

Mr. LOOMIS. Yes.

Mr. FLOOD. Now if we approve this budget request of $160 million you are talking about for fiscal 1980, what will be the Federal percentage in 1980?

Mr. LOOMIS. The Corporation's percentage, this appropriation?

Mr. FLOOD. What will be the Federal percentage?

Mr. LOOMIS. It would be something less than 28 percent. Now how much more the Federal Government might add to that is hard for me to predict. It also depends on what the Office of Education will use for public broadcasting.

Mr. FLOOD. What would be the Federal percentage?

Mr. LOOMIS. I would think 30 to 35 percent—in that neighborhood.

Mr. FLOOD. Did you say 35?

Mr. LOOMIS. No; 28 percent would be our maximum contribution and I am estimating 6 or 7 percent more for Federal.

Mr. FLOOD. I am talking about the Federal. What will be the Federal percentage in 1980?

Mr. LOOMIS. My estimate is 30 to 35 percent.

Mr. FLOOD. Fine.

Mr. LOOMIS. Of course no Federal Government agencies have as yet made plans for 1980, so it's hard for me to predict, but it will be something in that order.

ASSETS OF CPB

Mr. FLOOD. I understand.

What was the amount of the Corporation's total assets at the close of the last fiscal year?

Mr. LOOMIS. The total assets were $90-some million available for all commitments, including $5 million reserve.

Mr. FLOOD. What were your total assets?

Mr. LOOMIS. A net of $14 million plus, at the end of 1976.

Mr. FLOOD. And what are the assets?

Mr. POSNER. Mr. Chairman, may I answer?

Mr. FLOOD. Yes.

Mr. POSNER. The total assets as of June 30, 1976 consist of cash, $910,000; Federal securities, $28 million; a receivable from the fiscal year 1976 appropriation of $8.5 million which had not been released by the treasury as of June 30, 1976; prepaid expenses of $197,000; and other assets of $771,000 for a total of $38,378,000.

Our liabilities consisted of grants and contracts payable, $22,847,000 plus. Other liabilities of $975,000 for a total of $23,821,000. The difference, or the net assets carried forward, was $14,557,000.

Mr. FLOOD. What is the investment policy that is followed by the Corporation?

Mr. LOOMIS. Basically, we buy Government paper.

NON-FEDERAL REVENUE

Mr. FLOOD. How much non-Federal revenue was raised by the Public Broadcasting System in fiscal year 1976?

Mr. POSNER. We do not have the final returns for 1976, Mr. Chairman, but we are accumulating that information. Our preliminary reports indicate that it will be between $290 million and $300 million.

Mr. FLOOD. What are your estimates for 1977 and 1978?

Mr. POSNER. It's difficult, sir, to make a precise estimate now.

For the amount necessary to justify the 1979 authorization of $140 million, we would need non-Federal revenues of $350 million in fiscal year 1977. If we fail to raise $350 million, we could not earn the authorized ceiling.

Mr. FLOOD. I understand.

Mr. POSNER. The appropriation of $120.2 million would require total non-Federal Revenues of just over $300 million in fiscal year 1977. We anticipate that amount will be exceeded.

Mr. LOOMIS. We think we probably could do somewhere around $350 million in fiscal year 1977. It will be tough but somewhere in that neighborhood is possible.

Mr. FLOOD. What are the sources of that non-Federal revenue, and how much came from each one of those major sources in fiscal 1976?

Mr. LOOMIS. The preliminary information again let me point out this is preliminary, shows the single largest amount comes from State education entities and State governments. That is about $95 million, or about a quarter of the total, 23 percent.

The next largest amount comes from subscribers, the individuals who pay the $20 or $25 each.

CPB INCOME BY SOURCE

Mr. FLOOD. Suppose you place in the record a detailed breakdown of the Corporation's income in fiscal 1976?

Mr. LOOMIS. For the Corporation or for public broadcasting? This is for public broadcasting.

Mr. FLOOD. I mean the Corporation's. You can put that in the record.

Mr. LOOMIS. All right.

[The information follows:]

The following is a detailed record of the Corporation's income in fiscal 1976

A. Federal appropriation	$78,500,000
B. Federal grants and contracts—(U.S. Office of Education-Data Acquisition and Report Preparation)	105,500
C. Non-Federal grants and contracts comprised of	5,369,548
Organization and purpose:	*Amount*
Ford Foundation, Station program cooperative	$4,586,036
Ford Foundation, Management information system	482
Ford Foundation, Audience research	34,521
Ford Foundation, Bill Moyers Journal-WNET	100,000
Ford Foundation, Satellite working group	103,433
Public Broadcasting Service, Satellite working group	208,039
National Public Radio, Satellite working group	25,575
Columbia Broadcasting System, TV support and research	291,878
New England Life Insurance, Microwave Interconnect-NPR	8,083
Other	11,501
D. Grant Refunds	207,918
E. Interest	951,624
Total	85,134,590

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you, Mr. Chairman.

NON-FEDERAL REVENUE

Why does it take so long for us to get those figures? I know we have to talk about some preliminaries, et cetera, but 7 months have passed now since the end of the fiscal year.

Mr. LOOMIS. Well, this particular year has been a difficult one. We have to justify and make sure of the non-Federal income reported. It's the first time we have had this matching arrangement in the law when we asked for the information. So we have had a series of discussions with the General Accounting Office to try to determine our best procedures. How do you verify, and how do you account for support in kind, such as when you have a university that supplies a building. How do you account for the value of that?

We have worked very closely with the GAO. They have been very supportive. In fact we have just made some new determinations which will require us to go back to the stations and amend some of these returns.

This is the tooth cutting of a new project. It takes a little longer to get into it than it will in succeeding years.

Mr. MICHEL. Isn't most of the non-Federal fundraising done by the local stations?

Mr. LOOMIS. Yes.

Mr. MICHEL. What percentage off the top of your head?

Mr. LOOMIS. Of the funds that are raised?

Mr. MICHEL. Non-Federal funding that is raised by the local stations. What percentage of the whole?

Mr. LOOMIS. I would say around 90 percent of it at least, probably more.

Mr. MICHEL. Do you do any fundraising at the national level?

Mr. LOOMIS. We, the Corporation, do it with the local stations mostly for programs in which we are participating.

For example, if we do a program like "Visions," the theater program, we pay roughly a third of that, the Ford Foundation provides a third, and the Endowment of the Arts puts up a third.

We are each fund raising from each other in order to put the project together. In other consortia an industrial concern may be involved. We work with the producing station to try to persuade non-Federal funds to come in. In many ways this is our single most important contribution; greater than our money contribution is what some people call putting our "Good housekeeping seal of approval" on a project. That is if we support a project, we say we think it is well done, the producer is competent and the budget appropriate. That helps an industrial firm or a foundation say, well, that must be a good project. So our influence in that way is greater than our absolute dollars. The fact that we can come in and say join us in a consortium, means we are not asking for charity; I say I am putting money in and won't you join me in this great project. That can be very persuasive.

GRANTS TO STATIONS

Mr. MICHEL. Are the Federal funds, grants that go to local stations, based on the amount of non-Federal funds they are able to raise?

Mr. LOOMIS. In part. There is a uniform grant that goes to all stations, big, small, et cetera, which for television is 0.1 percent of the appropriation. The remaining part of the direct support funds used for community service grants are divided up proportionately among the licensees, according to the amount of non-Federal money that they have raised in the base year.

So it's a relative amount. If I can raise the same amount as you, I get the same percentage. If I raise a little more than you, I get a little more.

NUMBER OF LICENSEES

Mr. MICHEL. How many licensees do we have now?

Mr. LOOMIS. 154 in television and about 177 in radio.

BUDGET OPTIONS

Mr. MICHEL. Now, throughout your statement and the justifications, reference is made to what the breakdown of funding would be under the Ford budget proposal of $115 million and your request for the full funding of $160 million. I am not altogether sure whether we are going to settle on either one of those two figures, so I am not sure that what you are saying then is altogether that helpful.

A more realistic figure you could talk about would be $135 million or $140 million. Would you provide for the record an itemized breakdown using this type of a figure. Could we assume that we would just cut each of the amounts down the middle?

Mr. LOOMIS. No, not quite. What would happen is that the community service grants to the stations would be cut down the middle because that is based on a percentage of the appropriation.

The percentage of the money that goes to the interconnection would go up, the absolute amounts would stay about the same because that's mostly fixed charges you have to pay. This means the balance is prin-

cipally in programing, where you would take cuts that would be greater proportionately than the cut in the appropriation as a whole.

Obviously, some reductions would also be made in the services such as training and research and education activities, which are also funded by the appropriation.

SATELLITE INTERCONNECTION

Mr. MICHEL. Now you indicate that if we stuck to the Ford budget, it would result in postponement of the activation of the fourth transponder for the new satellite interconnection system. What would this mean in terms of service?

Mr. LOOMIS. It would greatly reduce the diversity and freedom of choice available to the individual licensees.

It would particularly hurt the regional broadcast entities and other special groups that want to provide and want the stations to provide special services that are more than local but less than national, particularly programs on education.

Another example is the Spanish language programs, where there may be a third of the stations who really want them. They are spread geographically all over the United States. The satellite, for the first time will permit effective distribution of Spanish language programs nationally, without interfering with those stations that do not have significant Spanish population, to be able to program different.

Mr. MICHEL. So if we—I will rephrase the question and say what do we get if we have the fourth, would that be the emphasis?

Mr. LOOMIS. That's certainly the emphasis because it takes three transponders to basically cover the time zones in this country. Now, by doing that, and having all of the stations able to use all of the transponders all of the time, they do get some diversity because then instead of having McNeil-Lehrer report at 7:30, it could also be 5.30 or 8:30 their local time. That gives them some choice, but not really that much, because it's the same program over and over. It is the fourth transponder which opens up the availability of alternative program choices.

Mr. MICHEL. What would the actual cost of that fourth be?

Mr. LOOMIS. $750,000 for the fourth. There is a special price on the fourth. All of the other ones are $800,000.

PUBLIC RADIO

Mr. MICHEL. Now one of the arguments you use for extending the satellite system to radio is it would for the first time provide a truly national radio system. Why do we need that?

Mr. LOOMIS. What we have now is a single monaural line that, in theory, is 5 kilocycles when it starts; which is just like the audio on regular telephone. If you are listening to it in the Northwest or other places, it's 2 kilocycles if it's there at all.

For good music you need 15 kilocycles. Most of our radio stations are FM. You need stereo. For the satellite we will have four, 15-kilohertz radio circuits. We see that as usually configured. You can figure it any way but usually you see it configured as one stereo pair for high-quality music and two monaural for voice. One of those probably being public affairs, coverage of committees and so forth

and news and the rest, and one for the blind. That reading service for the blind is a unique service which public radio is doing. We are doing it now in about 35 cases.

Mr. MICHEL. Concentrated in the heavily populated areas?

Mr. LOOMIS. No; it's where it's been possible to pull such broadcasts together, and it's in some little areas as well as larger ones, about 35 in total.

Now, there are three kinds of things that you have to provide, should provide the blind. One is current local news. This means reading the local newspaper. We have gotten special permission from the FCC so that we can read the advertisements.

How else are the blind going to know there is a sale at the Safeway on spinach, not on coffee but on spinach? How are they going to know Main Street is torn up?

Then, on the other extreme, is the permanent material, the books that you can get from Congress. You can get the talking books from Congress. A lot of them now are duplicating each other because of the lack of interconnection, say for the Time magazine, or other weeklies. That sort of thing could be done much more efficiently with a national interconnection.

Just as radio is for the blind, we now have, as you know, FCC permission for the closed captioning of television for the deaf. We think these are two very special cases where public broadcasting can provide a unique service that is needed by many millions, tens of millions, of Americans.

Mr. FLOOD. Mr. Natcher?

BOARD OF DIRECTORS

Mr. NATCHER. How large is the board of directors?

Mr. LOOMIS. Fifteen, sir.

Mr. NATCHER. Do you have any vacancies at the present time?

Mr. LOOMIS. We have three terms that have expired, expired a year ago March, 11 months ago. The Board of Directors was established pursuant to the Public Broadcasting Act of 1967. We have 15 members, 5 of whom are nominated each 2 years by the President to serve 6-year terms. Those nominees are confirmed by the Senate. By law, no more than 8 can belong to any one political party.

So, we are meant to have an orderly change of 5 new directors reappointed every 2 years.

Due to some of the confusion that has occurred in the executive branch in the last few years, the nominations were less than orderly in their coming forward, and we had long times when we had either several vacancies, because people had resigned or had terms that had expired. We now have three whose terms have been expired for a year. This is very difficult on those individuals, because they never know when the sword of Damocles will fall.

But we have every hope and expectation that Mr. Carter will nominate three people for these terms that have expired, and then it will be another year, March of 1978, until five more terms expire. Then hopefully we will get back into the regular order.

Mr. NATCHER. How are your board members compensated?

Mr. LOOMIS. They are not compensated except they get a per diem of $100 for days on which they actually serve, plus their travel and expenses.

NUMBER OF CPB EMPLOYEES

Mr. NATCHER. How many people do you have employed presently by the corporation?

Mr. LOOMIS. 133 positions, slightly fewer actual employees.

Mr. NATCHER. How does that compare with 2 years ago?

Mr. LOOMIS. It's about 10 or 15 more. It was 104 2 years ago but that was lower than 3 years ago because we had moved the offices down from New York and we had a temporary loss of a lot of sections and those who wouldn't move down.

CPB SALARIES

Mr. NATCHER. Are your salaries comparable to the salaries paid to Federal employees?

Mr. LOOMIS. Our employees, as you know, are not Federal employees. Our salaries are comparable in general to Government employees at most levels.

Now, we did a detailed personnel salary study with a personnel consultant 2 years ago, comparing the salaries of our individuals, not primarily with Government but more with what industrial or commercial broadcasters were doing, as well as other public broadcasters, because those are really our competition.

Our personnel move back and forth, and we encourage this. They move between us and the stations, between us and PBS, and NPR and even back and forth to the commercial broadcasters.

Mr. NATCHER. What is your salary range in the corporation?

Mr. LOOMIS. For the employees it begins at $7,600, and goes to $47,000. The officers begin at $50,000 and go to $70,000.

Mr. NATCHER. What do we have in the $47,000 category just for instance?

Mr. LOOMIS. We have three individuals.

Mr. NATCHER. Three in that category?

Mr. LOOMIS. Yes, and that is a range from $37,000 to $47,000. Level 12 has that spread.

TRAVEL COSTS

Mr. NATCHER. How much did the corporation spend on travel in the year 1976, for instance?

Mr. LOOMIS. $340,000 total, sir.

"OTHER OBJECTS"

Mr. NATCHER. Now in your justifications—and you might want to turn there to page 8—you have an item on page 8, Other Objects: the amount requested is slightly over $9 million. What do you mean now, how is this money going to be expended?

Mr. POSNER. Mr. Natcher, that covers all of the expenses of the corporation that are not specifically identified in the other categories. That would include our miscellaneous contracts, our rental expenses,

printing and binding, the transportation of effects, what we would label as other contractual services not identified as a part of production or distribution costs.

Mr. LOOMIS. This would include our support of educational materials, and research. It is all of the other support activities like training, a major activity which is done with strong encouragement from Congress.

We, frankly, don't use this breakdown ourselves. That is why I am not familiar with it. It is one which the Congress asks us to do. It is not a very helpful breakdown from management point of view.

Mr. NATCHER. You might want to amplify that just for the record a little more.

[The information follows:]

CPB records are maintained according to purposes for which funds are spent. The "Obligations by Object" breakdown appearing at page 8 of this justifications is a recapitulation of this information. The "Other Objects" item of $9,005,000 in fiscal year 1980 at the $160 million appropriation request level includes all object class costs involved in the "Other Support" category of the budget—research, training and development, human resources, management information systems, special support, and other items—except for personnel compensation and benefits and consultant costs, which are broken out separately in the table. It also includes such cost for the program direction and administration category—corporate management, financial management, and general administration and support.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal?

COMMUNITY SERVICE GRANTS

Mr. ROYBAL. I came in a little late and I don't know whether this particular question has been asked or if you have discussed the subject matter but I would like to have some explanation with regard to the formula that is being used in making grants to stations under your community service grant program.

Mr. LOOMIS. I mentioned it in broad brush but I can go into it in more detail.

In broad brush for both television and radio the concept is that you have a uniform grant which is identical for all licensees. In the case of television that is $\frac{1}{10}$ of 1 percent of the appropriation.

So if the appropriation were $160 million that would be $160,000 for each TV licensee.

In the case of television where the total fund to be distributed is $80 million or 50 percent of the appropriation. The remainder would be distributed proportionate to the non-Federal funds raised. For example, in 1976, the total appropriation was $78.5 million. The total amount for the community service grants was $38.6 million. The basic grant for each station was $78,500, which was one tenth of 1 percent of the appropriation. $78,500 times 154 licensees, meant that a little over $12 million was utilized to fund uniform grants. That left $26 million to be divided among the licensees proportionate to their ability to raise non-Federal money. It was competitive.

Now, there is one other complication which affects the smaller stations. By law, no station can receive more than 50 percent of its non-Federal income from the corporation. This is to make sure that every station has its roots firmly in the local community.

So, for example, if a station had non-Federal income of $200,000, by law it cannot have a grant from us greater than $100,000, irrespective of the fact that the uniform grant was let's say $125,000. We can't pay it.

Mr. ROYBAL. Well, how does a station make out particularly if it serves a minority group in the low income brackets? How can they get non-Federal funds? Isn't this formula a discriminatory formula with regard to minorities?

Mr. LOOMIS. I don't believe it is, sir. Among other things, we feel that the matching formula clearly puts the burden on public broadcasting to raise its non-Federal money. That seemed to us to be the carrot that was held out there.

Now, in stations that broadcast to minority audiences, they are, of course, licensed to somebody. They are licensed to an institution or they are a nonprofit corporation in the local area.

It is the licensee's responsibility and duty and challenge to try to raise the additional money. And we do our best to help them do that. We have been helping the creation of a Latino consortium among several dozen stations who are specializing in Spanish language to try to help them become more efficient, to exchange programs among themselves, and hopefully to get more audience, and have more interest, and be able to raise money more effectively.

LOCAL FUNDRAISING

Mr. ROYBAL. In order for them to raise money they must have more audiences and they can't get more audiences unless they get money to produce it. They can't get more money to produce it because they service a poor community. It's a vicious circle, is it not? I just don't see how a minority group station can really benefit under the guidelines that you have adopted?

I represent a minority group area and I am unable to raise the funds, that is, in comparison to other Members of the Congress. I raise less money than the vast majority of Members of the Congress as a whole simply because I do represent a minority group and a poor area. As I place myself in the position of a station manager that servies a poor area, I am at a loss to know how they can raise the necessary funds.

Mr. LOOMIS. Well, I think there are two possible answers to that. One is, the Corporation is doing much, not as much as it should, not as much as I hope we will be able to do; to locate, fund and bring into being programs of high quality for varying minority audiences.

The programs that we fund are made available free to the stations. If they are, in fact, good programs, if they are, in fact, attractive and suitable and interesting to minority audiences, that at least should help the minority stations attract more of the audience.

I agree with you that the ability to raise money from the audience itself, which accounts for maybe 10 percent of the total non-Federal money of all sources, is very difficult for minority stations, but I think you have an equal or perhaps even a better opportunity to raise money from other tax sources, municipalities, States, and certainly from foundations, as well as other people who are outside the immediate

community that are interested in, concerned with and committed to minority problems.

Mr. ROYBAL. Outside funds that are not Federal funds means funds from any other source. I presume that is correct.

Mr. LOOMIS. That is correct.

Mr. ROYBAL. So it could be taxpayers' money?

Mr. LOOMIS. Yes; local tax counts very much. So if you can get the city of Los Angeles to give a grant to the station to do something for high school equivalency in Spanish that counts very much.

Mr. ROYBAL. I am sure you are kidding about the city of Los Angeles being willing to put up that kind of money.

MINORITY PROGRAMING

I see that you have committed $1.3 million to women's programs; $1 million to black programs and $1 million to Latino programs.

Now, the $1.3 million or out of that amount, can a certain percentage be made available to both the black and Latino programs who deal directly with women's programs?

Mr. LOOMIS. Yes. It is difficult to break down our money into these categories. There is tremendous overlap, and then there are programs that are not listed here at all, like "Visions" which is the drama project.

One of those dramas was dealing with Spanish migrant labor in California, a very controversial program incidentally, but whatever else it was it certainly was a Spanish program, among other things. But that doesn't show up in here.

All of these overlap, and it gets so very difficult to meaningfully break it down. We are still struggling with how to do it in a way that will inform and not misinform.

Mr. ROYBAL. Well, I was hoping that your answer would be yes, that they do get more than the $1 million.

Mr. LOOMIS. So they do. They do as I said, the "Visions" program alone costs probably a couple hundred thousand, but it's in another category called drama, and that is the problem.

Mr. ROYBAL. Thank you.

Mr. FLOOD. Mr. O'Brien?

PROGRAMING DECISIONS

Mr. O'BRIEN. How do you determine what are good programs, say for Mr. Roybal's constituency? Does he have a voice in that? Do you? Does your board decide what you do?

Mr. LOOMIS. We only make a decision of which programs to support. When they are funded and produced it is the responsibility of the producer to produce the best program he can. Then it is the responsibility of the broadcaster, in this case each individual licensee, whether or not to broadcast it or when to broadcast it, how often to broadcast it, how to advertise it, and all of the rest.

If a program that we have funded is agreed by all concerned to be a turkey, the chances are we will be very hesitant about funding another program with that particular producer or at least on that particular subject.

If, on the other hand, it's a success like the "Adams Chronicles," we clearly are more likely to seek out or fund programs from the same team on similar subjects.

One of the most difficult things with public broadcasting is to determine what is success, because we feel strongly it should not be merely a head count. If it is merely a head count you are then back to commercial broadcasting. If that is what you are after, if that is your measure of success, you forget your Spanish programs, and you come out with situation comedies, because the commercials have done about as well to get the maximum audiences that they can.

So, if it is not maximum audience, what is it? And it is good programing, programing that is alternative programing, programing that provides a service that is not otherwise available, all of these phrases which are nice to say but are very difficult to judge.

When you get a program, a proposal to fund a program how necessary is it or what special need does it reach? And this is the judgment of our board. We get advice, suggestions from many sources. In the case of television the most significant is from the public broadcasting service, and the licensees who tell us we need more programs like this or we want more programs like that.

We have the Advisory Committee of the National Organizations, which is some 45 of the national organizations, AFL–CIO, the NAACP, the NAM, you name it, it's one of them. They advise us that we should do more of this or less of that or they don't like this program or have we thought of that.

We get proposals from your constituents, which we, of course, take into account. We get suggestions from the audiences. Particularly the stations do, and for example, in the station program cooperative, this is an action where the stations make up their joint decisions as to which programs will be funded the coming year.

Many stations show over the area samples of the programs that are up for choice, and ask their audience to either fill out a questionnaire, which is printed in the newspaper, or to write them or put it in the print ballots in station's magazine. Stations try to get their opinions from the public itself of what they want. Then we try to add to this as much as we can in scientific, objective, or whatever type of appropriate study, where we have panels of people who do public opinion surveys on specific programs, to try to obtain those views. Then you make your judgment as best you can.

It's like anything in the information business, in the artistic business, you never get unanimity because it's a matter of personal tastes, desires and needs. You cannot let your own personal views and judgments be controlling, because I happen to like a program doesn't mean anything. And you do your best among all of these frequently conflicting devices to try to do what you believe to be in the public interest, and that is the best you can do.

MINORITY PROGRAMING

Mr. O'Brien. Do you ever have any problems with specialties within specialties? For example, in my district I have a large Mexican American constituency which I suspect is quite different in character from

what you might find in New Jersey or even Florida. They may not all enjoy the same programs. How do you deal with that?

Mr. Loomis. That is a very big problem and one in which you will get very differing views. We have been funding a program called "Realidades" in Spanish that was trying to see whether you could produce a program, with enough different segments in it that would be attractive to both Puerto Ricans and Mexican-Americans. Opinions are still very, very divided on that subject.

The American Indian is another target audience that has been neglected. With this group the differences are sometimes greater than the commonalities. And how much should you put into these fractionalized, smaller groups?

You feel very strongly that zero is too small an amount, but how much is sufficient and right? Those are the kinds of things that, for example, this new satellite will help, because you will be able to get the regional groups together efficiently so a program that is done in Albuquerque may also be quickly and easily distributed to Los Angeles, or Tucson or other places where there are interested audiences. And we think that that is one of the benefits of the satellite. It will increase the capability and therefore encourage the production of programs for these special audiences of all kinds, not just racial audiences.

Mr. O'Brien. One last question, Mr. Chairman.

AWARENESS OF PROGRAMS

With regard to the TV inserts that go out in various papers at the end of each week, do you think your programs get adequate attention from the standpoint of people looking at the advertisements and finding out what they want to see?

Mr. Loomis. I think when it comes to the actual listening, in most newspapers and most markets, it's pretty fairly done.

One of our problems is a lack of advertising. When you have a small amount for production, you can say, "We ought to spend 50 percent for advertising," but it's awfully hard because you have some needs to do these programs.

This is one reason that the programs that are underwritten by commercial concerns, commercial companies, get the wide distribution audiences, because the commercial concerns sometimes spend as much money as they give to us to produce it on advertising. What Gulf did for the National Geographic specials is an example, which we welcome. They have great shows, and because Gulf had the money to call them to people's attention they were widely looked at, and that helps bring people to public television.

One of the things that you will see that expands quite rapidly in these later years and at the higher budgets is a much bigger advertising budget. This is particularly true for our special programs which by defintion are designed for a smaller audience, not a common audience. If you are designing, for example, a program for the deaf you have to advertise it so deaf people know about it. Well, how do you advertise to the deaf? That is a hard thing to do. You have to go to special publications and special means, you just can't do it across the

board. Or if you are trying to advertise for the Spanish or farmers or any other special group it is a more expensive and difficult thing to do. And it is even more difficult in radio, because that by definition is more fractionated.

Mr. FLOOD. Mr. Stokes?

Mr. STOKES. Thank you, Mr. Chairman.

EQUAL OPPORTUNITY

Mr. Loomis, on January 1 of this year the Corporation for Public Broadcasting submitted a report to the Congress. That report was entitled "Equal Opportunity Efforts and Accomplishments." In that report on page 1 you say this:

> The Corporation has reviewed its own compliance with applicable antidiscrimination statutes, and has taken significant steps to assist it in the compliance efforts of other public broadcasting entities.

Did the results of CPB's analysis of your own compliance with applicable antidiscrimination statutes reflect that CPB is now in full compliance with those laws?

Mr. LOOMIS. Yes, sir, it did. And I think it reflected that we have been, we are ourselves, the Corporation itself, in compliance all along.

Mr. STOKES. Well, did your analysis show that minorities and females were being underrepresented or underutilized in certain categories within CPB?

Mr. LOOMIS. The one area that was below the labor force standard were minorities at the highest level, if you did this at a five category break. If you did it in the three category break, which is the normal one done by the Labor Department, we were at or above minimums in all categories.

Mr. STOKES. In all categories?

Mr. LOOMIS. I believe that is correct, sir.

Mr. STOKES. Let me direct your attention to page 33 of your report's last paragraph where you say:

> For female employees, CPB representation in the top category, figure 6, rose from zero percent to 16 percent during the period between December 1975 and November of 1976.
>
> For minorities, representation fell from 7 percent to zero percent.

How do you explain that?

Mr. LOOMIS. Well, this is under the five category breakdown that I mentioned. I said the one area that was clearly lacking in the five category breakdown was minorities at the highest level, which is the figure that you have mentioned.

In the three category breakdown (the Labor Department tends to put those two together) the minority figure is 10 individuals and the percentage if my memory serves me it was at or above the Labor Department norm. And that was the statement I was trying to make about the 3 level.

The lack of a minority in the top level of management is of concern to me and to the Board. We are very conscious of that zero figure, sir.

Mr. STOKES. Well, other than being conscious of it, what are you doing about it?

Mr. LOOMIS. Well, we have been trying to recruit minorities when we have a vacancy at these top jobs. In a couple of cases I have offered a job to a minority, who for very good reasons didn't take it. In fact, I was in advanced conversations, which I was hopeful would be successful, with a very competent individual who Mr. Carter found out about and I lost him to the new administration.

So, there have been a series of individual cases like this that I could try to fill you in on privately if you wish, sir. But it's a figure that I am very conscious of.

Mr. STOKES. How many people are we talking about in what you call top category? Percentages don't mean very much to me. I would like some idea of numbers.

Mr. LOOMIS. In 1976 it would be just the 19 employees in the top category.

Mr. STOKES. Nineteen?

Mr. LOOMIS. Nineteen of which three are female and zero are minority.

Mr. STOKES. Tell us a little bit more about the top category, what type of individual holds that position. What kind of qualifications are you looking for that you can't find?

Mr. LOOMIS. First of all we have a vacancy in one of those jobs for which we have to recruit.

Mr. STOKES. At some time or other there were vacancies.

Mr. LOOMIS. Yes; that is correct. Now this number includes the officers, so that would include myself and the Executive Vice President. It would include the senior vice president for broadcasting, and of course the requirement is a long period of duty in public broadcasting at highly responsible positions.

It's the vice president and treasurer, in this case Dr. Posner, that requires experience in management and budgets, and preferably experience in dealing with congressional appropriation committees, the Federal Government, with the GAO, and the executive branch. The vice president for public affairs is a woman. This position required knowledge of public relations and public affairs. This is another example of where one of the leading candidates was a black woman, who was given very close consideration. The last is the General Counsel.

The others are the head of the television department, and head of the educational activities department, those kinds of departments that require long experience in public broadcasting.

Mr. STOKES. Some of that criteria would foreclose minorities ever being able to be hired, wouldn't it?

Mr. LOOMIS. Well, minorities are coming up into the middle ranges very rapidly and with the experience many of them are getting now I think that every day more of them are eligible for consideration for those top jobs; yes, sir.

Mr. STOKES. Well, in terms of the same position I don't quite understand your saying the representation fell from 7 percent to zero. Were some minorities in that category previously?

Mr. LOOMIS. Yes, sir. I had a special assistant for minority affairs, a gentleman I believe you know, Mr. William Powell, whom I had worked with in the information agency for many years, a very com-

petent individual. When we restructured the minorities and women's activities, it changed from being a special assistant to a department, responsible not only for minority and women's affairs but for training of all persons throughout public broadcasting. It also includes our personnel department. Therefore we needed somebody with more specific training in personnel and training activities. We advertised widely; we had a variety, a very large number, I forget the actual number, but it was a very large number of candidates.

We ended up choosing a woman of unusual experience. She had just been Secretary of Labor of the State of South Dakota and had among other things considerable experience in dealing with Indians in that area. She was thoroughly aware of the constraints of dealing within a civil service system, which is one of the problems industrywide.

Another leading candidate was a black male. Again we had the choice of who could do, in our judgment, the most significant job, in a very difficult area and we made the decision that the white female had unique experience for this job.

Then under her the head of minority affairs is a black male and the head of women's affairs is a black female. Training is a Eurasian female, I guess.

SATELLITE PROJECT

Mr. FLOOD. What is the estimated total cost of your satellite project?

Mr. LOOMIS. The capital costs are $50 million. The operating costs——

Mr. FLOOD. Well no, I mean the distribution costs.

Mr. LOOMIS. The annual distribution costs?

Mr. FLOOD. Yes.

Mr. LOOMIS. The annual distribution costs in 1980 is $16 million, which is our estimate of what the telephone interconnection would cost in 1980, assuming a 7½ percent inflation figure. So that the actual operating costs of the satellite, including debt service, is the same as what the terrestrial costs would be if we continued with a terrestrial system.

Mr. FLOOD. How much are you going to borrow to finance that satellite project?

Mr. LOOMIS. $34 million.

Mr. FLOOD. What are the repayment terms? What interest rate are you paying on that?

Mr. LOOMIS. In the case of the bulk of it, $32½ million, we are borrowing from.

Mr. FLOOD. What is your interest rate?

Mr. LOOMIS. Prime, basically.

Mr. FLOOD. All right. Well then, how much will the annual debt service be?

Mr. LOOMIS. I will ask Mr. Posner to figure it but one point that should be stressed is that this is not a straight borrowing, it is a line of credit.

Mr. FLOOD. I understand, all right.

Mr. POSNER. Mr. Chairman?

Mr. FLOOD. The annual debt service.

Mr. POSNER. The debt service will initially be in the neighborhood of $5.3 million. The terms of the loan with the Bank of America con-

sortium call for retiring one-tenth of the principal each year. That loan would be $32.5 million, so that the principal repayment would be $3.25 million each year.

In addition to that the interest rate initially will be what the bank refers to as floating prime, meaning the prime rate set by the Bank of America. That will be a variable figure depending upon the prime interest rate at the time.

Our estimate for the first year is that that will be approximately $5.3 million.

Mr. FLOOD. Have you awarded any contracts yet in the satellite project?

Mr. LOOMIS. Yes, sir, we have awarded them contingent upon FCC approval.

Incidentally, the FCC we understand is meeting on this subject tomorrow. And we are highly optimistic that the FCC will approve the project tomorrow.

Mr. FLOOD. When do you expect the satellite system to be operational for television?

Mr. LOOMIS. January 1, 1979.

Mr. FLOOD. What about radio?

Mr. LOOMIS. October 1979. If I may finish on the contracts, sir, we have awarded a contract to Western Union for the transponder service for television and with an option for radio.

We have awarded a contract to the Collins Division of Rockwell International for the construction of the television ground stations.

We have an agreement in principle with the bank, we are in the final stages of negotiation with that, which, of course, will have to be approved by our Board.

We have gone out for requests for proposals for the radio ground stations. We are in the final stages of negotiation with Comtech, which is a company to build the master linkup for public broadcasting and eventually radio.

Mr. FLOOD. Now we talked about your distribution costs. I see these are projected to go up from 1977 to 1980. Why is that?

Mr. LOOMIS. One of the main reasons is new licensees. We are growing every year, and the average of about 4 or 5 television stations and about 10 or 15 radio stations, and so that system is itself getting larger.

In the case of the terrestrial system, we also have inflation in the telephone costs. One of the big advantages of going into satellites is we are pretty immune from inflation, and that is a major asset.

TREASURY CERTIFICATION

Mr. FLOOD. Tell us about that process that you go through with the Treasury Department now in certifying the non-Federal amount in order to obtain your appropriated funds.

Mr. LOOMIS. Yes, sir.

Mr. POSNER. Mr. Chairman, each year in advance of the start of the fiscal year we certify to the Treasury Department, under the law, the amount of non-Federal revenue that has been raised by the system as a whole during the second preceeding fiscal year.

The Corporation is responsible for making the certification. We go through a rather intensive process of making certain that the amounts that we certify have, in fact, been raised. We require that the amounts be certified initially by the chief financial officer of the station.

We require an independent verification by either a certified public accountant, by the regular accounting organization for the station, or by another qualified individual, so that you have both a certification and a verification.

In addition we have our own auditing staff which reviews the financial reports. Our present plans are to do that so that every station will be reviewed in no more than a 3-year period, so that we are as certain as we can be when we certify this amount to the Treasury Department that is represents genuine revenue.

Mr. FLOOD. When does the Treasury disburse the money to the Corporation?

Mr. POSNER. It has disbursed them shortly after the start of the fiscal year.

Mr. FLOOD. Do you get it all at one time?

Mr. POSNER. In the last three instances, we have, yes, sir.

LOCAL STATION BUDGET

Mr. FLOOD. How large is the annual budget for the average public television station?

Mr. LOOMIS. Just under $1,900,000.

Mr. FLOOD. What portion of that comes from Federal funds?

Mr. LOOMIS. I have that right here, sir. The Federal money, not counting CPB, is $162,000; $290,000 is listed here as within public broadcasting. Now most of that, $245,000 of that, is from the community service grants from the Corporation. Some $916,000 is from State and local tax sources. That's 46 percent of their money. Foundations account for $88,000, or just over 4 percent. Business and industry is $133,000, or just under 7 percent. Subscribers and individuals, $236,000 or 12 percent. Auctions are $73,000 or just under 4 percent, and $85,000 from all other sources.

COMMUNITY SERVICE GRANTS

Mr. FLOOD. You talked a minute ago about the community service grants. What are they used for generally?

Mr. LOOMIS. They are unrestricted. When they come from us they are given as unrestricted grants, like revenue sharing.

Mr. FLOOD. Do you hold them accountable for these funds, or do you just give them a free hand?

Mr. LOOMIS. We hold them accountable in the sense that they tell us beforehand how they expect to spend them. They tell us afterwards how they did expend them and we audit it. And then if they changed during the year they inform us of their change for audit purposes only.

PRODUCTION

Mr. FLOOD. What is the Corporation's role in the actual production of television programs?

Mr. LOOMIS. Our role is only that of a funder. We do not get into any of the editorial functions. We think it would be entirely inappropriate for us to do this. We have proposals brought to us that a station wants to produce a program on a subject.

Mr. FLOOD. Where are the main production centers in the country?

Mr. LOOMIS. WNET in New York is the single largest television station. The single largest producer is Children's Television Workshop, the producer of "Sesame Street" and "Electric Company." They currently produce about 99 percent of programs.

Mr. FLOOD. What proportion of program production is strictly local?

Mr. LOOMIS. About 11 or 12 percent.

Mr. FLOOD. What about underwriting costs? How much money are we talking about, I mean underwriting the production costs.

Mr. LOOMIS. We spent about $13 million this year.

Mr. FLOOD. No, I don't think I made that clear. I have in mind not so much yours, we have that. I have in mind the major corporations—how much they put into this.

Mr. LOOMIS. I have it here. Just 1 second.

Mr. FLOOD. How much money are we talking about there?

Mr. LOOMIS. In 1976 corporations funded $13.9 million, or about 23 percent of what was carried by the Public Broadcasting Service, which is less than what is done.

RADIO STATIONS

Mr. FLOOD. How many public radio stations are there now?

Mr. LOOMIS. I thought it was about 200 we supported. It is——

Mr. FLOOD. How many are there?

Mr. LOOMIS. 177.

Mr. PATTEN. You say in your justification you have 177 and you hope to go to 217 by 1980.

Mr. LOOMIS. Thank you, sir.

Mr. FLOOD. What percentage of your funds is strictly for radio?

Mr. LOOMIS. Radio gets about 15 percent of the appropriation.

NATIONAL PUBLIC RADIO

Mr. FLOOD. Now we talked about National Public Radio. What does that do?

Mr. LOOMIS. National Public Radio is a contractor to us and also is roughly analogous to PBS, what the Public Broadcasting Service is for television. NPR manages the radio interconnection. It also produces programs principally public affairs programs and instructional programs for distribution nationally. But this gets complex because it really packages much of them. Usually they are bits and pieces and one of their 1½ hour long news magazines which they do five times a week, and is one of the best shows in radio, will have a dozen pieces from stations from around the country. Then they will be packaged by NPR in Washington and added to coverage of a congressional hearing or something of that nature. So that the whole show is produced by NPR centrally.

But many of the pieces come from local stations, talking about local events of national significance.

RADIO EXPANSION GRANT

Mr. FLOOD. What is this radio expansion grant?

Mr. LOOMIS. The problem with radio is twofold. It was way behind television in physical expansion and coverage in the United States, for two reasons.

One is that the Ford Foundation, which was the heart of the funding for television before the Government got involved, was not particularly concerned with radio, and gave very little money to radio in the 1950's and 1960's. The Facilities Act which we mentioned earlier, which the Congress passed in 1962, was solely for television not for radio. That act wasn't amended until 1967, at the same time the corporation was authorized to be created. It was then that the Facilities Act was broadened to cover radio. And its national coverage is only about 60-some percent of the people.

Mr. FLOOD. What is an expansion grant?

Mr. LOOMIS. We have expansion grants that cover about a 4-year period, and average maybe $50,000 a year. The first grant of only $25,000 goes to an area where there seems to be some local interest in establishing a radio station. This money is used by the local people to do the planning, to do the fundraising, to do the paperwork necessary to get a license, to find a licensee. That may be a local colleague, it may be their own group. Once they are ready to go, and the FCC approves it, then we give a further grant. This is force feeding to permit them to come up, and then the second year is the largest year, it's $100,000. Then we drop back down to $75,000, then to $50,000, and then we are through, and they either make it or they don't.

CPB RESEARCH FUNDS

Mr. FLOOD. How much do you have in this request for research of any kind at all?

Mr. LOOMIS. Of any kind at all, probably a couple of million; $2 or $3 million.

Mr. FLOOD. What types or kinds of research are you engaged in?

Mr. LOOMIS. There are two basic types. One is audience research, dealing with individuals, people, human beings, and the effect of television on them, what they want, who listens, why, the problem of how to ascertain needs, all of it dealing with human beings, and the impact of television and radio on them.

Then the other type of research is the engineering research, the development of better technology for broadcasting.

For example, SCA for the blind, the 21st line for the deaf. A lot of it is development of satellites with NASA in some cases, like the ones now being used in Alaska and the Rocky Mountains.

Another very new, and experimental satellite, again with NASA and the Canadians, is being used in the Southeast where we participate and help. Most of the money is coming from the area, most of the money is coming from NASA and the Canadians, but our little bit of money helps as a catalyst and to coalesce the effort.

PUBLIC RADIO CONFERENCE

Mr. FLOOD. In the 1977 appropriation I guess you know there was language prohibiting the Corporation from using Federal funds, and I will quote this: "To pay for receptions, parties, and similar forms of entertainment for Government officials or employees." That, by the way, was added on the floor.

Mr. LOOMIS. I am aware of that, sir.

Mr. FLOOD. Take a look on page 46 of your justifications. You plan to provide, and let me quote: "To provide partial support of the Public Radio Conference." Well, isn't that what started all of this flap in the first place?

Mr. LOOMIS. Not the Public Radio Conference, no, sir. It was a reception held at the same time on the Hill that caused the flap. There will be no reception and the conference is in New Orleans.

The radio conference is an annual 3-day affair, where you bring together the professionals of public radio, both the managers, producers, and fund raisers. It's the one time they get together to exchange experiences, to go through workshops, and to vote as a group on policy issues.

Now we are helping radio do that. In the past we did help television do that until television withdrew and matured and now they take care of that themselves. In fact right now the annual Public Television Conference is going on in Atlanta.

RELATIONSHIP WITH PBS

Mr. FLOOD. You mentioned this earlier, but I think we should talk about it again.

Tell us again just what is this problem now between the Corporation and the Public Broadcasting Service? What are you going to do to resolve it?

Mr. LOOMIS. Well, I think it is resolved.

Mr. FLOOD. What is the problem?

Mr. LOOMIS. I think the fundamental problem is who is responsible for what.

Mr. FLOOD. That is fair enough.

Mr. LOOMIS. Under what ground rules. Public broadcasting is a very complex and diffuse industry. It is not easy to understand or get your hands on. The Corporation is only a small part of it, and our influence is just about what our percentage of the income derived from us. We are about a 20 percent stockholder in the business. A significant contribution, but not a controlling contribution.

We were set up by law, by the Congress specifically, not to be a controlling influence. The Congress and before that the Carnegie Commission, felt very strongly that public broadcasting should be decentralized, that it should be built on the individual needs and desires and judgments of the individual stations, and that the national effort should produce those things which cannot be produced locally, but under no circumstances require, demand or force the local stations to do anything.

We feel that we are living up to that mandate. That is why we welcome and believe strongly that we should distribute most of our money, 58 percent, directly to the stations. It is why our single largest item after that is the distribution system which can only be funded nationally.

The one area where there is considerable debate is in the funding of programs. As I said, we only fund about 12 to 15 percent of the programs. We think that is about right in absolute percentages. And that our job is principally to fund and develop the new experimental programs to provide them to the stations, let the stations look at them, make a judgment whether or not they wish to continue them. Then we drop out. We do not fund a program, will not fund a program longer than 2 years. Two years gives the station an opportunity to know whether they want the program or not, and then they make their own judgment.

Mr. FLOOD. Why this conflict with the Public Broadcasting Service? What is the problem?

Mr. LOOMIS. The Public Broadcasting Service feels we should not make program funding decisions. I think they feel that they should, acting for the stations, for the licensees. We feel that first of all the Congress has directed us to do that. Incidentally, on this subject, my Chairman, Mr. Benjamin, is making a statement today at the television conference on that subject, and I have a copy of it here which I will be glad to give to you members. The statement analyzes this subject from his prospective.

As you remember, he anounced his intention to resign.

Mr. FLOOD. Be sure and leave us a copy of that.

Mr. LOOMIS. I certainly will, sir, and this is the philosophical reason for it.

Mr. FLOOD. What are you doing to resolve the problem?

Mr. LOOMIS. We are resolving the problem by continuing the way we are now, each stating that we think our position, philosophical position, is correct, trying to make the day-to-day operation work better. As Mr. Benjamin says in his statement, he feels that the Congress will have to either reaffirm the present law or amend the present law, but that is the judgment of the Congress.

Mr. FLOOD. Amend it to do what?

Mr. LOOMIS. Amend it to not have us to do programing, or in any way it chooses. This is really the subject that will come up in the new 5-year authorization. This is one of the main things.

We feel it would be contrary to the spirit of the existing law. We feel there are inherent problems in the stations making all of the decisions. You have the inherent problem of a trade organization making judgments on the distribution of money within its membership.

For example, one of the controversial areas is how much we should consider program production by nonstations, by independent producers. And many in public broadcasting feel that there is so little money in public broadcasting that it is wrong to give it to an independent producer.

We do not feel this way.

Mr. FLOOD. Mr. Michel?

Mr. Loomis, going back again to my earlier questions on the fourth transponder, on page 13 it says the availability of four satellite transponders to distribute programs will substantially increase the need for additional programs and hence the need for sufficient production funds.

Now, aren't we caught in kind of a catch 22 type of statement? You are appealing for a fourth transponder, and in order to improve service, you state you also need more money or additional money for programing in order to make full use of what we then gave you.

Now, do you get my predicament?

Mr. LOOMIS. I get your logic, sir. But the answer, at least from my perspective, is that this would permit us for the first time to more closely reach what we believe has been the goal established by the Congress from the beginning of trying to provide to the local stattions excellent programs from diverse sources. That in the past, with the joint restraints of a single telephone distribution and very limited production funds, we couldn't really come anywhere close to that goal.

We did the best we could. What the satellite will do with the transponder is reduce one of those constraints, the constraints of distribution, of diversity, if you had it to distribute. The other constraint is the production money, and clearly, our being able to contribute to that is one source, as I said it's 10 or 15 percent.

I think that if you have the satellite it will attract a lot of production money from other sources. I think it will permit programs to be produced by one station to de distributed regionally. And there is a considerable difference of opinion as to how many programs of such a caliber that are now produced and only used locally that they could go wider, and you wouldn't have to produce more, or how much would have to be produced new.

Mr. MICHEL. Now, recalling our earlier exchange, one of your arguments for a satellite radio system was that we would have the ability to transmit in stereo.

Now, I doubt whether there is anyone in the committee here or the Congress who appreciates good music, for example, more than I do. We have it in our cars, offices, and homes, stereo all of the way. But I have to ask the question. It is necessary, with all of that I have available commercially, to have you folks have that? Is it just that there are no commercial outlets for that good type of music in stereo in far flung places?

Mr. LOOMIS. No, sir, it's the ability to broadcast live performances. Now, on your records you can buy what you want, and most of your good music stations will provide the same thing over a period of time.

Mr. MICHEL. The National Symphony or Philharmonic on stage, and to be able to give it the full impact.

Mr. LOOMIS. That is correct, for a whole host of music, obviously not just classical, and this is not possible now. There are a few trick circuits you can put together which are very expensive, like broadcasts done live from Lincoln Center. But a radio satellite interconnection would make it normal, routine, inexpensive.

TRAINING GRANTS

Mr. MICHEL. Your budget shows $1.7 million for 2-year training grants for women and minorities, and you are projecting awarding of 100 such grants. I want to know first of all why does CPB have to be in the training business? What do we have our educational system for?

Mr. LOOMIS. Well, this is on-the-job training in public broadcasting, and it is going back to the point that Mr. Stokes made. Where is someone going to get experience at the middle level in public broadcasting in order to be eligible for promotion?

Mr. MICHEL. Is it all that much different than commercial at that level of competence?

Mr. LOOMIS. I think——

Mr. MICHEL. Or is it just a mechanism for equalization? That's my gripe. If so, here's a poor white male, is he being discriminated against because of the fact that this program is $1.7 million for blacks and women?

Now, I can take the other side of the argument and say in public broadcasting how do you justify that?

Mr. LOOMIS. Well, this is the dilemma of affirmative action on one side, and equal opportunity on the other.

This particular program is primarily intended for minorities and women. Now, we have other programs that are open to all employees regardless of sex or race for employment in a variety of different skills. We feel that in the case of public broadcasting and commercial, the figures aren't that far apart. The industry's history has not been good. You look at it in special cases, like engineering. There are virtually no female engineers, and there are very few minority engineers.

Mr. MICHEL. You mean our institutions of higher learning around the country aren't doing that? Why don't we bear down on them?

Mr. LOOMIS. Well, you are doing it both ways. But this can do it faster. This takes a graduate of a technical school or a university, puts him in a station. One of the points that I think is important to stress is that we are only paying half his salary. The station is paying the other half.

Now, that is done deliberately because if we paid all of it you would have a bunch of the tokens sitting around. If we paid nothing there is no incentive. The 50 percent provides a balance of incentive.

We have many more applications from stations from individuals for these jobs than we have the dough. And we choose between the applicants by giving priorities to the highest positions that the person is going into.

We have grants where the person has gone in to be the station manager of a radio station. We have one where they are a program mananger or professional talent, of one form or another. And we expect and hope (and in most cases it works) that after the 2 years the person has proven him or herself and stays at that station. We have been losing some who have been taken away and gone up faster at another licensee, which we consider a success story in that sense. And these are small numbers, when you look at our total population of 10,000, the population of the whole system.

Mr. STOKES. Would the gentleman yield to me?

Mr. MICHEL. Yes. I am just trying to find out who is serving who. If public broadcasting is using that mechanism as a training ground then to fan out into the commercial, private sector, then that is one thing.

Mr. LOOMIS. That is one of the things it is doing.

Mr. MICHEL. And if so, then it gives me a little bit more understanding of what you have in mind other than simply feeling that it's so imperative that it's done in your shop that there are no resources out here in this vast country of ours, in educational institutions to fill that void.

Mr. LOOMIS. We hope and are going to be trying to get Federal assistance in varying programs. For example, for this engineering from the Labor Department where the public licensees provide a location for effective training. That is on-the-job training, and is more effective than in a classroom or university.

Mr. STOKES. Would the gentleman yield?

Mr. MICHEL. I yield.

Mr. STOKES. Thank you.

Isn't a part of the problem that relates to Mr. Michel's question the fact that earlier when I was questioning you with reference to the lack of minorities and blacks and other minorities at the highest level, part of the criteria, as I understand you to enunciate, was long experience in the industry.

Mr. LOOMIS. That is right.

Mr. STOKES. So what we find then are no blacks who are at that level, because of the criteria of being long experienced in the industry, in which they had had no opportunity for experience.

Mr. LOOMIS. That's right.

Mr. STOKES. I suppose this training program is aimed at that inequity?

Mr. LOOMIS. That is correct; that is exactly what it is aimed at.

As I said, we have other programs that are aimed at other people. For example, we had a very successful program last year in which we participated in the funding that was done at the Harvard Business School, and the National Association of Educational Broadcasters for management training of the managers of the stations.

This is very special, the case studies of how you run a television station are very different from how you run another kind of business.

Now, we did have some women in that, and I don't think we had any minorities, because there weren't any minority managers to go to it.

The second there is, they will obviously be included. It's that kind of a situation.

Mr. MICHEL. May I ask one more question here before I yield?

LEGISLATIVE AFFAIRS

I note in your justifications for the Legislative Affairs Office you are projecting expenditures of $129,000. Now, regardless of whose budget is approved, you state:

"In fiscal 1977 a major effort by this activity will be to secure a 5-year authorization for CPB, fiscal year 1981 to 1985." Doesn't this mean we are, in effect, paying you to lobby us?

Mr. LOOMIS. I believe you are paying us to provide the data which the Congress, in its wisdom might wish to look at in forming its wise judgment, sir.

Mr. MICHEL. It will be limited to that?

Mr. LOOMIS. Yes, sir.

Mr. MICHEL. Thank you, Mr. Chairman.

I have other questions which I will supply, for the record.

Mr. NATCHER. Do you have other questions? Go ahead, Mr. Roybal.

PROGRAMS FOR OLDER PEOPLE

Mr. ROYBAL. On page 10 of your statement you indicate you have allocated $1.7 million in a pilot program dealing with the aged called Over Easy.

Mr. LOOMIS. Yes, sir.

Mr. ROYBAL. Will you give us some more information with regard to that program and whether or not the aged also have to comply with money in the bank before they get funded?

Mr. LOOMIS. What we have done, as you have seen in that statement, is to allocate about $100,000 for a pilot show, with a reserve of $1.7 million, which will be only a portion of the money that will be required for the program.

The program is being done with the Administration on Aging at HEW, and hopefully with some commercial industrial backing as well. The total project, we think, would be something like $5 million. The elderly people are the ones who have been sorely neglected in television programing. They are just entertained by the endless soap operas. This is a very interesting show which would be a daily half hour show, 5 days a week, a magazine format, that mixes precise information of particular help to the elderly, along with entertaining skits that have a point as well.

The host is expected to be Hugh Downs, a first-class person. You remember him, of course, from the "Today Show." He is very interested in this program. I have seen the pilots and they are very impressive.

The kind of special things they have, for example, they have a 3-minute cooking show. It's different from any other because it shows you how to cook for one person. How you get protein other than from meat.

Mr. ROYBAL. Are the actors senior citizens?

Mr. LOOMIS. Most of them are; yes.

Mr. ROYBAL. That's refreshing.

Mr. LOOMIS. The research that we have done on this, with both elderly and less, but aimed at elderly audiences, shows a very high acceptance. And we think this is filling an absolute void.

Mr. ROYBAL. Isn't it true that your contract specifies that before the money is transferred they must have pledged all of the funds?

Mr. LOOMIS. That is correct.

Mr. ROYBAL. For the $5.6 million production. In other words, you are treating them the same as anybody else.

Mr. LOOMIS. That is correct.

Mr. ROYBAL. That applies to anyone you fund in perpetuity?

Mr. LOOMIS. Yes; this is an example again of where by coming up first and putting our Seal of Good Housekeeping on this, saying this is a good project, it's well done, the budgets are right, the talent is right, the concept is right, we have done the research with the audience panels; that then the Administration on Aging make its grant, and it helps raise funds from commercial underwriters because of our recommendations.

It helps in doing that by being up front, and that is one of the main functions which we believe we have to perform.

Mr. ROYBAL. A senior citizen in this instance, then, is not only benefiting from the program but is also a participant in the program; is that correct?

Mr. LOOMIS. That would be also correct; yes.

Mr. ROYBAL. I am glad to know that. I sit in another committee that deals with the problems of the senior citizen and all of the employees that they have, very few if any are senior citizens. It seems to me that a senior citizen program should definitely cater to the senior citizen, and start giving those that are 50 and over an opportunity to participate.

Mr. LOOMIS. Well, and there is another program that I have seen dealing with the same subject, it's case histories of individual senior citizens who have made and are making a great contribution or enjoying life, which again presents an example to others.

Mr. ROYBAL. What I see in some of these programs regarding the senior citizen is that they are losing this vast expertise by discriminating against a man or woman simply because he is past the 45th year. I think this is real discrimination, and we find that almost in every department of the Government.

I am glad however that you have at least taken a step in the right direction.

Mr. LOOMIS. Thank you, sir.

Mr. FLOOD. Mr. Stokes?

Mr. STOKES. Thank you, Mr. Chairman.

EQUAL OPPORTUNITY

Mr. Loomis, you have three operating divisions over at your Corporation, minority affairs, women's programs and training grants; is that right?

Mr. LOOMIS. Right. In that department.

Mr. STOKES. In that department. In terms of staff support for all three.

Mr. LOOMIS. Yes; and we have a sort of headquarters, if you want to call it that, which is the Director of the Human Resource Development Department. In that case we have three individuals, the director herself, a director of planning and coordination, and a secretary. In the minority affairs section we have a director and half a secretary, and in the women's affairs section we have a director and the other half of the same secretary. In training there are three individuals, the director, the grants manager and a secretary.

Now, one of the problems throughout the Corporation is that we have had too few secretaries. One of the other problems we have had is with temporary help. This is particularly true in training. The

amount of paperwork in order to keep up with the grantees (we require quarterly reports to know how they are getting along), is putting a tremendous burden on them. That is the staff that is now in place there, sir.

Mr. STOKES. Well, just taking your statement with reference to the tremendous amount of work that is there, with reference to processing of these grants and so forth, obviously then a half a secretary is not really able to perform very efficiently in that position, can she?

Mr. LOOMIS. I agree with you, Mr. Stokes. It is a problem. We just did increase the number of secretaries by one. There was a third of a secretary between three offices; we now have the director who has one, and there is a half between the other two.

The Minorities Affairs Officer and the Women's Affairs Officer are both running very special operations, and we do get additional help for them on a project basis from other regular employees.

For example, we are just commencing another minority task force. Remember, we had one 3 years ago. There has been a lot of water over the dam since then. All right, we have hired an executive director or some such title to be the head of that, who reports to the Minorities, Affairs Office, and there will be secretarial assistance brought in for that task force.

These are not regular, permanent Corporation employees, but they will be with us for probably 6 months or a year.

The same thing applies to the EEO conferences, workshops that we are now holding. We held two this last weekend in Atlanta, associated with the Public Television meeting. And again, while that is under the direction of our Minority Affairs and Women's Affairs Offices, we bring in special assistance to do the mechanics of running the meeting. We also bring special talent to be the discussion leaders and specialists on the laws and regulations.

Mr. STOKES. Mr. Loomis, isn't it difficult, in light of the lack of staff, supportive personnel, to really read into that any real meaningful commitment to those divisions within the Corporation?

I mean, if it's a program that really can't function because it just doesn't have the personnel, doesn't that reflect on a commitment by the Corporation?

Mr. LOOMIS. Well, Mr. Stokes, I don't think this division is any thinner in personnel than our other divisions. We are under constant pressure, which we welcome and accept, to keep our overhead as low as possible across the board. And I think this program is working well. I think the training is working well.

The minority and women's offices have only been onboard about 6 months, and it takes a while to get around, to get to know the system. Neither of them came from public broadcasting. We brought them in because they were EEO specialists rather than broadcasters. They are just now getting up steam where they are known by the system and know the system and can be effective.

They are both very effective and competent individuals.

The amount of support for this training has been going up very, very rapidly.

One thing that has been pointed out to me is that we did provide within the division two secretaries that are not listed here as a pool

that can be moved back and forth as necessary. This is an experiment to see how that is going to work.

But the training money has increased very rapidly. It will continue to increase as long as our appropriations do.

We are getting better at it and the system is getting better at it as they know how to apply, and many stations have applied for their second or even third grant. There is less treading water with someone who has been through it before.

Mr. STOKES. Let me for a moment go back to the portion of your earlier response with reference to the top management category. Granted, I accept what you say when you say you are conscious of it. What do I tell people who are mindful of the fact that they contribute to the money that is being utilized by the Corporation for Public Broadcasting, in that it's public money, and yet they see no minorities at all in this category with just the promise that you are conscious of it? Are there any goals, any timetables?

Mr. LOOMIS. Yes; we have the affirmative action goals and timetables, and I think one of the things you can point out to your concerned friends on this subject is that my Board has three minorities on it, and I, of course, work for my Board, as does everybody else at the Corporation.

There are two blacks and a Spanish surnamed individual on my Board, plus four women, one of whom is black.

So this is a subject which the board discusses at great length, and which I discuss with them when it comes to individual appointments. The very top of the Board is 20-percent minority, as it should be. And I think that is something we should not be overlooking.

Mr. STOKES. But also the Corporation, in terms of your grantees and the fact that you are now trying to make your grantees comply with the EEO provisions, obviously your Corporation has a leadership role, and consequently should set the example for the grantees whom you are requiring to follow certain EEO guidelines; is that correct?

Mr. LOOMIS. That is correct, yes, sir.

ALABAMA NETWORK

Mr. STOKES. In the same vein, with reference to the Alabama Public Television Network, whom I understand were denied renewal of their license by the FCC in January of 1975, on the basis of racial discrimination in employment and programing, have you withheld any community service grant funds from them?

Mr. LOOMIS. No, sir. We did not, after the board discussed this at some length. As usual, it is a complex case.

What the FCC did was to withdraw the license for previous years. As you remember, it had been going on for a long period of time, and the complaint had been brought against them for 2 or 3 years previous, I forget the exact calendar days. And they were judged guilty for that, and their license was withdrawn, but that was ex post facto. Under normal circumstances, the FCC refuses to consider that same applicant, that same person, to be a licensee for some time.

In this particular case, since in their judgment there had been considerable improvement, currently in Alabama as compared to the past,

the FCC permitted them to apply for a new license immediately. We also received a petition from the original group that had petitioned the commission license denial which urged us to continue the community service grants to Alabama, again stating that Alabama had shown considerable improvement and concern.

So, our board, taking a look at all of these facts, made the judgment that it was in the public interest to continue the community service grants to Alabama, because of the FCC action and because of the petition from the original petitioners against Alabama.

I also should point out that the Alabama State Network is now competing with others for three of its nine, I think it is, licensees, and obviously when this is decided by the FCC, if any of these completitors get their license, they may be eligible for community service grants.

Mr. STOKES. I see.

ADVISORY COMMITTEE

With reference to ACNO, the advisory council of national organizations, what is their fiscal year 1977 budget? Can you tell us how it's spent and also what amounts you have allocated for ACNO for fiscal year 1978?

Mr. LOOMIS. ACNO spends its money almost entirely for meetings either of the full group or of subgroups, and staff, which is only a couple of people that work with them.

In 1976, the actual support for ACNO was about $50,000, for all logistical support. This is estimated to go to $65,000 in fiscal year 1980 at the $160 million budget. The increase is due almost entirely to allowance for inflation.

Basically, the budget calls for the continuation of the same activity.

Now, there has been some concern expressed both within ACNO and within the corporation as to whether the present system is the most efficient and effective way of getting public input. We just started a study of the process of public participation.

The concept of ACNO is one possible approach. There may be others, we don't know. So I cannot really give you the definite answers until that study is finished, which should be in the spring. But for our budget purposes we think at least this amount of money should be spent one way or another for public participation, and we have shown it as ACNO logistical support, meaning something like that would continue.

Mr. STOKES. And you are setting aside the same amount for fiscal year 1978?

Mr. LOOMIS. Yes. It goes up slightly because we are assuming 6 or 7 percent inflation, so the same amount of activity, same number of meetings and staff costs a little bit more each year.

Mr. STOKES. Under your present system, Mr. Loomis, how do you implement their advisory suggestions to the corporation under your present system?

Mr. LOOMIS. Well, I guess there are two somewhat separate ways. One way is by my and other staff members participating in the meetings, where we get a lot of direct two-way communications, which en-

lighten us and hopefully on occasion we may inform them on differing views or even what the facts might be on any particular situation.

The second way is that we have a committee of our board that is concerned with public participation, principally ACNO. That board committee meets with the executive committee, of ACNO, the chairman of that usually attends most of the ACNO meetings and the chairman of the ACNO reports to our board at the meeting following each of their quarterly meetings. So that the chairman of ACNO has direct access to our board to report whatever she wishes to report and highlight.

Mr. STOKES. Mr. Chairman, I have a series of other questions which I would be willing to ask unanimous consent that I submit them.

Mr. NATCHER. Without objection, it is so ordered.

The committee thanks you gentlemen. The committee will recess until 2 o'clock.

[The following questions were submitted for the record:]

CONGRESSMAN MICHEL

Question. I think you ought to provide for the record a breakdown of the legislative affairs budget, including numbers of people and salaries for each.

Answer. The budget for legislative affairs this year is as follows:

Salaries	$75,834
Benefits	14,408
Travel	3,000
Printing	5,000
Equipment	500
Temporary help	1,200
Dues and subscriptions	1,000
Miscellaneous	1,700
Total	102,642

The positions and salaries are:

Special assistant to the President	42,779
Assistant to the special assistant	18,723
Secretary	10,382
Total	71,934

The balance in the salary account of $3,901 provides for possible salary adjustments. Benefits are budgeted at 19 percent of salaries.

Question. What kind of dollar amounts will you be requesting for the second 5-year authorization you will apparently be pushing for?

Answer. We do intend to request another 5-year authorization bill for fiscal years 1981 through 1985. The Board of Directors of CPB at its January 1977 meeting approved a resolution calling for an industrywide task force to head up an effort to propose this second 5-year bill. Three CPB Directors were chosen and similar representatives have been appointed from the public broadcasting service and the public radio organizations.

Consequently, it is not possible at this time to state the dollar amounts which we will be requesting. It is our intention to look closely at revenue projections and past performance by public broadcasting entities, and propose ceilings which reflect these factors as well as the necessary incentives to assure the continued growth and independence of public broadcasting.

Question 1. Last year when I asked you for an itemized breakdown of the Public Affairs budget, it was shown that 20 percent of it, or $121,000, was going to travel. Why so much travel?

Question 2. Almost half of that budget was being allocated for salaries and benefits. I think you ought to provide for the record an itemization of these salaries by position.

Answer 1. The fiscal year 1977 travel budget for the Office of Public Affairs is $83,750. Of this amount, $42,250 is for travel and related expenses such as food and lodging for the CPB staff; $25,500 supports the travel and related costs of

(1) delegates to the CPB Advisory Council of National Organizations (ACNO) ($25,000); and (2) a small amount related to writing the CPB annual report ($500). $16,000 is related to the hiring of meeting halls, catering services, and similar services divided between ACNO meetings ($11,500), and press and public awareness activities ($4,500).

Of the staff travel of $42,500, $3,500 is related to providing staff support to the 43-member Advisory Council of National Organizations (ACNO): $3,000 for CPB staff participation on the public participation study; $2,250 for travel related to the publication of the weekly CPB newsletter to the industry and other interested parties; $12,000 for travel for the new Vice President for Public Affairs, who as part of her orientation, is trying to develop a firm understanding of public broadcasting; and $21,500 for national awareness activities which includes press relations, attendance at industry meetings and other relevant gatherings, and maintaining contact with other groups who have an interest in public broadcasting.

Answer 2.

Vice president	$50,000
Director of communications	42,000
Administrative secretary	12,338
Secretary	10,382
Clerk/typist	8,966
Radio coordinator	19,883
Publications manager	28,622
Projects coordinator	13,921
Editorial assistant	13,921
Community relations coordinator	18,758
Writer	21,000
Public information associate	19,320

Question. Regarding the grants going to local stations, what is the current range between the lowest and the highest? In other words, what station gets the highest amount, what is that amount, and then the same for the lowest amount? Also, how is this allocation determined?

Answer.

1977 COMMUNITY SERVICE GRANT, RADIO

	Amount	Stations
Lowest grant awarded	$22,800	KVLU-FM, Beaumont, Tex.
Highest grant awarded	157,174	WNYC-AM, New York, N.Y.

Determination of grant award:

(1) A CPB-qualified public radio station must have a minimum annual operating budget of at least $75,000. Each station receives a base grant, which is adjusted upward as Federal appropriations increase. For every $1 million that the appropriation increases above the fiscal year 1975 $62 million level (when the base grant was $18,700 per station) a station receives an increase of $100.

In other words, at the $62 million level the grant was $18,700. At $103 million, which is an increase of $41 million, the base grant has been increased by $4,100 to a total grant of $22,800 per station.

Funds remaining after these base grants have been allocated are equally divided into two other areas: the incentive fund, and the incentive bonus fund.

(2) The incentive fund moneys are awarded on a proportional basis to those stations with non-Federal operating budgets above the $75,000 minimum. This reflects a station's initiative and performance in generating non-Federal support.

(3) The incentive bonus fund moneys are awarded to stations who actively participate in fundraising, promotion, and voluntarism. Engaging in one activity yields an amount equal to 25 percent of their incentive grant, two activities yields 50 percent and the remainder of the bonus fund moneys are divided proportionately among those stations engaging in all three activities.

1977 COMMUNITY SERVICE GRANT—TELEVISION

In fiscal year 1977 the largest grant was given to WNET in New York City. It received $3,716,429. At the other end of the spectrum, KYUK in Bethel, Alaska, received $54,905.

The amount of each grant is determined in two parts:

(1) A basic grant. The basic grant is equal to one-tenth of 1 percent of the Corporation's Federal appropriation.

Thus if the Federal appropriation is $103 million, the basic grant for each eligible station is $103,000.

(2) An incentive grant. The remaining funds budgeted for the grants program are distributed based on the non-Federal financial support each station receives as a percentage of the total non-Federal financial support of all stations.

Thus if an eligible station received one-half of 1 percent of the non-Federal income received by all stations, and the remaining grants funds budgeted were $35 million, its incentive grant would be $175,000.

Under the above illustration, the total grant awarded would be $278,000.

No station may receive a grant in excess of 50 percent times its total non-Federal financial support. Thus if a station received a total of $250,000 in non-Federal financial support in the fiscal year used as the basis for calculating the grant, the maximum grant it could receive would be $125,000.

Question. Our station in Peoria has been concerned that the smaller stations may be getting the short end of the stick in comparison with larger stations as far as programing charges are concerned. In other words, the ratio between program charges. Who determines the fees that are being charged and how are these fees determined?

Answer. The ratio between programing charges for the Station Program Cooperative is a policy determination of the stations representative body, the Public Broadcasting Service. The ratio is currently based on the size of each station's community service grant as a share of the entire sum available for community service grants. The community service grant a station receives includes a basic grant which is the same for all stations plus an incentive grant based on the amount of non-Federal financial support garnered by the station. The specific amount of money spent by a station in the cooperative is its own determination and will vary depending on how many and what kind of programs it buys.

Question. Are there any limits on the fees that can be charged, or is it, the sky's the limit?

Answer. Limits on fees are determined by the stations through PBS and can be as high or as low as they as a group decide.

Question. Are the program charges increasing as fast or faster than the community service grants, so that local stations, despite receiving substantially increased grants, really are no further ahead than before?

Answer. The funds drawn upon by station to purchase programs from the station program cooperative are accumulated from various sources one of which is CPB's community service grant program. It is inaccurate to assume that program charges are drawn directly from their community service grants. In fact a great majority of a station's budget are moneys raised from non-Federal sources. In fiscal year 1974 the system as a whole raised over $200 million which increased by 25 percent in fiscal year 1975 to $244 million. The amount of money expended by the stations in the cooperative has risen from $3.3 million in SPC–I to $9.1 million in SPC–III. CSG's in that period have increased from $25.4 million in fiscal year 1975 to $51.5 million in fiscal year 1977. We do not know as yet how much the stations will spend in SPC–IV.

Question. According to information we received last year, production grants go only to the largest stations. New York, Boston, and Washington received 85 percent of all production grants. Why the bias in favor of these large Eastern stations?

Answer. Any grant made by CPB for a television production is made based on the merits of the proposal. Proposals are evaluated in terms of the quality of the idea and the abilities of the specific production talent involved. Whether it is a large station or small, from the East or the West is simply not a consideration. That many grants are received by large stations is not a result of bias on the part of the funder but an indication of the ability of those large stations to cultivate talented, creative and prolific production personnel.

In fiscal year 1977 WNET/New York, WGBH/Boston, and WETA/Washington were the recipients of 49 percent of the total programing dollars expended by the system. These funds were derived from various sources including CPB, the Station Program Cooperative, corporate underwriters, and the national endowments. CPB specifically granted 43 percent of its discretionary production

funds to the same three stations. It's interesting to note that WNET, WGBH, and WETA received 40 percent of the funds expended by the stations themselves in the most recent station program cooperative.

Question 2. Is any effort being made to undertake a more representative distribution of these grants around the country?

Answer. In keeping with our policy to distribute our all-too-limited production funds on the sole basis of merit there are no specific plans to disseminate production funds according to regional representation. However, we can say that more stations every year are producing programs for national distribution, in fiscal year 1976, 45 different television stations contributed to the national schedule, and it has also become obvious that as the system grows and as more stations develop national production capability, the competition for production grants will intensify resulting in more numerous and more diverse grant recipients. We anticipate this trend to continue with a rapidity heightened by the addition of every new dollar of system support.

CONGRESSMAN CONTE

Question 1. When will the satellite interconnection project become operable?

Answer 1. Our current estimate is that the television system will be fully operable in December 1978 and the radio system in October 1979.

Question 2. What will be the total cost of the project?

Answer 2. The current estimate for the television system is $39,520,000. The radio system is estimated at $10,300,000.

Question 1. Have you decided to go ahead with your contribution of $200,000 per year for the British production for the complete works of Shakespeare in light of the opposition of the AFL–CIO?

Question 2. Have the other American contributors had any change in plans?

Question 3. What are the reasons for going outside of the United States for this production?

Answer. CPB along with cocontributors, Exxon and Morgan Guaranty Trust, has not changed its plans to acquire the 36-episode series of the complete works of William Shakespeare to be produced over the next 6 years by the BBC.

The CPB Board clarified its role in the Shakespeare project with the following resoution passed at its January Board meeting:

"That the Board hereby clarify on its earlier resolutions committing CPB to support of the Shakespeare project. As in most cases, CPB views its role in this project as that of an 'underwriter,' in the normal commercial sense. Thus CPB is prepared, and in fact would welcome some other funder coming forward to assume CPB's current commitment, provided only that said substitute funder is acceptable to all the other participants in the project and that CPB retain its current role and rights in the development related educational activities."

CPB does perceives this expenditure as part of its mandate to provide the American public with "programs of excellence and diversity." The $13.5 million BBC Shakespeare project, which will be produced with or without CPB support, will be the most complete and probably the best television presentation of Shakespearean drama ever done. To have passed up the opportunity to acquire this both for broadcast and instruction at the minimal cost of $200,00 per year for 6 years would have represented a severe loss to the American viewing public. The $200,000 cost for U.S. rights represents a modest percentage of the $13.5 million CPB has allocated for program production. During the present year, for example CPB has already committed $2 million for domestic drama including KCET's Vision and the Children's Television Workshops' Best of Families. Quite clearly, the bulk of CPB funding is given to American production.

CPB's participation also assures our role as a consultant in the development of assorted print materials and enhances the educational integrity of the entire project. Time-Life Films will make all of Shakespeare's plays available for rental or purchase by schools, colleges and universities as well as other nonprofit institutions for a period of up to 14 years. The ancillary rights will yield long-lasting educational benefits in addition to a financial return based on CPS's 15 percent share of the gross sales receipts for all nontheatrical uses of the Shakespeare programs in the United States.

Question 1. You are requesting your authorized ceiling of $160 million. Do you feel that the $400 million needed for matching funds is a reachable goal?

2. What percentage of the 1978 $107,150,000 appropriation will you receive as indicated by money you raised in 1976?

Answer 1. At this point in time, we are not sure that $400 million is a reachable goal in 1980. It will take a tremendous effort to generate that kind of non-Federal support. We do know, however, that this is exactly the kind of incentive that public broadcasting needs so that it can make every effort to raise this money. The prospect of raising this amount of non-Federal money, and the resultant Federal appropriation it will bring, is a challenge worth taking because of the benefits we know will be forthcoming.

2. Our current indication is that we will exceed by $20 or $30 million the $267,875,000 needed for the full 1978 appropriation ceiling.

Question. What would be the results in production of broadcasts if the Administration's budget requests are followed?

Answer. If the administration's budget requests were followed as opposed to the authorized ceiling, the Television Department would be forced to make the following reductions in its activities:

RESEARCH AND DEVELOPMENT

Reduce the number of projects from 32 to 28. Reduce funds from $1 million to $900,000.

PILOTS

Reduce the number of pilots from 11 to 10. Reduce funds from $2,500,000 to $2,300,000.

SPECIALS

Reduce the number of special programs from 10 to 8. Reduce funds from $1,500,000 to $1,200,000.

SERIES FUNDING

Reduce the number of hours of production from 81 to 37. Reduce funds from $16,200,000 to $7,300,000.

ADVERTISING AND PROMOTION

Reduce advertising and promotion by $1 million consistent with reduction in series production.

The total TV production budget would be reduced from approximately $24,200,000 to $13,700,000.

In addition to these reductions for fiscal year 1980, the affects of funding at the administration's budget request would also reduce the hours of production from a high in fiscal year 1979 of 46 hours to a low of 37 in fiscal year 1980.

Question. If the ceiling is appropriated how will production be improved?

Answer. If the ceiling is appropriated, CPB's TV production will improve significantly in the area of series support. We will move from approximately 46 hours of series production at $9,330,000 in fiscal year 1979 to 81 hours at $16,239,000 in fiscal year 1980. This is a significant increase and especially as CPB's emphasis is in new programing. We also expect these funds to attract additional support from outside the system (underwriting by private corporations or foundations).

Over the last years and continuing through fiscal year 1980, CPB has planned a significant research, development, and pilot effort. A lack of significant funds in fiscal year 1980 will force us to either put off or cancel significant projects currently under development not for lack of merit but for lack of funds.

Question. How widespread is public radio and what are your plans for expansion?

Answer. Current estimates are that the primary signal of a full-service public radio station is available to between 60 percent and 65 percent of the U.S. population.

Expansion of public radio's reach to at least 90 percent of the U.S. population in 1980 is the primary purpose of CPB's radio coverage expansion grant project.

Question. How much of the requested $35,915,000 allotted for TV and radio would actually go to radio support?

Answer. Of the $35,915,000 increase, approximately $5,950,000 would go to radio support:

Staff and support	$39,000
Community service grants	2,415,000
Distribution	878,000
Production	1,195,000
Coverage expansion	1,423,000
Total	5,950,000

Question. Do you receive a proportional amount of outside contributions?

Answer. In fiscal year 1974 non-Federal funds attributed to public radio were $22,666,000 or 10.1 percent of the total non-Federal income to public broadcasting. In fiscal year 1975 these figures were $27,810,000 and 10.2 percent respectively. Preliminary estimates for fiscal year 1976 indicate that radio's non-Federal income will increase to around a 10.8-percent share of the total income.

Clearly public radio's proportion is steadily increasing, but without special "catchup" funding, the growth rate would stagnate if not decline.

Question. What are the indications that public radio programing is well received?

Answer. The best indication we have is in the increase in the dollars listeners are willing to contribute in support of a public radio program service. Income from listeners almost doubled between 1975 and 1976, and all indications are promising for a similar growth in 1977. Another indication is the increase in reported listening. Since 1973 when the public radio audience was first documented by the American Research Bureau (ARB) there has been a 53.6-percent increase in the number of weekly listeners (from 2,186,500 to 3,358,600). Part of this increase is attributable to an increase in the number of full-service stations (130 to 181), but with a 39.2-percent increase in stations and a 53.6-percent increase in audience, there is a real growth of 14.4 percent.

In addition, a 1976 Roper survey (nationwide sample) indicated that 13 percent of the sample said they knew about national public radio and 3 percent of the sample listened to public radio daily.

Question. What are some of these 12 newly planned projects that CPB has taken up in fiscal year 1978 and fiscal year 1979?

Answer. The radio coverage expansion project now concentrates on funding new station development in the top 100 areas currently unserved in an effort to make full-service public radio available in all major population areas. Significant improvement of public radio service in the top 10 population areas is also a goal of the project. Therefore, plans in fiscal year 1978 and fiscal year 1979 call for the establishment of full-service public radio in at least 9 of the 21 currently unserved, targeted areas of 350,000 or more people, and for the improvement (major market upgrade grants) of public radio service in 3 of the top 10 population areas. Targeted areas for new service are:

Little Rock, Ark.
Sacramento, Cal.
San Jose, Cal.
Bridgeport, Conn.
New Haven, Conn.
Wilmington, Del.
Orlando, Fla.
Columbus, Ga.
Aurora/Elgin, Ill.
Fort Wayne, Ind.
South Bend, Ind.
Shreveport, La.
Worcester, Mass.
Trenton, N.J.
Charlotte, N.C.
Dayton, Ohio
Tulsa, Okla.
Allentown, Pa.
Providence, R.I.
Corpus Christi, Tex.

In addition to the above, any applicant proposing to serve an area with a population of 350,000 or more currently unserved is also eligible to apply for a coverage expansion grant.

This is a competitive project and successful applicants for new services will receive $25,000 for initial planning. Then over a 3-year project period, each station may be eligible for additional grants of up to $225,000 to match

substantial local resources. In addition, major market upgrade grants are available to public radio stations willing to commit significant local support to improving their staff and program services. Up to $775,000 over a 5-year project period is available in this highly competitive program. Top 10 population centers (according to the U.S. census) such as Miami, Boston, St. Louis, Philadelphia, and Pittsburg are eligible to compete for major market upgrade funding.

Applicants with the strongest application will be selected in fiscal year 1978 and fiscal year 1979 as funding becomes available.

Congressman Stokes

Equal Employment Opportunity

Question. Has CPB set any goals and timetables to remedy the underutilization of minorities and females in the top management category? If so, what are those goals? If not, why not?

Answer. In July of 1975, CPB set as an affirmative action goal representation of women and minorities in category 3 (management) equivalent to labor force representation at that level. As of December 31, 1975, 6 months after the establishment of the goal and the date of the first affirmative action report, the goal had not been met. The goal was met shortly thereafter.

As of June 30, 1976, minority representation in category 3 was 20 percent as compared to a labor force index of 7 percent. On the same date, female representation in category 3 was 20 percent, as compared to a labor force index of the same level.

At the present time, the CPB and EEO Committee, composed of employee-elected representatives from all levels of employment, is directing the design and completion of a new affirmative action plan which sets goals and timetables not only for the entire organization but also for each unit within the organization.

At the Board of Directors level, where ultimate decisionmaking takes place, there are 15 members, with 3 minorities and 4 females represented.

Question. CPB recently advertised for a second special assistant to the president (Mr. Loomis). Has that position been filled? If so, please identify the successful candidate by name, sex, race, or national origin. Also, how many minority and women candidates were considered for appointment to that position?

Answer. As of February 24, 1977, 452 applications for the position had been received. Since the vast majority of them came through the mail, it is impossible to tell how many were from females and how many from minorities. The position has not yet been filled.

Question. As of November 1976, females and minorities were disproportionately represented in the CPB "support staff" category, in that females made up 82 percent of such workers, and minorities represented 42 percent. Please explain this "clustering" pattern, and what you are doing to remedy this situation?

Answer. The employment profile reflects that of the national labor force, where females and minorities are indeed disproportionately represented. CPB, a young institution, has inherited a national legacy which has secretaries and clerical support staff traditionally composed of women and minorities.

In addressing this problem, CPB in December of 1976, approved a plan to expand opportunities for upward mobility for secretarial level employees by introducing advancement steps. Additionally, the Corporation is making every effort to identify and promote individuals from the lower levels to para-professional, then to professional levels. The April 1, 90-day report to Congress will provide up-to-date statistics in this area.

Question. How are you enforcing compliance with the new EEO provisions incorporated into CPB contracts and grants?

Answer. Essentially, the nondiscrimination clause contained in CPB contracts provides that during the period of performance, the contractor agrees that it will not discriminate on the basis of race, color, religion, age, sex, or national origin. It further provides that the contractor will undertake affirmative action in all employment-related matters without regard to race, color, religion, age, sex or national origin. Additional language makes it clear that the contractors will comply with all nondiscrimination laws and regulations that may be applicable to it. If the contractor executes a subcontract with another entity to perform a portion of the duties, the subcontract must contain the identical language.

The provision described above is reinforced by another section which incorporates by reference the CPB policy on "Equal Opportunity and CPB As-

sistance." The policy, as you know, provides for the termination of CPB assistance if a court or Government agency makes a final determination that the CPB recipient has violated any law or regulation prohibiting discrimination.

As a private corporation, CPB cannot undertake the duties to enforce those laws referenced in its grants and contracts. These provisions, as summarized above, have been included in the CPB agreements as a matter of responsible corporate policy, reflecting the corporation's commitment to the promotion of equal opportunity goals and objectives throughout the industry. CPB knows that most components of its industry are subject to at least one law or regulation which prohibits discrimination. The contractual provisions reflect CPB's reliance on those Government agencies and courts with jurisdiction to enforce and interpret such laws and regulations.

Although the Corporation does not enforce compliance with these contractual provisions, it must not be assumed that their inclusion in each agreement is useless. There must be a contractual mechanism to assure the Corporation and the public that funds are used in a manner consistent with equal opportunity goals. These provisions provide both the mechanism and assurance.

Question 2. What about EEO compliance reviews of your contractors and subcontractors under Executive Order 11246—how are they performed and how often?

Answer 2. As a contractor, as that term is defined in 41 CFR 60–1.3, CPB has an obligation to adopt and implement an affirmative action plan in accordance with the regulations embodied in 41 CFR 60–2, Executive Order 11246.

Pursuant to section 60–1.20(c) of title 41 of the Code of Federal Regulations, the compliance agency has the responsibility for the conduct of compliance reviews. "Compliance Agency" is defined in 41 CFR 60–1.3. That section provides, in pertinent part:

"'Compliance Agency' means the agency [any contracting or administering agency of the Government] designated by the Director [of OFCCP] . . . to conduct compliance reviews. . . ."

The corporation for Public Broadcasting is not an agency or establishment of the U.S. Government. (47 U.S.C. 396(b)) This precludes its classification as a "compliance agency" as defined above. Therefore, CPB has no obligation, nor is it authorized to conduct compliance reviews of its contractors and subcontractors. CPB is merely a "contractor" as that term is defined in 41 CFR 60–13.

Question 3. Would you please identify for us, all public television and radio stations which were confronted with a petition to deny the renewal of their license, on the basis of employment and/or programing discrimination, during the past 12 months. Also identify those public broadcasting stations which EEOC complaints were filed against.

Answer 3. Although CPB receives and reviews public notices disseminated by these agencies, it does not retain records of petitions to deny or complaints filed concerning our qualified stations. The corporation only acts when an agency makes a final decision that a recipient station has violated a law or regulation that prohibits discrimination.

The only complete lists of noncommercial stations confronted with "petitions to deny" during the period in question would be available in the renewal branch of the FCC. Similarly, the complaint division of the EEOC would have information regarding those stations which have pending complaints filed against them.

Question:

1. Identify those public radio and television stations whose equal opportunity employment profiles effect minority hiring during that period, although no petitions to deny renewal of their licenses were filed.

2. Identify those public radio and television stations whose employment profiles demonstrate that the presence of minorities and women in their work force falls below their availability in the population.

3. Please indicate the total number of station managers presently employed at CPB-funded public television and radio stations, the total number of male and female station managers, and identify each minority group male and female station manager by name, race or national origin, and station location. Indicate what specific measures, if any, CPB/PBS has initiated to remedy race and sex discrimination in this particular employment category.

Answer 1–3. CPB's employment survey was sent to stations in January and must be completed and filed with CPB by March 1. As soon as individual station data are available, the staff will make every effort to provide specific answers to the questions above. Prior to responding to questions concerning individual station employment profiles, it is necessary to have current data on those profiles.

ACNO

Question. How are ACNO organizations selected to insure that they represent the entire public's viewpoint?

Answer. The advisory council organizations are selected from the major national organizations in the country. ACNO members select the organizations to serve and submit their recommendations to the CPB Board for approval. To insure broad representation from the public, the advisory council membership screening and review process calls for the ACNO Membership Committee to consider organizations from the country's minority and women's groups as well as from labor, business, health, religious, education, youth, the arts, foreign affairs, etc. The current membership includes black, Pacific-Asian, Latino, American Indian organizations.

To point out the diversity of representation of the organizations now serving on the advisory council, attached is a list of current member organizations.

ADVISORY COUNCIL OF NATIONAL ORGANIZATIONS

MEMBERS

American Association of Retired Persons/National Retired Teachers Association
American Association of School Administrators
American Association of University Women
American Bar Association
American Council for Better Broadcasts
American Council on Education
AFL–CIO
American Jewish Committee
American Library Association
American Public Health Association
American Red Cross
Associated Councils of the Arts
Association of Junior Leagues
Child Welfare League of America, Inc.
Church Women United
Consumer Federation of America
Council of AFL–CIO Unions for Professional Employees
Friends of the Earth
General Federation of Women's Clubs
International Union United Automoble, Aerospace & Agricultural Workers of America
League of United Latin American Citizens
League of Women Voters
National Association for the Advancement of Colored People
National Black Media Coalition
National Catholic Education Association
National Congress of American Indians
National Congress of Parents and Teachers
National Council of the Churches of Christ
National Council of Negro Women
National Council of Senior Citizens
National Council of Women of the USA
National Education Association
National Farmers Union
National 4–H Foundation
National Latino Media Coalition
National Organization for Women
National University Extension Association
National Urban League
Pacific/Asian Coalition
Southern Baptist Convention
Synagogue Council of America
United Nations Association of the USA
U.S. Catholic Conference
U.S. Jaycees
U.S. National Student Association

AFFILIATES

Citizens Communications Center
Foreign Policy Association
Joint Center for Political Studies
National Center for Voluntary Action
National Center for Urban Ethnic Affairs
Publi-Cable, Inc.

OBSERVERS

Accuracy in Media
Adult Education Association
American Institute of Architects
American Nurses Association
Boy Scouts of America
Center for a Voluntary Society
Chinatown Planning Council
Coalition of Adult Education Organizations
Common Cause
Council for Exceptional Children
Delta Sigma Theta, Inc.
Morality in Media
National Association of Media Women
National Audubon Society
National Business League
National Commission on Cooperative Arrangements
National Council of La Raza
National Council of Organizations for Children and Youth
National Jewish Community Relations Advisory Council
National Recreation and Park Association
National Urban Coalition
National Wildlife Federation
United Methodist Board of Discipleship
U.S. Chamber of Commerce
Women's Equity Action League
Women's Institute/The American University

Question. Is ACNO encouraged to express an independent judgment on given issues?

Answer. Yes. CPB encourages ACNO to advise it on programs and programing policy and any other area related to public broadcasting. CPB administrative and program staff regularly meet with the ACNO public policy, program, education, and community involvement committees to keep delegates informed of CPB activities and discuss issues and concerns raised by ACNO delegates. ACNO delegates receive regular informational mailings from CPB. Additionally, the ACNO chairperson is invited to all CPB board meetings and does attend regularly and make a report.

Question. Does CPB have any plans or intentions to either defund, downgrade, or otherwise cut back on ACNO operations, during fiscal year 1977 or anytime between now and fiscal year 1980?

Answer. No. CPB does not have any plans or intentions to either defund, downgrade, or otherwise cut back on ACNO operations, during fiscal year 1977 or anytime between now and fiscal year 1980. However, it should be pointed out that the CPB board is conducting a study to review and assess its relationship with the public. The study is to help CPB determine the most effective methods of involving the public and organizations representing the public in furtherance of the goals of the Public Broadcasting Act of 1967. The study to be completed this spring is being conducted by the research firm of Yankelovich, Skelly & White, Inc.

Question. Recently, the FCC began requiring stations to ascertain their local community needs. CPB in some instances underwrites pilot programs designed to meet the needs and interests of the various local communities being served by public television and radio stations. How has CPB utilized the ascertained data to assist in the development of responsive programing? Do you regard "ascertainment" as a strictly local matter, or as a way of defining national, composite needs and interests?

Answer. The obligation of licensees to implement ascertainment processes is unique to the local broadcaster. The broadcasters must assess the needs and interests of the communities served. Since each community of license is unique, an assessment of national interests and needs would not necessarily assist a local broadcaster in improving the service to its particular community.

The pilot program tests conducted by the corporation are only remotely related to a licensee's duties to serve its local community. After the completion of production of a pilot program designed for target audiences, CPB tests the program's success among the particular audience in various markets. If the program proves successful, its success becomes one of the factors in determining whether series production should proceed. The availability of such target audience programs assists the licensee in meeting its community service obligation only to the extent that these programs meet an ascertained need in that community.

CPB recognizes the limited availability of target audience programs produced for national distribution. CPB, therefore, has allocated a substantial portion of its budget for the support of programs designed for target audiences.

ASCERTAINMENT AND PROGRAMMING

Question. What specific steps can be taken to improve the environment for the creation of innovative programing, other than the expenditure of more money?

Answer. There are a number of steps being taken to improve the environment and the potential for the creation of innovative programing in addition to the expenditure of production funds. They are:

1. To increase the awareness of the production possibilities within public television available to talented producers throughout the country.
2. To hold workshops on a regional basis involving station personnel, representatives of national public television organizations, and outside experts to discuss generic programing areas such as public affairs and children's programing.
3. To continue training grant programs for minorities and women searching for opportunities within public television.

Question. Approximately what percentage of local programing is originated for local distribution?

Answer. According to a 1974 survey of public television stations concerning program distribution and content, approximately 11.3 percent of the programing broadcast by public television stations was locally originated.

Question. What is the projected development of station exchange of locally originated programs?

Answer. There has always been a substantial amount of program exchange between public television stations. These exchanges have taken place between individual stations but primarily through regional networks such as the Eastern Educational Network, instructional television libraries, and the Public Broadcasting Service.

More recently plans have been made to establish consortia to serve specific audiences found in limited areas of the United States. A Latino consortium has been established to exchange and eventually produce programs of interest to the Latino communities. Consideration is being given to similar consortium for native American programing.

It is anticipated that the sharing of programs of less than national interest by small groups of stations will continue to increase and will be made eminently more feasible when the more flexible satellite distribution system becomes fully operational.

Question. Assuming the FCC approves the application of CPB/PBS to transmit from the Western Union satellite, what measures have both organizations taken to insure that programing will continue to serve local needs and interests?

Answer. The use of satellite interconnection will not change the existing situation in which the responsibility for programing to serve local needs and interests rests squarely with local licensees, who must receive and maintain their licenses from the FCC.

We expect that satellite transmission will give each local licensee more flexibility in enabling it to respond to local needs. This is true because each station will have at least three, and hopefully four, transponders providing programs from which each station will be able to select those national and regional programs that most nearly fulfill its local needs and interests. This will be par-

ticularly true of CPB is able to pay for a fourth transponder in January 1980. Funds for this transponder are included in the $160 million budget requested by CPB. At the Ford administration budget of $115 million it would almost certainly not be possible to pay for a fourth transponder. The significance of this fourth transponder is that it would be used almost entirely to provide alternative program sources. Three transponders would probably have to be used largely to accommodate program disseminations to meet time differences across the United States.

Question. How viable are the possibilities of creating a minority television workshop on the order of Children's Television Workshop, which would serve as a national training center, production center, and employment clearing house?

Answer. We feel the idea of creating a minority TV workshop would be counter-productive and be of little long term value in solving the minority representation problem in PTV. We feel that such a workshop would tend to Ghettoize minority interest which we believe are as broad as Public Broadcasting itself. We believe that the financing of such groups would be most difficult. The Children's TV Workshop is successful only because it has received massive direct Federal and private support, in addition to CPB funds and, even then has to diversify its programing to spread the heavy operation cost over many projects and attract new sources of money.

We feel that a better approach is the one established by the CPB Board when it directed the staff to work toward improving the representation of minority interest in Public Broadcasting. The approach taken by CPB has been one of attempting to effect minority participation in all phases of production both on and off camera and in the programing processes. It is our feeling that true minority representation on public broadcasting can only be accomplished when the interest and concerns of these people are considered and reflected across the broad spectrum of PTV programs.

To accomplish this end, CPB requires that each proposal it is to consider address the interest and concerns of the minorities. While some programs by their nature are unable to do so, the effort required has produced some excellent results.

In addition to these requirements, CPB in recent years has stepped up its efforts in the training of minorities through its newly created Department of Human Resources. We feel that this approach to training and placement of minority is far more effective than establishing a minority center. The training provided minorities through this program, enabling them to participate in real and effective jobs, which not only aided their professional growth but provided the station with effective input from a competent practicing minority broadcaster. Because of the way Public Television is set up with its emphasis on local autonomy, it is essential that minority representation be felt throughout the system and not isolated in one central workshop.

JUSTIFICATION OF THE BUDGET ESTIMATES

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March 2, 1977

Honorable Daniel J. Flood
Chairman
Subcommittee on Labor, Health,
Education and Welfare Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to respond to your request that CPB's estimates for fiscal year 1980 be amended in line with the budget revisions transmitted by the President to the Congress on February 22, 1977. These revisions include a change in the amount requested for CPB in fiscal year 1980 from $115 million to $120.2 million, an increase of $5.2 million. The increase would give the Corporation the same appropriation ceiling for fiscal year 1980 that has already been approved for fiscal year 1979.

This letter and the attached summary tables reflect the changes that would have to be made in the appropriation estimates for fiscal year 1980 that were submitted to your Subcommittee on January 19, 1977. It is our understanding that these documents will be treated as an appendix to the original justifications, which served as a basis for our hearings before your committee on February 8.

The Corporation is grateful for the change in the budget that brings the Administration proposal to the prior year level. However, for reasons spelled out in detail in its original justification document, the Corporation requests that the $160 million appropriation ceiling presented in its budget estimate and testified to by Mr. Loomis, President of CPB, remain for consideration by your Committee. This $160 million request is for the full amount authorized under the Public Broadcasting Financing Act of 1975 (P.L. 94-192). It is a ceiling only. Public broadcasting must earn $2.5 non-federal dollars in the second preceding fiscal year for each federal dollar it receives from these ceilings.

A major justification for the $160 million ceiling is that it would provide an incentive for public broadcasting to earn non-federal income by improving and expanding its services. The $120.2 million ceiling proposed would provide very little if any incentive.

A second major justification for the higher ceiling is the fact that fiscal year 1980 is a watershed year for public broadcasting. Public television and public radio will have available in that year a new satellite interconnection system that will enable them to do a much more effective job of benefitting the American public. Additional funds are needed to take advantage of this capability.

The following summary tabulation indicates how the additional $5.2 million added in the President's revised budget would be distributed by major program activity:

Program	FY 1980 ORIG. BUDGET REQUEST $115 Estimate	FY 1980 REVISED BUDGET REQUEST $120.2M Estimate	Increase
Direct TV/Radio Support	$104,787	$109,467	$4,680
Other Support Activities	5,617	5,754	137
Program Direction & Admin.	3,200	3,250	50
Reserved for Later Distribution	1,396	1,729	333
Total	$115,000	$120,200	$5,200

Attached hereto are additional tabulations providing more details on how the revised Administration budget would affect spending plans for major program categories of the Corporation--Direct TV/Radio Support; Other Support Activities; and Program Direction and Administration.

In summary, the additional $5.2 million added by the budget revision would be used as follows:

Direct TV/Radio Support - The major beneficiaries of the $4,680,000 that would be added to this program category would be approximately 165 local TV licensees and 217 local radio licensees who would receive local support grants aggregating $2.7 million. While the total grant fund would be approximately the same as it was in fiscal year 1979, the average grant will be less because of the addition of an estimated four TV stations and 10-12 radio stations in 1980. The balance of the increase would go to support of national programs in public television and public radio.

Other Support Activities - A total of $137,000 would be restored to activities such as personnel training and development, communications and technological research, enhancement of the use of public broadcasting in education, and related support activities. In total, this category would receive the same amount as in fiscal year 1979.

Program Direction and Administration - This category would be held at approximately the same level as in fiscal year 1979. The impact of inflation would have to be absorbed through curtailment of services and possibly of personnel.

Reserved for Later Distribution - This category, representing the Corporation's funds earmarked for contingency requirements or for supplementing amounts to be used for priority ongoing activities, would be increased by $333,000 from the original Administration budget to a total approximately the same as for fiscal year 1979.

Sincerely,

Ben Posner
Vice President, Treasurer

CORPORATION FOR PUBLIC BROADCASTING

(in thousands)

OBLIGATION BY ACTIVITY

	FY 1980 CPB Request			FY 1980 Orig. Budget Request		FY 1980 Revised Budget Request	
	FY 1979 Estimate	$160M Estimate	Increase (Decrease)	$115 Estimate	Increase (Decrease)	$120.2M Estimate	Increase (Decrease)
Direct TV/Radio Support	$109,372	$145,287	$35,915	$104,787	$(4,585)	$109,467	$95
Other Support Activities	5,754	6,437	683	5,617	(137)	5,754	0
Program Direction & Admin.	3,279	3,476	197	3,200	(79)	3,250	(29)
Reserved for Later Distribution	1,795	4,800	3,005	1,396	(399)	1,729	(66)
Total	$120,200	$160,000	$39,800	$115,000	$(5,200)	$120,200	$ 0

CORPORATION FOR PUBLIC BROADCASTING

(in thousands)

JUSTIFICATION OF ESTIMATES BY PROGRAM
PROGRAM: OTHER SUPPORT ACTIVITIES

	FY 1980 CPB Request			FY 1980 Orig. Pres. Budget		FY 1980 Revised Pres. Budget	
	FY 1979 Estimate	$160M Estimate	Increase (Decrease)	$115M Estimate	Increase (Decrease)	$129.2M Estimate	Increase (Decrease)
Communications Research	$ 751	$ 823	$ 72	$ 659	$ (92)	$ 738	$(13)
Educational Activities	740	777	37	730	(10)	740	0
Engineering Research	590	758	168	588	(2)	590	0
Training & Development	1,522	1,715	193	1,522	0	1,522	0
Human Resources	348	380	32	333	(15)	348	0
Public Affairs	689	750	61	661	(28)	689	0
Mgmt. Info. Systems	627	677	50	624	(3)	627	0
Legislative Affairs	119	129	10	129	10	129	10
Development	76	82	6	82	6	82	6
Long-Range Planning	76	82	6	82	6	82	6
Special Support	216	264	48	207	(9)	207	(9)
Total	$5,754	$6,437	$683	$5,617	$(137)	$5,754	$ 0

CORPORATION FOR PUBLIC BROADCASTING

(in thousands)

JUSTIFICATION OF ESTIMATES BY PROGRAM
PROGRAM: PROGRAM DIRECTION AND ADMINISTRATION

	FY 1980 CPB Request			FY 1980 Orig. Pres. Budget		FY 1980 Revised Pres. Budget	
	FY 1979 Estimate	$160M Estimate	Increase (Decrease)	$115M Estimate	Increase (Decrease)	$120.2M Estimate	Increase (Decrease)
Corporate Management	$1,374	$1,485	$111	$1,334	$(40)	$1,374	$ 0
Financial Management	699	756	57	689	(10)	699	0
Gen. Admin. & Support	1,206	1,235	29	1,177	(29)	1,177	(29)
Total	$3,279	$3,476	$197	$3,200	$(79)	$3,250	$(29)

CORPORATION FOR PUBLIC BROADCASTING

Congressional Appropriation Estimates
for
Fiscal Years 1977 Through 1980

Appropriation Language

"PUBLIC BROADCASTING FUND"

For payment to the Corporation for Public Broadcasting, as authorized by the Public Broadcasting Financing Act of 1975, an amount which shall be available within limitations specified by said Act, for the fiscal year [1977, $103,000,000; for the fiscal year 1978, $107,150,000; and for the fiscal year 1979, $120,200,000;] 1980, $115,000,000: Provided, That no funds made available to the Corporation for Public Broadcasting by this Act shall be used to pay for receptions, parties and similar forms of entertainment for government officials or employees: Provided further, That none of the funds contained in this paragraph shall be available or used to aid or support any program or activity excluding from participation in, denying the benefits of, or discriminating against any person [in the United States,] on the basis of race, color, national origin, religion, or sex. (Departments of Labor and Health, Education, and Welfare Appropriation Act, 1977.)

Discussion of Appropriation Estimate

The budget request for fiscal year 1980 for the Corporation for Public Broadcasting is authorized by provisions of the Public Broadcasting Financing Act of 1975 (P.L. 94-192). That Act authorizes a Federal appropriation to a public broadcasting fund on the basis of one Federal dollar for every $2.50 earned by public broadcasting from non-federal sources during the second preceding fiscal year. It also establishes ceilings for each of five years covering the period from fiscal year 1976 through fiscal year 1980, with a separate ceiling for the transition quarter.

Based on the authorizing legislation, the fiscal year 1977 Appropriation Act for Labor/HEW (P.L. 94-439) contained appropriations for fiscal years 1977, 1978, and 1979, conditioned upon the $2.50 to $1.00 matching requirement. The appropriation for fiscal year 1976 and for the transition quarter was contained in the Second Supplemental Appropriations Act, 1976 (P.L. 94-303).

The following tabulation summarizes the current situation with respect to authorizing legislation and appropriations:

	Appropriation Ceilings ($ in 000s)			
Fiscal Year	Authorized in P.L.94-192	Proposed in President's Budget	Requested by CPB	Finally Approved
1976	$88,000	$70,000	$88,000	$78,500*
Trans. Qtr.	22,000	17,500	22,000	$17,500*
1977	103,000	70,000	103,000	$103,000**
1978	121,000	80,000	121,000	$107,150**
1979	140,000	90,000	140,000	$120,200**
1980	160,000	115,000	160,000	

* P.L. 94-303
** P.L. 94-439

The Corporation is again requesting that it be granted the appropriation ceiling contained in its authorizing legislation -- $160 million for FY 1980. As required by that Act, the ceiling can only be reached if public broadcasting earns $2.50 in non-federal funds during the second preceding fiscal year to match each Federal dollar. A major feature of the authorizing bill is to provide an incentive to public broadcasting to provide the quality of services to its viewers and listeners that will enable it to earn these non-federal revenues. A principal justification for the full appropriation ceiling authorized is that it extends such an incentive, while the amount proposed in the President's budget would totally negate that feature of the legislation.

The matching fiscal year for FY 1980 is 1978. In order to earn the authorized ceiling of $160 million, public broadcasting would have to receive $400 million in non-federal income in FY 1978. By comparison, in fiscal year 1973, non-federal income was $199 million; in fiscal year 1974, approximately $223 million; and in fiscal year 1975, over $272 million. Information concerning FY 1976 is being assembled. The trend is clearly upward, reflecting the progress made by public broadcasting in fulfilling the expectations of its many viewers and listeners. But the gap to $400 million is substantial, and public broadcasting will most certainly have to continue and intensify its efforts to provide the services that will persuade non-federal sources to give it the funds that will permit achievement of this goal. This is the kind of challenge contemplated when the authorizing legislation was passed. By contrast, the President's budget ceiling of $115 million would require non-federal income of only $287.5 million in FY 1978, or an increase of about $15 million over a three-year period from FY 1975 to FY 1978. This is about the increase that is projected for a single year based solely on the probable impact of normal inflation and the addition of new licensees to public broadcasting.

In addition, the significant increase in broadcast services which will benefit the public as a direct result of increased federal funding at the appropriation ceiling authorized for FY1980 ($160 million), is a major justification for the Corporation's budget request. Although this amount would constitute less than 30% of the total funds available for use by public broadcasters in FY1980, it is a critical 30%, as the budget justifications which follow indicate. The growth and improvement of public broadcasting would only be possible with the increased federal funding requested. Activities made possible with these funds would go a long way toward further enabling public broadcasting to provide high quality program services to all the American people. Many of these funds will also provide direct incentives resulting in increased financial commitments from non-federal sources for such important goals as equal opportunity employment/affirmative action efforts, the creation of program distribution systems that will facilitate increased program diversity, and the extension of public broadcasting to new areas of the nation presently without such service.

A second major benefit contemplated in the authorizing legislation, and made possible by the advance funding concept adopted by both the Executive Branch and the Congress, is an advance planning capability. Directly as a result of this capability, public television and public radio have undertaken projects to construct satellite systems that will enable substantially improved distribution of TV and radio programs to local licensees.

Furthermore, this capability enables CPB to give funding assurance to local licensees and to national organizations servicing licensees while at the same time preserving its ability to accommodate to unforeseen needs or to unexpected opportunities by retaining a small portion of appropriated funds earmarked for this purpose. The budget proposed for fiscal year 1980 plans to use appropriated funds in a manner that meets the objectives of predictability for advance planning purposes and the retention of some flexibility in meeting unforeseeable needs and opportunities.

APPROPRIATION HISTORY

(in thousands)

Year	Administration Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
*1969	$ 9,000	**	$ 6,000	$ 5,000
1970	15,000	**	15,000	15,000
1971	22,000	**	27,500	23,000
1972	35,000	$35,000	35,000	35,000
1973	45,000	45,000***	45,000***	35,000***
1974	45,000	**	55,000	50,000****
1975	60,000	60,000	65,000	62,000
1976	70,000	78,500	78,500	78,500
TQ	17,500	17,500	17,500	17,500
1977	70,000	96,750	103,000	103,000
1978	80,000	107,150	121,000	107,150
1979	90,000	120,200	140,000	120,200

* Year of first appropriation.

** Item not included in House Bill because of lack of authorization. Senate Act considered by House members in Conference.

*** Authorizing legislation vetoed. FY 73 operation under continuing resolution.

**** $50.0 million appropriated; $2.25 million placed in reserve by Office of Management & Budget.

AMOUNTS AVAILABLE & PROPOSED FOR OBLIGATION
FY 1977 - 1980 (in thousands)

				FY 1980	
	FY 1977	FY 1978	FY 1979	CPB Request	President's Budget Estimate
Appropriation Ceiling	$103,000[1]	$107,150[1]	$120,200[1]		
Appropriation Ceiling Request				$160,000	$115,000

SUMMARY OF CHANGES

	PL 94-192	Pres. Budget
1979 Estimated Obligations	120,200	120,200
1980 Estimated Obligations	160,000	115,000
Net Change	39,800	(5,200)

1/ The amount proposed for obligation is the same as the amount of the appropriation ceiling.

OBLIGATIONS BY ACTIVITY

(in thousands)

	FY 1977 Estimate	FY 1978 Estimate	FY 1979 Estimate	FY1980 CPB Request $160M Estimate	FY1980 CPB Request Increase (Decrease)	FY 1980 (Pres. Budget) $115M Estimate	FY 1980 (Pres. Budget) Increase (Decrease)
Direct TV/Radio Support	$ 93,736	$ 97,539	$109,372	$145,287	$35,915	$104,787	$(4,585)
Other Support Services	5,843	5,296	5,754	6,437	683	5,617	(137)
Prog. Direction & Admin.	2,996	3,216	3,279	3,476	197	3,200	(79)
Reserved for later Distribution	425	1,099	1,795	4,800	3,005	1,396	(399)
Total	$103,000	$107,150	$120,200	$160,000	$39,800	$115,000	$(5,200)

OBLIGATIONS BY OBJECT

(in thousands)

	FY 1977 ESTIMATE	FY 1978 ESTIMATE	FY 1979 ESTIMATE	FY 1980 $160M ESTIMATE	FY 1980 INCREASE (DECREASE)	FY 1980 $115M ESTIMATE	FY 1980 INCREASE (DECREASE)
Personnel Comp. & Benefits 1/	$ 3,595	$ 3,930	$ 4,320	$ 4,665	$ 345	$ 4,300	(20)
Consultants	420	455	490	530	40	470	(20)
Local Station Support	60,228	62,500	70,000	93,000	23,000	66,900	(3,100)
Production Costs	18,442	18,100	20,600	29,500	8,900	19,000	(1,600)
Distribution Costs	13,760	14,900	16,100	18,500	2,400	16,600	500
Other Objects	5,024	6,166	6,895	9,005	2,110	6,334	(561)
Satellite Const. Project	1,106	---	---	---	---	---	---
Reserved for Later Dist.	425	1,099	1,795	4,800	3,005	1,396	(399)
Total	$103,000	$107,150	$120,200	$160,000	$ 39,800	$115,000	$(5,200)

1/ Includes Compensation to members of the Board of Directors

Estimated positions (by program category at year-end) are as follows:

	FY 77	78	79	80
Television	17	17	17	17
Radio	11	11	13	13
Other Support Activities 2/	55	56	57	57
Prg. Direction & Admin.	50	52	52	52
Total	133	136	139	139

2/ Excludes positions funded from Satellite Construction Project.

PROGRAM CHANGES

(in thousands)

Fiscal Year	Total	Direct TV/Radio Support	Other Support Activities	Program Direction & Administration	Reserved for Later Distribution
FY 1977	$103,000	$ 93,736	$5,843	$2,996	$ 425
FY 1978	107,150	97,539	5,296	3,216	1,099
Incr./(Decr.)	4,150	3,803	(547)	220	674
FY 1979	120,200	109,372	5,754	3,279	1,795
Incr./(Decr.)	13,050	11,833	458	63	696
FY 1980					
CPB Request	160,000	145,287	6,437	3,476	4,800
Incr./(Decr.)	39,800	35,915	683	197	3,005
Pres. Budget	115,000	104,787	5,617	3,200	1,396
Incr./(Decr.)	(5,200)	(4,585)	(137)	(79)	(399)

EXPLANATION OF CHANGES FROM FY 1979 TO FY 1980

(1) Direct TV/Radio Support

At $160 million the increase in this category would be $35.9 million, of which approximately 65% would go to support to local stations in the form of Community Service Grants for both radio and television licensees and Coverage Expansion Grants to broaden the area served by public radio. Additional funds would be used for national program distribution to lease the fourth transponder for the television satellite system, as well as to help support the initial year of a satellite interconnection system for public radio. Production of both radio and television programs and series would increase by approximately 40%. The exact amounts of specific changes would depend on the minimum and maximum ranges explained later in this submission.

At $115 million, local station support would be cut back by over $3 million, meaning reduced grants to licensees at a time when the needs of local licensees in both TV and Radio will be increasing for a variety of reasons. The impact on Radio Coverage Grants would be particularly severe. Since future commitments could not be met, no new grants could be awarded and a reduction in the ongoing grants would be necessary. Funds for distribution would decrease, making it impossible to lease a fourth transponder for TV. Production funds would be cut by approximately $1.5 M from FY 1979 amounts -- at a time when the existence of satellite interconnection systems for both TV and Radio call for substantially more programs to take advantage of new capabilities.

(2) Other Support Activities

At $160 million the $683,000 increase breaks down as follows: training and development $193,000, engineering research $168,000, communications research $72,000, public affairs $61,000, management information systems $50,000, special support projects $48,000, educational activities $37,000, human resources $32,000, legislative affairs $10,000, development and long range planning $6,000 each. All increases have been kept to a minimum and reflect only continuation of commitments and those increases necessary to cushion the anticipated impact of inflation.

At $115 million there is a total decrease in the funding of other support activities totaling $137,000. Many projects within activities will be reduced. The only increases are for staff and support costs which rise due to the impact of inflation.

(3) Program Direction and Administration

At $160 million there is a $197,000 increase requested. This is solely for inflationary increases associated with the FY 1979 level of personnel and activities in this program category.

At $115 million in order to effect a reduction, cutbacks will be made in such areas as travel, printing, and supplies. If necessary, personnel cutbacks will also be initiated through attrition or other means so as to achieve a reduction from the FY 1979 level.

JUSTIFICATION OF ESTIMATES

Introduction

This budget for the Corporation for Public Broadcasting is prepared under the provisions of the Public Broadcasting Financing Act of 1975 (P.L. 94-192) and the FY 1977 Labor/HEW Appropriation Act (P.L. 94-493). In accordance with the former, the Corporation is requesting from the Congress for 1980 $160 million, the full amount contained in the law. As previously noted, this ceiling will be reached only if public broadcasting is able to raise 5 non-federal dollars for each 2 federal dollars granted (with a two-year lag between the year in which non-federal funds are raised and the year in which funds would be appropriated).

Budget justifications are organized in the following categories:

(1) Direct Support of TV and Radio Activities

(2) Other Support Activities

(3) Program Direction and Administration

(4) Reserved for Later Distribution.

(1) Direct Support of TV and Radio Activities. This category accounts for more than 90% of the uses of Federal funds appropriated to CPB. It consists of direct support to local stations (primarily in the form of unrestricted community service grants); distribution costs for both TV and Radio programs; costs related to increased coverage —- the addition of new stations and licensees; and costs involved in support of national production of programs, including promotional and advertising projects. Also included are staff and support costs of those employees in CPB who directly administer these activities.

At the $160 million appropriation level requested, the major beneficiaries would be the local public television and radio stations. Approximately 57% of the $39.8 million increase from the FY 1979 appropriation would go for increased support to local stations in the form of unrestricted community service grants to public television stations and for public radio in the form of similar grants plus expansion grants. Under the Administration budget of $115 million, there would be a decrease of approximately 4% in support to local stations. With the number of stations increasing continually, this would mean a decrease in the average station grant at the same

time that system growth and inflation will be placing increasing demands on the licensees. The contraction would also come at the same time that the transition from terrestrial to satellite interconnection will make it possible to add new stations much more expeditiously than in the past.

The amounts budgeted for distribution costs (operation of interconnections for both Television and Radio) are projected to take account of system expansion and the transition from terrestrial to satellite transmissions, to be completed in fiscal year 1979 for public television and in fiscal year 1980 for public radio. Based on existing projections, costs of satellite interconnection will be no greater than they would have been if the existing terrestrial system had been maintained, although the composition of costs will be considerably changed. The projections for public television are based on the existence of four transponders to be available for program broadcasting in fiscal year 1980, if the appropriation ceiling of $160 million is granted. The Administration ceiling of $115 million would result in a postponement of the activation of the fourth transponder.

In the area of production, fiscal year 1980 will be an extremely important year as public television is able to fully utilize the satellite interconnection system. The availability of four satellite transponders to distribute programs will substantially increase the need for additional programs, and hence the need for sufficient production funds. Even at the $160 million appropriation level, production funds budgeted will be insufficient to meet system needs. The lower ceilings necessitated by the Administration budget would drastically cut back production services.

For radio production, the situation is similar. FY 1980 should see the beginning of satellite interconnection for public radio with the ability to transmit in stereo. For the first time there would be a truly national public radio system. At the $160 million ceiling, funds would become available for substantially increasing production capability. The lower ceilings would reduce these funds to approximately fiscal year 1978 levels.

(2) Other Support Activities. Included in this category are funds for a variety of purposes that are essential to the continued progress and development of public broadcasting. The purposes are identified in basic legislation and in CPB's statements of tasks and responsibilities approved by its Board. Specific activities are spelled

out in the justifications. They include funds used to promote the training of minorities and women within the system; audience research; enhancing the interrelationship between public broadcasting and education; public broadcasting's participation in technological progress in broadcasting and related non-broadcast communications; public information and liaison with public groups; maintenance and dissemination of essential statistics for public broadcasting; and similar items. The fiscal year 1980 budget for these purposes at the $160 million appropriation level is a continuation of advance plans and commitments undertaken with known funds starting in fiscal year 1977. At the reduced Administration ceiling, all these activities would have to be curtailed, to the detriment of public broadcasting as a whole.

(3) Program Direction and Administration. This category encompasses the costs necessary to administer the Corporation, including general occupancy costs; maintenance of financial, audit, legal, and business functions; salary and operational costs of the Board and executive personnel; and related support costs. In fiscal year 1980, at the requested $160 million appropriation level, this category would be maintained at the same level as in fiscal year 1979, with increases attributable only to expected inflationary additions. At the reduced administration ceiling, it would be arbitrarily held below the fiscal year 1979 level and inflationary increases would have to be absorbed by reduced services and forced economies.

(4) Reserved for Later Distribution. A central consideration for the Corporation because of its involvement with the construction of the ground segment of satellite interconnection systems for both TV and radio is the contingency that these projects may require more funds than originally planned. CPB is responsible for cost overruns in each case, and while every effort has been made to assure that these cannot occur, prudence suggests that the Corporation maintain a reserve for the possibility that they might occur, as well as for the possibility of other presently unforeseen contingencies or new opportunities.

CPB believes that as a part of the orderly planning made possible by advance appropriations it needs to balance predictability of resources for known priorities with the maintenance of reserves which, if not required, can then be used to augment such known priorities as television production, radio expansion grants, and similar needs which are still unmet in total and which need any funds that could be diverted to supplement existing budgeted amounts.

General. The difference between CPB's request for an appropriation ceiling of $160 million and the Administration proposal of a ceiling of $115 million will make a tremendous difference to the progress of public broadcasting in the immediate future.

As noted earlier, the lower ceiling would essentially negate the 2.5 to 1 matching principle. The incentive to public broadcasting entities to increase non-federal sources of revenue in order to earn additional Federal dollars would be practically eliminated under the Administration estimate.

The actual impact in terms of dollars on the various activities of CPB is documented through this submission. Approval of the higher ceiling authorized in P.L. 94-192 will, by ensuring public broadcasting's continued growth, encourage increasing non-federal support and enable it to continue to make progress in providing programs of excellence and diversity obtained from diverse sources for use by local licensees at their discretion. The lower ceiling proposed by the Administration would severely set back activities in fiscal year 1980 and would significantly reduce Federal support to public broadcasting, thereby discouraging any increase in non-federal support. This in turn would reduce the quantity and diversity of quality programming and other services that public broadcasting is increasingly providing in response to local needs.

JUSTIFICATION OF ESTIMATES BY ACTIVITY

Direct Support of Television and Radio Activities

The following tabulation summarizes for TV and Radio amounts budgeted for specific purposes in fiscal years 1977 through fiscal year 1980. For both TV and Radio, "Maximum" and "Minimum" amounts are calculated pursuant to a resolution adopted by the CPB Board on November 12, 1976.

The Board resolution had as its stated purpose to facilitate orderly planning of public television and public radio in recognition of the fact that advance-year funding became a reality with the enactment of P.L. 94-439. The Board Resolution is designed to give public television and public radio absolute assurance of minimum amounts that they can rely on each year. At the same time, a small portion of Federal funds is identified for later distribution between public television and public radio based on an annual review of priorities and needs of the two media.

More specifically, the Resolution adopted:

- Provides that 90% of Federal appropriations for each fiscal year will be earmarked for direct support of specified TV and Radio activities (local station support; distribution of programs; national production; and program expansion).

- Allocates 97% of this support fund to public television and public radio in the same proportion as in the previous fiscal year. This allocation is made a full year in advance of the start of each year and establishes a firm minimum base that both TV and Radio can count on for advance planning purposes.

- Gives the CPB Board the flexibility and discretion to allocate the remaining 3% of the support fund just prior to the start of each new fiscal year on the basis of its assessment of the relative needs of TV and Radio at that time, a year after the minimum allocations for each are set.

- Provides that there can be no abrupt change in future percentage distributions of the TV/Radio Support Fund by limiting to .5% the change from the prior year base that may be made in the percentage of the fund allocated to either TV or Radio for advance planning purposes.

- States the intention of the Board to continue to supplement funds earmarked for direct support of public television and public radio from any other funds available to it. (In fiscal year 1976, the CPB Board approved an additional $2.3 million for public TV -- $1.5 million to help fund public television's second Station Program Cooperative; and $.8 million to support additional national public television production. In FY 1975, it added $.4 million to public radio for its expanded coverage program.)

"Maximum" and "Minimum" amounts for each of fiscal years 1978, 1979, and 1980 in the following tabulation represent the maximum variations possible by application of the above resolution, including the impact of the 1-year in advance distribution of 97% of the TV/Radio Support Fund plus the assumption that the 3% discretionary amount distributed just prior to the start of each fiscal year could go totally to either TV or Radio based on Board determinations each year. In the absence of new and unexpected developments, however, the probability is that each year when the 3% discretionary amount is divided it will be distributed in substantially the same proportion as the advance-year funds -- that is, the major portion would be allocated to TV activities.

Direct Support of Television and Radio Activities

Maximum Variations Possible Under Application of CPB Board Resolution of November 1976
($ in 000's)

	Allocated to Television*	Allocated to Radio*	Total (90% of Appr.)
Fiscal Year 1977 Actual	$77,323	$15,377	$92,700
Fiscal Year 1978:			
TV Maximum; Radio Minimum[1]	80,917	15,518	96,435
TV Minimum; Radio Maximum[2]	78,023	18,412	96,435
Fiscal Year 1979:			
TV Maximum; Radio Minimum[3]	91,296	16,884	108,180
TV Minimum; Radio Maximum[4]	87,002	21,178	108,180
Fiscal Year 1980 ($160 M Ceiling):			
TV Maximum; Radio Minimum[5]	122,224	21,776	144,000
TV Minimum; Radio Maximum[6]	115,110	28,890	144,000
Fiscal Year 1980 ($115 M Ceiling):			
TV Maximum: Radio Minimum[7]	87,848	15,652	103,500
TV Minimum; Radio Maximum[8]	82,736	20,764	103,500

* Excludes costs of TV and Radio staffs.

1 Prior year (FY 1977) proportion was 83.41 TV/16.59 Radio. This distribution is based on distributing 97% of $96,435,000 on this proportion and all of discretionary funds (3% of $96,435,000 or $2,894,000) to TV.

2 Distribution of advance-year distribution same as in (1); 3% discretionary fund ($2,894,000) allocated in total to Radio.

3 Prior year distribution of all of discretionary fund to TV would throw full .5% permissible variation to TV, so new proportion for purposes of advance-year distribution would be 83.91 TV/16.09 Radio. 3% of $108,180,000 ($3,245,000) distributed in full to TV.

[4] Prior year distribution of all of discretionary fund to Radio would throw full .5% permissible variation to Radio, so new proportion for purposes of advance-year distribution would be 82.91 TV/17.09 Radio. 3% of $108,180,000 ($3,245,000) is assumed to be allocated in full to Radio.

[5] Prior year distribution of all discretionary funds to TV would throw full .5% permissible variation to TV so new proportion for purposes of advance-year distribution would be 84.41 TV/15.59 Radio. 3% of $144,000,000 ($4,320,000) distributed in full to TV.

[6] Prior year distribution of all discretionary fund to Radio would throw full .5% permissible variation to Radio, so new proportion of advance-year distribution would be 82.41 TV/17.59 Radio. 3% of $144,000,000 ($4,320,000) distributed in full to Radio.

[7] Prior year distribution of all discretionary fund to TV would throw full .5% permissible variation to TV, so new proportion for purposes of advance-year distribution would be 84.41 TV/15.59 Radio. 3% of $103,500,000 ($3,105,000) distributed in full to TV.

[8] Prior year distribution of all discretionary fund to Radio would throw full .5% permissible variation to Radio, so proportion of advance-year distribution would be 82.41 TV/17.59 Radio. 3% of $103,500,000 ($3,105,000) distributed in full to Radio.

JUSTIFICATION OF ESTIMATES BY PROGRAM

Program: Television

	FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY PL 94-142 $160M Maximum	FY PL 94-142 $160M Increase (Decrease)	FY PL 94-142 $160M Minimum	FY PL 94-142 $160M Increase (Decrease)	1980 Pres. Budget $115M Maximum	1980 Pres. Budget $115M Increase (Decrease)	1980 Pres. Budget $115M Minimum	1980 Pres. Budget $115M Increase (Decrease)
Support of Local Stations(CSG's	$51,500	$53,580	$53,580	$60,100	$60,100	$ 80,000	$19,900	$80,000	$19,900	$57,500	$(2,600)	$57,500	$(2,600)
Distribution	12,500	13,500	13,500	14,500	14,500	16,000	1,500	16,000	1,500	15,200	700	15,200	700
Production	13,323	13,837	10,943	16,696	12,402	26,224	9,528	19,110	6,708	15,148	(1,548)	10,036	(2,366)
FV Staff	666	688	688	701	701	757	56	757	56	757	56	757	56
Total	$77,989	$81,605	$78,711	$91,997	$87,703	$122,981	$30,984	$115,867	$28,164	$88,605	$(3,392)	$83,493	$(4,210)

Activity: Support of Local Stations (Community Service Grants)
(In thousands)

FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY 1980 PL 94-192 $160M Maximum	Increase (Decrease)	FY 1980 PL 94-192 $160M Minimum	Increase (Decrease)	FY 1980 Pres. Budget $115M Maximum	Increase (Decrease)	FY 1980 Pres. Budget $115M Minimum	Increase (Decrease)
$51,500	$53,580	$53,580	$60,100	$60,100	$80,000	$19,900	$80,000	$19,900	$57,500	$(2,600)	$57,500	$(2,600)

Authority and Purpose

The Act provides that the Corporation may "make payments to existing and new non-commercial educational broadcast stations to aid in financing local educational television or radio programming costs of such stations, particularly innovative approaches thereto, and other costs of operation of such stations" (Section 396(g)(2)(C)). The principal purpose of this activity is to provide support for community service projects at television stations. Local stations have wide latitude on the use of these funds although there is a restriction on their use to replace other fund sources. The Corporation requires that each station prepare a report on planned uses of its grant and follow-up reports on actual uses.

Fiscal Years 1977-79

In conformance with the Public Broadcasting Act of 1967, CPB provides significant direct financial support to Public Television licensees in the form of Community Service Grants. By agreement with the Public Broadcasting Service which represents the stations, once CPB's Federal appropriation level reached $80M this direct station support was to be 50% of the total. These funds are used to enhance the station's community service, independence and freedom of choice for each licensee. Local stations have wide latitude on the use of these funds although there is a restriction on their use to replace other fund sources.

In FY 1977 CSG's will total $51.5 million compared with $38.6 million in FY 76. By FY 1979 this figure will reach $60.1 million and the average grant will increase from the FY 1977 level of $316,000 to over $366,000.

Fiscal Year 1980

At the $160 million level, CSG's will rise to $80 million and the average station grant will increase from FY 1979 by 30% to $476,000. If the Federal appropriation is $115M, CSG's will drop to $57.5 million and the average station grant will decrease by 6.5% to $342,000.

Activity: Distribution
(In thousands)

					FY 1980							
					$160M				$115M			
FY 1977	FY 1978 Maximum	FY 1978 Minimum	FY 1979 Maximum	FY 1979 Minimum	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)
$12,500	$13,500	$13,500	$14,500	$14,500	$16,000	$1,500	$16,000	$1,500	$15,200	$700	$15,200	$700

Authority and Purpose

Section 396 of the Act in subparagraph(2)(E) provides that the Corporation may "arrange by grant or contract with appropriate public or private agencies, organizations, or institutions, for interconnection facilities suitable for distribution and transmission of educational television or radio programs to non-commercial, educational broadcast stations." The Act further provides (1) that the Corporation itself may not own or operate an interconnection facility, and (2) that no provision of law shall be construed to prevent communications common carriers from rendering free or reduced rate service to public broadcasting for the purpose of interconnection.

Fiscal Years 1977-79

Public television, with the Corporation as the developer, will be constructing a satellite interconnection system which is planned to be operational by the second quarter of Fiscal Year 1979. The cost of leasing the transponders, operation and maintenance of the system, and financing of the debt service incurred in borrowing funds for development and construction will be paid for out of these distribution funds. In FY 1977 all costs will continue to relate to the terrestrial system as construction gets under way. In FY 1978, it is expected that the first of ultimately four transponders will be leased in the second quarter of that year, and the second transponder will be leased in the third quarter of that year. Thus, some satellite costs are reflected in the total costs shown for that year. In FY 1979, only a very small portion of the total shown will relate to the terrestrial system as the satellite system becomes operational. In the beginning of that year, the third transponder will be leased. In addition, payment to finance the debt service will also commence.

Fiscal Year 1980

Funds for this year assume that the satellite interconnection system will be fully operational. At the higher level a fourth transponder will be leased in the second quarter, no terrestrial costs are reflected, and payment of debt service continues. Since costs are relatively fixed (the main flexibility would be the timing of leasing the fourth transponder) costs shown at both levels reflect only the inclusion or exclusion of the expenses of the fourth transponder.

Activity: TV Production
(In thousands)

					FY 1980							
					$160M				$115M			
FY 1977	FY 1978 Maximum	FY 1978 Minimum	FY 1979 Maximum	FY 1979 Minimum	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)
$13,323	$13,837	$10,943	$16,696	$12,402	$26,224	$9,528	$19,110	$6,708	15,148	(1,548)	$10,036	$(2,366)

Authority and Purpose

The Public Broadcasting Act of 1967 includes in its statement of Purposes and Activities of the Corporation the following: ...to "facilitate the full development of educational broadcasting in which programs of high quality, obtained from diverse sources, will be made available to non-commercial educational television or radio broadcast stations..." Section 396(g)(2) provides that the Corporation may make contracts with or make grants to program production entities, individuals, or others for the production of, or otherwise to procure educational television programs for national or regional distribution to educational broadcast stations. The Act provides, however, that the Corporation may not itself own or operate any production facility.

Fiscal Year 1977-79

Funds for television production are spent on research and development projects, pilots, special productions, production of series, acquisition of series, reformatting of local or regional productions for national distribution, and advertising and promotion of public broadcasting production. From FY 77 through 79 the major thrust in the Television Department will be in the areas of program series support and advertising and promotion. The department's program emphasis over this period will be to provide the American public with high quality series which provide the best in American programs to the public television system. In addition, efforts will continue to provide meaningful programs for Minorities, Women, Elderly, and other segments of the population which are not now adequately served. Funds for advertising and promotion will be increased in coordination with the increase in series support as a complementary effort to make the American public aware of the program offerings.

Fiscal Year 1980

At the $160 million level series will increase substantially at the maximum level. Such an increase would permit support of more diverse and specialized program themes. In addition R&D and pilot funding would be increased by 25%.

At the $115M level funds for series production would fall sharply and there would be no growth in other areas.

Activity: TV Staff & Support
(In thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$666	$688	$701	$757	$56	$757	$56

Narrative

These figures include that portion of the Corporation's total administrative staff and support costs which is directly concerned with the conduct of television programs and activities. The increase in fiscal year 1980 is related to increased costs to existing staff and inflationary increases to related support activities

Program: Public Radio
(in thousands)

	FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY 1980 PL 94-192 $160M Maximum	PL 94-192 $160M Increase (Decrease)	PL 94-192 $160M Minimum	PL 94-192 $160M Increase (Decrease)	FY 1980 Pres. Budget $115M Maximum	Pres. Budget $115M Increase (Decrease)	Pres. Budget $115M Minimum	Pres. Budget $115M Increase (Decrease)
Comm. Serv. Grants	$ 6,817	$ 7,579	$ 7,264	$ 8,853	$ 8,592	$12,200	$3,347	$10,435	$1,843	$ 9,144	$ 291	$ 8,267	$ (325)
Distribution	1,260	1,400	1,400	1,622	1,525	3,005	1,383	2,274	749	1,612	(10)	1,378	(147)
Production	5,119	6,703	5,350	7,453	5,773	9,565	2,112	6,925	1,152	7,125	(328)	5,235	(538)
Expansion	1,831	2,230	1,154	2,350	644	3,220	870	1,392	748	2,095	(255)	422	(222)
Membership/ Awareness	350	500	350	900	350	900	-	750	400	788	(112)	350	(0)
Radio Staff & Support	370	416	416	491	491	530	39	530	39	530	39	530	39
Total	$15,747	$18,828	$15,934	$21,669	$17,375	$29,420	$7,751	$22,306	$4,931	$21,294	$(375)	$16,182	$ (1,193)

Corporation funds devoted exclusively to radio activities are spent primarily in support of National Public Radio and in support of local stations. National Public Radio's services include production of the award winning daily program, "All Things Considered", and other original informational and cultural programming which will total approximately 5,000 hours in FY 1980 at the $160M ceiling. The Corporation supports other production efforts as well. Funds devoted to distribution of NPR Program services must be extended to an average of 13 new licensees in each fiscal year. Qualitative improvement in the interconnected service is also contemplated.

In support of stations, the Corporation distributes basic Community Service Grants to assist local growth and development. To assure continued growth in both the quality and quantity of program services, stations are required to meet certain criteria in order to receive CPB assistance. As planned, these criteria have become increasingly stringent each year. Eligible stations have now reached the minimum service level projected in 1970 and each employs no less than five full-time professional staff members and provides programming service for at least 18 hours a day, seven days a week, 52 weeks a year. In addition, stations qualifying for CPB assistance must meet minimum standards pertaining to transmission power, local production capabilities, programming ability and operating budgets.

The Corporation also distributes grants to encourage local station capability above the minimum required for CPB assistance, supports promotion of public radio programs and other public awareness activities, assists with the development of public radio stations in major market areas still unserved, and encourages licensees to increase and diversify their sources of funding.

Activity: Community Service Grants
(in thousands)

					FY 1980							
					PL 94-142 $160M				Pres. Budget $115M			
FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)
$6,817	$7,579	$7,264	$8,853	$8,592	$12,200	$3,347	$10,435	$1,843	$9,144	$291	$8,257	$(325)

Fiscal Year 1977-79

Community Service Grants are awarded to provide direct operational support to qualified radio licensees according to a formula tied to increases in the total CPB Appropriations, and to promote the growth and development of public radio stations from 177 stations in FY 1977 and a potential audience of approximately 65% of U.S. citizens to approximately 217 stations in FY 80 available to an estimated 80% of the people. The funds which have been provided for FY 1977-79 will allow for a planned and orderly increase in the average station grant for all qualified stations.

With the stations' authority and approval, additional station support which would have gone to the stations is being held in escrow and is being used for the development of the radio satellite delivery system, scheduled for completion by FY 1980. This amounts to $300,000 in FY 1977, $400,000 in FY 1978, and $800,000 in FY 1979 at the maximum and minimum levels. $5.5 million was reserved in FY 1976 and FY 197T.

Fiscal Year 1980

In FY 80 at the authorized ceilings, sufficient funding would be available to increase the average station grant to existing stations and to those additional stations which will be in existence at that time.

In FY 80 at the $115M (minimum) level the average support to stations would be less than the average grant in FY 79, forcing a cut-back in services funded by CPB support. At maximum, only inflationary costs would be covered.

Activity: Radio Distribution
(in thousands)

FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY 1980 PL 94-142 $160M Maximum	Increase (Decrease)	PL 94-142 $160M Minimum	Increase (Decrease)	FY 1980 Pres. Budget $115M Maximum	Increase (Decrease)	Pres. Budget $115M Minimum	Increase (Decrease)
$1,260	$1,400	$1,400	$1,622	$1,525	$3,005	$1,383	$2,274	$749	$1,612	$(10)	$1,378	$(147)

Fiscal Years 1977-79

Distribution services are provided with Corporation funds by National Public Radio; such services include both programs transmitted via the interconnection and programs provided by audio tape library. This year (FY 1977) interconnected program services are provided to 200 stations. By FY 1979 this number is expected to be over 230. While NPR also produces many of the programs it distributes, nearly 30 percent of the programming distributed nationally comes from the public radio stations themselves. The increases in FY 77 through FY 79 (maximum level) provide for inflationary factors, growth and improvement and the cost of servicing new stations. The minimum level in FY 1979 will provide only for maintenance of existing services.

Fiscal Year 1980

In FY 80 at the authorized ceiling, NPR will receive additional programming dollars in anticipation of the impact of a satellite delivery system in 1980, increasing its distribution capability from one channel to a maximum of four mono channels, or two stereo channels. By 1980 at the authorized ceiling NPR will produce and acquire over 5,000 hours for distribution to approximately 250 stations. If the President's request prevails in FY 80, NPR will be reduced to below the 1979 level, thereby forcing a reduction in program services from what was available for a single channel in the previous year.

Activity: Radio Program Production
(in thousands)

					FY 1980							
					PL 94-192 $160M				Pres. Budget $115M			
FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)	Maximum	Increase (Decrease)	Minimum	Increase (Decrease)
$5,119	$6,703	$5,350	$7,453	$5,773	$9,565	$2,112	$6,925	$1,152	$7,125	$(328)	$5,235	$(538)

Fiscal Years 1977 - 79

These funds are provided to support production of high quality diverse programming and production material to supplement local schedules at the discretion of the licensees. Increases for National Public Radio in FY 77-79 are for inflationary factors, growth and improvement, and a continuing program pilot fund. Six-year funding for three local program production units will be completely phased out on schedule in FY 78. Funding of EARPLAY, an independent experimental drama unit providing 35-50 original contemporary dramas each year, and funding for the production and distribution of materials tailored to the local production needs of stations will continue to keep pace with inflation. Since FY 75, CPB funding of the EARPLAY drama unit has been part of a matching arrangement with NEA. Also in FY 1978, funds are to be made available to expand and improve local stations' programming.

Fiscal Year 1980

In FY 1980 at the $160M level NPR will receive additional programming funds in anticipation of the impact of the satellite delivery system in FY 80, increasing its distribution capability from one mono channel to a maximum of four mono channels or two stereo channels. NPR will produce and acquire over 5,000 hours of original programming for over 250 member stations, up from the FY 77 level of 2,300 hours to 199 stations.

At the $115 M level in FY 80, support for improvement and expansion of local stations' programming would have to be eliminated.

ACTIVITY: Expansion
(in thousands)

FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY 1980 PL 94-192 $160M Maximum	Increase (Decrease)	FY 1980 PL 94-192 $160M Minimum	Increase (Decrease)	FY 1980 Pres. Budget $115M Maximum	Increase (Decrease)	FY 1980 Pres. Budget $115M Minimum	Increase (Decrease)
$1,831	$2,230	$1,154	$2,350	$644	$3,220	$870	$1,392	$748	$2,095	$(255)	$422	$(222)

Fiscal Years 1977-79

The Coverage Expansion project is designed to provide incentive funding to assist in the establishment or upgrade of full-service public radio stations in over 30 presently unserved areas in major population centers of 350,000 or more to make public radio available to 80% of the U.S. population in FY 1980. Major Market Upgrade grants are also made to improve public radio's quality in the top metropolitan areas.

The amounts reflected would allow for significant support in developing new qualified public radio stations at the maximum amount shown. It would allow for an average of six new grants a year to be awarded in addition to supporting existing grant recipients. The minimum levels would require finding support from other sources or a cutback in the project.

Fiscal Year 1980

At the $160M ceiling, CPB would be able to triple the number of new grants it would award.

At $115 M, it would be impossible to begin any project for a new station and the likelihood of a planned major market upgrade would be very slim. Further, if the FY 1980 appropriation would be less than FY 1979, prudent financial management would prohibit many of the planned 12 new projects in FY 1978 and FY 1979 because of the inability to continue them in FY 80 at the $115M level.

ACTIVITY: Membership/Awareness Week
(in thousands)

FY 1977 $103M	FY 1978 Maximum	FY 1978 Minimum	FY 1979 $120.2M Maximum	FY 1979 $120.2M Minimum	FY 1980 PL 94-142 $160M Maximum	Increase (Decrease)	FY 1980 PL 94-142 $160M Minimum	Increase (Decrease)	FY 1980 Pres. Budget $115M Maximum	Increase (Decrease)	FY 1980 Pres. Budget $115M Minimum	Increase (Decrease)
$350	$500	$350	$900	$350	$900	$ 0	$750	$400	$788	$ (112)	$350	$0

Fiscal Years 1977-79

The objective of this activity, begun in FY 1977, is to increase awareness of existing program services, and thereby the number of persons using them. The Radio System has set this among the highest of priorities. The success of Public Television's"Station Independence Project" has dramatically shown how this objective can be achieved. PTV's "Festival 76" resulted in just under $10 million in new revenues. A similar accomplishment for public radio is planned through this project. Successful annual campaigns are presumed to follow a successful pilot effort. The five-year goal is to at least double the existing national cumulative audience, a 20% growth in the average station's individual listener contribution and a 400% growth in total percentage of listeners contributing compared to the total potential listeners.

Fiscal Year 1980

At the authorized ceiling, sufficient funds would be available to achieve the objectives described above.

At the level requested by the President, meeting these objectives in this year would be highly unlikely, particularly at the minimum planning amounts.

Activity: Radio Staff
(In thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase	$115M	Increase
$370	$416	$491	$530	$39	$530	$39

Fiscal Years 1977-79

Funds in this activity provide salaries and related support costs for those involved in Radio Activities. The staff's objective is to effectively administer and manage all programs and projects undertaken and to implement the goals of the Radio Activities Office and CPB in general. With the increased appropriation in FY 1979, two additional positions are planned. The first is a Radio Project Manager. With the growth of the Coverage Expansion Grant project, a second staff person is required to work with the increasing number of applications and the stations (18) that are currently being funded to monitor their progress and assure thier continued progress. The second position requested is a secretary required to provide clerical assistance in the correspondence related to the increase in grants.

Fiscal Year 1980

Increases in FY 1980 have been held to normal increases in salary and support costs of existing staff.

Program: Other Support Activities

	FY 1977	FY 1978	FY 1979	FY 1980 $160M	FY 1980 Increase (Decrease)	FY 1980 $115M	FY 1980 Increase (Decrease)
Communications Research	$ 585	$ 653	$ 751	$ 823	$ 72	$ 659	$ (92)
Educational Activities	584	643	740	777	37	730	(10)
Engineering Research	500	540	590	758	168	588	(2)
Training & Development	1,084	1,437	1,522	1,715	193	1,522	-
Human Resources	341	344	348	380	32	333	(15)
Public Affairs	620	637	689	750	61	661	(28)
Mgmt. Info. Systems	514	556	627	677	50	624	(3)
Legislative Affairs	103	111	119	129	10	129	10
Development	65	70	76	82	6	82	6
Long-Range Planning	65	70	76	82	6	82	6
Special Support	276	235	216	264	48	207	(9)
Satellite Support	1,106						
Total	$5,843	$5,296	$5,754	$6,437	$683	$5,617	$(137)

Activity: Communications Research
(in thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$ 585	$653	$751	$823	$72	$659	$(92)

Authority and Purpose

Section 396(a)(4) of the Public Broadcasting Act of 1967 sets forth the Congressional declaration of policy that noncommercial broadcast programming should be "...responsive to the interests of people... in particular localities and throughout the United States." Section 396(g)(2)(H) provides that CPB should "...conduct research, demonstrations...in matters related to nomcommercial educational television or radio broadcasting."

Fiscal Years 1977-79

The activities of Communications Research center around the gathering, analysis and distribution of information on the programs and audiences of public broadcasting. Major projects include general population studies to keep informed on public attitudes and opinions on a wide variety of subjects. This data is used to provide guidance for assessing program needs. Pilot testing and Program Evaluation also receive major emphasis in an effort to determine program appeal to audiences. In FY 78, the Program Evaluation effort will be expanded to cover both TV and Radio.

An important project to be initiated in FY 77 is a Cable TV study to investigate the effect of cable on viewership of public television.

Fiscal Year 1980

At the higher funding level, projects related to Communications Research will expand in relation to the increased production efforts of television and radio. Pilot Testing and Program Evaluation will receive most of the increase. At the $115M funding level, the projects in this activity will be reduced reflecting the fewer programs and pilots produced.

Activity: Educational Activities
(In thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$584	$643	$740	$777	$37	$730	$(10)

Authority and Purpose

Non-commercial broadcasting for educational or instructional purposes has been expressly authorized in the Act as a matter of policy. Section 396(a)(4) speaks of the need to encourage the growth and development of non-commercial broadcasting "...including the use of such media for instructional purposes."

Fiscal Years 1977-79

Project goals for 1977-79 include: (A) Increasing awareness of the instructional services public tv stations now provide. (B) Measuring the nature and extent of use of available resources. To provide baseline data for planning purposes, in 1977 CPB is conducting the first comprehensive survey of station instructional services (radio and television) with results published in the summer of 1977. In addition, CPB, with co-funding from HEW's National Center for Educational Statistics (NCES), is presently designing a nationwide sample for a survey of schools (public and private--K to 12) to measure ITV use. (C) Developing methods to extend the use of high quality programming presently available for nationwide distribution. (D) Supporting demonstration projects to encourage greater use by adult learners. (E) Finally, to complement CPB's and others' growing funding support of instructional programming, and to create new resources to meet the needs of a broad range of nationwide audiences, CPB will initiate in 1978 a Programming Improvement Project to assist producers to develop more effective instructional programming and to assist educators and station utilization personnel in learning more effective ways of using instructional programs.

Fiscal Year 1980

In 1980, (A) ITV awareness activities will have reached a plateau of continuing station-based activity, and CPB anticipates phasing out its support. Evaluations of the nationwide efforts will be undertaken, an update of the 1977 Handbook on Education and Public Broadcasting will be commissioned, and, at the higher ceiling, CPB will initiate awareness activities related to instructional radio. At the Administration ceiling, no instructional radio awareness action activities will be initiated. (B) By 1980, CPB will have significantly increased its support of instructional programming production to meet needs of a range of nationwide audiences. At the higher ceiling, CPB will support an additional print materials project. (C) The Programming Improvement Project will be extended through a series of 6 regional seminars for ITV producers, ITV utilization personnel, and teachers. At the Administration ceiling only two seminars would be held. (D) Under both ceilings, the final year of the radio demonstration project for adult learners will be underway.

Activity: Engineering Research
(in thousands)

			FY 1980			
				Increase		Increase
FY 1977	FY 1978	FY 1979	$160M	(Decrease)	$115M	(Decrease)
$ 500	$540	$590	$758	$168	$588	$(2)

Authority and Purpose

The Public Broadcasting Act of 1967 requires the Corporation to assist in the establishment and development of one or more systems of non-commercial educational broadcasting (Section 396 (g)(1)(C)); to encourage the creation of new stations and to conduct research, demonstration or training (Section 396 (g)(2)(G) and (H)). In addition, the Public Broadcasting Financing Act of 1975 (Sec. 3. Subsection 396(g)(2)(H) gave the Corporation the authority to explore the use of nonbroadcast communications technologies for the dissemination of educational television or radio programs. The Engineering Research function was created to understand and evaluate the impact of technology on public broadcasting.

Fiscal Years 1977-79

The research in the coming years will concentrate on improving the present technical system and in bringing new technologies into use. The former goal will be stressed through the improvement possibilities in UHF and VHF spectrum efficiency, FM and AM spectrum efficiencies, and SCA developments. The use of alternate distribution technologies including satellites, cable television, video and audio cassettes, video disks, and ITFS will be emphasized and demonstrations and experiments mounted to develop a data base which the system can use to make distribution decisions on a local basis. These model demonstrations will stress the role of the public broadcaster as the "Community Telecommunications Center", and will encourage the stations to diversify their services to the community.

Fiscal Year 1980

An expanded budget for FY 1980 will allow the Engineering Department to expand its study of alternate distribution technologies, as well as investigating new areas such as slant-track recording, and other audio-video technologies which may have a significant impact on the development of non-commercial broadcasting. Under a reduced budget, continuation of the activities described in 1977-79 would be curtailed [however, important research and planning can be accomplished.]

Activity: Training and Development
(in thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$1,084	$1,437	$1,522	$1,715	$193	$1,522	$(-)

Fiscal Years 1977-79

Training and Development Activities from FY '77-79 include competatively awarding one to two year minority and women's training grants to a minimum of 180-200 individuals. These individuals will be trained in those areas of broadcast operations in which minorities and women are under-represented, under-utilized or both. In addition to the awarding of the training grants, money has been allocated for the development and management of a public broadcasting personnel services program, the development and distribution of materials on careers in public broadcasting, and the development and implementation of an industry-wide In-service Training or "Career Enhancement" program. The latter project is designed to provide short-term training opportunities for all individuals employed in public broadcasting. Other on-going projects include Public Broadcasting Minority Fellowships and Scholarships, Artists-in-Residence grants, Radio Development Workshops and Human Resources Seminars.

Fiscal Year 1980

At the FY 1980 ($160M) appropriation, an additional 25-35 minority and women's training grants will be awarded above the FY 1979 level. Instead of providing approximately 60 grants (an average of 30 grants per project) per year, CPB will be able to award between 85-95 grants. In addition, the Financial Management training program at Harvard will be expanded so as to provide for the training of an additional 30-40 individuals in station management, and the Human Resources Bank (Public Broadcasting Personnel Service and Career Awareness materials) will be expanded to provide for career workshops and career counseling programs. Other specific increases will occur in the awarding of public broadcasting Fellowships/Scholarships and in the number of participants in the television seminars.

Funding at the FY 80 ($115M) level will provide for continuation, not expansion of most ongoing projects listed for FY 77 to FY 79.

Activity: Human Resources
(in thousands)

			FY 1980			
				Increase		Increase
FY 1977	FY 1978	FY 1979	$160M	(Decrease)	$115M	(Decrease)
$341	$344	$348	$380	$32	$333	$(15)

Authority and Purpose

The activities of this department, while broad in scope, have the primary purpose of promoting the increased utilization of women and minorities in public broadcasting. First, CPB believes that the diversity of a station's programing depends, in large measure, upon the cultural and ethnic variety of its workforce. Programing diversity has been a hallmark of the Act. It provides:

> "that it furthers the general welfare to encourage... programing...which will constitute an expression of diversity and excellence." 47 USC 396(g)(4)

Furthermore, CPB is authorized to "facilitate the full development of educational broadcasting in which programs...obtained from diverse sources, will be made available to...stations."

Second, the activities on this area are also designed to implement those corporate policies which promote the goals of nondiscrimination and equal opportunity throughout the industry. The FY 77, 78, 79 Appropriations Bill (P.L. 94-439) provides that the funds appropriated to CPB shall be spent in a nondiscriminatory manner.

Fiscal Years 1977-79

CPB's Department of Human Resources which was created in FY 1976, has as its major goal the achievement of fair and equal treatment for all individuals in and by public broadcasting. The Department is building, through liaison with other elements of the industry and with the public, the means to achieve this goal. Through these channels the Department is (1) working to enhance awareness of the needs and interest of various population groups, (2) designing and testing tools to respond to those needs, and (3) conducting major research efforts on the status of these population groups in public broadcasting. Examples are the Human Resources Seminars, a job-matching system focusing on the needs of women and minorities, development of career education materials, and measurement of the involvement of specific population groups in public broadcasting. These are areas of focus for 1977-1979. Funds reflected in this activity supporting the project planning in all areas of human resources development including training as well as the liaison, research, and awareness activities with women and minorities.

Fiscal Year 1980

In 1980, Human Resources Department's fiscal resources will be focused in the areas of training and development. Implementation of recommendations developed through research and other projects in the 1977-980 period will be placed, to a significant extent, also in training and development. There is no increase in personnel reflected.

Human Resources

At the lower level of financing, there will be a reduction in research activities to stay within budget totals.

..ctivity: Public Affairs
(In thousands)

FY 1977	FY 1978	FY 1979	FY 1980 $160M	Increase (Decrease)	FY 1980 $115M	Increase (Decrease)
$620	$637	$689	$750	$61	$661	$(28)

Authority and Purpose

The Public Broadcasting Act, Section 396(g)(2)(D), provides that the Corporation may "develop public awareness of and disseminate information about non-commercial educational television or radio broadcasting by various means, including publication of a journal".

Fiscal Years 1977-79

The Public Affairs activity is responsible for both dissemination and receipt of information concerning public broadcasting. It includes Public Information, Publications, Public Participation, and general project planning and administration. In 1977-79, the efforts will be directed toward two principal efforts: (a) public awareness through public information and publications activities and (b) public input for use in the decision-making processes of CPB through public participation activities.

Through this activity, CPB endeavors to promote better understanding of public broadcasting and of CPB's activities and projects; to create awareness of the services provided by CPB and to develop a two-way communication between the public and the Corporation. Primary audiences include interested segments of government, public broadcasting and the public.

In FY 1978, one additional support position is planned.

Fiscal Year 1980

In 1980, goals and activities will remain essentially consistent with the goals and activities of prior years. Increases have been held to minimum required for continuation of projects. At the lower levels, projects will be reduced as corporate activities are reduced.

Activity: Management Information Systems
(In thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$514	$556	$627	$677	$50	$624	$(3)

Authority and Purpose

The information needs of the Corporation, the industry, and the public are provided by this department, as authorized by section 396(g)(2)(D).

Additionally, a major activity of this Department is to assist the Corporation in carrying out its accountability functions detailed by the Act in sections 396(3)(A) and (B). Those provisions impose a duty upon recipients of CPB assistance to maintain financial records and to provide access to such records to agents of CPB and the Comptroller General. CPB, then, has the duty to ensure that the funds it disburses are used in accordance with the conditions pursuant to which they were provided and in accordance with the intent, express or implied, of the Act. The Senate Report makes an unequivocal expression of CPB's duty in this regard. It states that: "It would have to require its grantees and contractors to maintain such records as are necessary to assure it that the purposes of the grants and contracts are being carried out. (at 7)

Fiscal Years 1977-79

By FY 1980 the objective of CPB Management Information Systems is to provide the most efficient and effective support to CPB management and officials, and to officials outside of CPB, in the areas of management information, and information analysis. In the area of management information, this will be accomplished through the upgrade of CPB's information system, both hardware and software, and the upgrade of existing staff expertise through training. In analysis, this will be accomplished through more effective utilization of the information system allowing for more timely and useful reports and publications for CPB and all institutions, observers and funders of public broadcasting.

FY 1977 and 1978 will involve the completion of the upgrade with the conversion of all existing files and the selection of the hardware/software. An additional professional is proposed as the major link in the planning and design of future MIS needs and users.

FY 1979 will involve further refinement of the system adopted and the information generated and distributed. In Information Analysis there is one additional position proposed to handle the larger increase in requests for analysis and support of management decision-making and planning.

Fiscal Year 1980

In FY 1980 there will be a continuation of the activities initiated in previous years. Major emphasis will be in working with those who provide CPB the data for its system, i.e. the licensees, in developing more efficient methods of collecting and updating the in-

formation collected. The analysis function will continue to provide reports and publications as needed and required by the industry and the Congress.

At the lower level, the progress in this area will be substantially reduced back to the FY 1979 level. The system upgrade will continue at a much slower pace, and the analysis function would be severely reduced. The result would be an inability to provide the kinds of meaningful data and analysis which is currently being required of this department and the continuation of this situation in the future.

Activity: Reserved for Later Distribution
(in thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$425	$1,099	$1,795	$4,800	$3,005	$1,396	$(399)

FY 1977-79

Amounts included in this category are included in financial plans so as to enable the Corporation to meet contingency needs and new opportunities without having to reprogram amounts budgeted for other purposes. Amounts shown may be used for any activity or for augmentation of Corporate reserve amounts. In the past, the primary beneficiaries of these reserve funds have been activities in direct support of TV and Radio, and satellite interconnection projects.

A major consideration for fiscal years 1977 through 1979 is the contingency that satellite projects for both TV and Radio may require more funds than originally planned. A "worst case" projection must also take account of the possibility that advance-year appropriations may not continue to be authorized, in which case borrowed funds would become due over a two-year period. Prudent planning calls for the establishment of reserves to minimize the impact on public broadcasting should these potential contingencies materialize.

FY 1980

At the $160 million ceiling requested, $4.8 million would be available for contingency requirements or for supplementing amounts to be used for priority ongoing activities -- probably for direct support of TV and Radio activities.

At the $115 million Administration ceiling, a reserve of $1.4 million is projected in order to provide some protection against contingencies or to supplement support activities.

Activity: Legislative Affairs
(in thousands)

			FY 1980			
				Increase		Increase
FY 1977	FY 1978	FY 1979	$160M	(Decrease)	$115M	(Decrease)
$103	$111	$119	$129	$10	$129	$10

Fiscal Years 1977-79

The Office of Legislative Affairs is responsible for maintaining liaison on behalf of CPB with members of Congress and with members of the executive branch concerned with broadcasting policy. It monitors all legislation and legislative proposals in the two branches, assists in developing Corporation policy regarding legislative matters, and provides staff support to CPB directors and officers for congressional hearings. In FY 1977 a major effort by this activity will be to secure a five-year authorization for CPB (FY 1981-1985).

Fiscal Year 1980

At both levels, funds provide only for continuation of existing staff and support.

ctivity: Development
(in thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$ 65	$70	$76	$82	$6	$82	$6

Fiscal Years 1977-1979

The development activity of the Corporation is concerned with obtaining private sources of income for the Corporation. It works with the Development Committee of the Board of Directors and with the officers in furthering the development prospects of the Corporation and in devising programs for development support.

The office's primary effort is directed toward developing funds for support of nonbroadcast activities. It researches foundation and corporate-giving records, identifies prospective foundation and corporate supporters, prepares proposals for presentation to prospects, and works with CPB departments to generate ideas for projects to be implemented with nonfederal funds.

Fiscal Year 1980

Increases in this activity reflect only those necessary to absorb the impact of anticipated inflation. There are no new positions included.

ctivity: Long-Range Planning
(In thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$ 65	$70	$76	$82	$6	$82	$6

Fiscal Years 1977-79

The Long-Range Planning activity was established in FY 1977 and is responsible for the development of long-range plans and goals for both the Corporation and the industry. This office works with licensees and their organizations to establish goals and plans in areas such as: expansion to new geographic locations; the optimum mix of distribution modes; the optimum use of distribution facilities when satellite interconnections are in place and permit simultaneous broadcasting of different programs; and related long-range problems.

Fiscal Year 1980

Projected funding keeps increases to the minimum required to absorb the anticipated impacts of inflation.

Activity: Special Support
(in thousands)

			FY 1980			
FY 1977	FY 1978	FY 1979	$160M	Increase (Decrease)	$115M	Increase (Decrease)
$276	$235	$216	$264	$48	$207	$(9)

Fiscal Years 1977-79

Funding in FY 1977-79 reflects costs for a number of special support projects. These projects are (1) to identify and fully involve public members in the Board Structure of the Association of Public Radio Stations; (2) to provide partial support of the Public Radio Conference; (3) to provide leadership in innovative uses of new and existing technologies, especially for benefit of specialized radio audiences such as the development and operation of local services for the print handicapped, (SCA) and securing underwriting by FY 78 for a major nationwide pilot project to provide technical and national program services; (4) to provide assistance and incentives for public participation in local stations at various levels with the advice and concurrence of station representatives; (5) to support the efforts of NAEB (National Association of Educational Broadcasters) to become financially secured; and (6) to provide support for the Western Educational Network.

Fiscal Year 1980

At the authorized ceilings, funds will be available to continue these activities.

At the $115M level in FY 80, these activities will be reduced, reflecting the reduction in the appropriation. Additional reduction in fact will occur due to inflational costs.

Activity: Satellite
(in thousands)

FY 1977	FY 1978	FY 1979	FY 1980 $160M	FY 1980 Increase (Decrease)	FY 1980 $115M	FY 1980 Increase (Decrease)
$1,106	-0-	-0-	-0-		-0-	

Fiscal Years 1977-79

As reported to the Congress last year, CPB has undertaken the prime responsibility for construction of the ground segments of a public television satellite interconnection system. Considerable progress has been made on this project, and the budget, including anticipated fund sources, is as follows:

Budget Categories	Amount ($000's)
Construction of receive-only Terminals and Receive-Transmit Terminals to furnish receiving capability to 164 stations and regional transmit capability to 5 locations	$26,696
Costs of establishing Main Origination Capacity in Washington, D.C. area	5,033
Staff and Support Costs	3,953
Other Costs (Termination Costs of Telephone Co. connections; interim interest; and potential tax charges)	2,850
Contingency	1,000
Total	$39,532

Sources of Funds:

Initial Investment:		
Public Broadcasting Service	$ 600	
Individual Television Stations	3,300	
Ford Foundation Grant/Loan	1,233*	
Corporation for Public Broadcasting	1,899	
		$ 7,032
Borrowed Capital-To be borrowed by CPB from a syndicate headed by the Bank of America and repaid over a ten-year period		$32,500
Total		$39,532

*The Ford Foundation has agreed to a 10-year loan at 8% interest to be subordinated to other indebtedness and to be repaid in the eleventh year after the project is completed.

Satellite

Of the $1,899 thousand identified in the above budget as CPB's direct initial investment to the TV satellite construction project, $1,200 thousand had been made available prior to fiscal year 1977. Thus, the fiscal year 1977 requirement is $699 thousand.

The radio satellite interconnection project has not developed to the point where a firm budget can be prepared. Preliminary development costs of $130 thousand have been incurred from prior year funds, and $407,000 is included in the fiscal year 1977 budget for a continuation of such costs. National Public Radio will make available an additional $80 thousand for this purpose and it is anticipated that by the end of fiscal year 1977 specific plans will have been worked out and the total cost of the project finally determined. Based on preliminary estimates of $10 million, $7 million will be paid for out of Radio Community Service Grants over a three-year period, and the remaining $3 million will be financed by the Corporation from reserve funds or through borrowing.

The $1,106 thousand budget item in fiscal year 1977 thus consists of $699 thousand to complete CPB's initial investment to the television satellite interconnection project and $407 thousand as a part of its share of development costs for the radio satellite interconnection project.

No additional contributions to either the TV or radio satellite projects are reflected in later fiscal years. As noted above, CPB's share of the radio satellite interconnection project will come either from reserve funds or from borrowing. In addition, a major factor in the establishment and maintenance of reserve funds over the next three years is the contingent liability of overruns in the TV satellite interconnection project.

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Program: Program Direction and Administration

	FY 1977	FY 1978	FY 1979	FY 1980 $160M	FY 1980 Increase (Decrease)	FY 1980 $115M	FY 1980 Increase (Decrease)
Corporate Management	$1,196	$1,273	$1,374	$1,485	$111	$1,334	$(40)
Financial Management	565	629	699	756	57	689	(10)
Gen. Administration & Support	1,235	1,314	1,206	1,235	29	1,177	(29)
Total	$2,996	$3,216	$3,279	$3,476	$197	$3,200	$(79)

Narrative

This program category includes all of the Corporation's staff and support costs not directly connected with programs specifically identified--Public Television; Public Radio and other support services. Included are costs of the Board of Directors; the President's Office; the General Counsel's Office; such general administration costs as personnel, budgeting, auditing, accounting, administrative services, management planning and related items. It makes use of some outside auditing, legal, and other consultant services to augment its permanent staff available for general administrative support.

Increases have been kept to a minimum and reflect only the anticipated impact of inflation with the exception of the External Audit Department, a part of Financial Management. In FY 78 two positions have been added in order to maintain the Corporation's objective of auditing at least once every three years each licensee receiving CPB funds.

Activity: Reserved for Later Distribution
(in thousands)

			FY 1980			
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FY 1977-79

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A major consideration for fiscal years 1977 through 1979 is the contingency that satellite projects for both TV and Radio may require more funds than originally planned. A "worst case" projection must also take account of the possibility that advance-year appropriations may not continue to be authorized, in which case borrowed funds would become due over a two-year period. Prudent planning calls for the establishment of reserves to minimize the impact on public broadcasting should these potential contingencies materialize.

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At the $115 million Administration ceiling, a reserve of $1.4 million is projected in order to provide some protection against contingencies or to supplement support activities.

TUESDAY, FEBRUARY 8, 1977.

NATIONAL LABOR RELATIONS BOARD

WITNESSES

BETTY SOUTHARD MURPHY, CHAIRMAN
JOHN H. FANNING, BOARD MEMBER
JOHN S. IRVING, GENERAL COUNSEL
JOHN E. HIGGINS, DEPUTY GENERAL COUNSEL
JOSEPH E. DeSIO, ASSOCIATE GENERAL COUNSEL
JOHN C. TRUESDALE, EXECUTIVE SECRETARY
THOMAS W. KESSEL, CHIEF ADMINISTRATIVE LAW JUDGE
ERNEST RUSSELL, DIRECTOR, DIVISION OF ADMINISTRATION
LEE D. VINCENT, COMPTROLLER
MILDRED E. STEVENS, CHIEF, BUDGET

Mr. FLOOD. The committee will be in order.

Now we have the National Labor Relations Board. The presentation will be made by Betty Murphy, Chairman.

Ms. MURPHY. How are you, Congressman?

Mr. FLOOD. We have your biographical sketch here, which will be placed in the record at this point.

[The sketch follows:]

BETTY SOUTHARD MURPHY

Present: Chairman, National Labor Relations Board, Washington, D.C.
Married: Cornelius F. Murphy, M.D., two children.
Schools: Ohio State University, 1952, B.A., Alliance Francaise and Universite de la Sorbonne, 1952–53, American University Law School, 1958, J.D., Eastern Michigan University, 1975, LL.D. (Honorary), Capital University, 1976, LL.D. (Honorary).

CAREER HIGHLIGHTS

1953–54, correspondent and freelance journalist, Europe, Middle East, and Asia.
1955–56, United Press International, Washington, D.C.
1956–58, public relations counselor, Capitol Properties, Inc.
1958–59, attorney, enforcement, National Labor Relations Board.
1959–74, partner: Wilson, Woods & Villalon, Washington, D.C., including predecessor firms Roberts & McInnis; and McInnis, Wilson, Munson & Woods. Over 14 years private practice experience in all phases of labor, corporate and administrative practice including NLRB, EEOC, INS, ICC, FCC, AID, REA, Departments of Labor, Justice and State. Active in all courts in the District of Columbia in general litigation. Represented both unions and employers before administrative agencies, Federal and State courts and in arbitration. Tried cases or otherwise appeared in Federal or State courts in 19 different States and have argued in 9 of the 11 U.S. Courts of Appeals.
1972– adjunct professor of law, The American University, Washington College of Law, Washington, D.C.
1974–75, administrator, Wage and Hour Division, Department of Labor. Administration and enforcement of over 70 labor statutes covering 73 million workers, including Fair Labor Standards Act, Davis Bacon, Service Contract Act, Equal Pay Act, et cetera.
1975– as Chairman, administers the National Labor Relations Act, the Nation's primary labor relations law. The NLRB has an annual workload approaching 55,000 unfair labor practice and representation cases.

ACADEMIC BOARDS

Trustee, The American University, Washington, D.C.
Trustee, Mary Baldwin College, Staunton, Va.
National Board, Medical College of Pennsylvania, Philadelphia, Pa.

OTHER

Council, Administrative Conference of the United States, 1976– (3-year term).
National Center for Productivity and Quality of Working Life, Member of Human Resources Committee, 1976 to date.
Member, National Advisory Council for the Center for Women in Medicine, 1974 to date.
Member, Panel of Conciliators, International Center for Settlement of Investment Disputes (term expires 1980).
Member, Advisory Committee on Administrative Law Judges, U.S. Civil Service Commission, 1976–78 appointment.
Consultant to various associations and employers on fair employment practices, 1963–74.
Member, Judicial Conference for the District of Columbia Circuit. Appointed by Federal Judges. (Panelist, 1974 Conference.)
Member, HEW Secretary's Advisory Committee on the Rights and Responsibilities of Women; Chairman of the Committee on Welfare and Social Services; Chairman of the Committee on Legislation. Appointed by former Secretary Richardson, 1972–74.
Speaker and lecturer on different legal and social subjects.
Chairman, Board of Governors, Washington College of Law, American University Alumni Association, 1970 to 1975.
Participant, 19th Annual National Security Seminar, U.S. Army War College, Carlisle, Pa. 1973.
Awarded Silver Medal as outstanding lawyer of 1967 by Inter-American Bar Association in San Jose, Costa Rica.
Member, American, Federal, District of Columbia and Inter-American Bar Associations, World Peace Through Law; Delta Delta Delta Sorority; Kappa Beta Pi Legal Sorority.
Editor and founder of Inter-American Bar Association Newsletter, quarterly publication for lawyers and bar associations in Western Hemisphere, 1960–69.
Selected by Colombian Bar Association to represent the United States at IV Congresso National de Abogados Colombianos, Cucuta, Colombia, 1963.
Who's Who in America, 1975 to date.
Whos' Who Among American Women, 1968 to date; Regional Who's Who; World's Who's Who of Women; Who's Who Among Law Students, 1957, 1958.
Awarded dean's scholarship at American University Law School for 2 years, 1956 and 1957. Completed classes January 1958.

RECENT BAR ASSOCIATION ACTIVITIES AND OFFICES

Council, Administrative Law Section, American Bar Association, elected 1976–.
Cochairman, labor law committee, Inter-American Bar Association, 1975 to date.
International law committee, American Bar Association labor law section, 1975 to date.
Committee on private and international and comparative law, the District of Columbia Bar, 1975 to date.
Council, labor law section, Federal Bar Association, 1974 to date.
Chairman, committee on equal employment opportunity and collective bargaining, Federal Bar Association, 1973 to 1975.
Chairman, civil rights committee, the District of Columbia Bar Association, 1974 to 1975.
Chairman, fair employment practices committee, District of Columbia Bar Association, 1974 to 1975.
Chairman, committee on the status of women, Women's Bar Association, 1973–74.
Chairman, arbitration of civil disputes committee, The Bar Association of the District of Columbia, 1974 to date.

Liaison committee, office of federal contract compliance, labor law section of the American Bar Association, 1974 to 1975.

Vice chairman, labor law committee, administrative law section, American Bar Association, 1974 to 1975.

Committee on private and international and comparative law, District of Columbia Bar Association, 1975 to date.

PUBLICATIONS

Presented papers on National Labor Relations Act and Comparative Labor Law at IABA Conference in Bogota (1961), Panama (1963) and Cartagena (1975).

Law Journal Staff, American University Law School.

Author: "Provisional Government of Vietnam Since 1945" (1952).

JOHN S. IRVING, JR.

Birth: Plainfield, N.J., November 13, 1940.

Residence: 4918 Earlston Drive, Washington, D.C. 20016.

Education: Elementary and high school, Scotch Plains, N.J.; college A.B., Brown University, Providence, R.I., 1962; J.D., 1965, Georgetown Law Center and LL.M., 1967, Georgetown Law Center.

Professional career: Appointed General Counsel of the National Labor Relations Board for a 4-year term commencing November 21, 1975. Before being appointed General Counsel for the NLRB, Mr. Irving served as Deputy General Counsel from July 27, 1972. Prior to that, he served as Associate General Counsel for Operations from September 7, 1971, overseeing the agency's field operations and its advice branch. Prior to that he served for a year as Executive Assistant to the Under Secretary of Labor. He also served in the Department of Labor from April 1969 to August 1970 as Special Assistant to the Solicitor of Labor. From 1965 until 1969, Mr. Irving served in various sections of the NLRB, including the Appellate Court Branch, Division of Litigation, and the staff of former Board member Zagoria.

Marital status: Dianne Nutwell.

Children: One son, one daughter.

Bar affiliations: Admitted to practice law in New Jersey, District of Columbia, and before the Supreme Court of the United States.

Mr. FLOOD. Now, you have some people with you you would like us to meet.

Mrs. MURPHY. Yes; you know John Fanning, who has been on the Board 19½ years; John Irving, General Counsel, and Lee Vincent, Comptroller.

Mr. FLOOD. Now I see you also have a prepared statement.

Mrs. MURPHY. Yes; if it's all right with you. Congressman, I will submit it for the record and point out the highlights.

Mr. FLOOD. Suppose we do that.

[The statements follow:]

STATEMENT OF BETTY SOUTHARD MURPHY, CHAIRMAN OF THE NATIONAL LABOR RELATIONS BOARD, BEFORE THE SUBCOMMITTEE ON LABOR, HEALTH, EDUCATION AND WELFARE, AND RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

Mr. Chairman and distinguished members of the subcommittee. I appreciate the opportunity to appear here again in support of the budget request for the National Labor Relations Board for fiscal year 1978.

As you know we have already submitted to you a detailed written justification. But, with your permission, I would like to touch on some of the highlights rather briefly but in a manner which I hope will provide at least a basis for further discussion and questions. First I must tell you, Mr. Chairman, how proud I am

of the 30 percent productivity increase by the Board members' staffs in handling contested unfair labor practice cases in 1976. We also issued a record number of decisions during the high productivity period.

Our fiscal year 1978 request is for an appropriation of $88,520,000. This is an increase over fiscal year 1977 of $7,611,000.

Nothing would please me more than to be able to come before this committee of Congress and request an appropriation that contained no increase year-to-year; but this fine agency and its superb people are confronted and coping with a continuing, dramtic rise in workload—not just on a year-to-year basis—but dramatic even when considered in a month-to-month timeframe.

UNFAIR LABOR PRACTICE (ULP) CASE WORKLOAD

Fiscal year 1976 (ending June 30, 1976) unfair labor practice case intake exceeded even the estimate for that intake we made as the fiscal year began. In 1978 we expect a total of 57,880 cases, of which 40,890 wil be ULP cases. This is 8.2 percent over the 1977 estimates and 18½ percent over 1976. Representation petitions and related work are anticipated to rise by 7.3 percent over the 1977 estimate and 14.6 percent over 1976 for a total 1978 increase of 1,150 over 1977. Cold, dry, dull, and repetitive statistics to me cannot adequately convey the awesome nature of the challenge that this agency has successfully faced and must continue to face with our request for an appropriation for our 43d year. Permit me, though, to cite another statistic that puts into perspective this challenge. From 1970 through the latest available date (November 1976), in a total of 89 months, ULP case filings have gone up 74 times. Since 1976, a total of 29 months—26 times. Total caseload during these 89 months, plus the estimate for the remaining months of 1977, has risen by 59.7 percent. The wisdom with which we try, and I think succeed, in using the funds appropriated to us by the Congress is graphically evident by the fact that employment during this period through 1977 will have risen only 26.3 percent.

Our 1978 request includes funds for about 155 staff-years of employment more than we will use in 1977. We need the money requested and the people requested if this agency is to continue to manage successfully the challenge of constantly increasing workload. I do not have to remind this committee, certainly, but it is important to note that all of the charges and petitions filed with us for resolution are filed voluntarily. The agency initiates no workload of its own.

We believe our justifications show that the NLRB is coping—and coping successfully—with our large and increasing case intake. In fact, we consider ourselves one of the best managed independent agencies in the Federal Government—and it has been that way for years.

Before I discuss further details I would like to review again this year the NLRB's budgeting methods.

NLRB's budgeting methods

I want to make as clear as possible to the Congress that our budget has a highly objective base and is held out by OMB as a model of "how to do it." There are three major components of our budget, each of which is precisely measurable. They are:

(1) The number of cases filed, by type;
(2) The percentage of cases withdrawn, dismissed, settled, and litigated;
(3) The productivity rates of our professional employees.

Intake

First, as to intake, all of our regional directors go to a considerable effort to estimate future trends affecting case filings in their areas. For most recent years our best estimates have been too conservative and have been exceeded. Where the cases fall short of estimates, and 1973 is the only postwar year in which we had actual decline in unfair labor practice cases, we have returned a considerable amount of money to the Treasury.

Settlements and the disposition pattern

We regularly tell you the importance of settlements in unfair labor practice cases, not only because avoidance of litigation saves both the Government and the parties a lot of money, but because we believe settlements can truly effectuate the policies of the act by bringing about better day-to-day collective bargaining relationships.

You are experts on the NLRB. I am sure you are aware that if our settlement rate, as a percentage of meritorious unfair labor practice cases, drops just 1 percentage point, the cost of litigating those additional cases is over $500,000. Our high rate of settlements does not come about as a result of good luck. It is the result of hard work; and for that we need trained people who have the time and training to invest in settlements. A good settlement rate, like good luck, favors the well-prepared. In other words, more thorough investigation and enough hours to prepare professionally for each settlement negotiation, is time well invested and pays off manyfold. It pays off in more than money saved by NLRB. It pays off in labor peace by resolving the disputes more quickly. We frequently reemphasize that settlements must remain the top concern of the more than 1,000 professional employees in our regional offices, but the settlement rate, as well as intake, can change adversely for reasons beyond our control or our ability to forecast.

Productivity

Having estimated the amounts of case intake, we can then predict, according to the normal disposition pattern, the number of cases that will be available to be worked on at every stage of our pipeline. We have a productivity rate for nearly every type of casework, which we then use to compute our manpower needs. We understand we are the only agency in the Government to use comprehensive productivity and performance measurement rates for professional, as well as clerical, administrative support employees in the budget.

Last year there were 34,509 unfair labor practice charges filed, and a total of 32,406 were closed. About 23,482 were dismissed or withdrawn at all stages. Cases closed by settlement agreements were 7,930, and 1,096 were closed by compliance. During the same period of time, 1,266 hearings were held in the field. Some of these cases were settled or withdrawn, so the administrative law judges issued 1,112 decisions. The Board decided and issued 1,033 contested decisions which, like the other figures I cite, includes supplemental and backpay decisions, but, excludes representation decisions.

The "pie" chart on page 11a of the justification shows the disposition pattern for meritorious cases. Briefly, in fiscal year 1976, 82 percent of meritorious unfair labor practice cases were closed by formal and informal settlement agreements (80.3 percent in fiscal year 1975), 12.6 percent by the Board decision and order, and 5.3 percent by other methods such as compliance with administrative law judge's decisions or jurisdictional dispute procedures.

BOARD MEMBERS' STAFFS

Dealing strictly for the moment with the Board side, as we call it, it looks to us as though our Board will be faced with the very sizable task of deciding approximately 1,121 unfair labor practice cases in 1977 and about 1,381 in 1978. In 1975 we decided 855, and in 1976, 1,033 unfair labor practice cases. We will decide about 698 election type matters in 1977 and 774 in 1978. The Board decided 559 election matters in 1975, which increased to 645 in 1976. In addition to the contested election matters in which the Board issued a decision, in 1976 the Board also ruled on 892 other appeals and requests for review of decisions by the regional directors. This workload is also increasing each year and is expected to rise to 1,124 by 1978. It is our judgment that we can handle the increases we foresee with only a small increase of 7.9 professional staff-years. To enable this professional staff to deal with this increased workload, we are planning an increase of 5.6 staff-years employment for clerical support.

We feel that with these increases and good administrative management we can complete our estimated work in an effective manner. I am particularly proud to emphasize again that the Board achieved its record 1976 results with over a 30 percent increase in productivity in handling unfair labor practice contested decisions.

ADMINISTRATIVE LAW JUDGES

Our administrative law judges made significant progress in 1976, as well, and I am proud of their accomplishments under the leadership of Chief Judge Kessel. They issued 1,112 decisions, up 11.7 percent over 1975, with a productivity increase of 6.7 percent. They closed 1,266 hearings, up 192 or 17.9 percent, with an improvement in productivity of 10.3 percent. One of our major problems is the need to obtain additional administrative law judges to deal with our increasing

backlog of cases pending trial. At the present time, we have 1,247 cases pending trial, compared to 839 at the same time last year. We have been assured of legislation to grant us critically needed administrative law judge positions for 1978. Otherwise we will seek additional supergrade slots in our 1979 appropriations—OMB is aware of our problems and has been very helpful.

I leave to our General Counsel, John S. Irving, any further comments he may wish to make about our intake increases and the budget and performance matters which come under his jurisdiction.

CHAIRMAN'S TASK FORCE ON THE NLRB

Last year, I told you of the formation of the Chairman's task force on the NLRB. Since then this group of distinguished representatives of management and labor—giving us their time and their knowledge at no cost—have done an outstanding job, for which we are very grateful. The task force issued its interim report and recommendations on November 5, 1976, and 49 parties presented public comments before the January 3, 1977 deadline. I have endorsed 61 of the task force's 69 recommendations to date, and the General Counsel has already indicated his intention to adopt many of the task force recommendations which fall within his areas of responsibility. The full Board is at present carefully studying all of the 69 recommendations. At the same time, the task force has already begun meetings in its second and final year, dealing with the issues needing further study by them.

Conclusion

We believe we have utilized our funds in an economic and efficient manner, and we have improved the performance of the agency whenever possible. We will continue to do so in the next fiscal year. But I respectfully submit that if we are to maintain our performance on our present caseload which will soon be in sight of 60,000 cases per year, we will need the entire amount of funds and employment we have requested. You have always been fair to us in reviewing our budget requests—for which we thank you. We therefore ask only that same fair consideration again this year.

That, then, is an overview of our budget and some of the most important agency-wide matters. I would be happy to answer any questions you may have at this time.

STATEMENT OF JOHN S. IRVING, GENERAL COUNSEL OF THE NATIONAL LABOR RELATIONS BOARD, BEFORE THE SUBCOMMITTEE ON LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

I thank the committee for this opportunity to appear in behalf of the National Labor Relations Board in support of its budget request for fiscal year 1977.

The agency request for fiscal year 1977 is $88,520,000 for an increase of $7,611,000 or 9.4 percent over the total of the appropriation plus pay act supplemental funds appropriated for fiscal year 1977. These funds will provide an average staff of 2,962.6 during fiscal year 1978, an increase of 154.9 staff-years from the 2,807.7 staff-years estimated for fiscal year 1977.

In the discussion which follows, I have attempted to set forth the responsibilities of the Office of the General Counsel, the problems which we faced in 1976, the accomplishments in 1976, the challenges we are currently facing, and the plans we have for 1978.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act as amended (29 U.S.C. 141–167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than administrative law judges and legal assistants to Board members) and over the officers and employees in the regional offices.

He shall have final authority, on behalf of the Board, in respect of the investigation of charges and issuance of complaints under section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe . . ."

As a result of this statutory authority and of the authority delegated to the general counsel by the Board under the statute, the general counsel is responsible for the operation of the agency's 31 regional offices, soon to be 32, for the supervision of all court litigation before and after Board decision, and for the supervision of the agency's division of administration.

Last year in my presentation to the committee I opened my general comments by stressing that it is imperative that we find methods to meet the ever increasing burden of new cases coming before the NLRB and that these methods must at the same time maintain the high quality of casehandling and public service that are this agency's hallmarks. Events subsequent to my testimony on our 1977 appropriation request have confirmed the existence of the challenge I noted then. Fiscal year 1976 saw the highest number of unfair labor practice charges and representation petitions ever filed with the NLRB. I believe that we met the challenges posed by that record intake. I am proud of the accomplishments we achieved in 1976, of our record thus far in fiscal year 1977, and I am confident of success through the remainder of fiscal year 1977. For 1978 I am before you again to say that the greatest challenge facing the NLRB is managing with speed and fairness the caseload we foresee. Approval of our appropriation request of $88,520,000 for 154.9 more staff-years of employment is essential if we are to be successful in achieving this goal. As general counsel I will have responsibility for 96.6 more staff-years of professional employment and 25.9 more staff-years of clerical employment in the 1978 request we have placed before you. In 1978 we must be prepared to receive 57,880 total new case filings. This is 4,255 cases more than anticipated for 1977. As you know, all of these cases are first received and processed in an NLRB field office over which I have responsibility.

Let me now turn to specific divisions of the Office of the General Counsel, briefly review our past performance and give you what we see as the outlook for the future.

FIELD OPERATIONS

General

Field office work consists, primarily, of processing the representation and unfair labor practice cases filed with the agency. That caseload, all of which is generated by private parties (the agency initiates no cases), is currently running at a rate that will exceed 53,000 cases in fiscal year 1977 and in 1978 will approach 60,000 cases.

In 1976 over 90 percent of the unfair labor practice cases were disposed of in the field offices without the need for a formal hearing before an administrative law judge or for a contested Board decision.

The "pie" charts on pages 11 and 12 of our justification show how these cases were disposed of in fiscal year 1976 compared to the 1976 disposition pattern. Page 11 shows the disposition pattern of unfair labor practice cases. As you know, all unfair labor practice charges are investigated. In 35.6 percent of the total, the charging parties, voluntarily withdrew their charges and the cases were closed. In another 35.9 percent of the total, the charging party upon being told that the investigation did not find merit, did not voluntarily withdraw the charge and the case was dismissed. In such cases the charging party is given the opportunity to file an administrative appeal from the regional director's dismissal of the charge.

The remaining unfair labor practice charges, 28.5 percent of the total were those in which our investigation resulted in a determination that the charge appeared to have merit. Of the entire number of unfair labor practice cases found to have merit during 1976, 82 percent (up from 80.3 percent in 1975) were closed by being settled without the need for a formal hearing. In the remaining 18 percent of the cases in which merit was found (5.1 percent of the total number of cases) formal proceedings involved hearings and in most instances administrative law judges' decisions were required. Those cases which reached the stage of review and decision by the Board itself represent only 3.6 percent of the total case output. About 31.5 percent of the cases decided by the Board (325 cases) proceeded to the U.S. Circuit Courts of Appeals for review or enforcement.

Page 12 of our justification shows the pattern of disposition of representation cases. Of the representation petitions, 24.8 percent were withdrawn, 4.9 percent were dismissed on grounds that no question of representation was presented, 53 percent resulted in voluntary agreement for election, and 0.2 percent represented expedited elections. In the remaining 17.1 percent of the representa-

tion cases, hearings were held and regional director decisions were required in only 16.2 percent of all the representation cases.

It is apparent from this analysis that the great mass of cases coming before the agency is disposed of at the regional office level without resort to formal litigation or action at the Board level in Washington. It is formal action which puts the greatest strain on the budgetary and personnel resources of the agency and which contributes greatly to time delay in the processing of agency cases. Litigated unfair labor practice cases cause a much greater financial burden than contested representation cases.

Let me stress that in the unfair labor practices area, 90 percent of the charges filed are investigated and disposed of informally, in a median of 44 days in fiscal year 1976. Of the cases which are found to have merit, over 82 percent are settled without the need for prolonged and costly litigtion. And when a merit case does not settle, the General Counsel is prepared to go to trial within 6 weeks of the time the complaint is issued. Similarly, in the representation area, 82.5 percent of the cases are closed at the regional office level in a median of 47 days without the necessity of formal proceedings.

This includes some 8,710 cases which proceeded to an election. Overall, of the 13,184 representation cases closed by the agency in fiscal year 1976 (excluding UD, AC, UC proceedings) 98.8 percent were disposed of at the regional office level.

Current status

In 1976, under the able guidance of Associate General Counsel Joseph E. DeSio, our field offices handled the largest number of cases ever filed with the NLRB. Total ULP cases closed in our field offices by withdrawal, dismissal, settlement, or complaint increased by 10.1 percent in fiscal year 1976. Yet field professionals increased by less than 5.5 percent. A record number of representation petitions also were filed and handled. On October 7, 1976, we had the pleasure of announcing that Associate General Counsel DeSio had been chosen to be one of eight Federal officials to receive a Presidential Management Improvement Award for providing the leadership in achieving this outstanding record of accomplishment.

The field office productivity rate in the nearly 31,900 ULP cases completed in fiscal year 1976 was 5.5 percent higher than in 1975, a year in which productivity was 14 percent. Representation cases disposed of in the regional offices were handled with a 1.9-percent productivity increase. Overall field productivity, taking into account the disposition pattern which prevailed in 1976, improved 6.1 percent.

These figures are, of course, a tribute to the dedicated professional and clerical staffs in our field offices. Year in and year out they have met the challenge posed by the increasing caseload with an enthusiasm for and a dedication to public service that I don't think can be surpassed anywhere in Government.

A continuing source of pride to me is our ability to maintain a high settlement rate in those situations where merit is found to exist. As you know, we strive to achieve voluntary settlement of issues before us at all stages of case-handling. I consider this an essential factor in this agency's ability to manage its growing caseload. Page 11A of our justification graphically displays the formal and informal settlements achieved by our regional offices. It is critically important that we have the personnel we need to administer our settlement program and that this settlement effort be unhampered by budgetary or travel restrictions. The voluntary adjustment of labor disputes is the central purpose of the act. When we are able to bring about a settlement early in a labor dispute, we have achieved that purpose and have provided the public with the service they need. I am dedicated to resolving the issues brought to us at the earliest possible stage of case processing before these disputes reach the costly, time consuming stage of litigation. More importantly, early resolution of the dispute reduces the economic impact these disputes have on employees.

1978 outlook

We have estimated an 8.2-percent increase in unfair labor practice case filings in 1978 as compared to an originally estimated 8.6 percent increase for 1977. The current ULP cases intake estimate for 1977 is 3.5 percent higher than our first estimate for that year. The extraordinary growth of case intake from fiscal year 1970 through 1972 resumed in early fiscal year 1974 and accelerated rapidly in 1975. This trend continues and the fiscal year 1976 unfair labor

practice case intake was 3,256 cases higher than 1975, an increase of 10.4 percent.

We have estimated a 7.2-percent increase in overall filings of representation questions in 1978 as compared to a 6.8-percent increase estimated in 1977. Total representation cases are currently being filed at an accelerated pace. Currently our representation case filings for the first 2 months of 1977 are running 223 ahead of the same period of 1976. It is uncertain whether our representation case intake for 1977 will exceed our estimate; however, that is a real possibility. Expansion of industrial activity in an economic recovery is very likely to bring about increased union organizing, which shows up quickly in the filing of more representaton petitions.

WASHINGTON CASEHANDLING

Let me turn now to the various branches and divisions of the Office of the General Counsel in Washington.

Office of Appeals

If investigation of unfair labor practice charges reveals that there have been no violations of the act, or the evidence is insufficient to substantiate the charge, the regional director is authorized to dismiss a charge, absent withdrawal by the charging party. In such instances, the General Counsel affords the charging party a separate and independent appeal to the Office of Appeals under the General Counsel. While the act does not specifically require such an appeal procedure, the Office of the General Counsel instituted this practice to insure that the fullest measure of consideration is given to the charging party whose charge is subject to dismissal. In the event an appeal is taken, the Office of Appeals carefully reviews the regional office files and all the evidence contained therein, including any statements which a party may wish to submit. It also entertains oral arguments by parties to proceedings where it is deemed appropriate or helpful. After weighing all the data submitted, a determination is made to sustain the regional director or reverse his determination and direct the issuance of complaint.

During fiscal year 1976 the Office of Appeals was assigned the added burden, under the Board's rules and regulations, of ruling on appeals of initial denials of information under the Freedom of Information Act.

Current status and outlook

The capable hard working staff of the Office of Appeals under the leadership of its Director Robert E. Allen handled an 11.0 percent increase in appeals filed in 1976 over 1975. In 1977 we are estimating an additional 16.2 percent increase, and in 1978 a 12.2 percent increase in appeals. This is a total increase in appeals of 1,027 or 30.4 percent in 1978 over 1976. To handle this large increase in workload, total Office of Appeals employment will rise 26.0 percent.

The Office of Appeals provides an essential service to the public by giving aggrieved parties an opportunity to have a review of their cases and of the region's determination that their charges are not meritorious. It also provides me with a means of assuring that high quality standards are maintained in our regional offices. Because of the dramatic increase in intake in the Office of Appeals, it is essential that we staff it to meet that increase.

Court enforcement

General

As already indicated, the Office of the General Counsel exercises supervision of all agency litigation, both before and after Board decision.

The bulk of the litigation after Board decision falls on the appellate court branch led by Elliott Moore, deputy associate General Counsel. This branch carries out the function of litigating Board decisions and orders brought for enforcement or review before the 11 U.S. Circuit Courts of Appeals. Board orders, as this committee is aware, are not self-enforcing. To the extent that subsequent proceedings by way of contempt or supplemental litigation are required, the appellate court branch also handles these matters.

In addition, this branch is involved in special and miscellaneous litigation, largely in U.S. district courts, arising for the most part from actions brought against the Board or its regional directors.

Our Supreme Court branch under deputy associate General Counsel Norton Come, is responsible for briefs and oral arguments in those cases which the

Supreme Court undertakes to review and for our fine record before the Court. Much of the work of that branch, however, is devoted to opposing petitions for Supreme Court review by unsuccessful litigants at the appellate level. A small portion of the work arises from cases where the agency appears, usually by request, as an amicus curiae in related areas.

Although it takes a long time to secure court enforcement of a Board decision (October 1976 average was 418 days), the period under our control is the time required from issuance of Board decisions to the filing of the petition for enforcement. After the petition the Court's rules and the state of the Court's calendar determine the additional time required, and we have little control over those stages. Currently the time from regional office request for enforcement (prior to which the regions attempt to secure voluntary compliance) to filing a petition stands at about 43 days.

We have a standing goal of 30 days from referral to filing of a petition and we shall make every effort to continue to improve the time performance of the branch to meet this goal.

I might mention here our recent efforts to reduce the time taken to gain compliance with a court decision when it does issue. We have adopted a policy of opposing the stay of a court's mandate while the respondent seeks certiorari in cases where the likelihood of a grant of certiorari is minimal. At least two courts of appeals have a court rule applicable specifically to labor cases, and we have written to the other courts asking them to adopt a similar rule. In the meantime we are actively opposing petitions for stays thus reducing the time delay in these cases by as much as 90 days.

Current status and outlook

In 1976, 325 briefs were filed in the U.S. Circuit Courts of Appeals for an increase of 53 over 1975. Significantly, this workload increase of 19.5 percent was performed with an average increase of 7.4 percent staff-years of employment. In 1978 we expect to file 383 briefs and continue the pattern of productivity increases.

The overall performance and productivity improvements are a direct result of the efforts on our new Associate General Counsel Carl W. Taylor, who supervises the entire Division of Enforcement Litigation and his fine staff.

Advice and legal research

General

The Division of Advice reviews regional office requests for advice on procedural and substantive case matters and assists in formulating policy in those situations that involve novel or unsettled procedural or substantive matters. They are responsible for legal research and analysis as directed by the General Counsel as well as developing and maintaining a legal digest and information retrieval system.

The Division of Advice handled 1,101 cases in 1976 compared to 1,063 cases in 1975.

Current status and outlook

We have three continuing goals for the Division: first, to provide prompt advice to regional offices; second, to improve productivity; and third, to assure that the novel issues presented to the Division are given the careful consideration that they deserve. The Division of Advice also continues to give very good support to the regional offices by responding to requests for advice in a median of 24 days, compared to 36 to 40 days in 1972–73. I am satisfied that we can continue to maintain the fine record of this Division. The new Director of the Division of Advice is Harold Datz, a career NLRB employee. We estimate that his Division will be responsible for 1,473 advice cases in 1978, an increase of 21.8 percent. Total staff will increase only 6.8 percent.

WASHINGTON DIVISION OF ADMINISTRATION

General

The Division of Administration is responsible for all the housekeeping functions required by the Agency to enable the casehandling functions to operate effectively. The Division's responsibilities have multiplied and increased greatly in complexity as the Agency has grown and as additional tasks have been brought about by new laws and regulations.

Current status and outlook.—A new Director, Ernest Russell, was appointed in fiscal year 1976. The Division's major attention is currently focused on the in-

stallation of modern data processing equipment, acquisition of adequate space from GSA for the Agency's field installations, continuing improvements in the Division's service to the casehandling areas of the Agency, and improved training, communication, and evaluation of its employees.

EQUAL EMPLOYMENT OPPORTUNITY

One of the 10 major goals for the office of the General Counsel is to further improve our equal employment opportunity program with emphasis on developing minorities and women so that they are prepared to compete for managerial and supervisory positions. This goal can be realized only to the extent that we are successful in recruiting and retaining minority and female employees.

Of the 225 full-time professional employees hired during fiscal year 1976, 111 (49.3 percent) were women and minorities, substantially increasing their proportion among all of our employees. Under our Director of Equal Employment Opportunity, Henry Silva, we have issued our CSC-approved 1977 action plan providing for investigation reports in EEO complaints to be issued within 30 days, for emphasis on the availability of counselors in all offices, and for increased training in all aspects of the program.

SUMMARY

With your help and understanding, for which we are grateful, we have been able to carry out our mission of trying to provide acceptable service in all of the areas which are significant in the operations under the supervision of the Office of the General Counsel. For the next year the Agency dedicates itself to the continuation of this effort. This is the second time I have had the pleasure of appearing before you in behalf of the Agency as General Counsel. I have kept my pledge of last year to work long hours and do my very best to fulfill all of my obligations. I will continue to do so.

Thank you.

OPENING STATEMENT

Mrs. MURPHY. I would like to point out some of the important things, and I am very pleased, Mr. Chairman, to tell you what we accomplished last year with the appropriations that you voted for us.

We had an 8-percent increase in productivity in the field, which was on top of a previous 12-percent increase in productivity the previous year. For our administrative law judges we had a 10-percent increase in productivity. And the judges have really done a fine job. When I first appeared before this committee in calendar 1975, at that time the judges had an average of decisions and settlements of 12.7 dispositions per judge. This past year I am very pleased and honored to tell you that our ALJ's have an average of 19 decisions and settlements per judge under Chief Judge Tom Kessel.

As for the Board staffs, last fiscal year we had a 30-percent increase in productivity, which is sort of thrilling, and all of the Board members and staff were very proud of this accomplishment.

Our current estimate is that by the end of fiscal 1977 our total intake will have increased 59.7 percent over what it was 7 years ago. It's really phenomenal. We now have almost 60 percent more cases than we had 7 years ago.

However, for staff, we are only asking for a total of 26.3 percent more staff than we had 7 years ago.

Now, the justification that you have focuses in detail on the following: Our workload, as you are aware, we don't control. We don't have any programs or grants, we don't issue any complaints or issue any charges ourselves. We only act after charges are filed or petitions are filed by the people who use our services.

We plan to take care of our 8-percent increase in workload between last year and this year by productivity gains, again, and by, as I have indicated, the extra employees that we are asking for.

I believe our productivity increases, Mr. Chairman, have been unequaled by any other Federal agency. I think I can say that with safety, and I think we would be hard-pressed to find any company in the private sector which has a record of productivity increases that the Board has.

Our pending workload has grown, in spite of these productivity increases, and in spite of the money increases which you have voted for us.

We had a pending caseload in February 1974, of 12,920 cases. In February 1975, we had over 14,000 pending cases. In February 1976, we had 16,739 and this year we have approximately 19,000 pending cases.

Now, this doesn't mean we have 19,000 cases sitting on a shelf somewhere waiting to be worked on, as our general Counsel is fond of saying. I'm including everything from a charge that is filed on January 31 to a case waiting for the Supreme Court to decide. But our pending caseload has grown.

We are not afraid of that. But I just want to point out the reason why we need our full appropriation this year.

Unlike other departments we don't have, as I indicated, programs or grants. Our entire appropriation is just about limited to salaries and space, salary and rent. We don't have any frills that we know about.

We have requested 124 new positions: 75 percent of those new positions will go to the field and the only function the field has is case handling.

Of the 31 new positions in Washington, most of those are going for the Administrative Law Judges. We are not increasing the division of administration. We are seeking no additional spaces on the board member's staffs, but we will have seven staff years of additional employment.

I do have some more good news to tell you. You remember when I first sat here in 1975, calendar 1975, we talked about the reporting contracts and we talked about what we could do to develop more competition since we only, in effect, had one main bidder. Well, in the 2 years I have been chairman we have been trying to develop more competition. And I am really thrilled and excited to tell you that our reporting contracts now show that we have saved a half million dollars in 24 months by developing five or six contractors who compete and bid for the contracts.

The major contractors have continually lowered their per page prices because of additional competition, and Member Fanning has carried the laboring end of it in negotiating those contracts for which I am very grateful.

You have always been helpful to us, and we appreciate it, and we know you know as much about the Board and its functions as I do—probably more since you have been here longer than I have been Chairman. This concludes our highlights, and I will be delighted to answer any questions you have.

Mr. FLOOD. Because of this relationship between the Board, the Chairman, and General Counsel, and the fact that you have submitted a statement, do you have any comments you would like to make at this point, Mr. Irving?

Mr. IRVING. Congressman, I will just briefly say we are getting cases at a record number. Our field staff is doing a terrific job. We are issuing our complaints in our merit cases at 49 days under Associate General Counsel Joseph E. DeSio's leadership, as opposed to 54 days in 1976. And even with the record number of cases, field personnel are just doing an excellent job in settling 82 or 83 percent of the merit cases.

I think they are doing a good job.

NO CARTER CHANGES IN BUDGET

Mr. FLOOD. All right. Now, do you anticipate any changes being made in this budget request by the new administration?

Mrs. MURPHY. No; we received a letter from the new Director of OMB, Mr. Lance, asking whether the previous Administration had been—I don't know whether the word is fair—but had given us an adequate amount, and I wrote back to Mr. Lance saying that we had exactly the amount that we needed for this current fiscal year.

BOARD MEMBERS

Mr. FLOOD. Who are the other members of the Board and when do their terms expire?

Mrs. MURPHY. Mr. Fanning's term expires in December 1977; Mr. Jenkins' term expires in August 1978. My term expires in December 1979. Mr. Walther's term expires in August 1980, and Member Penello in August 1981.

However, Mr. Penello may not serve his full term since there is still a law requiring a waiver from the President once an appointee has reached the age of 70. Member Penello, who has had a distinguished career, will be 70 in 3 years.

REASONS FOR INCREASED WORKLOAD

Mr. FLOOD. Now, in your opinion, why has this workload grown so very rapidly? What accounts for that?

Mrs. MURPHY. It's an interesting question. We have many answers that we give to that question. If there is a recession, we say that the number of charges have grown because people want their jobs back, and, therefore, they are not content with just back pay. If we have a boom, we say, well, there is more organizing going on, and, therefore, there are more charges.

None of these answers really satisfies me. Not one. I could give you 10 more answers but not one satisfies me. I really believe that the Department of Labor or some other similar department ought to invest a little money and find out why the Labor Board's workload has grown almost 60 percent in 7 years, why the EEOC's number of charges is growing tremendously why Wage/Hour has twice as many charges as they had 10 years ago. I think there should be some money invested in research to find out "why." I certainly hope you would use your influence with some of these agencies and see that this is done.

ADMINISTRATIVE CHANGES

Mr. FLOOD. What administrative changes have you made since you became Chairman to improve the operations of the NLRB?

Mrs. MURPHY. I have made a number. We have used a number of new management tools in the last few years. We have put the Board members, at their agreement, of course—everything I do is with the cooperation and agreement of the Board. Right, John? We don't have any dictatorship at the Board; everything is by consensus or agreement.

At my request the Board has agreed to have monthly goals for the circulation of complaint cases and representation cases. This has meant a great increase in productivity, as you have seen, a 30 percent increase in productivity. Traditionally the Board has had a list called the 6-months overdue list setting forth the cases which have been at the Board over 6 months. Every month we meet and say, "Where is that case?" And the members promise to get the overdue cases out. We have in the last 2 years reduced it to a 4-month overdue list. I want to reduce it eventually to a 2-month overdue list. We have many different management tools. We have had more training. I have also made the publishing of Board volumes a top priority. When I became Chairman 2 years ago, the Board was 14 volumes behind and now we have published 12 of them in 2 years which is a fantastic improvement.

The General Counsel, of course, ever since former General Counsel Rothman, has had goals and timetables for cases, if I may use that familiar expression. The General Counsel examines the field very closely, Joe DeSio, Associate General Counsel, is on the phone every day, watching each case, watching the overage cases. We know where every case is. We have a chart room that some of your staff have viewed where we keep track of every region.

STAFFING

Mr. FLOOD. How many new positions are you requesting in 1978?

Mrs. MURPHY. 124 altogether, three-fourths of which go to the field.

Mr. FLOOD. All right. Now, how many new positions have you received in each one of the past 3 fiscal years, 1975, 1976 and 1977?

Mrs. MURPHY. May we submit it? I don't have it in my head.

Mr. FLOOD. All right.

[The information follows:]

In 1975 we received no new positions, in 1976 we received 97 and in 1977, 231 new positions.

Mr. FLOOD. How many unfilled positions do you have today? You ought to know that.

Mrs. MURPHY. One of the reasons we have some unfilled positions really is due to the 1975 fiscal year, 1976 fiscal year budget, which was vetoed and we didn't get our money until February of 1976.

We have a current ceiling of 2,901, which will decline to 2,815 permanent employees at the end of this year.

A total of 2,670 positions are now filled with a difference of 231.

We were at 2,503 at the end of fiscal 1976. The reason is we only have funds for that number because we were cut a little bit. We only have funds in 1977 for 2,732 staff years of average employment out of 2,901 permanent positions.

Mr. FLOOD. How many are unfilled today?

Mrs. MURPHY. 231 this year, but most of them are committed, Mr. Chairman. We have commitments to fill most of them. People usually come on with us in June or July.

Mr. IRVING. That is also related to the amount of money we have on hand to be able to fill those positions.

Mr. FLOOD. On those new positions you ask for in 1978, what assumptions did you make as to how long they would actually be on board during that fiscal year? I think your budget people use the term, lapse rate.

Mrs. MURPHY. Yes; a lapse rate of 77 percent.

Mr. FLOOD. All right.

Mrs. MURPHY. People who come on a quarter through the fiscal year.

Mr. FLOOD. Of the 124 new positions, how many are attorneys?

Mr. IRVING. Roughly one-third.

Mrs. MURPHY. Probably one-third attorneys.

Mr. FLOOD. How many are field examiners?

Mrs. MURPHY. About one-third.

Mr. FLOOD. What is the entry-level grade in your outfit for attorneys?

Mrs. MURPHY. GS–9.

Mr. FLOOD. Field examiner?

Mr. IRVING. Field examiner: GS–7.

Mrs. MURPHY. Other agencies have GS–11 for attorneys.

Mr. IRVING. For about 100 positions, we get about 3,500 applications.

STAFF RETENTION

Mr. FLOOD. How long on the average do these people stay with you? Have you got a big problem with turnover down there?

Mrs. MURPHY. Congressman Flood, you remember last year we talked a little bit about it, and we found out that some other agencies use moral commitments, for example, the Department of Justice, two of their divisions have 4-year commitments. The IRS, I think, has a 4-year obligation, so last year the Board and General Counsel decided to put into effect a 3-year moral obligation, after bargaining, I might say. We examined the turnover figures and we found that for new hires, that is to say newly hired attorneys who were with the agency less than 3 years, in some instances we lost 70 percent of them and in other instances we lost 50 percent of them. As member Fanning said, "The first year we don't make any money, the second year we might break even and the third year we have good production from them."

Mr. FLOOD. But you have attorneys down there who come and go like Greyhound buses.

Mrs. MURPHY. I agree. That's why we thought the 3-year moral obligation would be a better use of the taxpayer's money.

Mr. IRVING. In the field the attorney turnover rate, unrelated to retirements, was 6.7 percent in 1976.

STAFF TRAINING

Mr. FLOOD. Let me ask, how do you train, talking about new employees, how do you train new employees? Describe your training process.

Mrs. MURPHY. May I go back to the moral commitment for a moment? When new attorneys came on board———

Mr. FLOOD. What about the training?

Mrs. MURPHY [continuing]. We told them that they would be asked to stay 3 years with the agency to avoid the turnover rate.

Mr. FLOOD. I know, but I am talking about training.

Mrs. MURPHY. Now that they have agreed to stay for 3 years, the General Counsel has an excellent training program, which I will let him describe.

Mr. IRVING. When I started with the agency right out of law school in 1964, and I was given a copy of the act and a set of regulations and told to go into an office and read them for a couple of days. That was my training program.

Mr. FLOOD. I am not talking just about lawyers.

Mr. IRVING. That's right. Examiners, too. I am very, very sensitive about that. The Chairman's task force on NLRB procedures is very sensitive about that. They urge more training and the American Bar Association Practice and Procedure Committee urges more training. With all of that as a background, we train new employees in each regional office—I am talking about examiners, I am talking about attorneys. We even have a training program in each regional office for our clericals. Each regional office is required in accordance with a syllabus to conduct a regular training course, with regular hours every week or every month.

In addition new employees they get on-the-job training, and we carefully evaluate their work. We have cut the ratio of supervisors from about 8 to 1 and 7 to 1 to more like 6 to 1.

Mr. FLOOD. How much money is in this budget now strictly for training your employees?

Mr. IRVING. $273,000, which would generally be course training as opposed to conference training, and there is an additional approximately $298,700 for conference training.

Mr. FLOOD. Is training the first thing you cut back if the budget gets tight?

Mrs. MURPHY. Not any more. The Chairman's task force, as John indicated, we sent you a copy of it, recommended we not cut training.

Mr. FLOOD. I guess you knew I would ask you that.

Mrs. MURPHY. The Chairman's task force recommended strongly that training be a line item, and not be cut, and we are going to do that.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you, Mr. Chairman.

WORKLOAD INCREASE

Mrs. Murphy, in your justifications you indicate you can surmise why your case filings rise or fall, but that you do not have the specific information. What do you surmise as the reason for substantial increases in new cases that you have?

Mrs. MURPHY. We would like to know, and as I said a moment before you came in, Congressman, I suggested strongly that this committee do all it can to get a department like the Department of Labor, which has funds for research to find out why wage/hour, EEOC, and NLRB and everything else has this tremendous increase. For example, at the

NLRB we have a 14-percent increase in individual filings since last year.

We don't know why so many more individuals are filing charges, more charges than they did before, and I know you will find the same probable complaints from the EEOC and wage/hour.

Why is all this happening? I think some money should be spent to find out why.

Mr. MICHEL. We have been substantially increasing your funding in recent years in order to give you the tools to handle the increased workload, yet that backlog continues to increase.

Mrs. MURPHY. We don't call it backlog because we don't have any cases sitting on a self waiting to be worked on. Every single case is assigned.

Mr. IRVING. The 19,000 pending cases are like the cars General Motors has on the assembly line where there are people hammering on bumpers and putting doors on them. We are not talking about back orders, we are talking about 19,000 cases all of which are being worked on by 2,600 people. We are not talking about unassigned cases. So we are careful when we talk about backlog.

Mrs. MURPHY. That's why we call it pending caseload, which is a little different than backlog.

CASE PROCESSING TIME

Mr. MICHEL. According to your justifications, it now takes 374 days to complete action on unfair labor practice cases requiring formal agency disposition. Now, if you had all of the resources necessary to handle these cases in the most expeditious manner possible, how much could you really improve that average time, no holds barred, giving you all of the resources you need.

Mrs. MURPHY. Could I pick everybody too?

Mr. MICHEL. Shoot the works.

Mrs. MURPHY. Mr. Fanning, why don't you give your favorite statement on personnel discipline?

Mr. FANNING. What is the target date, 6 months, 1 year, 2 years?

Mr. MICHEL. Let's take 1 year, you come up once a year.

Mr. FANNING. I would think first that you have to find a way of injecting into everybody at the agency a high degree of personal self-discipline. By that I mean 8 hours a day, deciding and reading and issuing cases.

That's the first thing.

Second, I point out that about 10 years ago it took 457 days to dispose of a case. We have done better than 370. We have been down as low as 330. I have said many times in public statements I don't think we are doing a good job until we get down to 6 months. That's 180 days, and one of your predecessors, or maybe one of your contemporaries, John Fogarty and I used to talk about this many, many times.

He thought 6 months was what we practically could and should do to meet our obligations. And in the election field we are much closer to reality, I think. We are now issuing directions of elections in 40 to 45 days. I would think we might get down to 30 days, but I think anything less than 30 days is unrealistic. Even the parties don't want

it quicker than that because they each want a little time to persuade the other that the vote should be such and such.

But until we have reached those targets I think there is much room for improvement. Three hundred and seventy days I think is much too much, and I would start off with trying to find some formula for this personnel discipline.

Mr. MICHEL. Is there an average time, say, for representation cases?

Mr. IRVING. Could I make something clear? When we are talking about the 300-some-odd figure we are talking about only 3.6 percent of the cases that come through the agency's door. Only 3.6 percent of the cases that came in wend their way to the Board. The vast bulk of our cases are handled in the field offices. In the unfair labor practice area we handle 90 percent of the cases that come to our field offices in 44 days. In representation cases, 82.5 percent, of the cases that come through the door are informally disposed of at the regional office level in 47 days. Of all the representation cases, 98.8 percent of them are disposed of at the regional level without ever seeing Washington.

Mr. FANNING. What you are talking about, Mr. Congressman, is probably between 2,500 and 3,000 cases a year.

Mrs. MURPHY. Out of 55,000.

Mr. FANNING. Out of the 55,000 that are initiated in that particular year. Those are cases that one of the parties feels aggrieved and, of course, under our statute any party who feels aggrieved has a right to appeal to the Board, and to get a full de novo review, which means some lawyer on my staff or some Board member's staff has to take every paper in the file, every page of transcript, every page of brief, read the whole thing. We have had cases with 20,000 pages of records down to a few hundred pages. But that is part of the time problem, too. We figure you can read 250 pages a day with some kind of adequate retention, but when you have a 10,000-page record, as you can see, even 250 pages a day takes a certain amount of time. But what we are talking about again, as John said, are only those cases that are very complicated, very novel, maybe call for review of policy, or maybe one of the parties wants to drag it out because there is money in dragging out cases, and it comes to maybe somewhere, well, the Board put out between 1,600 and 1,700 decisions.

Mrs. MURPHY. Excuse me, 2,200.

Mr. FANNING. That's with representation requests for review which the Board disposed of telegraphically. But 1,600 written rationalized decisions, and that's what we are talking about when we talk about 370 days.

Mr. MICHEL. I remember the exchanges with our former Chairman, John Fogarty. Of course, any time the disposition time runs over a year there is something to be said for bringing it under a year. And, of course, the 6 month target date is a good one.

Mrs. MURPHY. One of your colleagues, Congressman Frank Thompson from New Jersey, has introduced H.R. 77, and traditionally chairmen don't speak to the substantive factors, but I certainly am able to endorse two of his procedural bills. If we had these two procedural bills and we had an adequate number of administrative law judges, I promise you we could get the cases through in 180 days. There would

be no question about it. Incidentally, that is my announced goal 180 days.

The two bills, the two portions of the procedure aspect of which I speak are the right to delegate to the administrative law judges—and all we want is a delegation of credibility resolutions. Seventy-five percent of our cases are, "Was he fired for union activity or for cause," strictly decided on who the administrative law judge believes. But we still have to read the transcript and record and exhibits, and see if everything is in there that the administrative law judge said. As you know, it's very difficult to overrule credibility anyway, but we have to review the whole case anyway. That is number one.

The second portion of the Thompson bill which I endorse is an amendment that would make the Board's order self-enforcing. After the Board's decision issued, there would be an appropriate due process time, and then if respondent neither complied or filed suit, we would log our decision in the appropriate court of appeals and that would be the final, set decision. That would save a year.

I think these two procedural bills proposed by Congressman Thompson are needed in this session of Congress and I urge you to take a look at them.

ASSERTING JURISDICTION

Mr. MICHEL. In 1959 Congress expressely approved the practice of the National Labor Relations Board declining to assert jurisdiction over certain labor disputes technically within its statutory jurisdiction, and in view of your currently heavy caseload, why has the Board exercised its discretion to extend its purview to some of the most jurisdictional, marginal cases?

Take, for instance, a local arena, and a local Catholic archdiocese, the Salvation Army thrift stores, et cetera.

Mrs. MURPHY. The Catholic archdiocese is no small business. I thought you were going to talk about day care centers, where I was overruled by my colleagues who asserted jurisdiction. The archdiocese is no small employer. It employs 2,000 people, maybe, in the city. I don't think that is the type of jurisdiction we could decline. That is big business. The employees there have a right to be represented if they so choose.

Mr. FANNING. One of the answers, and a further answer, Mr. Congressman, is another provision of that provision of the statute to which you refer which precluded us from declining to assert jurisdiction over any class that we had previously asserted jurisdiction over.

In other words, we cannot cut back on jurisdiction that has once been asserted, and as a result, we find ourselves, practically speaking, with a very limited authority to decline jurisdiction.

EXPIRING TERM

Mr. MICHEL. Whose term is up? You have one seat.

Mrs. MURPHY. Member Fanning. In December 1977. We have a Board Member's term expiring each year.

Mr. MICHEL. Would you like to serve again?

Mr. FANNING. Well, I have been on the board 20 years, sir. I have been in 20,000 decisions. I have regrettably dissented in 1,500 of those only because my colleagues weren't smart enough to agree with me.

I must say that I find the Board very stimulating. I like the Board. I have practiced law. I have no desire to practice law. I practiced law in Rhode Island before I came to Washington.

If Mr. Carter were to ask me to continue, I think he could assume a favorable response.

Mr. FLOOD. The answer is yes?

Mr. Natcher?

DATA PROCESSING

Mr. NATCHER. How much money is in this budget for automated data processing? How much do you have in there?

Mrs. MURPHY. May we submit that for the record, unless you want to look in the data book?

Mr. NATCHER. What do you have in the current year?

Mrs. MURPHY. How much altogether?

Mr. NATCHER. I will tell you what I had in mind. I wanted to compare the figure that's in the present bill with the figure that you have in the budget for fiscal year 1978. Can you give us some idea about it, approximately?

Mrs. MURPHY. Yes; we are approximately 9.4 percent more this year than last year overall, for everything. But a great deal of that increase are the pay increases which Congress keeps voting.

Mr. NATCHER. Now, as far as data processing, could you just approximate it for us?

Mrs. MURPHY. We can give you the actual figure if you want to wait a minute; about $259,000.

FREEDOM OF INFORMATION ACT

Mr. NATCHER. All right. What impact does the Freedom of Information Act have on your operation?

Mrs. MURPHY. I think it's pretty well settled now after a great deal of early litigation. I will let the General Counsel answer that.

Mr. IRVING. In 1975 we spent half a million dollars in connection with the Freedom of Information Act, mainly defending suits where parties to litigation were attempting to get into the investigative files that we have in open cases; where we were litigating the case against them. They were seeking to enjoin our proceedings until we turned that information over.

We have been almost uniformly successful, in fact uniformly successful all the way up to circuit courts. We have about five or six circuit court decisions now where the circuit courts agreed with the Board that in open cases the parties to the litigation, or indeed, anybody requesting information under the Freedom of Information Act, are not entitled to those investigative affidavits.

It took us a long time and many, many district court cases to do that. There are many other issues that are being litigated. There are a couple of courts that said we must turn over our authorization cards, cards employees have signed to designate the union as their representative.

We have had requests for those cards. There has been at least one district court that said we must turn them over. We have litigation involving closed cases, affidavits given by employee witnesses in closed cases. We have opened and closed case issues involving non-employee witnesses like plant supervisors. So we have many cases pending.

But the bulk of the litigation was prior to the circuit court's recent decisions with respect to availability of affidavits in open cases. Most of the litigants were seeking affidavits and seeking to enjoin our proceedings until we turned the information over.

Now that that question has been virtually settled the bulk of the FOIA litigation has dropped off.

We will be submitting our 1976 report to Congress. That is due, I believe, in March.

Mrs. MURPHY. The new statute which we are getting ready for, as you know, is the Sunshine Act.

REPORTING CONTRACT

Mr. NATCHER. Why do you need a $400,000 increase in your reporting contract?

Mrs. MURPHY. Because of the additional hearings. We are having more hearings than ever before and the increase is not in the cost per page, but it's volume.

OFFICE OF APPEALS

Mr. NATCHER. What is the purpose of the Office of Appeals under the general counsel? What is the purpose of this office?

Mr. IRVING. Congressman, when a charge is filed it's immediately investigated. If the regional director determines that that charge has no merit, that person filing the charge under the statute has no appeal. That is the end of the road. So, if the regional director, with the General Counsel's hat on, determines that that charge has no merit and dismisses it, that's the end of the road statutorily.

Prior General Counsels have set up an Office of Appeals. The disappointed charging party whose charge has been dismissed has an appeal, of the original director's determination to dismiss to the Office of Appeals in Washington.

They take the file, and they do a de novo review of it. They read all of the affidavits in the file, and they decide whether or not in their judgment the regional director was correct. A very thorough going over is given to each one of these files, and the General Counsel's Office in Washington reverses about 4 or 5 percent of the cases that are appealed to us in the course of the year. And I am talking about 4 or 5 percent of roughtly 4,000 cases.

Mr. NATCHER. How many people work in that office?

Mr. IRVING. I think about, I can get you the actual figure, but I think there are 35 or 36 attorneys.

Mrs. MURPHY. As a former practitioner for almost 15 years, I can tell you I always felt that I had a fairer crack at it if my charge was thrown out by the regional director, if I could appeal to the General Counsel.

APPELLATE COURT BRANCH

Mr. NATCHER. What about the appellate court branch, what are its main duties, and how many positions are you requesting here for 1978?

Mr. IRVING. The General Counsel really wears three hats, Congressman. He wears the hat of a field administrator, he wears the hat of the investigator, and the prosecutor in unfair labor practice cases that have been filed with us, and he wears a third hat, too. After the Board has issued its decision in a case, of course, the Board has no police force, and so it may be necessary for us to require someone to abide by an order. So it's necessary for us to take the Board's order and go into a U.S. circuit court of appeals and persuade the circuit court that it ought to adopt the Board's order as its own; and enforce the Board's order.

So, we have an appellate section in the General Counsel's office where the Board's orders are taken into circuit court. The brief is written and oral argument is made. It's really the duty of that section to act as lawyer for the Board in persuading circuit courts to enforce Board orders, or to defend Board orders when they are attacked.

We are asking for an additional nine positions for that section and I would point out two very significant developments. I would point out two things: It used to take a lot longer for the process in which, after the Board issued its decision, the case would go back out in the field for a few days, a month or whatever, to see whether or not we could get compliance, and if not it would come back into Washington for enforement proceedings.

In 1970 it was taking us 255 days to get an enforcement case filed in the circuit court. Most recently, just this past year, it took 43 days. So we have made really significant inroads.

The other thing I would point out is it takes 30 days in the field to see whether or not we get compliance and 43 days after the case comes into Washington in order to file a petition for enforcement. So we are really talking about 73 days. It takes a total time to enforce a case of 410 days. We are really responsible for only 73 days of that. After we have filed the application for enforcement, the court rules take over, and in many circuit courts it takes a long time.

Mrs. MURPHY. That is why we need Congressman Thompson's procedural bill.

Mr. IRVING. Most recently we are talking about 410 days for a court of appeals decision.

1976 PAY RAISE

Mr. NATCHER. Although this is a hearing on your 1978 budget request, if you would, place a short statement in the record at this point concerning how you computed your 1977 pay raise supplemental request of $3.1 million.

Mrs. MURPHY. Be glad to do that.

[The information follows:]

The method used in compiling the amount requested for the 1977 pay raise supplemental is a manual process projecting turnover, hiring, promotions and within grades. This method requires that we compute in considerable detail the amount of increased costs expected to be incurred in every major organizational unit.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten?

Mr. PATTEN. Mrs. Murphy, you have had quite a year, in a sense. I don't remember in the last political campaign that anyone talked about the National Labor Relations Board. You were not an issue in the recent Presidential campaign, were you?

Mrs. MURPHY. No; was that good or bad?

Mr. PATTEN. There were other years when you were.

Mrs. MURPHY. I think we have a very good acceptance right now.

GROWTH IN WORKLOAD

Mr. PATTEN. Yes; it appears that way to me. The fact remains, though, when I came here 14 years ago your budget was $21 million. I sit here now and you are asking for four times that much, $88 million, and all through my problems of representing the people I run into the same thing.

Everybody talks about economy. But I don't know where all of these beautiful words are going to become real.

Mrs. MURPHY. I will answer that if you would like.

I haven't been here 20 years, but I have been a member of the bar for almost 18 years. When I got out of law school I joined the Board as an enforcement attorney and only stayed 18 months, which was very foolish of me. But in any event, when I went into private practice in 1960 the Board had 17,000 charges and petitions that year. Each Board member had 26 persons on his staff, compared to 21 today.

I came into the Government as a GS–7 attorney. I earned $4,200. How much does a GS–9 earn now?

Mr. FANNING. Approximately $14,000 per year.

Mrs. MURPHY. $14,000, so they are earning four times what I earned as a new attorney.

This year, 16½ years after I went into private practice, instead of 17,000 cases, the Board will have 57,000 almost 58,000 cases. That is one of your answers.

The pay raises, which have gone through the years is another answer. Space rent, which was in the GSA budget until 1975 is the next largest factor, followed by transcript reporting, for which our cost was sharply increased by amendments to the Administrative Procedure Act. These three items account for more than half the total increase in our budget from 1971 to 1977.

Mr. IRVING. I think, Congressman, I run into the same thing, out making speeches and speaking on behalf of the agency. I try to point out that we are current.

If you come in and file a charge with the National Labor Relations Board you have a better than 90-percent chance that your case is going to be disposed of in 44 days. You hear something from us.

The investigation is started in 7 days. The agency is current. There aren't cases sitting on the shelf for months and months and months before anybody gets a phone call, and we have had very significant productivity increases.

We are talking about 1,800 people in the field and the year before last we had a 12-percent productivity increase, and last year we had an 8 percent productivity increase.

So I think due to the currentness and the hard work, and the fact that we do enforce this law and do a pretty good job, the taxpayers are getting a good bargain, frankly. Ours is a very current, effective, professional Government agency and we are proud of that.

Mrs. MURPHY. Mr. Patten, the proof of the pudding is the majority of our money goes for salaries and if we were still back at the level where the beginning attorney earned $4,200, we wouldn't be asking you for the amount we are asking. But we didn't raise it. Congress raised the salaries.

Mr. FANNING. If I may augment your statistics, Mr. Congressman, I have been at the Board since 1957. When I came to the Board our budget was $10½ million. We had 1,500 employees; we had 15 regional offices; we had 40 administrative law judges, and we had an annual intake of 14,000 cases a year.

Now we have only 2,600 employees, which is much bigger, but not relatively speaking. We have 32 regional offices and 10 subregional offices, so we can bring our services more conveniently to more people, and we have 55,000 new cases a year. And we have had 20 years of inflation, if you will, that adds to our housing expenses, to our salary exepnses, to our supply expenses, and that is where all of the money is going, the same story with every family and household in the United States.

Mr. PATTEN. By the way, on this $88 million, if there is another salary increase will you be back for another supplemental?

Mrs. Murphy. For 1978 we would, yes.

Mr. PATTEN. I hate those supplementals.

Mr. IRVING. That one would go into effect in October 1977, the fiscal 1978.

Mrs. MURPHY. We would have to go to OMB for permission to ask you for a supplemental. For example, when Congress passed the health care legislation, we didn't get an additional penny. I wasn't chairman then, but the Board did not get a penny additional money from Congress. For a pay raise supplemental it would depend on our presentation to OMB which would say "yea" or "nay".

Incidentally, I want the members of this committee to join us in celebrating—I think we have invited you en bloc and will send individual letters to those of you we haven't—celebrating 30 million votes under the statute. We will be celebrating March 2 with a dinner at the Shoreham Hotel, and I hope as many of you who can will be able to come.

Mr. IRVING. With paying guests. We are not hosting a big dinner for 1,800 people.

Mr. PATTEN. In other words, in 20 years your budget is 20 times or a good, what did you say $9 million?

Mr. FANNING. $10½ million.

Mr. PATTEN. $10½ million, and today with the wage increase it's going to be $90 plus. So in a 20-year period it's——

Mr. FANNING. Gone up nine times.

Mr. PATTEN. Should I be satisfied with your budget request? In an effort to dig, in an effort to cut some of the bureaucracy.

Mrs. MURPHY. Congressman Patten, please don't start with us because our budget wouldn't buy even one plane.

Mr. PATTEN. Oh, just a minute. The sum total of 1,800 or 5,800 all adds up. I don't like those ads that say it only costs you a penney a day to buy this coffee percolator. They don't impress me. I know this, it's a tough bind and I don't know where we can do a job.

Apparently we are not going to do it at the National Labor Relations Board this year, right?

Mr. IRVING. Congressman, we have the advantage in our agency of being able to really manufacture one thing. We handle cases. We make widgets, if you will, and we can very carefully measure how much it is costing us to make one widget, or how much it is costing us to process one case. We keep a very close eye on this and we know how many cases each individual should be putting out, and our budget development is based upon a very empirical standard.

We always know our caseload is going to go up. We know how much it will cost to process each case, and we know how much it will cost to bring additional employees on to do that. We can fine tune our budget, unlike some other agencies that are developing policy or are handing out grants. It's difficult to measure how much that should cost.

We make one thing and we can, as a result, come up with a budget that is very supportable in terms of how much it costs to process a particular case.

Mrs. MURPHY. We have the figures here, Congressman Patten. And salaries have gone up more than case costs, costs per case. In 1963, 15 years ago, it cost $847 to process one case from whatever period. In 1976 it cost $1,483.

Mr. PATTEN. Well, that is not even double.

Mrs. MURPHY. That is not even double.

Mr. PATTEN. You come in here with a budget 10 times. I will tell you how old I am; I remember 1937 and the passing of the NLRB, and I was right in there as an activist.

Mr. Chairman, you are in control.

Mr. FLOOD. Mr. O'Brien?

APPEALS TO BOARD

Mr. O'BRIEN. Mrs. Murphy, the Board reviews administrative law judge decisions when exceptions are filed.

Mrs. MURPHY. That is right.

Mr. O'BRIEN. Are there many cases in which exceptions are not filed and can you relate them to the particular administrative law judge?

Mrs. MURPHY. We have a new pie chart on page 7 of the annual report which I believe we sent you, and in the annual report, not the justification, but it shows that of the cases tried, of all of the cases tried throughout the whole United States, the Board must issue contested decisions in 75.2 percent of the cases.

In other words, three-fourths of them are appealed to the Board because we have the automatic right of appeal. Anyone who wants to delay, anyone who wants another bite of the apple, which has already gone through several stages, has a right to appeal to the Board, which delays it another year. Congressman Thompson's bill would prevent this delay.

Mr. O'BRIEN. Would you review for my benefit the provision of that bill you spoke of?

Mrs. MURPHY. Yes; H.R. 77.

Mr. O'BRIEN. And that would require exceptions to be filed within a date certain?

Mrs. MURPHY. No; what it would have, Congressman, is the same as the Occupational Health and Safety Review Commission has—a certiorari type review. In other words, we have examined this bill very carefully, because the same bill was in Congress last year, and we figure we would review about 25 or 30 percent of the cases. We would take review of this number.

But the others which are just what we call bread and butter, easy cases, we wouldn't have to take review and waste our resources.

The Occupational Health and Safety Review Commission has that right. The Commissioners can say "well, we don't want to hear those 900 issueless cases. We will just take the 100 cases which present issues." If we had that bill and if we had the self-enforcing of Board orders, I guarantee you, with a leadtime on it, we could get cases through the agency in 180 days. There would be no question—from filing of complaint through Board decision, and I mean the tough cases, too.

Mr. O'BRIEN. Then in this particular area, as you say, frivolous type of appeal occurs without regard to say the personal competency of the issue.

Mrs. MURPHY. We don't keep any figures but I would say as a general rule we don't have certain judges who always get appealed from, 75 percent of them get appealed from, 75.5 percent of them.

ADMINISTRATIVE LAW JUDGES

Mr. O'BRIEN. You were at 89 administrative law judges last year?

Mrs. MURPHY. That counted the senior judges whom we did not have through the whole year. You remember the Civil Service Commission was very good to us. When I became Chairman of the Board I discovered that due to retirements and other reasons we were down to 68 judges who went out to hear cases. We would have gotten inundated. So I went to the Civil Service Commission and obtained permission to bring back 12 senior retired judges for 9 months only. The project worked beautifully, but the Commission would not allow me to renew that this year.

Mr. O'BRIEN. How many do you want this year?

Mrs. MURPHY. We need, and OMB hopefully will help us get the supergrades for 130 slots.

Mr. O'BRIEN. As opposed to 96?

Mrs. MURPHY. As opposed to 96 we now have, positions authorized, we have 94 right now on board. We expect to pick up two more this month.

Mr. O'BRIEN. From what source do you get the new judges?

Mrs. MURPHY. From the Civil Service Commission which has a terrible application procedure, as you are probably aware.

The Civil Service Commission sends the forms out to the individuals applying, it takes months to fill out the forms and get them in,

and the the Civil Service Commission certifies that Mr. A. is qualified to be an Administrative Law Judge at the NLRB or SEC or wherever. After the individuals are certified, we get the list and I always grab the list as soon as it is ready. We just got one yesterday, and we have already sent letters out asking people, "Are you interested in us? Let us know; please, please." And we will take two more judges before the end of this month. That is all we can take because we have only 2 vacant supergrade slots. The Civil Service Commission has promised me four more slots to make 100. OMB originally was going to let us ask for 30 slots from you. But OMB worked out an arrangement with the Civil Service Commission which, three weeks ago sent an Executive letter to the committees which deal with the Civil Service Commission, asking for 100 more ALJ slots.

Mr. O'BRIEN. If the Thompson bill were passed and became law would you conclude that you could better assess the performance of your judges by the nature of and numbers of appeals you might receive?

Mrs. MURPHY. I don't think there is any relation.

Mr. FANNING. I don't think so, Mr. Congressman, because the spread of cases is scientifically set up so that we try to give each judge a proportionate share of all kinds of cases, to avoid bias, prejudice over familiarity or whatever. So I don't think that would show up. But I wanted to augment the Chairman's answer to one of your questions.

Of the 75 percent of decisions from the Administrative Law Judges that are appealed to the Board, after this very lengthy review process, we end up affirming the Administrative Law Judge's decision in about 70 percent of those cases.

Now, all of that is just completely wasted review time that has to be gone through because of the statutory requirement for de novo review. It's only in 25 to 30 percent of those appeals that we have to do something, like reversing the Administrative Law Judge or expanding on some of his theories, or correcting some of these theories and so forth. But, I would say 7 out of 10 of those cases we end up saying you were right and then the parties, one of the parties has bought some more time, and if the party wants to then appeal to the circuit courts of appeal, it's another 400 days.

Mr. O'BRIEN. When you talk about de novo review you mean you review questions of fact as well?

Mrs. MURPHY. Everything. That's why we estimated if we had Congressman Thompson's procedural bill, which I hope you all will support, we would take on certiorari about 25 to 30 percent, because of the figures Mr. Fanning has given you.

ENERGY CRISIS

Mr. O'BRIEN. Do you envision more labor-management disputes arising from factory closings related to the energy crisis?

Mrs. MURPHY. No; unless the gas shortage would mean our investigators could not investigate cases. Then we would be in trouble. About 90 percent of our transportation is related to automobiles.

Mr. FANNING. I think it's too soon yet to know. We have had no evidence that will produce more filings. But when a man loses a job——

Mrs. MURPHY. Or woman.

Mr. FANNING [continuing]. Or woman loses a job and is floundering around looking for some kind of income, he or she may feel they should not have been laid off, somebody with less seniority was retained and shouldn't have been, and from a sense of frustration very frequently they will come to one of our offices and say I was improperly laid off, and I want to file a charge and so forth. And even though we may dismiss it, we have to process it.

DIVISION OF ADVICE

Mr. O'BRIEN. One final question on page 9, speaking of advice, how does that sort of thing work? Does the regional counsel call the home office and say what do I do?

Mr. IRVING. In connection with whether or not to issue a complaint, and on what theory, the regional directors often have legal questions in unfair labor practice cases and there is an office that is set up in Washington in the General Counsel's office to assist the regional offices in solving some particularly knotty legal question or policy question that the General Counsel himself wants to get involved in.

Mr. O'BRIEN. And you make a file or record of that?

Mr. IRVING. No; that is not like a proceeding on the record. That is really internal.

Mrs. MURPHY. We don't count that as part of our cases.

Mr. IRVING. It does not determine what finally will happen on the case.

Mr. O'BRIEN. You said it was 1,210 cases in 1977, you anticipate 1,473 in 1978?

Mr. IRVING. That is not an addition to the cases that come in the door.

Mrs. MURPHY. That is the same 58,000.

Mr. IRVING. In other words, it's a case that comes in to us that has a difficult legal problem in it, and it's an internal matter. The regional director will consult the Division of Advice before he dismisses the charge or before he issues a complaint.

Mrs. MURPHY. For example, when the Supreme Court came down with Connell, the regional directors sent cases to Advice to see what the policy would be.

Mr. O'BRIEN. Thank you.

Mr. FLOOD. Mr. Early?

Mr. EARLY. Thank you.

WORKLOAD

Mrs. Murphy, are you trying to give us the impression that you are doing a good job because you are handling some cases? Is that accurate?

Mrs. MURPHY. That we are handling some cases?

Mr. EARLY. You seem to be proud that you are going to get up to 60,000 cases.

Mrs. MURPHY. I regret it. I would like to see the Board's caseload decrease. I think the increase is unfortunate.

Mr. EARLY. Certainly is.

Mrs. MURPHY. I agree with you. But it is better that the parties have a place like the NLRB to let off steam. Fortunately, we don't see the violence there used to be before the Board came into being.

Mr. EARLY. I don't get the impression you are concerned at all about the cost going up 100 percent over the last 20 years. That is alarming to me.

Mr. IRVING. Congressman, what I think we are doing is that Congress, under the statute said it's important to resolve industrial disputes. Each time there is an unfair labor practice, it's an industrial dispute, and something that has to be resolved, and properly should be resolved quickly. It shouldn't be allowed to fester for a long time. And we don't have any control, as the chairman pointed out, over who comes into our office.

We don't go out looking for cases at all. People come into our office and file these charges. Each one, even the nonmerit cases, represent some kind of a festering industrial dispute.

Somebody is dissatisfied.

Mr. EARLY. Wouldn't you have thought there would have been more stimulus over the last 20 years to induce people to make more complaints?

Mrs. MURPHY. More complaints?

Before you came in, Mr. Early, I suggested to the chairman that what I would like to see is some of the Department of Labor's moneys spent on finding out why the NLRB and EEOC, Wage/Hour, and all of the enforcement agencies are having a plethora of charges. I think it's very dangerous, and I would like to know why we have gone up from 17,000 charges in 1960 to 60,000 charges in 1980.

Mr. EARLY. That's what I hoped you would be telling this committee.

Mrs. MURPHY. I can give you 25 reasons, but I am not sure any one is the true reason.

Mr. EARLY. Doesn't it alarm you that 99.9 percent of the cases have been disposed of in the regional offices?

Mrs. MURPHY. No, I'm proud of that. An early settlement between the parties is always better than a Board-imposed one a year later.

Mr. IRVING. Why would that alarm us?

Mr. EARLY. What do we need you for? You are only handling two-tenths of 1 percent of the cases.

Mrs. MURPHY. We get 66 percent of the cases which go to trial.

USE OF STATISTICS

Mr. EARLY. You people are great with statistics. This is the biggest presentation of statistics I have ever seen.

You have got one chart stating that 35 percent of the cases are dismissed, 35.5 are withdrawals. So there is a settlement in only 23 percent of the cases. Why don't you use those to establish the cost per case?

Mrs. MURPHY. We do use settlement figures also.

Mr. EARLY. You use figures for everything.

Mrs. MURPHY. Of course we do. We use figures for the whole process. We can tell you how much a case costs us at each level.

Mr. EARLY. Maybe you have too many people to put all of those productive statistics together.

Mrs. MURPHY. We have five people who do that.

Mr. IRVING. I think if we didn't have those kinds of measures our budget would be guess work.

We would be up here guessing about what we need.

Mr. EARLY. What does the Bureau of Statistics do? They come in and tell us they should do statistics, and others should be involved in statistics.

Mrs. MURPHY. We will be glad to have them do it. In fact, Mr. Congressman, we will be glad to present our case to you in any method you wish.

Mr. EARLY. You do every kind of statistical analysis that can possibly be done.

Mr. IRVING. I think we need to be able to accurately measure what is it that we need and what we are trying to do, and in doing that we are trying to assist you.

Mr. EARLY. I would think you would be doing it not for us; but, for our 200-plus million people. You wouldn't be doing it if Government were producing more results for less money.

Mr. IRVING. I think we are producing more results for less money than any other Government agency I know.

Mrs. MURPHY. Congressman Early, OMB has approved our method for years, regardless of the administration.

Mr. EARLY. That might be true; maybe the other agencies are that bad.

Mrs. MURPHY. OMB regards us as a how-to-do-it agency. They say we are the best managed, not me personally or this Board, but we are the best managed agency, we get more for the dollar. We even have productivity figures for our Division of Administration.

Mr. EARLY. You say that OMB says your agency is so good, and you give three reasons why. And I have a hard time understanding the reasons.

There are three major components of your budget, each of which is precisely measurable. No. 1 is the number of cases filed by type. How is that difficult?

Mrs. MURPHY. Because different types of cases take different types of time.

Mr. EARLY. To report the statistics?

Mrs. MURPHY. Congressman Early, it isn't just a question of reporting statistics. It's a question of handling cases.

Mr. EARLY. Cases withdrawn, settled and litigated?

Mrs. MURPHY. Right, that's important.

Mr. EARLY. For what?

Mr. IRVING. How we dispose——

Mrs. MURPHY. I will tell you why. I tried to say it before. I spent almost 15 years in private practice. I know from my own experience, and I had a very active private practice all around the country. I represented both international unions and large multinational employers, so I had both sides of the fence in the same industry.

The longer a charge is outstanding, I don't care whether the charge is against General Motors or some book store—the longer the charge is outstanding the longer it takes to resolve these cases, the more morale problems the parties have, the lower productivity problems they have, and, all in all, things are bad.

If you ever—and I am sure you have heard from your constituents—talked to someone who thought he or she was discriminated against, whether they actually were or not doesn't matter, but something psychological happens to a person when he or she thinks discrimination has occurred. It's up to us, and I think it is the primary goal of the NLRB—even more than you may think—is to get the cases out faster. I think this is vitally important.

Mr. EARLY. That's only true if you suggest Government can do all things for all people, which it can't. We have a $413 billion budget. We can't afford a national health program because we have other expenses, nonproductive expenses.

Mrs. MURPHY. Our mission is twofold: We have the mission from Congress, I didn't write the statute, you did. We have the mission from Congress to hold representation elections for employees to choose or refrain from choosing a collective bargaining agent to represent them, and we have the mission to resolve unfair labor practices as quickly as possible.

Mr. EARLY. If I had my way I would reduce your Board 75 percent; just so you know where I would stand.

I am just a member here, listening to a whole set of statistics, increases for expenditures, and I see less productivity except the establishment of more and more statistics.

Mrs. MURPHY. Well, if you could find a way, and I am not being facetious, I would welcome it. But please remember, behind our successful statistics is success in maintaining the labor peace. However, if you could find a way to cut the number of charges being filed without denying people due process, I would welcome that and so would my colleagues. But while we are glad to account to you for all our efforts to control costs, I have to say that even if we were asking for three times as much it would be worth it to have industrial peace under law. We are helping to deliver that peace, and it simply takes money for people and space to do it. Nearly all the increases have gone into salaries and space.

Mr. EARLY. If we cut your number of employees and cut your budget in half——

Mrs. MURPHY. That wouldn't stop the charges; the NLRB would then be like the EEOC; we would have 150,000 charges sitting on the shelf. However, I don't think Congress would let that happen.

Mr. EARLY. Maybe there wouldn't be the 35.9 percent dismissed or 35.5 withdrawn cases. Maybe we wouldn't get those.

I have no further questions.

Mrs. MURPHY. Mr. Chairman, last July I had a meeting with the chairman's task force at Reston and former Secretary of Labor John Dunlop came out and spoke to them. He said—and it fits in with your theory, Mr. Early, and I have a great deal of respect for Secretary Dunlop—he said the better and more efficient the NLRB gets, the more charges are filed. And former Secretary Dunlop suggested that maybe someone should spend some money to find out why, and find out how we can cut the charges off at the door without denying people due process.

FIELD OFFICES

Mr. FLOOD. How many field offices do you have?

Mrs. MURPHY. We have 31, and we are about to have 32.

Mr. FLOOD. What is the structure of the regional office? How is it set up?

Mrs. MURPHY. One regional director, one regional attorney.

Mr. IRVING. Regional director, regional attorney, assistant regional director and supervisors and staff.

SETTLEMENT RATE

Mr. FLOOD. What is your current setlement rate?

Mrs. MURPHY. 81.4 percent.

Mr. FLOOD. How does that compare with last year?

What are you doing, what steps are you taking to improve the settlement rate?

Mr. IRVING. We have an extreme emphasis on the settlement program in the field. Of course, that is where our cases are settled. In early 1976 I issued a memorandum to the regional offices letting everybody know where I stand on settlements, that steps should be taken from the time there is any determination that the case has merit, to get the case settled as quickly as possible.

We have stated our policy publicly of openly disclosing the kinds of material that is in our case without turning over the witness statements. The regional officers are prepared to tell a charged party what is in the case so the charged party can make a reasoned judgment as to whether or not he ought to settle it, so we tell him about the kinds of evidence, the theory of the case, the cases we rely on, and try to show as much of that as possible.

PROCESSING TIME

Mr. FLOOD. How much time elapses between filing of an unfair labor practice charge and final disposition, on the average?

Mr. IRVING. In the cases that are dismissed or withdrawn or settled short of a complaint issuing, that was all done in less than 44 days last year. If a complaint issues, if it's a merit case, and it can't be settled, complaint will issue most recently within 49 days of the date a charging party walked in the door.

Mr. FLOOD. Final disposition, on the average?

Mr. IRVING. If the case is then processed and has to go before an administrative law judge——

Mr. FLOOD. What is the average?

Mr. IRVING. All the way through the Board? It's 374 days, most recently; 3.6 percent of the cases that have come through the door.

CASE BACKLOG

Mr. FLOOD. What about case backlog?

Mrs. MURPHY. Pending cases?

Mr. FLOOD. Where do you have your most serious backlog problem?

Mr. IRVING. I guess the biggest difficulty right now in the pipeline is trying to get enough administrative law judges to have prompt hearings. When we issue a complaint we now have to wait, and it's not the law judge's fault or chief judge's fault, we just don't have enough law judges. We now have to wait in the neighborhood of 4 months from the time the complaint issues to the time we go to trial.

We are ready to go to trial in 6 weeks.

Mr. EARLY. Could I interrupt for one question?

Mr. FLOOD. Yes.

Mr. EARLY. Are you satisfied that your law judges are all working a 40-hour week?

Mr. IRVING. They are not my law judges; they have to be under the Board's direction, because I have the prosecutor's role in matters before them.

Mr. EARLY. Well, they are all ours, the taxpayers. We all pay taxes. Now, you want more judges, but are you satisfied that they are all working 40-hours per week?

Mr. IRVING. As the prosecutor, I know nothing about how many hours the judges work.

Mr. FLOOD. Do you expect to reduce this during the coming year or is that just a hope?

Mrs. MURPHY. The prime time we would like to have is 3 to 4 weeks between complaint and trial. That is the optimum time.

Mr. FLOOD. Are you going to be able to reduce it during the coming year?

Mrs. MURPHY. If we get our 130 judges, yes.

ADMINISTRATIVE LAW JUDGES

Mr. FLOOD. How many administrative law judges are you currently authorized to hire?

Mr. MURPHY. Two more than we have, 96.

Mr. FLOOD. How many do you have on board?

Mrs. MURPHY. Ninety-four. We are getting the other two by the end of this month.

Mr. FLOOD. You had this internal task force report; you wrote that last fall and that dealt with many, many aspects of your operation. But now that report seems to be especially critical of your administrative law judge operation.

Now, it's your report, so would you tell us what is the thrust of that report concerning these administrative law judges? I want to know if anything is being done or what should be done with the whole problem.

Mrs. MURPHY. I don't think the task force report was very critical. Please remember that last year our judges issued a record number of decisions, 1,112; settled a record number of cases, 472; and achieved a 10-percent productivity increase in their hearings. They work very hard and I am proud of them.

Mr. FLOOD. I am talking about the task force report.

Mrs. MURPHY. It does criticize some judges. There is a chart in here that shows the disposition of cases.

Mr. FLOOD. It criticizes the administrative law judge operation?

Mrs. MURPHY. Constructive criticism.

Mr. FLOOD. I am talking about the operation. What, if anything, is or can be done about this operation?

Mr. FANNING. One of the problems, Mr. Chairman, is the lack of discipline which is legally possible. An administrative law judge is appointed for life. There has never been one discharged.

Mrs. MURPHY. We have encouraged some to leave.

Mr. FANNING. In one or two cases we have talked seriously with the Civil Service Commission about discharging for lack of productivity and quality. We were discouraged from attempting it. They said we would have to build up a case, chapter and verse, over 6 months or 1 year, and it would have to be heard by the Civil Service Commission itself, and in the ultimate they probably wouldn't find that he wasn't doing an adequate job.

The trouble is, once appointed it takes a remarkable person to keep up the drive that he had or that anyone has that is subject to review by his boss every so often.

Mr. FLOOD. Now, you have stated the case. What is the answer?

Mrs. MURPHY. I think the answer is a 10-year appointment. I think this would keep everyone on his or her toes. I do believe, sincerely believe, that productivity is important.

Mr. FANNING. The answer, I think, probably requires legislation.

Mrs. MURPHY. Our chief judge is here, Mr. Congressman. If you want to ask him a question, I am sure he would be glad to answer.

Mr. FLOOD. One thing you learn in the Marine Corps, never volunteer.

Mrs. MURPHY. I already asked him if he would be willing to answer.

Mr. FANNING. We have had judges that have turned out 20 to 30 cases a year regularly, and I might add he wasn't even a lawyer, but he turned out some very excellent work.

We have others that the minute they are appointed, Tom Kessell butts his head against the wall constantly trying to get them to produce.

Mr. FLOOD. What can be done or should be done about the problem?

Mrs. MURPHY. You should have a 10-year appointment, like the superior court does in Washington, and then an unproductive judge would not be renewed and it wouldn't be political, it would be based on production and quality of the work.

Mr. FANNING. I am inclined to agree with that, but again, it requires legislation and a great deal of study. It is very difficult to recruit competent judges now. If their tenure were subject to termination every 5 or even 10 years, it might make the position less attractive. On the other hand, it could be an effective prod to sustain superior effort.

Mrs. MURPHY. What also could be done, Mr. Congressman, is if the NLRB had some way to get involved in the selection and certification process early on. But, we only get the list after Civil Service has mucked it around.

STANDARD LEVEL USER CHARGES

Mr. FLOOD. All right. Now, how much money are you requesting in 1978 for the payment of standard level users charges to GSA?

Mrs. MURPHY. We are requesting $6,465,000.

Mr. FLOOD. Why such a large increase? That is 39 percent over the current year.

Mrs. MURPHY. Last year you cut us. We had already cut the 10 percent off, but you cut us 10 percent more.

Mr. FLOOD. It's 39 percent over the current year.

Mrs. MURPHY. There are several reasons.

Mr. FLOOD. Pretty large increase.

Mrs. MURPHY. No. 1, prior to this budget, we were only being billed 90 percent, but now we are being billed 100 percent of usage. For expansion, for new space, of course, GSA has gone up like everything else has gone up. For new space, brandnew space, we are only asking for $237,000 more money; we are only asking for one-tenth of $1 million for alterations and repairs. The rest of it is a 6-percent GSA cost increase, 1978 over 1977.

Mr. FLOOD. As you know very well, in the conference report on the 1977 Appropriations Act, we specified an amount there, $4,222,000, for the payment of standard level user charges.

Now, we assume you will pay no more than that in the current fiscal year, that you will pay GSA no more than that in the current fiscal year. Is that a good assumption?

Mr. IRVING. We have no choice.

Mrs. MURPHY. GSA didn't accept that. They didn't pay any attention to the conference report.

Mr. FLOOD. Who are they?

Mrs. MURPHY. GSA. We didn't get what your conference report said. That is the thrust of it.

Mr. FLOOD. All right, thank you very much.

Mr. MICHEL. Let me make an observation or two here, if I might.

BASIC LEGISLATION

I somewhat share Mr. Early's frustration, although I can remember back in the late 1940's or early 1950's the vigorous debates in this Congress over who was to be the General Counsel at NLRB and the really bitter debates that ensued, and I am looking over the history of that period of time to now, and the relative peace that does prevail.

But I think it might be well, and the record might well be served, if we had spelled out in the record the specific legislative enactments of the Congress, that frankly, have provoked these additional cases, such as the Civil Rights; EEOC, all of these things.

Mrs. MURPHY. You keep giving us more jurisdiction, health care legislation.

Mr. MICHEL. That has turned this thing into a jungle, and it didn't grow by accident, it came by the Congress saying by glory, we were going to tell everybody else what they had to do and how they were to do it.

Mrs. MURPHY. You said it much better than I could.

Mr. MICHEL. And if they didn't do it, this was the mechanism for adjudicating that kind of a grievance. And admittedly, you get a real problem.

Mr. IRVING. Just within the last 10 years we got the Postal Service and nonprofit hospitals, and these were statutory additions to our jurisdiction, not the Board's own assertion of new jurisdiction.

Mr. MICHEL. Let me just ask now if legislation is adopted extending NLRB's authority to public employees, do you have the resources to handle that?

Mrs. MURPHY. I have to answer that, Mr. Congressman the same way I answered Congressman Thompson a year ago during his oversight proceedings.

Bear in mind, that ordinarily Board Chairman don't speak to substantive changes. So what I told him—and what I must tell you—is if Congress sees fit to pass the legislation, if the President sees fit to sign it then, and if we have the proper resources and enough leadtime, yes, we can do it.

Mr. IRVING. But the answer is we do not have the necessary resources now, in any way.

Mr. O'BRIEN. Would the gentleman yield?

Mr. MICHEL. Yes.

ADMINISTRATIVE LAW JUDGES

Mr. O'BRIEN. Just one question with regard to the judges. From what Mr. Michel brings out, it does seem that the demands on the quality of the judge that you were required to find are becoming greater and greater.

Back in our own district, I am sure all of us have the same problem, there are some extremely efficient ones, and for whatever reason, others are not. I have the feeling you really don't have much power of selection.

Mrs. MURPHY. I don't have any power of selection except to take them off the Civil Service Commission's list.

Mr. O'BRIEN. You are just anxious to get a body to take care of a docket.

Mrs. MURPHY. I think we are more selective than that, but if you get down to the bottom line, you are almost absolutely correct. Yet it's better to have one judge hearing five cases than zero judge hearing no cases. But you are quite right. This again would take the Civil Service Commission's approval, if we had some input. Now, there may be people on that list that are real hot shots, but they are way down on the list because some clerk at Civil Service has rated them one point instead of five.

Mr. FANNING. The latest list to which the chairman referred we got yesterday and it has eight names. Our authority is limited to selecting from the eight names, and we have to follow the rule of 3, which means we have to consider them in the order in which the Civil Service Commission has listed them and pass over an individual three times before he can be finally rejected.

Mrs. MURPHY. With veterans preference.

Mr. FLOOD. Judge, do you want to make a statement on this?

Judge KESSEL. It has been my view for many, many years; my name is Thomas Kessel, and my title is Chief Administrative Law Judge of the National Labor Relations Board——

Mrs. MURPHY. It's under his leadership we have had the increase in productivity.

Judge KESSEL. I started as a trial examiner, which was the title we held before we were elevated to the more auspicious title.

Mr. FLOOD. I knew you when, yes.

Judge KESSEL. I started in 1954 and I have observed for all those many years, and it has always been my consistent view that we are best served in our division, and in the agency if we secure men with the greatest talent for the job.

I see no way of approaching this job through gimmickry or gadgetry. You either get top notch men with talent who have the willingness to toil at this job or you don't get a good result.

Now, this is not the easiest thing to accomplish. It's like a manager trying to get a pennant winning ball team. If he could go out and select all of the 300 hitters and polished fielders he could find, he could win the pennant, but we don't have that opportunity.

Mr. FLOOD. Or pay for it.

Judge KESSEL. Right. So, we have to take the best we can get, and the best we can get, as I see it, is to get the finest men and women that this agency has been able to produce over the years coming up through the ranks.

Now, we haven't been able to get enough of these people. I would like to see the same type person, the same kind of expertise coming to us through the ranks of the labor lawyers in the country who belong to the American Bar Association. And incidentally, I go to their meetings and I hear them griping and crabbing all the time about the fact we don't get their lawyers coming to us. Well, I don't think they want to come to us because if they are experienced enough and able enough to succeed in their field, they are making 3 or 4 times as much money in their practice of law as we could possibly pay them.

So, what is our source of recruitment when it comes down to the final analysis? The best people that we can find who have been trained in this field of labor law are in Government; namely, in the National Labor Relations Board, starting at the beginning and working their way up through the top.

Now, this is my point of view, that if we could concentrate our recruitment in this area.

Mr. FLOOD. That is not too parochial, is it?

Judge KESSEL. I don't think so. I have heard these comments about inbreeding, but I know these people who have come up to our level from the ranks, and they are about as independent a group of men and women as you could find, and I don't think they have any feeling that because of their years of experience serving a different master that they have a different source of obligation. These are independent men and women who do their job as their consciences dictate. My feeling is that if we could find some way of attracting more and more of these people to come up through the ranks, maybe through some liberalization of the examining procedures at the Civil Service Commission level, so that we can get more of these people qualified. I have no hesitation in stealing them from John Irving.

I know he isn't going to like that, but I have been recruiting his people for the last couple of years, and I think that the best people that we have are the people that we take from his ranks, or from Chairman Murphy's office. I have no objection to stealing good people, no matter where I can find them, because I am interested in getting them to our division, which I think is a good reward for years of hard work and labor and learning this field of labor law.

Now, again, I repeat, if we could get them from the ranks of the labor lawyers throughout the country who would be willing to give up their opulent practices to come to us, I say more power to them. But they won't do it.

Mr. FLOOD. That is quite a statement, Judge. That is an excellent statement. On this very subject, in view of the wide interest evidenced by the members of the committee today on this question, if you feel so inclined, will you develop that further for the record, if you feel so inclined?

Judge KESSEL. I will.

Mr. FLOOD. All right. Thank you very much.

Mrs. MURPHY. Thank you very much.

[The above-referred to information follows:]

Congressman Flood, in the course of colloquy with Chairman Murphy, observed that the Chairman's task force on the NLRB had been critical of the NLRB Administrative Law Judge's and had asked for Chairman Murphy's comment. It should be noted that the task force, on page 84 of its report, had not regarded the Board's ALJ staff unfavorably but, to the contrary, generously praised the staff. Thus in recommendation 46 on page 84 the report states:

"The Task Force believes that the majority of ALJ's are competent, industrious, and a credit to the Government service and to the Agency."

The report does condemn the few ALJ's whose decisional productivity was below average in the fiscal 1976 statistics studied by the task force. As to those, the task force recommended that they "be prodded to increase production." The committee is assured that below-average producers are "prodded." More than that, however, the effort by the Chief ALJ to raise their performance level by other techniques is constant. No defense is offered for the exceptional ALJ whose personal inadequacies prevent him from performing at the productive level of his colleagues. The selection process is not so perfect as to guarantee that every ALJ will have performance capacities equal to the staff average. But, as to those who do have the ability to perform at acceptable levels, there is undiminished expectation that they will attain and, preferably, exceed those levels. This objective has resulted in recent years in a steady increase by the Board's ALJ's in their productivity and it is this performance record which evoked the praise of the task force noted above.

[The following questions were submitted for the record:]

CONGRESSMAN CONTE

Question 1. What steps have you taken to lower the number of cases pending at the end of each fiscal year? Have you been successful in beginning to eliminate the backlog?

Response. Before this question can be answered, it is necessary to describe what is meant by the number of cases pending at the end of the fiscal year. Standing alone, it might appear as if this figure represents a backlog of cases which are waiting for assignment and investigation. In fact, however, this is not the case. Rather, the number of cases pending at the close of the fiscal year, or indeed, at any given time, is nothing more than a running total of all cases which are still active at one stage or another—from a charge or petition filed that day to any case pending before the U.S. Supreme Court. Although the Agency itself may not be able to do anything further in processing some of these cases, for example, those cases which are awaiting decision by the circuit courts, the remainder of these pending cases are being actively processed at one stage or another. Indeed, it is not really possible to talk about reaching a point where there will be no pending cases. Without a pending caseload of at least 12,000 cases, the Agency could not operate efficiently. Examination of the data for cases pending at the end of each fiscal year reveals the Agency closes approximately the same number of cases that it receives each year. Thus, although in absolute terms, the number of cases pending at the end of each fiscal year had exceeded the number pending the previous fiscal year, so too, the number of cases closed has normally exceeded the number closed the previous fiscal year. In reality, therefore, the increase in the number of cases pending is merely a reflection of the ever-increasing case filings. At the present time, there are approximately 19,000 cases pending, of which only about 450 are pending before the Board for decision.

As the committee is aware, the General Counsel has for many years utilized a sophisticated management program to insure that the thousands of cases

which are processed by our Washington and field offices are investigated and decided in the shortest possible time. A variety of statistical data regarding the number and types of cases is continuously received and compiled from all operating offices to determine if cases are being processed within the agency's established time frames and to enable the General Counsel to identify potential or developing problem areas in Washington or field offices.

The use of this systematized management control program and the efforts of our field personnel enabled the General Counsel to close 8 percent more unfair labor practice cases in 1976 than had been closed in fiscal year 1975 although the staff increased by only 4.6 percent. Thus, although 138 more unfair labor practice cases were pending in our regional offices at the end of fiscal year 1976 than were pending at the end of fiscal year 1975, 2,286 more unfair labor practice cases were closed in the most recent fiscal year.

As unfair labor practice cases are filed at a rate of approximately 2,500 to 3,000 a month and as cases are being processed within various time objectives which range from 30 to 45 days, we consider that our field offices have no backlog but rather our offices are current with respect to the investigative and pretrial phases of case processing.

Management tools put into effect by the Board in the past 2 years include the use of monthly goals for the circulation of decisions in draft form. The result was a record number of ULP decisions (1,033) in fiscal year 1976, and at the rate of issuance so far in fiscal year 1977, a new record of 1,121 will be set.

The most important factor in considering the total pending caseload, therefore, is the number of cases pending per employee. If actual intake does not exceed our estimates, the number of cases pending per professional employee will decline significantly during fiscal 1978.

Question 2. What percentage of the backlog can be wiped off the books with the budget you are requesting?

Response. The most significant reductions in pending work would be, first, in the largest group of cases; those cases (most recently field ones) pending in regional offices, where the number would be reduced by nearly 700 cases, or about 7.3 percent. Second, the number of cases pending hearing before an administrative law judge could be cut in half with the funds and positions we requested. In other areas the budget is based on either maintaining the same level of pending cases or permitting a slight increase. Even in these areas, however, the important number of cases pending per employee would go down.

Question 3. Specifically how have you aided in avoiding litigation by getting to the parties involved with technical assistance before negotiations reach a boiling point?

Response. As you know, an essential function of the Federal Mediation and Conciliation Service is to assist parties involved in contract negotiations by directly mediating disputes which develop in the course of negotiations. Further, as you are aware, employers and labor organizations are required by the National Labor Relations Act to bargain collectively and in good faith. The NLRB makes a strong effort to settle cases which appear to have merit. Such efforts have been highly successful, as the more than 80 percent settlement rate indicates. It must always be kept in mind, however, that the NLRB's work is not self-generating and that the parties themselves must invoke the Board's machinery before the Board can offer its services. Accordingly, the timing of any settlement efforts the Board might make necessarily depends on when the charging party determines to file an unfair labor practice charge and the merits of that charge.

Upon filing of a charge alleging that an employer or a labor organization is failing to meet such obligations, the charge is investigated and a determination is made as to whether the charged party has committed an unfair labor practice by bargaining in bad faith. As soon as it is determined that such a violation has occurred, this agency intensively tries to informally resolve the dispute by a settlement agreement whereby the respondent agrees to meet its statutory bargaining obligations.

If a settlement is not forthcoming a complaint issues and a bargaining order is sought from the Board and, if necessary, from a court of appeals or, if appropriate, from the Supreme Court. As part of the resolution of unfair labor practice bargaining disputes, the agency informs the parties to the negotiations of the specific nature of the prohibited conduct which has been engaged in so that the offending party can take corrective measures to meet its statutory obligation to bargain in good faith.

We cannot, however, mediate contract bargaining because of a statutory prohibition.

Question 3. Specfically how have you aded n avodng
In other areas the budget is based on either maintaining ht same level of pending cases or permiing a sligh increase. Even in hese areas, however

Question 4. Do you foresee a substantial increase of labor-management disputes because of factory closings resulting from the energy crisis?

Response. Of course, it is difficult to predict the impact of energy related factory closings on this Agency as we have not previously experienced a situation of this nature.

However, as this winter's crisis fortunately appears to be shortlived and as it is possible, if not probable, that factory closings will be perceived by the parties affected as being beyond the control of either labor or management, it may be that these factory closings will not generate any significant number of case filings.

In fact, our January intake figures do not show substantial increases from our prior high rate of intake, and a telephone survey in early February 1977, of 14 of our Regional Offices in the areas most seriously affected by the energy crisis does not indicate that case filings are increasing beyond the norm for such filings.

The difficulty in predicting the impact on case filings resulting from the closing of factories because of the energy crisis presents the same difficulty in attempting to predict the overall number of case filings which the Agency will receive in any given year. Thus, whether factory closings of this nature will lead to the filing of unfair labor practice charges probably depends upon a number of variables, including whether the plant involved is unionized; if it is unionized, whether the employer consults with the union regarding the effects of the closing; and whether affected employees are able to obtain other employment.

Question 5. What are the reasons for the standard level user charge (SLUC) increase of almost $2 million?

Response. The exact increase is $1,815,000 of which $517,000 is due to the fact that we are now to be billed at 100 percent instead of 90 percent of standard charges. $692,000 is for the full year cost of 1977 space expansion (231 new positions) in 1978. $237,000 is for expansion in 1978 to accommodate 124 new positions. $366,000 represents GSA's estimate of 6 percent overall cost increases in 1978 over 1977. Finally, $3,000 is for an increase in other reimbursable services such as extra utilities when a hearing runs past normal hours.

Question 6. What positions will be filled by the 124 additional employees requested?

Response. The new positions will be allocated, by grade and by organization, as follows:

GS–16	14
GS–12	1
GS–9	50
GS–7	11
GS–5	14
GS–4	9
GS–3	15
GS–2	10
Total	124
General Counsel's Office	1
Division of Operations-Management	1
Field (regional offices)	93
Division of Advice	1
Division of Enforcement Litigation	12
Division of Judges	16
Total	124

Question 7. Last year you had 89 administrative judges. How many do you currently employ and what effect has this had on your rate of case settlements?

Response. The Board is presently authorized to employ 96 administrative law judges. At the present time, we have 94 on board and expect to hire two more

within the near future. As you may know, when Chairman Murphy took office in February 1975, the number of ALJ's had already dwindled to 68 as a result of retirements and various other reasons. At her request the Civil Service Commission, for the first time in history, gave the Board permission to bring back 12 senior retired judges, but for 9 months only. The CSC will not renew the program, but with OMB's help we hope to get enough supergrades to increase the ALJ complement to 130.

There may not be any direct relationship between the overall rate of case settlements and the number of ALJ's. Fortunately, the agency has always enjoyed great success in getting the parties to settle cases without the need of formal litigation. Since fiscal year 1972 the settlement ratio has been over 80 percent. At the present time, we informally settle 81 percent or 82 percent of the charges that have merit. The number of ALJ's, however, creates problems with respect to early settlements, because, with the current excessive delays in hearing dates, the respondents have less sense of urgency to enter into agreements to avoid litigation.

The most beneficial result from an increase in the number of ALJ's will be a significant reduction in the length of time from when the regional office issues a complaint until the case is actually heard. At the present time—with an insufficient number of ALJ's to hear the number of cases going to trial—it is taking longer to get a trial date when we would like. If the agency is to be able to meet Chairman Murphy's goal for disposing of a case in 180 days from filing of charge to issuance of Board decision, it is obvious that trials must be promptly scheduled upon the issuance of complaint.

Question 8. Under the heading of field operations in your justification you mention training of employees. Are you now placing increased emphasis on better training for fiscal year 1978?

Response. One of the 10 objectives which General Counsel Irving announced for accomplishment during his administration is the development and effective implementation, on a continuing basis, of better training programs for managers, supervisors, and employees in order to insure the highest possible quality of our service to the public. In this regard steps have been taken to provide advanced management training by the Civil Service Commission for all of our top management personnel. In addition, agency programs utilizing the services of our own experienced personnel and nongovernmental specialists have been instituted for the purpose of training our midlevel supervisors in techniques and methods to more effectively control case processing. We have also begun to prepare major programs utilizing the most advanced audiovisual techniques for training approximately 400 trial attorneys and approximately 600 representation case hearing officers. Further, as an essential part of this training program we plan to devote agency resources to the development and the continuing updating of training manuals for our field examiners and attorneys. Although these plans are quite ambitious we consider them to be of fundamental importance if we are to continue to process an ever increasing caseload on a current basis and with the high quality work product which must be provided to the public. This program, in our view, clearly merits the budgetary allocation which we propose to make.

Question 9. What is the NLRB's turnover rate in the higher GS grades? What persuades highly qualified people to stay in this sector?

Response. Our turnover in fiscal 1976 was 10.25 percent for employees in grades GS–16 to GS–18 and those GS–15 employees whose salary is impacted by the legal ceiling, and that includes retirements. Over the years the agency has had a significant amount of turnover. Yet at the same time, we have always been able to retain large numbers of highly qualified and dedicated employees. We believe that retention of these highly qualified people is a result of the work itself. We feel that throughout the NLRB the work is interesting and enjoyable. We give our people a lot of responsibility and they can see the effects of their work in resolving real disputes. We think we have a pervasive spirit of efficiency and that counts for a great deal in motivating our professional and clerical employees.

CONGRESSMAN ROYBAL

Question 1a. You indicated in your statement that you have a 30 percent productivity improvement in your staff's handling of unfair labor practice cases. How does this compare with productivity gains over the last three fiscal years?

Response. In fiscal year 1974, the Board staffs' production rate for contested unfair labor practice cases was 16.9 per staff year, up 4.3 percent from the prior year, and the rate was 16.6 for contested "R" (representation) case decisions, up

15 percent from 1973. In fiscal year 1975, the unfair labor practice rate declined to 14.9, down 2 cases per professional employee, and the "R" rate declined to 15, a 1.6 cases drop. The 1975 results were brought about by the fact that we had as few as 68 administrative law judges. Therefore, despite the efforts of the division to increase productivity there were not enough cases flowing to the Board. In 1976 we had the benefit of the special, temporary program, approved by the Civil Service Commission, of using senior judges, who had previously retired, for 9 months.

These senior judges performed with exceptional productivity. As a result of the entire administrative law judge output and the new management techniques put into effect by the Board, the Boards unfair labor practice production rate as 20.2 decisions per staff year, up 35 percent, and the "R" rate was 15.8, up 5.3 percent.

The 30 percent increase in productivity for the Board which was achieved in 1976 is a composite of the improvements for both Unfair Labor Practice and "R" cases, weighted according to the actual staff-years used for each activity.

Question 1b. How did you measure productivity?

Response. The productivity was measured by dividing the number of decisions issued in each category by the professional employment used. For instance, in 1976 the Board staff produced 1,033 contested unfair labor practice case decisions with 51.2 staff-years of employment, compared to 855 decisions and 57.4 staff-years in 1975.

Question 1c. Has the productivity been changed in the last few years?

Response. The techniques of measuring this productivity have not changed in more than 10 years. Nearly all of the NLRB budget is developed with the use of productivity rates for various types of case dispositions.

Question 1d. Could your productivity have increased because there has been an increase in less than meritorious cases which are easy to handle or take less time to handle?

Response. The merit factor for cases filed has been in the neighborhood of 30 percent for several years. The merit factor for fiscal 1976 (31.2 percent) was slightly higher than fiscal 1975 (30.2 percent). We have no reason to believe that the 30 percent productivity increase during fiscal 1976 was a result of a change in the nature of the unfair labor practice cases which came to the Board. For the last several years approximately 75 percent of the cases tried before the administrative law judges have been appealed to the Board.

Question 2. You are getting more cases. Are you getting more meritorious cases? What is the percentage of what you classify as meritorious cases in each of the last 3 fiscal years?

Response. We are not getting significantly more meritorious cases recently. The merit factor has been quite stable lately. It was 31.6 percent in fiscal 1974, 30.2 percent in 1975, and 31.2 percent in 1976. We are basing our 1977 and 1978 budgets on a merit factor of about 31 percent.

Again, like all our efforts at prognosis, we cannot be sure that this figure will be accurate. While it is based on past experience, we cannot and do not control the percentage of merit cases which are filed with us. Of course, the total number of merit cases has increased, because the merit factor is a percentage of the number of cases filed. The increase in case filings by itself produces more merit cases, and we can anticipate this will continue in 1978.

Question 3. Why do you believe there is such a dramatic increase in unfair labor practice cases? Is it because your service is getting better known, because more employers are acting unfairly, or because of other reasons?

Response. Although we can speculate, the simple truth is we do not know with certainty the reasons why the filing of unfair labor practice charges has increased so rapidly. Thus, during periods of economic recession, it seems reasonable to speculate that employees, as well as labor organizations who are adversely affected, would be more likely to seek out the oBard's services. Conversely, organizational activity usually increases during a booming economy, so that we can anticipate the filing of more petitions and unfair labor practice charges. In actuality, we have no empirical data which really establishes the reasons for the increase in case filings. It may well be, as you suggest, that the increased number of charges is the result of widespread publicity of the Board and its activities. Again, however, we do not really know the answer to this question. Since the phenomenon of an ever-expanding caseload is not limited to the NLRB, but also has occurred at other agencies such as the Equal Employment Oppor-

tunity Commission, it could be as Chairman Murphy suggested, a worthwhile expenditure of funds for a study to be made in this area.

Question 4. Your statement indicates that you are concerned with productivity rates. You boast you are the only government agency that has productivity requirements for clerical as well as professional people (p. 4 of testimony). However, the number of appeals of your decisions is going up dramatically.

A. Does this mean that your concern with productivity—possibly an overconcern—has affected the quality of your decisions?

B. What kind of quality control checks do you run on your opinions?

Response by Mrs. Murphy. It is not true that the number of appeals of Board decisions is rising dramatically. As a rule of thumb, the NLRB has always operated on the assumption that approximately 50 percent of the Board's decisions and orders in unfair labor practice cases will be appealed to the circuit courts of appeals. This does not mean that one out of every two Board decisions results in the issuance of a court decision, either enforcing or denying enforcement of the Board's order. Rather, this rule of thumb means the agency's appellate court branch will be required to institute enforcement proceedings approximately 50 percent of the time in order to obtain compliance. In many instances, the filing of the petition alone is sufficient to bring respondent into compliance, in which case the appellate proceeding is terminated. It is for this very reason that I have supported Congressman Thompson's bill which would make Board orders self-enforcing, that is, unless respondent took the initiative to file an appeal with the court, the Board's order would be automatically enforced.

In point of fact, the number of appeals filed has remained relatively constant and, although the number of cases in which at least some degree of enforcement proceedings are necessary will fluctuate from one year to another, over the long run the 50 percent rule of thumb is still viable.

I happened to believe quite strongly that the NLRB should strive for high productivity, and I also believe that high quality and due process are not lessened by getting the cases out faster.

I do not believe that the agency's concern with productivity has in any way diminished the quality of the Board's work—either in the field or at the Board level. The increase in productivity has been accomplished through (1) management improvement techniques designed to achieve greater efficiency in casehandling (2) lots of hard work by a group of extremely dedicated people.

As far as quality control is concerned, I am satisfied that such is achieved through the efforts of the Board's supervisory hierarchy—the supervisory attorneys, the chief counsels and their deputies and, indeed, the Board members themselves, as well as the checks and balances in the form of review procedures provided by the statute itself and the Board's rules and regulations. Each case which the Board issues is, of course, actually considered and decided by the Board members whose names appear thereon.

I am honored to serve on the Human Resources Committee of the National Center for Productivity and Quality of Working Life, so I am very concerned about productivity. I also believe quite strongly that if our country is going to continue its present role in the world, our national productivity must increase yearly, and I would like to think that Government agencies should lead the way.

Question 5 .You indicated that the task force on the NLRB made 69 recommendations and 61 have been implemented.

A. Would you indicate what you consider the most important of these recommendations?

B. Specifically, how will these influence your performance in the future?

Response by Mrs. Murphy. The task force on the National Labor Relations Board made 69 recommendations, and on January 4, 1977 I recommended approval of 61 of these recommendations to the Board or to the general counsel, where appropriate. Both the general counsel and the Board currently have the task force recommendations under consideration.

(A) In my opinion, Recommendation No. 8, the so-called vote-and-impound procedure, is the most significant recommendation of the task force report, and I urged the Board on January 4 to give it the utmost priority.

(B) To answer this question, it is necessary to briefly describe the vote-and-impound procedure. At the present time, when the Board grants a request for review of a regional director's decision and direction of election, the scheduled election is stayed pending the Board's disposition of the request for review. The task force recommendation, in general, is that the Board conduct the election and

impound the ballots so that, if the Board subsequently determines that the regional director's decision was correct, the employees will already have cast their ballot and there will be no need for the parties to gear up again for a new preelection campaign. Although this procedure may result in an occasional election being declared a nullity because, for example, the Board on review decided that the unit was inappropriate, on balance I believe that the vote-and-impound procedure will go a long way toward eliminating criticism which has been directed at the Board for delaying resolution of representation questions.

Question 7. Last year, you indicated on page 6 of your testimony that "the primary aim of my chairmanship is to reduce case processing time from charge to Board decision, to 6 months." (p. 1270 of hearings.) Your statement indicates that you have not achieved this goal.

(A) Have you modified your goal?

Response by Mrs. Murphy. First, I have obtained reduction of case processing time, and, second I have not modified my goal. Given the legislative tool (delegation to administrative law judges), I believe that a 6-month period can be achieved.

(B) What have you done to achieve it?

Response by Mrs. Murphy. As noted on page 14 the agency's justification the 374 days to which reference was made by committee members in the testimony is not the length of time a case takes before the Board itself, but rather was the time taken during the transition quarter from the filing of the initial charge through investigation, issuance of complaint, hearing, briefs to the ALJ's, the judges' decisions, appeal to the Board, briefs to the Board and the Board's decision—that took 374 days. In other words, it was the length of time taken from the time the charge came to the agency until a decision issued at the other end of the casehandling process.

Since fiscal 1975 the number of median days from judge's decision to Board decision has actually decreased 22 days—from 134 to 112. The added time in the overall casehandling process is accounted for by the increases in length of time in two earlier stages: from complaint to close of hearing (an increase from 55 to 78 median days) and from close of hearing to judge's decision (an increase from 72 to 94 median days).

These increases in medians reflect the shortage of administrative law judges resulting from difficulties in recruiting new judges, the tedious process of qualification by the Civil Service Commission, and the high rate of retirement in recent years due to inadequate pay scales. As the committee knows, I am making every effort in coordination with the Civil Service Commission, to break the ALJ logjam.

As for improvements, one example is at the Board level itself. We have reduced the time from the ALJ decision to the Board decision in ULP cases from 134 days to 112 days, and this includes due process time for the parties to submit briefs to the Board.

(C) When can we expect you to make significant progress in this regard? (Fiscal year 1975 median was 331 days to process a case; fiscal year 1976 median was 355. Now it is up to over 400 days.)

Response. As soon as we can staff up to our authorized number of ALJ's, the Board believes that it can, in cooperation with the General Counsel, make significant progress toward my overall 6-month goal. However, accomplishment of this goal will depend on the procedural amendments to the statute as proposed by Congressman Frank Thompson in H.R. 77.

I should note, however, that the fine efforts of the regional offices and Washington staff of General Counsel Irving have reduced the time from filing of charge to issuance of an unfair labor practice complaint to, most recently, under 50 days. This represents a drop from a median in the low to midfifties during 1975 and 1976.

Question 8. Last year you indicated that your senior judge program—where you brought back retired administrative judges—was working out well. Would you bring us up-to-date on how this program operated in fiscal year 1977?

Response. The senior judge program began in August 1975. The program originally called for 12 senior judges to return for a 9-month period. The Civil Service Commission granted a 3-month extension so that for most of the senior judges, the program terminated July 31, 1976. One of the senior judges did not return to work until November 1975 and worked until November 1976. In the case of another senior ALJ, who was unable to complete a number of decisions by the time required, the Civil Service Commission approved giving him additional time to complete these pending cases.

As a short-time stopgap measure, the agency is satisfied with and grateful for the results of the senior ALJ program. Six senior judges who returned on a full-time basis accounted for 120 dispositions (87 decisions, 33 settlements). Chief Judge Kessel has advised me that in the aggregate the retirtd ALJ's worked up to the level of their other colleagues. The senior judge program is now terminated, however, and the CSC will not renew it, although I certainly would like to do so.

Question 9. I am told that employers and unions are denied the right to get copies of statements of witnesses in advance of the hearing, even though they are in the possession of your General Counsel. Why is this the case? (In a court of law, such statements are given under a procedure known as "discovery.")

Response by Mr. Irving. It is the agency's policy not to make available statements of witnesses in advance of the unfair labor practice hearing. The confidentiality of statements and records obtained in the course of our administrative investigation of unfair labor practice charges is preserved. However as provided by section 102.118(b) (1) of the Board's rules and regulations statements of witnesses called by the General Counsel or by the charging party are producable after the witness has testified. In this regard, the Board has always maintained that the act does not provide for pretrial discovery and this position has been almost uniformly upheld by the Courts.

The reasons for this policy are that the production of the identity and sworn statements of prospective witnesses prior to the time they testify in a formal Board proceeding would seriously interfere with and detrimentally affect the administration of the act. Virtually all evidence obtained during our investigation is supplied voluntarily by the parties and for the most part in the form of sworn statements from employees. Through the many years of investigating unfair labor practices, it has been our experience that prospective witnesses, who are generally employees, would be reluctant to give statements if they knew that their statements and identity would be revealed in advance of their actually testifying in an unfair labor practice proceeding. Some employee-witnesses, not entirely without reason, also fear retaliation if their sworn statements are disclosed to their peers in advance of the hearing, particularly when they are providing evidence to the Board that is detrimental to a charge filed by their fellow employees. To overcome this natural relectance to provide information, Board agents assure prospective affiants that their statements will remain confidential unless or until they are called as witnesses in a formal Board proceeding.

It must be pointed out that the lack of pretrial discovery in Board proceedings does not leave a respondent in a position of not being able to prepare a defense. Thus, any complaint issued must contain a clear and concise description of the acts which are claimed to constitute unfair labor practices. In addition, it has always been our practice to advise a charged party of the basis of the complaint allegations and the theory of violation the Government will pursue.

It should not be concluded from the above that we have closed our minds on the subject of discovery. To the contrary, I have set as 1 of my 10 objectives for my term, the resolution once and for all of this issue. In speeches to various bar associations and other groups, I have set out the four elements which I believe must be included in any disclosure mechanism for the agency. Briefly, these requirements are:

First, the result of disclosure must be to speed rather than delay the agency's processes. This would appear to preclude the adoption of full scale Federal rules of civil procedure type discovery.

Second, disclosure must, in fact, result in the settlement of more cases prior to litigation. Many of the advocates of discovery have contended that its use would increase settlements. We want to assure that any system which is adopted does have that effect.

Third, methods must be devised both to insure against any opportunity for the intimidation of witnesses and to avoid deterring potential witnesses from cooperating in future investigations.

Fourth, any form of pretral disclosure must work both ways, providing us with reciprocal access to information from the respondent.

JUSTIFICATION OF THE BUDGET ESTIMATES

NATIONAL LABOR RELATIONS BOARD

SALARIES AND EXPENSES

For expenses necessary for the National Labor Relations Board to carry out the functions vested in it by the Labor-Management Relations Act, 1947, as amended (29 U.S.C. 141–167), and other laws, [$77,776,000] *Provided*, That no part of this appropriation shall be available to organize or assist in organizing agricultural laborers or used in connection with investigations, hearings, directives, or orders concerning bargaining units composed of agricultural laborers as referred to in section 2(3) of the Act of July 5, 1935 (29 U.S.C. 152), and as amended by the Labor-Management Relations Act, 1947, as amended, and as defined in section 3(f) of the Act of June 25, 1938 (29 U.S.C. 203), and including in said definition employees engaged in the maintenance and operation of ditches, canals, reservoirs, and waterways when maintained or operated on a mutual, nonprofit basis and at least 95 per centum of the water stored or supplied thereby is used for farming purposes. $88,520,000

Amounts Available for Obligation

	1977	1978
Appropriation.....	$77,776,000	$88,520,000
Proposed supplemental for civilian pay raises.....	3,132,000	...
Additional obligations from "Advances and reimbursements":..	1,000	...
Total obligations...	80,909,000	88,520,000

Obligation by Activity

	1977		1978		Difference	
	Average Employ.	Amount	Average Employ.	Amount	Average Employ.	Amount
1. Field investigation..	1,914.9	$53,586,100	2,016.2	$58,445,400	+101.3	$+4,859,300
2. Administrative Law Judge hearing.....	182.7	6,863,600	203.2	8,103,000	+20.5	+1,239,400
3. Board adjudication...	294.0	8,137,800	309.5	8,681,100	+15.5	+543,300
4. Securing compliance with Board orders...	416.1	12,321,500	433.7	13,290,500	+17.6	+969,000
Total obligations...	2,807.7	80,909,000	2,962.6	88,520,000	+154.9	+7,611,000

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NATIONAL LABOR RELATIONS BOARD

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	2,901	3,025	+124
Full-time equivalent of all other positions	76	97	+21
Average number of all employees	2,808	2,963	+155
Personnel compensation:			
Permanent positions	$54,679,600	$58,616,600	$+3,937,000
Positions other than permanent	760,000	972,400	+212,400
Other personnel compensation	613,300	688,800	+75,500
Subtotal, personnel compensation	56,052,900	60,277,800	+4,224,900
Personnel benefits	5,739,604	6,163,100	+423,496
Travel and transportation of persons	3,693,900	3,933,100	+239,200
Transportation of things	155,800	171,400	+15,600
Rent, communications and utilities	3,330,200	3,696,800	+366,600
Standard Level User Charge	4,650,000	6,465,000	+1,815,000
Printing and reproduction	704,000	722,400	+18,400
Other Services	1,135,096	1,182,000	+46,904
Reporting contract	4,022,300	4,428,400	+406,100
Supplies amd materials	831,900	940,000	+108,100
Equipment	543,300	480,000	-63,300
Insurance claims and indemnities	50,000	60,000	+10,000
Total obligations	80,909,000	88,520,000	+7,611,000

NATIONAL LABOR RELATIONS BOARD

Summary of Changes

1977 estimated obligations	$80,909,000 1/
1978 estimated obligations	88,520,000
Total change	+7,611,000

	Base Pos.	Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in				
1. Annualization of 1977 recruitment and related expenses	...	...	...	$1,630,200
2. Annualization of grade and with-in grade increases	...	...	...	862,500
3. Cost of grade and with-in grade increases	...	...	...	1,046,700
4. Annualization of pay increases (E.O. 11941)	...	...	...	338,000
5. Increased overtime cost	...	...	...	51,300
6. Communication services increases	...	...	...	200,500
7. Increase in reporting costs	...	...	...	406,100
8. Court costs	...	...	...	10,000
9. Equipment maintenance	...	...	...	21,000
10. Annualization of space costs	...	...	...	1,664,400
11. Bureau of Employees Compensation	...	...	...	36,248
B. Program				
1. Recruitment and related expenses	2,901	87,175,948	+124	1,270,052 2/
2. Moving expenses	...	...	...	94,300
3. Exchange program	...	...	...	17,500
4. Training	...	...	...	103,000
5. Additional space	...	...	...	150,600
6. Replacement of furniture and equipment	...	...	...	76,000 2/
Total increases	...	...	+124	+7,978,400
Decreases:				
A. Built-in				
1. One less day	...	...	...	-194,000
B. Program				
1. Alterations	...	...	...	-4,000
2. Full-field investigation	...	...	...	-41,400
3. Computer	...	...	...	-14,000
4. Conferences	...	...	...	-114,000
Total decreases	...	...	...	-367,400
Total change	...	...	+124	+7,611,000

1/Includes $3,132,000 proposed supplemental for civilian pay raises (E.O. 11941).
2/Due to decreased recruitment, total obligations for equipment and furnishings are decreased $77,000.

NATIONAL LABOR RELATIONS BOARD

Appropriation History

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1963	$21,029,000	$21,029,000	$21,029,000	$21,029,000
1964	23,060,000	22,060,000	22,560,000	22,460,000
1965	26,407,500	25,157,500	26,407,500	26,157,500
1966	28,713,100	28,713,100	28,713,100	28,713,100
1967	31,030,000	31,030,000	31,030,000	31,030,000
1968	32,288,000	32,288,000	32,288,000	32,288,000
1969	35,474,000	35,474,000	35,474,000	35,474,000
1970	39,038,950	39,038,950	39,038,950	39,038,950
1971	40,327,000	41,827,000	41,827,000	41,827,000
1972	48,468,000	48,468,000	48,468,000	48,468,000
1973	50,456,000	50,456,000	50,456,000	50,456,000
1974	56,057,000	56,057,000	56,057,000	56,057,000
1975	63,089,000	62,669,000	62,669,000	62,669,000
1976	70,330,000	69,292,000	69,902,000	69,597,000
T.Q.	17,779,000	17,517,000	17,670,000	17,593,000
1977	78,204,000	77,776,000	78,204,000	77,776,000
Supplemental requested for civilian pay raise	3,132,000	...	...	...
	81,336,000	...	...	...
1978	88,520,000	...	...	...

NARRATIVE JUSTIFICATION
OF
APPROPRIATION ESTIMATES
Fiscal Year 1978

"Salaries and Expenses,
National Labor Relations Board"

APPROPRIATION REQUEST FOR 1978

An appropriation of $88,520,000 is requested for fiscal year 1978. The funds are requested to enable the Agency to process the more than 57,800 unfair labor practice and representation cases expected to be filed in the coming fiscal year.

A comparison of the fiscal year 1977 and the fiscal year 1978 appropriation request follows:

	1977 President's Budget		1978 Request		Increase or Decrease	
	Average Employ.	Amount	Average Employ.	Amount	Average Employ.	Amount
Personnel compensation & benefits	2,807.7	$61,791,504	2,962.6	$66,440,900	+154.9	$+4,649,396
Other expenses	...	19,116,496	...	22,079,100	...	+2,962,604
Total	2,807.7	80,908,000	2,962.6	88,520,000	+154.9	+7,612,000

1/ Includes pay act supplemental request of $3,132,000

HIGHLIGHTS

From fiscal year 1970 through 1977, as estimated, total case intake will have increased 59.7%.

The 1978 appropriation request of $88,520,000 for the NLRB, an increase of 9.4%, is essential in light of the fact that total cases filed with the NLRB are continuing to grow with no apparent respite in sight. In 1976 this increase almost equaled 10% more total cases than were received in 1975. Fiscal year 1977 total ULP case intake through November is already running 9.1% higher than the same period of a year ago. Representation petition intake is 9.0% ahead for the same period; total Agency intake, the combination of the two, is ahead 9.1%.

In last year's Justification we indicated our intention to reduce total cases pending throughout the Agency in 1977. This remains a firm Agency goal; however, it must be recognized that this pending caseload has grown from 14,797 cases at the end of 1975 to 17,496 at the end of 1976 (June 30). As of September 30, 1976, pending cases stood at 19,173. This increase in workload

has been the major cause of a lengthening of the time it takes to resolve many of the disputes of those who come to us for help. The increases in pending cases and resultant time delays have occurred despite substantial productivity increases in most areas of case processing in 1976.

The most important factor in the justification of our 1978 request, however, is the expected increase in new cases. We estimate that we shall receive about 57,800 new charges and petitions in fiscal year 1978, up nearly 8% from the expected 1977 level.

1978 Estimates

Our appropriation request for 1978 recognizes these realities. This request is based on an estimate of 57,880 total cases for an increase of 7.9%. The 40,890 unfair labor practice cases and 16,990 total representation cases anticipated would be 8.2% and 7.3% more, respectively, than the 1977 estimates. It must be emphasized that this agency has no control over its caseload intake and that all petitions and charges are filed voluntarily by the public.

It remains unclear why case filings rise and fall. We can surmise, but we do not have useful, specific information as to casual relationships.

WORK PROCESSING PROGRAM

General

Once again, total caseload of the National Labor Relations Board in 1978 will be the highest we have ever experienced. The Budget we have prepared for 1978 will allow for the processing of the full amount of new cases received and a significant reduction in the large backlog of cases which built up in fiscal 1975 and 1976. The 1978 program also provides for reducing time delay which has, unfortunately, increased. Both the number of cases pending with the National Labor Relations Board and the length of time each case must await disposition can be reduced with the resources we have requested. To this end, the National Labor Relations Board will pursue further productivity increases throughout the Agency. Our expected accomplishments, as always, depend very much on a continued high level of voluntary agreements, avoiding litigation in the meritorious cases brought before us.

We are confident that the requested 1978 appropriation will allow us to currently process all new cases filed in 1978 as well as to improve timeliness of service in many areas by diminishing the harmful increase in cases pending per employee which has occurred in recent years.

Field Office Operations

The field offices investigate all cases, and they close about 90% of them. The other 10% proceed to subsequent handling by Judges, the Board or both. For the twelve month period ending October 31, 1976, the very heavy rate of unfair labor practice case intake had resulted in a 13.0% increase in the number of case situations pending under preliminary investigation in Regional offices, notwithstanding the productivity increases achieved in 1976. The 1978 request

will allow for processing of new cases on a current basis and reducing the level of pending cases per employee. Our request also provides for a very important increase in training for employees.

Time delay has increased slightly due to the rapid increase in case intake, but in 1978 we expect to reduce elapsed case processing time with the additional staff-years and funds requested.

Division of Judges

All unfair labor practice charges found to have merit are set for hearings if they cannot be settled by the Field offices. (In fiscal year 1976 the field offices settled 81.7% of meritorious charges, compared to 81.0% in 1975.) An Administrative Law Judge presides at the hearing and issues a recommended decision to the Board.

The Judges decided 1,112 cases in fiscal year 1976, and 472 other cases were settled either before or after hearings opened. We estimate that the Judges will decide about 1,314 cases in fiscal year 1977 and 1,505 in 1978. Our fiscal year 1978 program calls for 191 more Judge's decisions, an increase of 14.5%, to be accomplished by an addition of only 13.7 staff-years of professional employment, a 12 1/2% increase. This is possible because of a projected continuing improvement in the Judges' productivity.

The number of cases awaiting a hearing has risen most dramatically due to a shortage of qualified Administrative Law Judges, and the success of the objectives we have set in the Division of Judges is therefore dependent on this Agency receiving a significant increase in authorized Administrative Law Judge positions from our 1976 level.

Board Decisions

The Board reviews all unfair labor practice decisions of the Administrative Law Judges if exceptions are filed. The Board also reviews any representation decisions by Regional Directors brought through a certiorari procedure, and in addition decides other cases referred to it directly.

While most cases are disposed of and closed in the Regional Offices, the growing caseload results in a larger number of cases which must be litigated. In fiscal year 1978 we estimate that 1,873 unfair labor practice hearings will be closed by our Administrative Law Judges. Approximately 1,505 Judges' decisions will be issued, leading to about 1,301 contested ULP decisions by the Board--an all time high. The Board's decisions generally equal 90% or more of the number issued by the Administrative Law Judges. The number of cases pending decision by the Board has also risen, but can be significantly reduced during 1977 and 1978.

In 1978, the Board will issue over 455 other decisions in ULP cases, largely in response to motions and stipulated records. In addition, the Board will issue about 774 decisions in representation cases.

Appellate Court Work

Appellate Court Branch attorneys, under the General Counsel's supervision, petition the Circuit Courts of Appeals for enforcement of Board decisions, and in addition handle our miscellaneous and contempt litigation.

Litigation for review and enforcement of the Board's Decisions and Orders is necessary in order to effectuate the Act, because the NLRB orders are not self-enforcing. In fiscal year 1976 this litigation continued to be highly successful as we obtained enforcement, in whole or in part, in 84% of cases decided.

The Appellate Court workload is expected to be about 355 proceedings in 1977 and rise to 383 in 1978. Total employment is expected to rise in 1978 by only 1.4 staff-years.

A 6% productivity increase is predicted in 1978 on top of the 2.5% increase estimated for 1977. We hope to achieve this higher level of productivity, as well as improvements in miscellaneous and contempt litigation, with the requested level of employment for 1978.

Advice

The Division of Advice furnishes legal advice to regional offices upon request or when necessary to carry out the General Counsel's policy decisions.

The advice workload is estimated to be 1,210 cases in 1977 and 1,473 in 1978. A 7% productivity increase is predicted in 1978.

Appeals

The Office of Appeals serves under the General Counsel to provide an independent review of charging party appeals from case dismissals by Regional Directors.

These appeals numbered 3,380 in 1976. The estimate for 1977 and 1978 is 3,929 and 4,407 respectively.

Division of Administraton

The Division of Administration is responsible for all housekeeping functions required by the Agency to enable the case handling functions to operate effectively.

The 1978 request is for an increase of fewer than six staff-years of employment. In 1978 the Division will comprise only 9.2% of total Agency staff-years compared to 9.7% and 9.5% in 1976 and 1977, respectively.

MAJOR AREAS OF COST INCREASE

We estimate cost increases of $7,611,000 in 1978. These increases are accounted for principally in the following areas:

1. Employment Costs

We estimate an increase of 154.9 staff-years average employment for 1978 over 1977. Approximately 4.8 million dollars is necessary to meet the costs of this additional employment in 1978 and normal within-grades and promotions for employees. Costs will rise just over three-tenths million dollars in fiscal year 1978 to cover the effect of the October 1976 pay act.

2. Space rentals, repairs and alterations

We estimate additional space rental costs of just over 1.8 million dollars. Less than one-tenth million dollars additional is necessary to pay for repairs and alterations to existing space.

3. Other increases

Approximately four-tenths million dollars is necessary for higher reporting costs. The remaining three-tenths million dollars is needed to meet increased communications, training, maintenance, equipment, and moving expenses costs.

Additional detail for cost increases and decreases is presented in our Summary of Change table on page four.

MANAGEMENT IMPROVEMENT AND COST REDUCTION

The National Labor Relations Board has effectively dealt with an increase in total case intake of over 46.9% from fiscal year 1970 through fiscal year 1976 with an increase in average employment of less than 13.4%. This is a remarkable achievement, but continued productivity increases in themselves cannot meet the increasing public demand for quick and effective service from the National Labor Relations Board.

Our current estimate of savings for 1977 utilizing our existing manpower is estimated at $787,000. Our 1978 savings are predicted at approximately a 2% productivity rise in most areas of case handling and are expected to be worth $800,500.

SUMMARY

This Agency has a massive task ahead of it, but one which we are deeply committed to manage. The resources we have requested, both employment and money, will permit us to meet this challenge.

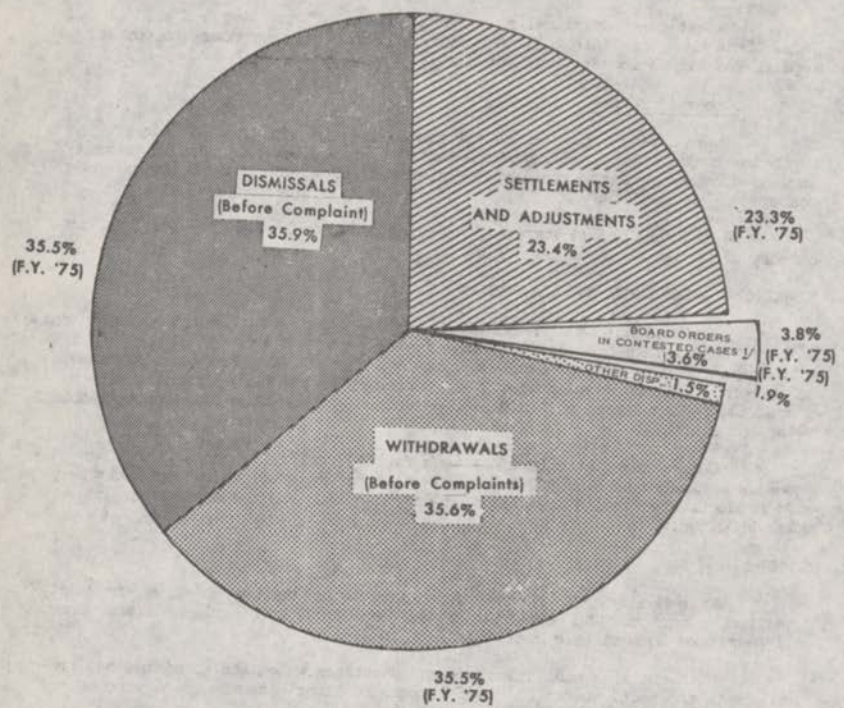
With the same understanding and assistance which the Committee has provided us in the past, we can continue to resolve labor disputes quickly so as to minimize disruptions to the nation's economy.

DISPOSITION PATTERN FOR UNFAIR LABOR PRACTICE CASES

(BASED ON CASES CLOSED)

FISCAL YEAR 1976

Compared with Fiscal Year 1975

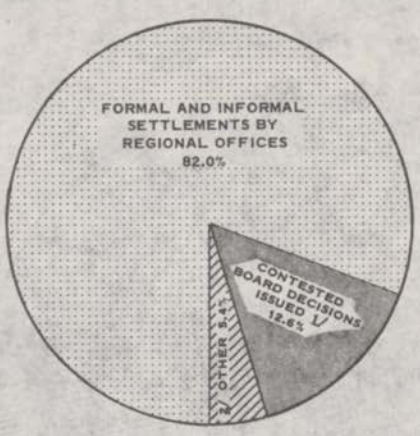


1/ CONTESTED CASES REACHING BOARD MEMBERS FOR DECISIONS

DISPOSITION PATTERN FOR MERITORIOUS UNFAIR LABOR PRACTICE CASES

(Based on Cases Closed)

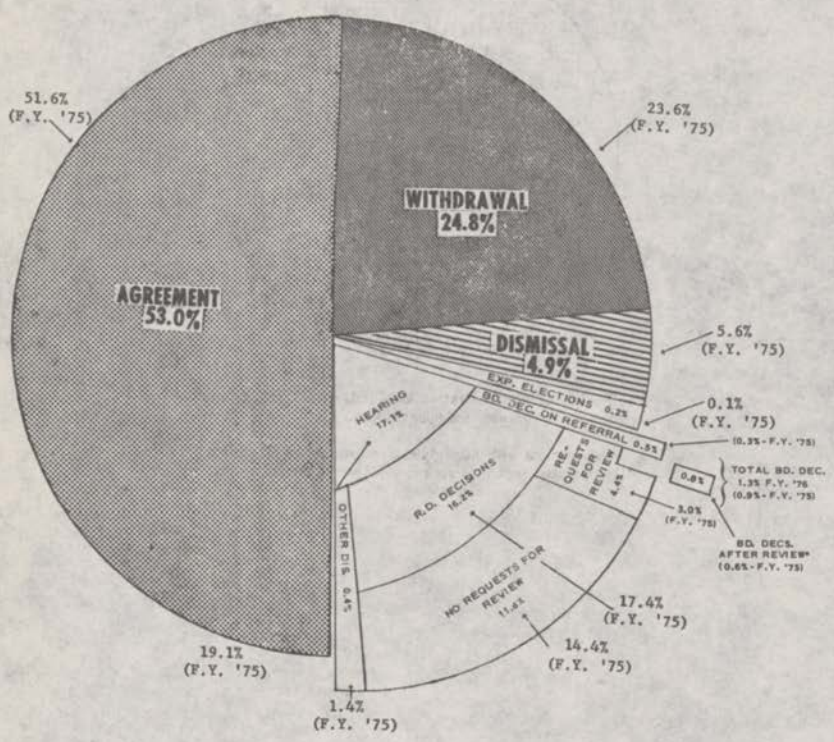
FISCAL YEAR 1976



1/ Following Administrative Law Judge Decision, stipulated record or summary judgment ruling.

2/ Compliance with Administrative Law Judge Decision, stipulated record or summary judgment ruling.

DISPOSITION PATTERN FOR REPRESENTATION CASES
(Based on Cases Closed)
FISCAL YEAR 1976
Compared with Fiscal Year 1975



* These cases also counted under Reg. Dir. Decisions.

TABLE A
Comparison of Recent Case Intake Experience
with Budget Estimates for Fiscal Years 1964 thru 1978

	Unfair Labor Practices		Representations
	Cases	Situations	Cases a/
A. Actual Recent Experience for--			
1. Fiscal Year 1964	15,620	12,915	11,783
2. Fiscal Year 1965	15,800	13,462	12,225
3. Fiscal Year 1966	15,933	13,630	13,060
4. Fiscal Year 1967	17,040	14,456	13,385
5. Fiscal Year 1968	17,816	15,287	12,889
6. Fiscal Year 1969	18,651	15,930	12,652
7. Fiscal Year 1970	21,039	18,114	12,543
8. Fiscal Year 1971	23,770	20,634	13,442
9. Fiscal Year 1972	26,852	23,655	14,187
10. Fiscal Year 1973	26,487	23,560	14,590
11. Fiscal Year 1974	27,726	24,851	14,647
12. Fiscal Year 1975	31,253	28,142	13,670
13. Fiscal Year 1976	34,509	31,004	14,826
14. Transition Quarter	9,200	8,093	3,811
15. Fiscal Year 1977 (Oct.-Dec. 1976)	8,743	7,848	3,730
B. Budget Estimates for Fiscal Year 1964-			
1. As estimated in 1964 Budget	15,500	12,815	13,300
2. As estimated in 1965 Budget	15,300	12,650	11,800
3. Actual intake	15,620	12,915	11,783
C. Budget Estimates for Fiscal Year 1965-			
1. As estimated in 1965 Budget	16,800	13,928	12,600
2. As estimated in 1966 Budget	16,615	13,775	12,400
3. Actual intake	15,800	13,462	12,225
D. Budget Estimates for Fiscal Year 1966-			
1. As estimated in 1966 Budget	18,010	14,925	13,100
2. As estimated in 1967 Budget	17,080	14,550	13,100
3. Actual intake	15,933	13,630	13,060
E. Budget Estimates for Fiscal Year 1967-			
1. As estimated in 1967 Budget	18,200	15,500	13,550
2. As estimated in 1968 Budget	16,100	13,765	13,750
3. Actual intake	17,040	14,456	13,385
F. Budget Estimates for Fiscal Year 1968-			
1. As estimated in 1968 Budget	16,565	14,163	14,440
2. As estimated in 1969 Budget	17,805	15,116	13,745
3. Actual intake	17,816	15,287	12,889
G. Budget Estimates for Fiscal Year 1969-			
1. As estimated in 1969 Budget	18,785	15,950	14,235
2. As estimated in 1970 Budget	18,785	16,120	13,355
3. Actual intake	18,651	15,930	12,652
H. Budget Estimates for Fiscal Year 1970-			
1. As estimated in 1970 Budget	19,910	17,080	13,910
2. As estimated in 1971 Budget	19,450	16,650	12,795
3. Actual intake	21,039	18,114	12,543
I. Budget Estimates for Fiscal Year 1971-			
1. As estimated in 1971 Budget	20,500	17,480	12,950
2. As estimated in 1972 Budget	22,620	19,475	12,670
3. Actual intake	23,770	20,634	13,442
J. Budget Estimates for Fiscal Year 1972-			
1. As estimated in 1972 Budget	24,320	20,940	13,300
2. As estimated in 1973 Budget	26,150	22,700	14,310
3. Actual intake	26,852	23,655	14,187
K. Budget Estiamtes for Fiscal Year 1973-			
1. As estimated in 1973 Budget	28,165	24,448	15,125
2. As estimated in 1974 Budget	28,920	25,480	14,990
3. Actual intake	26,487	23,560	14,590
L. Budget Estimates for Fiscal Year 1974-			
1. As estimated in 1974 Budget	32,100	28,280	15,940
2. As estimated in 1975 Budget	29,405	26,155	15,465
3. Actual intake	27,726	24,851	14,647
M. Budget Estimates for Fiscal Year 1975-			
1. As estimated in 1975 Budget	29,405	26,155	16,395
2. As estimated in 1976 Budget	30,215	27,075	16,355
3. Actual intake b/	31,253	28,142	13,670
N. Budget Estimates for Fiscal Year 1976-			
1. As estimated in 1976 Budget	32,045	28,715	17,195
2. As estimated in 1977 Budget	33,615	30,255	15,195
3. Actual intake b/	34,509	31,004	14,826
O. Budget Estiamtes for Transition Quarter-			
1. As estimated in 1977 Budget b/	8,895	8,005	4,300
2. Actual intake b/	9,200	8,093	3,811
P. Budget Estimates for Fiscal Year 1977-			
1. As estimated in 1977 Budget b/	36,510	32,860	15,135
2. As estimated in 1978 Budget b/	37,785	33,945	15,840
Q. Budget Estimate for Fiscal Year 1978-b/	40,890	36,740	16,990

a/ Includes union decertification (UD), amendment of certification (AC), and unit clarification (UC) cases.
b/ Includes "CG" cases.

Comparison of Median Time (Days) Elapsed in Processing Cases

	Fiscal Year														
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	T.Q.
UNFAIR LABOR PRACTICE CASES-															
Informal Case Dispositions 1/															
From Filing to Withdrawal.....	24	25	25	25	27	27	27	27	28	25	27	27	27	23	26
From Filing to Dismissal:															
No Appeal.....	49	52	51	52	54	54	54	51	54	50	51	51	52	54	51
After Appeal.....	81	90	90	96	97	111	106	117	126	82	78	76	81	82	73
From Filing to Settlement or Adjustment.....	68	59	47	41	43	36	37	35	39	34	35	34	39	40	34
Median for all informal.....	39	41	40	40	41	43	42	40	44	41	40	40	42	44	39
Formal Agency Disposition															
From Filing to Complaint.....	49	56	59	58	61	58	58	57	59	51	51	50	54	55	51
From Complaint to Close of Hearing.....	55	51	67	74	65	64	59	58	62	65	58	48	55	75	78
From Close of Hearing to Judge's Decision.....	71	91	123	116	101	97	84	84	80	83	76	69	72	89	94
From Judge's Decision to Board Decision.....	119	124	122	112	128	120	123	124	141	116	133	131	134	120	112
From Filing to Board Decision.....	326	346	390	393	389	382	368	348	370	349	356	327	332	358	374
Enforcement in U.S. Courts of Appeals															
From Board Decision to Regional Office Referral for Enforcement.....											41	42	39	37	50
From Referral to Filing of Petition.....											57	35	34	38	43
From Petition to Courts of Appeals Opinion.....											296	284	292	317	350
From Board Decision to CA Opinion.....											377	349	359	375	410
REPRESENTATION CASES-															
Informal Case Dispositions 1/															
From Filing to Withdrawal....*							22	15	21	22	23	22	23	24	21
From Filing to Dismissal....*							35	39	40	39	39	39	43	43	38
From Filing to Closing After Agreement for Election....*							46	48	49	51	50	53	54	57	56
Median for all informal....*											45	46	48	49	47
Formal Case Dispositions															
A. Processing to Hearing															
From Filing to Notice of Hearing.....	9	9	8	8	9	9	9	9	10	9	9	9	9	10	9
From Notice of Hearing to Close of Hearing....	13	13	13	13	13	14	14	14	14	13	13	13	14	14	13
Subtotal, Filing to Close of Hearing.....	22	22	21	21	22	23	23	23	24	22	22	22	23	24	22
B. After Decisional Delegation to Regional Director															
1. By the Board															
From Hearing to Board Decision.....	108	116	107	116	135	128	138	139	152	148	147	144	137	138	175
Total, Filing to Board Decision.....	180	189	182	197	215	168	233	228	239	237	241	225	238	246	268
2. By Regional Director															
From Hearing to R.D. Decision.....	17	17	17	19	20	22	22	20	23	20	20	20	22	23	23
Total, Filing to R.D. Decision.....	44	44	44	45	46	48	49	48	50	47	46	46	48	49	49

1/ From filing of petition to close of case.
* First six months of fiscal year only.

NATIONAL LABOR RELATIONS BOARD
Comparison of 1977 and 1978 Positions, Annual Salaries, and Personnel Compensation
for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1977 Estimate		Fiscal Year 1978 Request		Change from 1977 Estimate to 1978 Request	
	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
Board Members' Offices & Related Units:						
Board Members' Offices and Legal Assistants	189	$ 4,516,288	189	$ 4,558,844	...	$ +42,556
Office of the Executive Secretary	31	511,488	31	540,975	...	+29,487
Office of the Solicitor	9	211,336	9	220,575	...	+9,239
Division of Judges	176	5,240,926	192	5,829,863	+16	+588,937
Division of Information	11	209,491	11	214,258	...	+4,767
Subtotal, Board Members and Related Units	416	10,689,529	432	11,364,515	+16	+674,986
General Counsel & Staff:						
Office of the General Counsel	14	316,099	15	330,073	+1	+13,974
Division of Operations:						
Management Staff	40	922,829	41	959,370	+1	+36,541
Field Staff:						
Management	85	3,261,522	90	3,415,467	+5	+153,945
All Other Field Professionals	1,131	25,997,709	1,207	28,030,368	+76	+2,032,659
Field Clericals	686	7,271,866	698	7,414,500	+12	+142,634
Subtotal, Field Staff	1,902	36,531,097	1,995	38,860,335	+93	+2,329,238
Subtotal, Division of Operations	1,942	37,453,926	2,036	39,819,705	+94	+2,365,779
Division of Advice	69	1,444,634	70	1,448,831	+1	+4,197

NATIONAL LABOR RELATIONS BOARD
Comparison of 1977 and 1978 Positions, Annual Salaries, and Personnel Compensation
for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1977 Estimate		Fiscal Year 1978 Request		Change from 1977 Estimate to 1978 Request	
	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
General Counsel & Staff: (cont'd)						
Division of Enforcement Litigation:						
Office of Associate General Counsel	3	$ 65,629	3	$ 65,975	...	$ +346
Supreme Court Branch	2	52,659	2	52,659	...	...
Appellate Court Branch	97	2,149,876	106	2,252,223	9	+102,347
Litigation Services Section	19	217,020	15	181,591	-4	-35,429
Office of Appeals	57	1,104,197	64	1,281,522	7	+177,325
Subtotal, Division of Enforcement Litigation	178	3,589,381	190	3,833,970	12	+244,589
Division of Administration	282	4,174,800	282	4,391,520	...	+216,720
Subtotal, General Counsel & Staff	2,485	46,978,840	2,593	49,824,099	108	+2,845,259
Total Permanent for the Agency	2,901	57,668,369	3,025	61,188,614	124	+3,520,245

Summary of Positions	Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1978 Request
Total Permanent, Departmental	999	1,030	+31
Total Permanent, Field	1,902	1,995	+93
Total Permanent for the Agency	2,901	3,025	+124
Deduct Lapses	-169	-159	+10
Net Permanent for the Agency	2,732	2,866	+134

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NATIONAL LABOR RELATIONS BOARD
Comparison of 1977 and 1978 Positions, Annual Salaries, and Personnel Compensation
for the Organizational Units of the Agency

	Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1978 Request
Total Permanent, Departmental	$21,137,272	$22,328,279	$+1,191,007
Total Permanent, Field	36,531,097	38,860,335	+2,329,238
Total Permanent for the Agency	57,668,369	61,188,614	+3,520,245
Deduct Lapses	-3,180,669	-2,885,014	+295,655
Deduct net decrease due to lower pay scale for part of year	...	+313,000	+313,000
Extra day cost	190,900	...	-190,900
Net permanent for the Agency	54,678,600	58,616,600	+3,938,000
Positions other than permanent	760,000	972,400	+212,400
Other personnel compensation (overtime and holiday pay)	230,900	277,500	+46,600
Special personal services payments (Compensation of witnesses)	382,400	411,300	+28,900
Total 11 Personnel Compensation	56,051,900	60,277,800	+4,225,900

TABLE II

NATIONAL LABOR RELATIONS BOARD
Comparative Table of Obligations by Object
for 1977 and 1978 Fiscal Years

		Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1978 Request
11	Personnel compensation	$56,051,900	$60,277,800	$+4,225,900
12	Personnel benefits	5,739,604	6,131,100	+423,496
21	Travel and transportation of persons	3,693,900	3,933,100	+239,200
22	Transportation of things	155,800	171,400	+15,600
23	Rent, communications & utilities:			
	Communication services	2,668,100	2,926,000	+257,900
	Rents and utilities	5,312,100	7,235,800	+1,923,700
24	Printing and reproduction	726,000	716,400	-9,600
25	Other services	1,104,096	1,131,000	+26,904
	Reporting contract	4,022,300	4,428,400	+406,100
26	Supplies and materials	863,900	934,000	+70,100
31	Equipment	505,300	469,000	-36,300
42	Insurance claims and indemnities	50,000	60,000	+10,000
	Total cost	80,893,000	88,446,000	+7,553,000
	Change in selected resources	+15,000	+74,000	+59,000
	Total Obligations	80,908,000	88,520,000	+7,612,000
	Additional Obligations from "Advances and reimbursements":			
11	Personnel compensation	1,000	...	-1,000

TABLE III
Page 1 of 2 Pages

NATIONAL LABOR RELATIONS BOARD
Comparison of 1977 and 1978 Estimated Average Employment
for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1978 Request
Board Members' Offices & Related Units:			
Board Members' Offices and Legal Assistants	167.3	176.0	+8.7
Office of the Executive Secretary	30.0	30.0	...
Office of the Solicitor	9.0	9.0	...
Division of Judges	156.4	175.2	+18.8
Division of Information	11.0	11.0	...
Total Board Members' Offices & Related Units	373.7	401.2	+27.5
General Counsel & Staff:			
Office of the General Counsel	14.0	14.6	+0.6
Division of Operations:			
Management Staff	40.0	41.0	+1.0
Field Staff:			
Management	86.3	88.7	+2.4
All other Field Professionals	1,069.5	1,139.3	+69.8
Field Clericals	663.5	680.2	+16.7
Subtotal, Field Staff	1,819.3	1,908.2	+88.9
Subtotal, Division of Operations	1,859.3	1,949.2	+89.9
Division of Advice	59.4	64.2	+4.8

NATIONAL LABOR RELATIONS BOARD
Comparison of 1977 and 1978 Estimated Average Employment
for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1977 Request
General Counsel & Staff: (Cont'd)			
Division of Enforcement Litigation:			
Office of the Associate General Counsel	3.0	3.0	...
Supreme Court Branch	2.0	2.0	...
Appellate Court Branch	95.4	96.8	+1.4
Litigation Services Section	15.0	15.0	...
Office of Appeals	52.2	56.7	+4.5
Subtotal, Division of Enforcement Litigation	167.6	173.5	+5.9
Division of Administration	257.5	263.4	+5.9
Total General Counsel & Staff	2,357.8	2,464.9	+107.1
Net Permanent for the Agency	2,731.5	2,866.1	+134.6
Summary:			
Total Permanent, Departmental	912.2	957.9	+45.7
Total Permanent, Field	1,819.3	1,908.2	+88.9
Net Permanent for the Agency	2,731.5	2,866.1	+134.6
Staff-years for positions other than permanent	76.2	96.5	+20.3

TABLE IV

NATIONAL LABOR RELATIONS BOARD
Comparison of Program and Financing by Activities
for 1977 and 1978 Fiscal Years (Cost Basis)

Description	Fiscal Year 1977 Estimate	Fiscal Year 1978 Request	Change from 1977 Estimate to 1978 request
Program by Activities:			
1. Field Investigation	$53,565,100	$58,397,400	$+4,832,300
2. Administrative Law Judge Hearing	6,866,600	8,098,000	+1,231,400
3. Board Adjudication	8,139,800	8,672,100	+532,300
4. Securing Compliance with Board Orders	12,321,500	13,278,500	+957,000
Total program costs funded	80,893,000	88,446,000	+7,553,000
Change in selected resources	+15,000	+74,000	+59,000
Total obligations	80,908,000	88,520,000	+7,612,000
Financing:			
Budget Authority	80,908,000	88,520,000	+7,612,000
Budget authority:			
Appropriation	77,776,000	88,520,000	+10,744,000
Proposed supplemental for civilian pay raises	3,132,000	...	-3,132,000
Appropriation (adjusted)	80,908,000	88,520,000	+7,612,000
Additional obligations from "Advances and Reimbursements":			
1. Field Investigation	1,000	...	-1,000

Exhibits

A. Explanation of Types of Cases

B. Outline of Representation Procedures Under Section 9(c)

C. Basic Procedures in Cases Involving Charges of Unfair Labor Practice

D. Basic Procedures for Casehandling Under Section 8(b) (7)

E. National Labor Relations Board Enforcement Chart

F. Organizational Chart

NOTE: These exhibits provide, in concise form, outlines of the types of cases arising under the Labor Management Relations Act and the basic procedures in the processing of these cases within the Agency and in the Courts.

TYPES OF CASES

1. Charges of Unfair Labor Practices

CHARGE AGAINST EMPLOYER	CHARGE AGAINST LABOR ORGANIZATION				CHARGE AGAINST LABOR ORGANIZATION AND EMPLOYER
Section of the Act — CA	Section of the Act — CB	Section of the Act — CC	Section of the Act — CD	Section of the Act — CP	Section of the Act — CE
8(a)(1) Interfere with, restrain, or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).	8(b)(1)(A) Restrain or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).	8(b)(4) (i) TO ENGAGE IN, OR INDUCE OR ENCOURAGE ANY INDIVIDUAL EMPLOYED BY ANY PERSON ENGAGED IN COMMERCE OR IN AN INDUSTRY AFFECTING COMMERCE TO ENGAGE IN, A STRIKE OR A REFUSAL IN THE COURSE OF HIS EMPLOYMENT TO USE, MANUFACTURE, PROCESS, TRANSPORT, OR OTHERWISE HANDLE OR WORK ON ANY GOODS OR TO PERFORM ANY SERVICES; OR (ii) TO THREATEN, COERCE OR RESTRAIN ANY PERSON ENGAGED IN COMMERCE OR IN AN INDUSTRY AFFECTING COMMERCE, WHERE IN EITHER CASE AN OBJECT THEREOF IS:	First Stage - 10(k)* Second Stage - Complaint**	8(b)(7) To picket, cause, or threaten the picketing of any employer where an object is to force or require an employer to recognize or bargain with a labor organization as the representative of his employees, or to force or require the employees of an employer to select such labor organization as their collective bargaining representative, unless such labor organization is currently certified as the representative of such employees:	8(e) To enter into any contract or agreement (any labor organization and any employer) whereby such employer ceases or refrains or agrees to cease or refrain from handling or dealing in any product of any other employer, or to cease doing business with any other person.
8(a)(2) Dominate or interfere with the formation or administration of a labor organization or contribute financial or other support to it.	8(b)(2) Cause or attempt to cause an employer to discriminate against an employee.	(A) To force or require any employer or self-employed person to join any labor or employer organization or to enter into any agreement prohibited by Sec. 8(e).		(A) where the employer has lawfully recognized any other labor organization and a question concerning representation may not appropriately be raised under Section 9(c),	
8(a)(3) Encourage or discourage membership in a labor organization (discrimination in regard to hire or tenure).	8(b)(3) Refuse to bargain collectively with employer.	(B) To force or require any person to cease using, selling, handling, transporting, or otherwise dealing in the products of any other producer, processor, or manufacturer, or cease to doing business with any other person, or force or require any other employer to recognize or bargain with a labor organization as the representative of his employees unless such labor organization has been so certified.		(B) where within the preceding 12 months a valid election under 9(c) has been conducted, or	
8(a)(4) Discharge or otherwise discriminate against an employee because he has given testimony under the Act.	8(b)(5) Require of employees the payment of excessive or discriminatory fees for membership.	(C) To force or require any employer to recognize or bargain with a particular labor organization as the representative of his employees if another labor organization has been certified as the representative.		(C) where picketing has been conducted without a petition under 9(c) being filed within a reasonable period of time not to exceed 30 days from the commencement of such picketing.	
8(a)(5) Refuse to bargain collectively with representatives of his employees.	8(b)(6) Cause or attempt to cause an employer to pay or agree to pay money or other thing of value for services which are not performed or not to be performed.	(D) To force or require any employer to assign particular work to employees in a particular labor organization or in a particular trade, craft, or class rather than to employees in another trade, craft, or class, unless such employer is failing to conform to an appropriate Board order or certification.			

*First Stage - Proceeding under Section 10(k) of the Act

Whenever it is charged that any person has engaged in an Unfair Labor Practice within the meaning of paragraph (4)(D) of Section 8(b), the Board is empowered and directed to hear and determine the dispute out of which such Unfair Labor Practice shall have arisen...

**Second Stage - Complaint

Complaint under Section 8(b)(4)(D) is issued where there has been no voluntary adjustment of the dispute, and no compliance with the Board's Decision and Determination of Dispute.

2. Petitions

9(c)(1)(A)(i) — RC	9(c)(1)(B) — RM	9(c)(1)(A)(ii) — RD	9(c)(1) — UD	UC	AC
Requesting the designation of filing party as bargaining agent. 1/	Alleging that one or more claims for recognition as exclusive bargaining agent have been received by employer. 1/	Asserting that the certified or recognized bargaining agent is no longer the representative. 1/	Employees wish to rescind a union security clause.	Requesting clarification of bargaining unit.	Requesting amendment of certification.

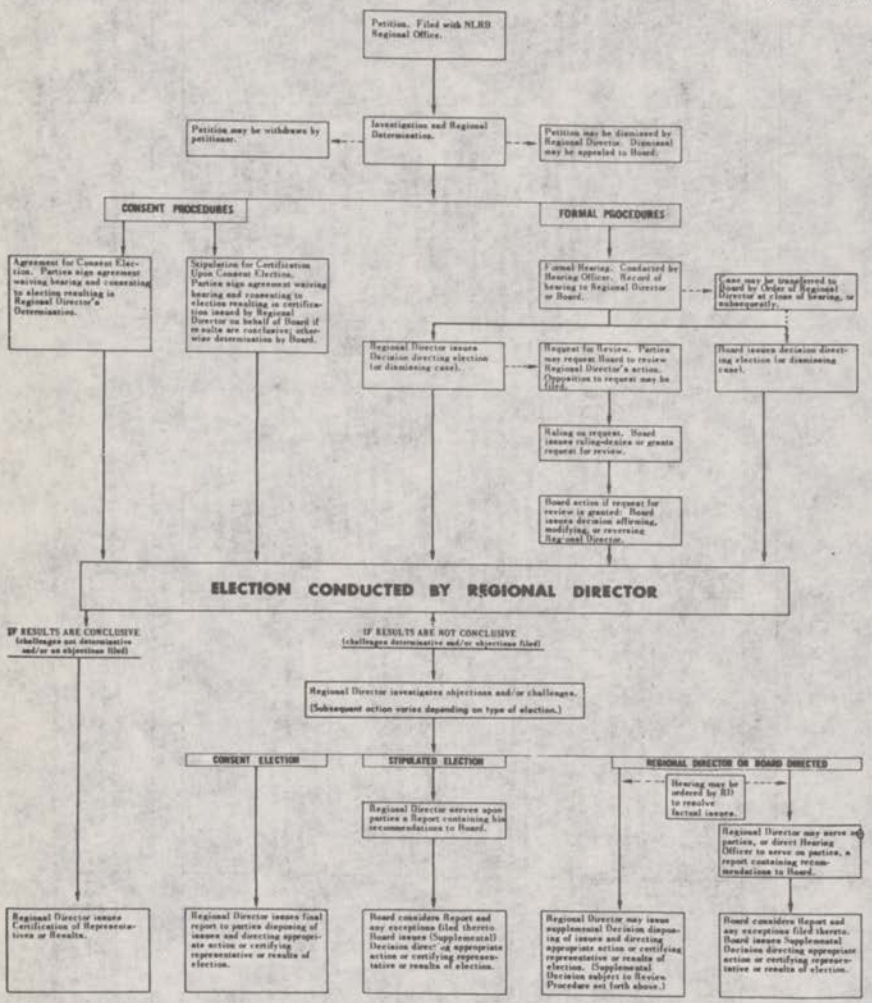
1/ This statement is not applicable if an 8(b)(7) charge is on file involving the same employer; however, the "R" designation applies.

Prepared by: Organization and Methods Branch
Division of Administration - Rev. 1-65

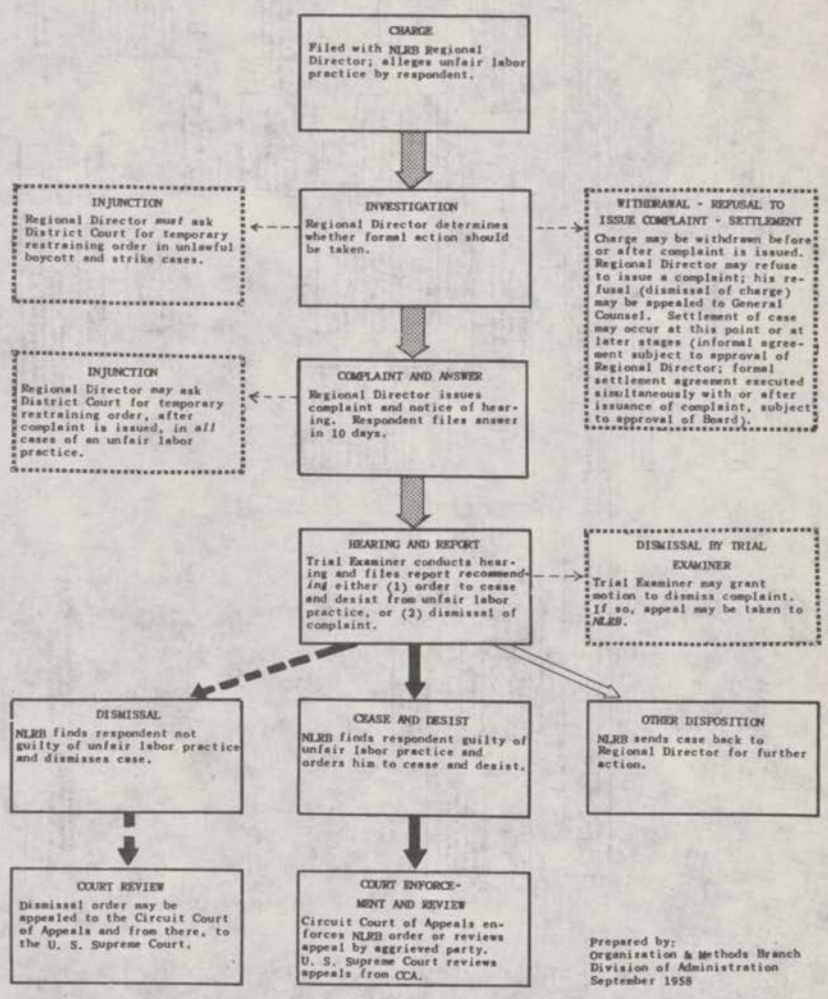
OUTLINE OF REPRESENTATION PROCEDURES UNDER SECTION 9(c)

(With respect to petitions filed on or after 5-15-61)

Prepared by:
Organization & Methods Branch
Division of Administration - 2/6

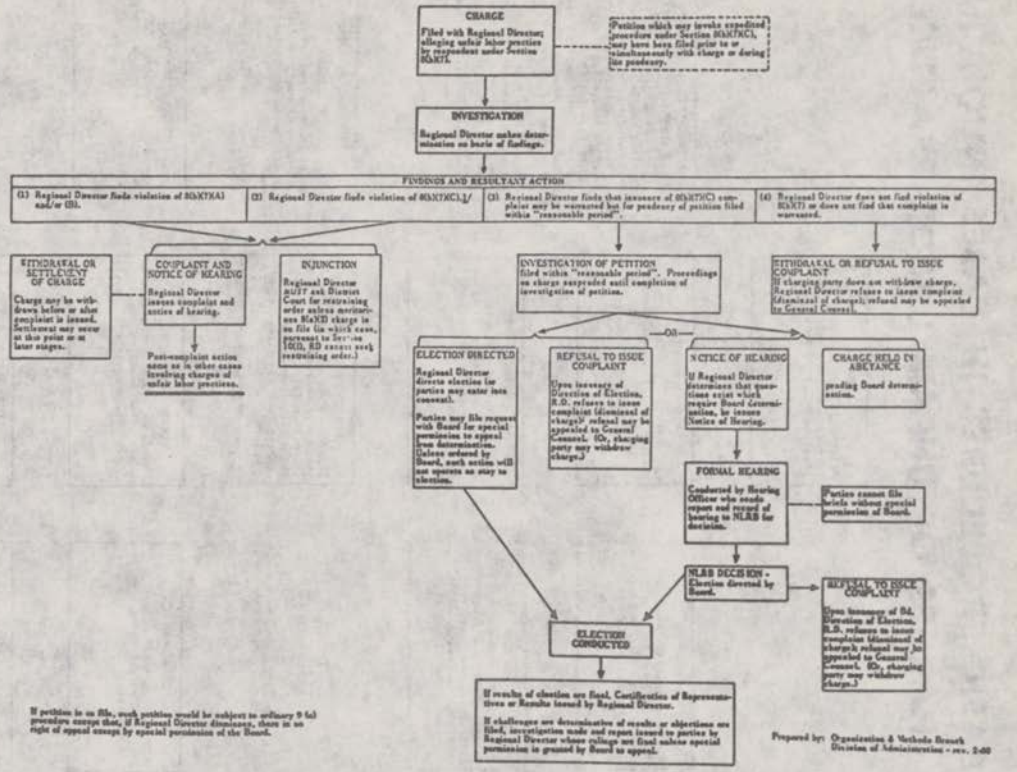


BASIC PROCEDURES IN CASES INVOLVING CHARGES OF UNFAIR LABOR PRACTICES



Prepared by:
Organization & Methods Branch
Division of Administration
September 1958

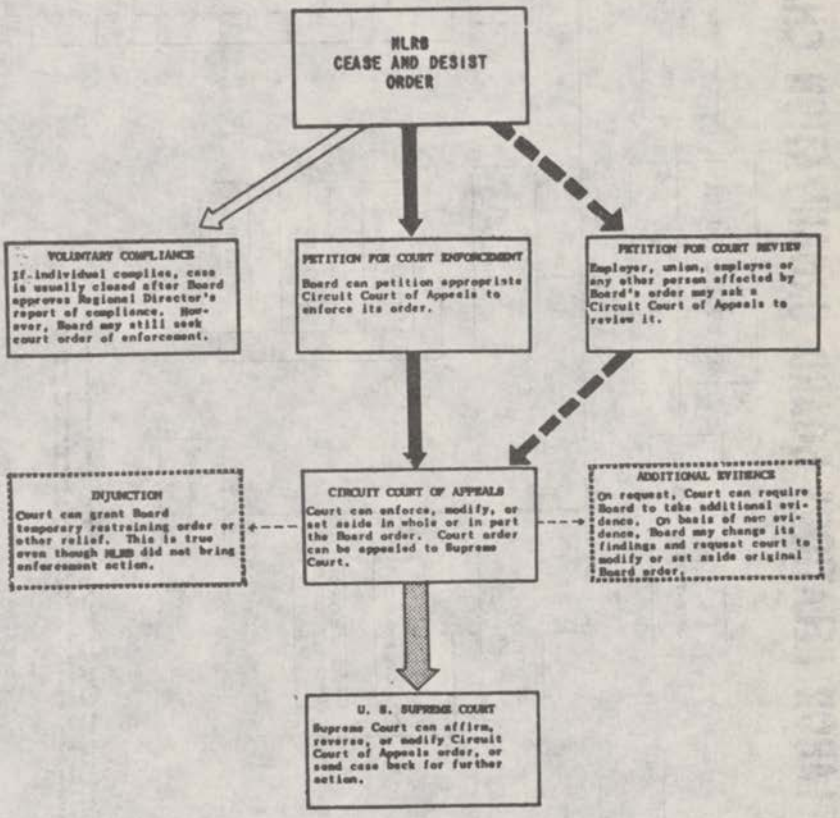
BASIC PROCEDURES FOR CASEHANDLING UNDER SECTION 8(b)(7)



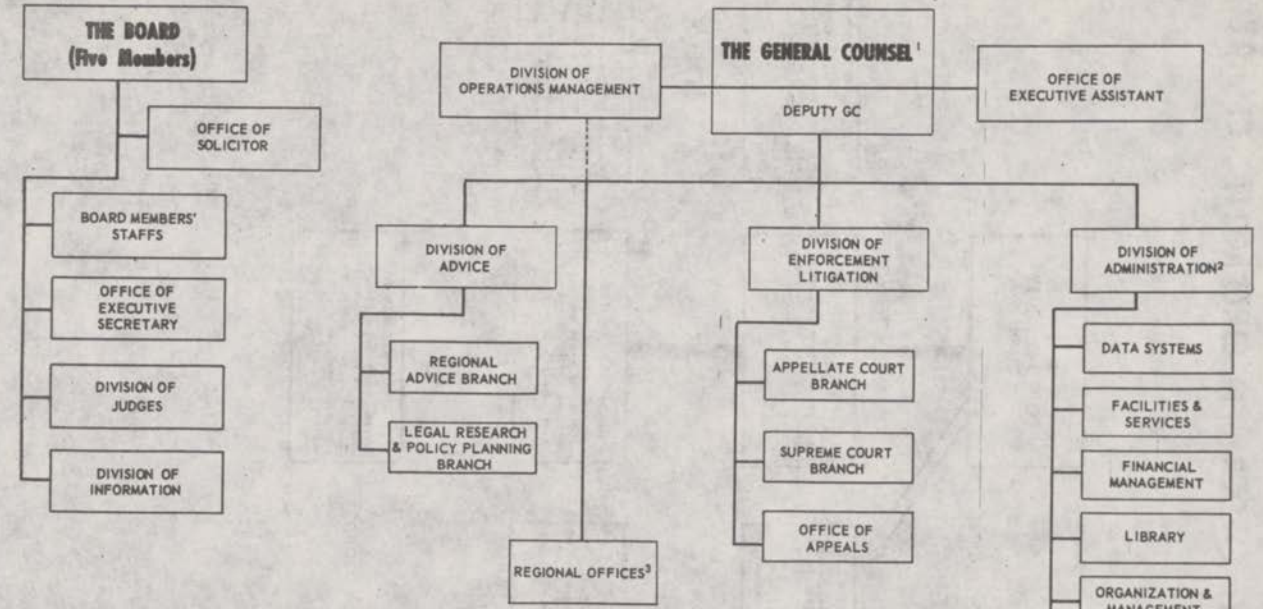
If petition is to file, such petition would be subject to ordinary 9 (c) procedure except that, if Regional Director dismisses, there is no right of appeal except by special permission of the Board.

Prepared by: Organization & Methods Branch
Division of Administration - rev. 2-60

NLRB ORDER ENFORCEMENT CHART



NATIONAL LABOR RELATIONS BOARD ORGANIZATION CHART



[1] Exercise by General Counsel of authority and responsibility in certain matters, including that over personnel other than those responsible directly to the Board, and for all administrative functions of the agency, by delegation from the Board.
[2] Division of Administration is also responsible directly to the Board for administrative support services required in the performance of Board functions.
[3] Includes exercise by Regional Director of Board authority under Section 9 of the Act, in representation cases, by delegation from the Board.

Prepared by:
Organization & Management Branch
Division of Administration, 7/74

GPO 880-133

TUESDAY, FEBRUARY 22, 1977.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

OVERVIEW SESSION OF FISCAL YEAR 1978 BUDGET REQUEST

WITNESSES

RAY MARSHALL, SECRETARY OF LABOR
ROBERT J. BROWN
ALFRED G. ALBERT, ACTING SOLICITOR
J. VERNON BALLARD, ACTING ADMINISTRATOR, PENSION AND WELFARE BENEFIT PROGRAMS
HERBERT N. BLACKMAN, ACTING DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
BERT M. CONCKLIN, ACTING ASSISTANT SECRETARY FOR OCCUPATIONAL SAFETY AND HEALTH
WILLIAM B. HEWITT, ACTING ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING
JOHN B. MUMFORD, ACTING ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS
JULIUS SHISKIN, COMMISSIONER OF LABOR STATISTICS
JACK A. WARSHAW, ACTING ASSISTANT SECRETARY FOR LABOR-MANAGEMENT RELATIONS
ALFRED M. ZUCK, COMPTROLLER FOR THE DEPARTMENT
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET
JOSEPH KIRK, DIRECTOR, OFFICE OF POLICY ANALYSIS, OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Mr. FLOOD. We now have the Secretary of Labor.

Mr. Secretary, we are very glad to welcome you here in your first appearance before the committee. I know we have your full cooperation. You can be satisfied that you will have the full cooperation of the committee in our efforts to serve the Nation. So we are glad to have you on board.

Secretary MARSHALL. Thank you, sir; it is good to be here.

Mr. FLOOD. Now, I see we have your biographical sketch which we will place in the record at this point.

Ray Marshall was sworn into office as the Nation's 16th Secretary of Labor on January 27, 1977 at the White House by Chief Justice of the United States Warren E. Burger. He was confirmed by the Senate on January 26, after being nominated for the position by President Carter on January 20.

As Secretary, Dr. Marshall is President Carter's chief adviser on labor matters and is responsible for carrying out the Department's mission "to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

In carrying out the duties of Secretary, he administers law and programs in such areas as employment standards, job safety and health, employment and training, labor statistics, labor-management relations, and other matters affecting the Nation's expanding work force.

Dr. Marshall was director of the Center for the Study of Human Resources at the University of Texas and a professor of economics there from 1970 until joining President Jimmy Carter's Cabinet.

He has also taught economics at the University of Mississippi, 1953–57; Louisiana State University, 1957–62; and University of Kentucky, 1963–69.

Dr. Marshall was born on August 22, 1928 in Oak Grove, La. After service in the Navy as a radio operator, he attended Millsaps College in Jackson, Miss., receiving his B.A. degree in 1949. He received an M.A. from Louisiana State University in 1950 and his Ph. D from the University of California at Berkeley in 1954.

Dr. Marshall has written widely in the field of labor economics. He has written and co-authored numerous books including the Role of Unions in the American Economy, Human Resources and Labor Markets, Rural Workers in Rural Labor, and The Negro Worker. His articles and monographs have appeared in many labor and economic anthologies and journals including: Labor Law Journal, Industrial Relations, Labor History, American Economic Review, Monthly Labor Review and Worklife.

His writings have covered such diverse topics as black employment and apprenticeship, rural labor development, equal employment opportunity, labor in the south, international labor mobility, and labor history.

A Fulbright Research Scholar in Finland in 1955–56, he received a Wertheim Fellowship in Industrial Relations from Harvard University in 1960 and a Ford Foundation faculty fellowship in 1954–55.

Dr. Marshall is active in numerous professional and academic organizations. He was president of the Industrial Relations Research Association when nominated as Labor Secretary. He also served as president, National Rural Center; chairman, Federal Committee on Apprenticeship, and director, task force on Southern Rural Development.

He has been a member of the National Council on Employment Policy, president of the Southern Economic Association, the labor panels of the American Arbitration Association and the Federal Mediation and Conciliation Service.

Dr. Marshall and his wife, the former Patricia Williams, have five children, Jill, Susan, John, Christopher and Sarah.

INTRODUCTION OF WITNESSES

Mr. FLOOD. And you have some people with you here you may want us to know?

Secretary MARSHALL. Yes, sir, I would.

Let me introduce them in order.

Mr. Charles Pugh on the end is Director of the Office of Budget; next to him is John Mumford, who is Acting Assistant Secretary for Employment Standards; then next to him is Jack Warshaw, Acting Assistant Secretary for Labor-Management Relations; and Al Zuck, Comptroller for the Department; Bill Hewitt, Acting Assistant Secretary for Employment and Training; Julius Shiskin, who is the Commissioner of the Bureau of Labor Statistics, and Bert M. Concklin, Acting Assistant Secretary for OSHA.

Mr. FLOOD. I see you have a prepared statement, Mr. Secretary. How do you want to handle this?

Secretary MARSHALL. Sir, I would like to just put that in the record.

Mr. FLOOD. All right. We can do that.

[The statement follows:]

Mr. Chairman and members of the committee, I am pleased to make my first appearance before you today to discuss the Department's budget request for fiscal year 1978. Mr. Brown and Mr. Zuck appeared before you last week to present the Department's fiscal year 1977 supplemental requests. They outlined, in particular, the economic stimulus package proposed by President Carter to deal with the unacceptably high unemployment levels. Today I will focus on the continuation of this request into fiscal year 1978 and touch on the new thrusts that we wish to undertake.

The Department is requesting a total appropriation of $13,694,285,000 for fiscal year 1978, which is a decrease of $2,732,708,000 from the revised fiscal year 1977

budget presented to you last week. The Department is also requesting a total of 15,205 full-time positions, an increase of 264 over our fiscal year 1977 request. I would like to discuss with you now the individual accounts that make up these requests.

Program Administration, Employment and Training Administration.—The Department is requesting $125,301,000 and 3,874 positions, an increase of $12,348,000 and 43 positions over its revised fiscal year 1977 request of $112,953,000 and 3,831 positions. The funds in this account provide for the administration of the employment and training programs and the overview of the State employment security agencies. Of the total requested, $10,663,000 is required merely to maintain the current level of operations during fiscal year 1978. This includes funds for such items as within-grade increases, real increases, and annualization of positions funded only on a part-year basis. The Department is also seeking four program increases totaling $1,685,000 and 43 positions as follows: (1) $180,000 and 10 positions to provide additional technical assistance to the State employment security agencies with particular attention to be paid to fraud control and general quality control in the unemployment insurance program; (2) $290,000 and 13 positions for the expansion of apprenticeship opportunities in highly skilled occupations and for the promotion of apprenticeship in industries now lacking apprenticeship programs; (3) $365,000 and 20 positions to provide additional technical assistance to prime sponsors, and; (4) $850,000 to provide necessary funding for the continuous wage and benefit history project.

Employment and Training Assistance.—This account, together with the temporary employment assistance account, provides the bulk of the employment and training programs operated by the Department. We are requesting $4,563,030,000 in fiscal year 1978, a decrease of $370,800,000 from the revised fiscal year 1977 level. Although there is a decrease in the amount of budget authority requested, the funds requested will maintain and, in some cases, increase the level of operations obtained under the economic stimulus package begun in fiscal year 1977.

For title I of the Comprehensive Employment and Training Act, that is, those funds which are allocated to the State and local prime sponsors, we are requesting $1,880 million, the same level as appropriated in fiscal year 1977. These funds will continue to provide an estimated 496,400 employment and training slots in fiscal year 1978.

For title II, Public Service Employment, we are requesting $1,016 million, an increase of $492 million over our fiscal year 1977 request. This increase will permit the continued funding through fiscal year 1978 of the 100,000 jobs established in fiscal year 1977 and also permit the expansion of the program to 125,000 jobs during the first quarter of fiscal year 1978.

For title III, National Programs, the Department is requesting $1,179,930,000. a decrease of $480,800,000 from the revised fiscal year 1977 level. The decrease reflects the initial startup money we requested for the stimulus package for fiscal year 1977. There will be sufficient funds to maintain and/or increase our expected September 30, 1977, operating levels as follows:

Migrants and seasonal farmworkers—an increase of $32 million and 5,500 slots.

Indian and other native American programs—an increase of $26,600,000 and 7,800 slots.

Veterans programs—an increase of $13 million to maintain 2,500 jobs.

Apprenticeship programs—an increase of $39 million.

Youth programs—a decrease of $500 million, but an increase in the number of slots from 72,000 to 154,000.

HIRE program—a decrease of $40 million, but an increase in slots from 60,000 to 92,000.

Skill training improvement program—a decrease of $50 million but a maintenance of the 58,000 slot level.

For title IV, the Job Corps, the Department is requesting $487,100,000, an increase of $213 million over fiscal year 1977.

This increase will permit the expansion to an enrollment level of 44,000 from the 30,000 level expected to be achieved by September 30, 1977.

For the summer youth employment program, no funding is being requested at this time. However, there is being proposed for later transmittal a supplemental request of $595 million. This will allow for the same level of funding and slots in the summer of 1978 as there will be in the summer of 1977. Approximately 1 million part-time opportunities will be afforded. The exact amount needed for the summer of 1978 will be determined about March 1978 when the Department makes its report on summer activities to the Congress.

The Comprehensive Employment and Training Act expires at the end of this September. The administration is proposing a 1 year extension of the act, until September 30, 1978.

Temporary employment assistance.—The Department is requesting $4,855 million in new budget authority to continue the title VI public service employment program through 1978. This is an increase of $1,676 million over the amount requested in 1977. These funds will be sufficient to permit the Department to continue the 500,000 jobs anticipated to be filled by September 30, 1977, through 1978 and to expand the program by an additional 100,000 jobs between October and December of this year. By December 31, 1977, it is expected that there will be 600,000 title VI and 125,000 title II public service jobs filled for a total enrollment of 725,000. The new jobs in 1978, as were the new pobs in 1977, are being established in projects under an amendment made last year to title VI. This amendment requires that any funds not needed to maintain the June 30, 1976 level, be utilized for employment in public service projects. These projects are limited to a maximum of 12 months in duration.

The authorization for funds for title VI expires on September 30, 1977. The administration is requesting a 1-year extension of the act. Further, we are requesting that provision be made for giving preference to Vietnam-era veterans in job hirings.

Community service employment for older Americans.—The Department is requesting $22,650,000 for this account in fiscal year 1978. This amount will permit the Department to maintain the expanded program level of 22,600 jobs at a unit cost of $4,009 for the last 3 months of fiscal year 1978 for which funding is not presently available. In fiscal year 1977, $90,600,000 was appropriated to fund these jobs through the first 9 months of fiscal year 1978. This request will shift the program funding cycle to coincide with the fiscal year.

Federal unemployment benefits and allowances.—The budget request for this account is $1,200 million. It will provide unemployment compensation to former Federal personnel, trade adjustment assistance allowances and special unemployment assistance to other eligible unemployed individuals. Due to recent legislation, this account will also provide for reimbursements to States for unemployment benefits paid on the basis of public service employment and for unemployment benefits paid during a transitional period to workers newly covered under the provisions of the Unemployment Compensation Amendments of 1976.

Grants to States for unemployment insurance and employment services.—The budget request for this account totals $1,566,100,000, an increase of $64,300,000 over the amount provided in 1977. These funds will provide for the administrative costs of unemployment insurance and employment service activities in the State employment security agencies and include administrative costs associated with the administration's proposed extension of the Federal supplemental benefits program. Of the total requested, $53,600,000 is in general funds and $1,512,500,000 is to be derived from the Unemployment Trust Fund. A total of $73 million is needed for mandatory items in the account and a decrease of $8,700,000 in program items is proposed.

The program items consist of an increase of $11,600,000 to implement an eligibility review program of unemployment insurance claimants and a decrease of $20,300,000 due to savings generated by productivity from the application of the cost model management system and the automation of unemployment insurance activities.

Labor-Management Services Administration.—The Department's budget request includes $56,199,000 to fund the programs of the Labor-Management Services Administration in fiscal year 1978. This is an increase of $4,802,000 and 64 positions over the revised fiscal year 1977 level. Of the increase, $2,991,000 provides for increased costs of current operations including $1,151,000 for full-year costs of the proposed 1977 supplemental for the Federal labor-management relations and employee benefits security programs. The remainder of the increase is for program expansion, principally for 59 positions and $1,573,000 to initiate and complete investigations as required under the enforcement provisions of the Employee Retirement Income Security Act. This effort reinforces the emphasis placed on the enforcement program in 1977.

Also included are five positions and $238,000 for a new program initiative on improving the collective bargaining process in the private sector. There is presently no central point for developing national policy on the collective bargaining process. The Department, with its experience in coordinating the efforts of

other Government agencies dealing with labor matters, can best provide the leadership needed to develop a national approach toward improving the collective bargaining process. Our effort will be long term in scope and will involve working directly with representatives from labor, management, and other private organizations as well as other Federal agencies.

Employment Standards Administration.—For the Employment Standards Administration, salaries and expenses account, the fiscal year 1978 budget request totals $109,545,000. This is an increase of $8,433,000 over the revised fiscal year 1977 level and includes $6,183,000 to finance mandatory items such as the annualization of new positions received in fiscal year 1977, and $2,250,000 to finance program initiatives in fiscal year 1978. We are requesting $500,000 to expand and implement the automated claims processing system and $1 million for a contingency fund to finance temporary employment and contractual services to process unforeseen workloads under the Federal Employees' Compensation Act program. We discussed with you earlier, during the fiscal year 1977 supplemental hearings, the urgent need for new resources for this program. I am particularly concerned that the Department provides timely, efficient, and effective service to the Nation's workers. In this case, we are providing a service to Federal employees and protecting them against loss of income due to disability or injury on the job. At the same time, it is incumbent upon the administration to safeguard the economic interests of the Government by insuring fair and accurate treatment of each claim. These requested resources for the Federal Employees' Compensation Act program represent but a part of the overall strategy to improve operations and maintain the integrity of the program.

Also requested is $750,000 to further expand the program funded in fiscal year 1977 for developing Federal/State cooperative arrangements on the administration of Federal and State labor statutes which are similar. I fully support this activity to investigate possibilities for cooperation between State governments and the Federal Government for mutual benefit. This program will seek to eliminate duplicative efforts and to improve the administration of labor standards, addressing the same worker needs now administered by Federal and State labor agencies separately.

Turning now to the special benefits appropriation, the fiscal year 1978 budget request totals $319,360,000, a decrease of $17,589,000 from the revised fiscal year 1977 level of $336,949,000. The decrease in funds appropriated to the Labor Department is attributed to increased reimbursements from responsible employing organizations. These benefits payments are mandatory for those who qualify. I am concerned, as I am sure you are, that the total payments made in fiscal year 1978 will exceed $737 million and that, if present trends continue, the Federal Government will be making benefit payments of almost $1 billion annually by 1980.

Occupational Safety and Health Administration.—For the Occupational Safety and Health Administration, we are requiesting $134,640,000 to carry out this program in fiscal year 1978. This represents an increase of $4,307,000 over the appropriation for fiscal year 1977. These funds will enable OSHA to maintain its current program levels and will also provide a modest increase in two areas: expanding OSHA's training facility for compliance officers and increased funding for research and evaluation programs. No additional positions are requested for fiscal year 1978.

OSHA plans to conduct 76,000 inspections in fiscal year 1977 and 90,000 in fiscal year 1978. Inspections are becoming more health-oriented as the field staff increases its competence in detecting health hazards. I would like to point out that the results of the BLS–OSHA survey for calendar year 1975 which were published last December are very encouraging. The incidence of job-related injuries and illnesses dropped from 10.4 per 100 full-time workers in 1974 to 9.1 for 1975.

Bureau of Labor Statistics.—For fiscal year 1978, the Bureau of Labor Statistics requests $84,366,000, which is an increase of $9,099,000 over the revised fiscal year 1977 estimate. This change consists of increases of $4,456,000 to cover mandatory items, a comparative transfer of $3,900,000, and $4,509,000 for new work. As an offset to these increases, two decreases totaling $3,766,000 are proposed.

Increased reliance on economic indicators by decisionmakers in Government, business, and labor makes the accuracy, timeliness and relevancy of such data vital. Significant progress has been made in the last several years in improving and expanding key economic indicators, and the fiscal year 1978 request contains several key proposals for continued work on this most important project.

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The major portion of the proposed increase is in the area of price statistics. The need for a continuing quarterly consumer expenditure survey to facilitate future Consumer Price Index revisions has become increasingly apparent. Developmental work is continuing with current funds, and the request of $2,974,000 and 20 positions in fiscal year 1978 will allow for completion of this phase. Also in the price area, $909,000 and 33 positions are being requested for comprehensive revisions in the industrial price program. Some improvements have already been implemented, but the importance of these statistical series indicated more extensive efforts are necessary. The last request in the price area is for $292,000 and seven positions to continue the development of the international price program. These data are used by trade officials to assess the price trends of American goods on the world market.

Finally, the Department requests $261,000 and 13 positions to develop comprehensive information on collective bargining agreements in the public sector, and $73,000 and 3 positions to expand coverage of measures of worker productivity in the Federal sector.

Two program decreases totaling $3,766,000 and 124 positions are proposed to partially offset the increases. A phasedown of the Consumer Price Index revision will yield the bulk of these resources.

Department management.—The request for departmental management in fiscal year 1978 totals $63,024,000, an increase of $9,342,000 over the revised fiscal year 1977 level. Of this increase, $3,750,000 is for mandatory items, $692,000 is a comparative transfer and $4,900,000 is for program increases. The largest single increase is 55 positions and $1,069,000 for the Department's audit function, to insure audit coverage of the proposed expanded Comprehensive Employment and Training Act programs which comprise a part of the President's economic stimulus proposals. This expansion of coverage is essential to enable the Department to further attempt to avert possible abuses in the use of these funds. Also requested in the audit area is $1 million for increased contract support by State, local, and private sector audits.

For the Office of the Solicitor, we request an additional 39 positions and $1,887,000. This request will allow the Solicitor's Office to maintain its legal support for the Department's enforcement of the Employee Retirement Income Security Act and the Occupational Safety and Health Act, as well as the programs of the Employment Standards Administration and the Employment and Training Administration.

Increasing caseloads in the Department's adjudicatory functions—particularly from the black lung and Federal employees' compensation programs—dic ate the need for additional resources. We are requesting 17 positions for the Office of Administrative Law Judges, 7 positions for the Benefits Review Board, and 2 positions for the Employee's Compensation Appeals Board.

In order to further the accomplishment of the goals of the President's Committee on Employment of the Handicapped, we are requesting an increase of two positions. This increase will allow the committee to expand its direct contact with the States.

The remaining program increases consist of 5 position and $139,000 for an executive secretariat, $50,000 for employee health services, and $50,000 for contract services for worker adjustment assistance.

Secretary MARSHALL. We will make some comments about the highlights of it and then respond to your questions.

SUMMARY OF DEPARTMENTAL REQUEST

I think there are several important things to empasize about our statement. One is that this is the budget request for fiscal year 1978, of course. You have already heard about the Department's request for fiscal year 1977.

This request is for a decrease of $2.7 billion, because we assume what we are going to do is to get a level in our recovery package of employment and training positions and hold that.

A good bit of the rest of the budget request is for added positions to make it possible for us to perfect the administration and delivery mechanisms, both with the programs that we are starting in the recovery package and in order to improve the operation of our other programs, especially in the regulatory areas.

I think you have already had presented to you the broad outlines of our recovery package and therefore it is not necessary for me to go into much detail about it.

As you know, the main area of our responsibility is in the Employment and Training Administration where over 90 percent of our fiscal year 1978 budget is located.

ADMINISTRATION OF EMPLOYMENT AND TRAINING PROGRAMS

There are a number of things in that package that I think are worth underscoring.

The first is that we have tried to do as much as we can to strengthen and improve the administration of our employment and training programs. We consider that to be extremely important. Some people were not happy about the size of our public service employment package because they would like for it to have been much larger in order to bring unemployment down faster. But consideration that received a great deal of attention in our planning for that package was and still is to see that the program is as prudently administered as we can make it.

Many of our requests are designed to be sure that that is the case. We want to adequately monitor the project, to be sure that the training and the employment are meaningful. We want to try to do as much as we can to administer the programs effectively and use the resources effectively.

That is the reason for the request for monitoring and administrative positions in order to be able to carry that out. We are requesting an increase of 264 positions for that purpose.

I might also mention that we are requesting funds to give technical assistance to agencies which are part of the delivery mechanism, such as the employment service and prime sponsors; and to perfect some programs designed to reach particular areas of special need. We feel it is very important with our employment and training programs to target those programs on areas with the highest levels of unemployment and therefore with the highest need, and other groups requiring special attention.

SPECIAL TARGET PROGRAMS

We are contemplating a youth program. We are already underway in planning that program because half of the unemployed are young people.

We also think it is very important to target these programs on such special groups as migrants, seasonal farmworkers, and Indians. We have a special veterans' program that we are going to be underway with because we believe that it is important for us to do whatever we can to make it possible to equalize, at least, the unemployment rates of Vietnam-era veterans and non-Vietnam-era veterans.

We are strengthening the apprenticeship program as a part of our recovery effort because we know from experience that this is the best way to train skilled workers. What we think is particularly important is to expand apprenticeship outside the areas of heavy concentration now, like the construction industry where about half of all the registered apprentices are located and to move into other areas where the apprenticeship technique commends itself and would be useful, in the health areas, for example, where you need a combination of on-the-job and academic or related instruction.

While we are doing that we are trying to do some things to strengthen the apprenticeship program in the areas where it already is strong.

We also contemplate doubling the Job Corps because we believe that is a good program and does a lot for the young people who need residential training. We have found this to be a particularly valuable program. We therefore plan to expand it.

We also think it is important to have special initiatives for older Americans, concentrated programs.

One that I have worked with a lot and think is a good model is the Green Thumb program, which was initiated under Operation Mainstream. I think this program has demonstrated that you can put older people to work doing useful things at a relatively low cost to the public.

ADDITIONAL DEPARTMENTAL REQUESTS

We are, beyond that, doing some things to expand the administration of our regulatory programs and the unemployment benefits program, about which a lot has been said. In the labor-management services area, we are studying very carefully and working to improve the Federal-labor management relations system, trying to do some things to strengthen the ERISA program, and we have done a lot of thinking and plan to continue to try to initiate programs to improve collective bargaining in the private sector.

It is my view that it is very important to coordinate collective bargaining and economic policy in order to be able not only to reduce unemployment, but to keep unemployment down and to improve productivity and efficiency as much as we can through the collective bargaining process as unemployment is reduced.

In our budget, we also request funds to improve the operations of the Employment Standards Administration, particularly in the area of automating claims processing, to do whatever we can to reduce some of our backlogs in Worker's Compensation programs. In fact,

we want to try to do that in all of our programs, not only to improve the operation, but try to be more responsive to the people we are supposed to be serving with those programs.

We think the backlogs are now intolerable and that our response time is far too long.

We are trying to improve the training of people within the Department of Labor to handle our administrative functions. We are undertaking research and evaluation programs to try to identify what our problems are and what kinds of things can be done to correct those problems.

STATISTICS

The final area about which we are concerned is in the whole area of labor market statistics and other kinds of statistics.

We are requesting funds for the Bureau of Labor Statistics to improve our statistical base.

We consider this to be an extremely important matter because it is very difficult for us to resolve a lot of the important problems that we face on the basis of information presently available to us. We think that as greater managerial and policy use is made of the information that we have, and operational programmatic use is made, it is very important for us to perfect our measurement techniques and to get much better statistical information.

INTERNAL MANAGEMENT

Then finally, Mr. Chairman, we are requesting funds to improve our own management processes and capabilities. I think it is extremely important for us to develop an auditing capability in order to be sure that the programs are administered effectively and that we minimize abuses in the programs.

I have under careful consideration ways to do that, mechanisms to be sure that we serve our clients well, that the funds are used in the proper way and that the programs accomplish the objectives that Congress intended for them to accomplish. We believe that the only way we are going to be able to continue to get support for the programs that we think will improve the conditions of workers is to get congressional and public support. We know we are not likely to get that unless we can account properly for the resources that are made available to us.

So we have requested some funds in the management component of the budget in order to do that.

Those are the highlights, Mr. Chairman, of this paper that I presented to you. I would be glad to try to respond to any questions.

Mr. FLOOD. All right.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

Now, Mr. Secretary, in general, what is your opinion of the Comprehensive Employment and Training Act; everybody calls it CETA. Do you agree with the general philosophy of decentralization of control and block grants, which underlies that law?

Secretary MARSHALL. Yes, sir, in general I do agree with it and was among the number of people who suggested that we had to decentralize to some extent. I think, as in other matters, that we need to take a flexible approach to that whole problem because you create some other problems when you decentralize.

The problems that we have created are that some groups and some programs that were good programs tended to get less emphasis under a decentralized approach. This is particularly true of on-the-job training, for example, which I consider to be a very important and effective method of training, but which become less important with decentralization.

I believe also, if you are interested in targeting programs on particular areas of need, that it is more difficult to do it under a decentralized program. So I think what we are contemplating in our package is not to reverse decentralization, but to target some programs and then use the decentralized mechanism to help us carry them out.

PUBLIC SERVICE EMPLOYMENT

Mr. FLOOD. What is your personal opinion of public service employment? By that I mean, is it effective, does it produce new jobs that are useful, or does it just simply substitute Federal dollars for State and local dollars?

Secretary MARSHALL. My own personal view is that public service employment is the most effective way Government can reduce unemployment.

I think the most effective way would be to induce the private sector to hire people. After all, most jobs are in the private sector, five-sixths of them. But I think that even under conditions of very low unemployment, you are not likely to be able to get the private sector to absorb all of the pockets of unemployment. It would be groups with special need. The public service employment approach is the best possible way to do it.

I think it is good for a number of reasons. One is that it seems to me to be better to have people doing useful things—if you can put them to work doing useful things—than simply receiving income maintenance, such as unemployment insurance. However, if you do not have jobs, it is important to have unemployment insurance for people.

I think it is better from the standpoint of the people and the society if we can put people to work doing useful things. I think there are so many useful things that need to be done that I am not worried about being able to come up with the jobs.

The other thing that you can do is target to particular groups like older people, young people, and to particular areas of need, areas of high unemployment. By concentrating our resources on groups and places with the highest levels of unemployment, we can bring unemployment down most effectively and at much lower costs to the public than would be the case with alternative approaches.

EFFECTIVENESS OF TRAINING PROGRAMS

Mr. FLOOD. What about the manpower training programs under CETA, again? Are these programs effective, in your opinion?

Secretary MARSHALL. I think all the evidence I have indicates that they are effective, on balance. There are ways we can improve them, but I think here again some of the programs that have proved to be most effective in training have not received adequate attention under CETA.

I think two of those that are in my judgment most effective, are the on-the-job training programs, as I have already mentioned, and the apprenticeship program. I think we need to give greater attention to these. In order to do it, you need some national initiatives to set the policy and initiate the programs, but once you have the national initiatives, you can then get the local prime sponsors to do a lot of the actual implementation of the programs.

Mr. FLOOD. What changes do you think ought to be made in the training programs? I do not mean specific changes, but in general terms.

Secretary MARSHALL. In general terms, I think that we need to target programs more on several groups with special needs; for example, youth. We need a youth initiative. I think we can implement this program within the framework of CETA at first, and that is the reason we have requested a simple extension of CETA, in order to give us time to work out all the things that we think we need to do. We need to have a targeted program on veterans and we have proposed that. I think we need to greatly expand the apprenticeship system. Here again, I think we can do that within the framework of the CETA legislation. But what that requires are some national initiatives rather than simply leaving it up to the local prime sponsor to determine what the total composition of the package would be.

I think we need to do more also to get the private sector involved, and we are planning to do that. We have procedures under way to get the business community, labor and special groups, such as veterans' groups, more actively involved in our training programs, partly because we think it is very important to establish linkages between our public programs and the private sector to do a lot of the training for us because of the effectiveness of on-the-job training.

And I agree we need to do a lot to try to improve it and we plan to do that.

We have asked for staff in order to improve the administration of that program.

Mr. FLOOD. All right.

OCCUPATIONAL SAFETY AND HEALTH

Now, here is one: The Occupational Safety and Health Administration, OSHA. That is going to be a recurring problem for you, if I can understate the case. You can count on that.

Do you have any ideas on that point? How would you like to see OSHA operate in the future?

Secretary MARSHALL. I would like to see the basic intent and purpose of the law carried out. I think it is a good law. Therefore, I think that the problem that we have is not necessarily with the legislation, but with the implementation.

There are several problems associated with it. Our problem is, we are dealing with a complex subject, once you move into the health

area particularly. But I think also we need to develop a strategy for effectively administering the law.

Part of that relates to the regulation-writing process. We need to get good regulations and to perfect the process of regulation-writing.

My view is that we need to involve people who are being regulated as much as we can in that process, so that we will know as much as we can about the circumstances being regulated.

I also believe that we need to develop enforcement strategies because we are not likely to have adequate resources to completely cover all of the areas that we have to cover. It means that we need to develop some strategies to pick out the most important areas and concentrate our resources on those.

I do not believe we should ignore any areas where you are likely to have occupational health and safety problems. But I think in order to do as much as we can with the resources we need to develop a strategy to do it.

CETA EXTENSION

Mr. FLOOD. Now you know the CETA authorization expires on September 30. Does the Department plan—do you plan a simple 1-year extension with no significant change?

Secretary MARSHALL. Yes, sir, that is what we are proposing.

BLACK LUNG PROGRAM

Mr. FLOOD. Now, Mr. Secretary, I do not know if you have had a chance to become familiar with the black lung program yet. But in our opinion that program is one of the worst-administered programs ever.

Will you give us a commitment today to try your best to straighten out that program? We think that has been neglected far too long. If you need more staff for that program, by all means ask for it.

What about that?

Secretary MARSHALL. Yes, sir, we will.

I am learning about that program.

PERFORMANCE OF STATE EMPLOYMENT SECURITY AGENCIES

Mr. FLOOD. In your opinion, are the State employment security agencies, that is the employment service, are they doing an adequate job? Are there any changes that you would like to make in that system?

Secretary MARSHALL. I do not think that they are doing a completely adequate job. Of course, we are not doing an adequate job either.

I think what we need to do with that system is to give a lot of thought to how we can make it more effective and how we can cooperate with them more effectively.

I have already met with the State employment security people. What they tell me is that we have not done as much as we can to try to encourage them to operate with us and give them guidance and direction and bring them into our consultation process. We intend to try to do that, because it is an extensive and expensive mechanism. We think there is a lot that can be done to improve the coordination between their activities and our activities, and also to pay more atten-

tion to the relationship between the Employment Service mechanisms and the CETA mechanisms.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you, Mr. Chairman.

Welcome to the subcommittee, Mr. Secretary.

Secretary MARSHALL. Thank you.

FEDERALISM VERSUS STATE AND LOCAL AUTHORITY

Mr. MICHEL. As I read and hear the views you hold from the media and the Senate confirmation hearings, one basic theme seems to come through rather loud and clear: that you are a strong advocate of Federal power, of diminished authority for the States and local communities. Your positions on right-to-work, public employee unions, manpower training, minimum wage, and common situs picketing all reflect that view. Is this really what we can expect from you in the next 4 years, a heavy hand of the Federal Government as distinguished from State and local authority in matters that come within your purview?

Secretary MARSHALL. Well, I am surprised that it comes out that way. I guess it is because my job now is a Federal job; I think in that perspective.

Mr. MICHEL. I will give you an opportunity to correct it. I do not believe every word I read in the newspaper, although when I do pick it up each morning I kind of gather there is some accurate reporting taking place and, whether or not there is a coloration in the article, that is what kind of comes out.

Now tell me something different if that is the case.

Secretary MARSHALL. We want to get as much cooperation and actual administration of programs at the local level as possible. But it has to be done within the framework of national policy.

It seems to me the main role of the Federal Government in these areas is to set policy, and, where it can do it effectively, to deal with the financing arrangements. The actual implementation of programs ought to be pretty much at the State and local level, except in these cases where we have talked about, where it seems to me that there are some Federal initiatives to reestablish some priorities.

This is particularly true in our training programs in areas like on-the-job training, in which we have a national program to deal with the private sector to bring them more into the administration of our activities and policy-formulating activities. But that does not mean that we then think we ought to do it.

DECENTRALIZATION IN CONJUNCTION WITH NATIONAL POLICY

I think once we get the program in place and have the policy, we ought to shift the responsibility for actual implementation to the local area, that is, to the local prime sponsors.

I was a leading advocate all during the time of MDTA to decentralization of these programs because I think we learned the lesson that they could not be administered effectively at the national level because of the diversity of circumstances that you face in local levels. But I nevertheless believe that it is important in many of these areas to estab-

lish national standards and national policy. One such area deals with the prohibition against discriminaton in these programs.

In my part of the country I thought it was important for us to do that and to enforce that policy. But within the confines of broad national policy, I believe in giving as much local flexibility to decisionmaking and program administration as possible because I think that the diversity of circumstances at the local level require it, if you are going to really have effective programs.

Mr. MICHEL. I don't really buy that philosophy, because what it implies is that the Federal Government has all the wisdom, while the States and localities are relegated to simply carrying out the nuts and bolts of administering a program.

PURPOSE OF FLORIDA TRIP

I note in the newspaper today, and I noticed on the tube, that you were down in Florida in the last few days or so, and reading from the media account, the week-long executive council meeting got under way, speaking of the AFL–CIO ,with an hour-long closed-door session with Labor Secretary Ray Marshall. I thought this is supposed to be an open administration. Then I read about a closed-door session.

Now, did you have any timetable to set up down there in that closed-door session for common situs picketing, repeal of 14(b), and others, that perhaps you would be willing to share with us?

Secretary MARSHAL. Well, I will share.

I did not close the door, as it was not my meeting. This was simply one of many things we did while we were in Florida. My basic purpose in going was, first, to look at the disaster unemployment assistance program that we had underway with the migrant workers in Florida. That was a very important program to us.

We wanted to see what we could learn about the process of delivering disaster relief in a hurry and to be sure that adequate safeguards were imposed.

I also wanted to meet Labor Department people and look at Labor Department programs in that area, particularly as they relate to the Spanish-speaking.

As you know, there is a very large Spanish-speaking community in Miami. In one of our skills centers there is a very innovative program to teach English to people who are illiterate in English and Spanish while you are teaching a trade. This program makes these people functional in English in 6 months by a very innovative and relatively inexpensive technique.

I wanted to examine that program and talk with some of the people who were involved in it.

And I did that. And then, in addition, I met with employers in that area, I met with two chambers of commerce, and had extensive discussions with them. It was not really until the last day that I had the meeting with the AFL–CIO Executive Council.

COMMON SITUS PICKETING

Mr. MICHEL. The Secretary of Labor, I suppose, has to show up at any national consensus. What I would like to get at is what is your

view with respect to common situs picketing, what is the timetable for running that through the Congress again, and likewise with the repeal of 14(b), what is going to be your position as Secretary of Labor?

Secretary MARSHALL. I have no timetable. My approach to it is, when asked I respond.

My response is that I favor the common situs picketing bill and I favor the repeal or some change to section 14(b).

SECTION 14(B)

Mr. MICHEL. With respect to the latter, what effect do you think repeal is likely to have with respect to the work force in this country, particularly with respect to that southern tier of States predominantly with right-to-work legislation currently on the books as distinguished from the big industrial tier, including my home State, which does not have it, of course?

I would be interested in your comments as to what effect it might have should there be a repeal of section 14(b).

Secretary MARSHALL. I think it would actually have very little effect on union membership. I do not think the right-to-work laws have much to do with union membership, and have studied that pretty carefully—I studied that question in a book I did on labor in the South, published in 1967.

At one point it was possible to take the States with and without the right-to-work laws in the South and do some comparisons. So I think in terms of immediate union membership as a result of that provision of the law, that the effect is not very great. It is marginal at best.

I think what it would do is this. It would make it difficult for the Southern States and other States to use an antiunion position as a way to attract industry. I think that has been the principal reason for the right-to-work laws.

My view is that labor standards should not be an element in competition, whether you are talking about collective bargaining, safety and health, or any other provision.

We ought to establish minimum standards and people ought to meet those standards. If you want to compete, do it by getting more efficient or by training your people better or creating a better business climate, but I do not think it is good to advertise an antiunion position, which I think is the effect of right-to-work laws.

I would rather see competition take place in other ways.

Mr. MICHEL. I think my time is up.

UNEMPLOYMENT STATISTICS

Mr. SMITH. Mr. Secretary, I too, want to welcome you to the committee. I really have one area that I wanted to explore with you.

I notice when you mention the programs that you say are most effective, I believe you said, they were not programs that are triggered by unemployment statistics. What do you think about the unemployment statistics?

Secretary MARSHALL. I think we need to do a lot to improve them, that they now are not good measures of people not working.

Of course, the BLS has been doing some things to perfect that. We are thinking about it a lot; we have a commission we have to appoint. But the answer right now is that the unemployment statistics are frequently misleading about the people not working.

We also need to get better measures of geographic unemployment than we currently have. Most unemployment statistics are biased against the rural areas, for example, because many of the rural unemployed are not counted or the rural not-working are not counted.

We also have a circumstance where things could really get worse and unemployment go down as the people quit looking for work and things really get bad. You would report that, as the BLS is doing now.

You can find out how many people have been discouraged and make an estimate of it. But if things really get bad and you quit looking for work, it is strange to me that you are no longer considered unemployed. We need to do much better than that.

I think we need to do more to examine the characteristics of people who are unemployed, because it is very difficult to target programs unless you know as much about that as you can. We need to disaggregate improved measurement and do a lot of thinking about the implications of the different statistics.

Mr. SMITH. I could not agree more with what you say, but how important is this?

Secretary MARSHALL. Very important.

Mr. SMITH. Is this going to be a top-flight issue?

Secretary MARSHALL. Yes; we are appointing the commission. Of course, that is mandated by CETA to examine employment and unemployment statistics, and I have given high priority to those people.

NEED FOR ACCURATE STATISTICS ON UNEMPLOYMENT

Mr. SMITH. Members of this committee have been talking about this for years. But it seems like it has been mostly talk. Everybody says there is something wrong, but they do not do anything about it.

I know at one time that unemployment in Seattle, according to the statistics, was 15 percent; Des Moines, Iowa, it was 4 percent; there were more jobs per thousand in Seattle than there were in Des Moines. They are just no measure at all of how many people really want to work.

Then of course we have this thing of second members in the family drawing unemployment compensation. In order to supplement the income they get enough out of unemployment compensation so they do not want to work.

Then we have at the same time some who have never had a job, never had an opportunity to get unemployment or a salary, either one, and they do not show up.

What really disturbs me is to find that every Congress we adopt a couple of more laws that trigger on those faulty unemployment statistics. Now we are trying to use them as a determination of where to put money for jobs.

It just seems like to me there could not be a more important task for a new Secretary of Labor than this, and really, it ought to be top-flight priority and get the results fast. It is getting worse all the time instead of better.

Secretary MARSHALL. I agree. And this is a high-priority issue with us.

I have been trying to use these numbers both in programs and for research purposes for a long time and am concerned about the problem.

AVAILABILITY OF ACCEPTABLE JOBS

Mr. SMITH. Let me ask you this question: What we really would like to know is, how many jobs are there available for people who really want to work? Is that it?

Secretary MARSHALL. We want to know that. We want to know also, if you have people unemployed and they will not take those jobs, why not? That is important.

First, we need to know about the jobs. But we also need to know whether there are people in those areas who would appear to be eligible for those jobs, and if so, why do they not take them?

The numbers will not help you much for that, the way it is now. I think the kind of things we need to do is not to just know about the jobs, but a good deal of the characteristics of the jobs; whether it is high turnover, how many hours you can work, whether there are disagreeable aspects of the job that might be corrected.

One of the best ways to find that out is to get information from the workers who are in that area, find out what they know. They might not even know about those jobs. So it is a tough problem. It might be (when you ask them) that the wage rates are not right. That is an important consideration.

They might say the wage rates are all right, but you cannot work enough. You try to put in enough time and you are lucky if you work 18, 19, 20 hours a week.

That information would help. You say: what do we need to do with those jobs to overcome the problems that caused the workers not to take those jobs?

Therefore, how can we get a better measure?

PROPRIETY OF USING UNEMPLOYMENT STATISTICS

Mr. SMITH. I sometimes wonder if it would not be valuable to take a scientific poll and compare it to the statistics that we have and see if that might not be more accurate than what we are using.

I just wonder if, in the meantime, we should not downgrade the use of these statistics on these unemployment programs that we are launching this year?

Secretary MARSHALL. Well, I think the first part of that is, we will probably never get it. We can do a lot better with statistics, but it is better to use what you have with the adjustments you know how to make in them.

I have worked for a number of years with the concept of subemployment rate, which makes a lot of sense even though it, too, is imperfect, which tends to add to the unemployed that part of the work force that would take jobs if jobs were available and try to compress part-time work into full-time work so that you get people into those jobs who would like to work fulltime. I might add, in this case, that people who work part time are also unemployed part time.

You need to make some estimate of that. Then, depending on your purpose, you might want to add to that the proportion of the people who are working full time and making less than the poverty wage.

If upgrading is your problem, the statistics are meaningful only if you are trying to solve some problem with them or use them for some particular purpose. I think what you have to do is examine the utility of the statistics in the light of the purpose that you have.

The unemployment statistics concept that we have now was one that was developed for a much different kind of problem than the one we face today in terms of unemployment. It grew out of the depression of the 1930's when unemployment was pervasive and fairly homogeneous. It is not well-suited for the targeting approach that we are trying to use now and in allocating resources, as you mentioned, among different areas.

The BLS is alert to that. There are a lot of people who are working on it. The commission that we are going to announce very shortly will get underway with that problem.

Mr. SMITH. When will they report?

Secretary MARSHALL. It reports within 18 months of the time that we announce it. We will announce it in the next week or so.

Mr. SMITH. Thank you.

Secretary MARSHALL. Let me also amend that to say that we hope parts of it will be available prior to the end of the 18-month period final report then, but there are some matters I think we can deal with much faster than that. We can just bring people together and come to grips with those parts and move on to other things.

Mr. FLOOD. Mr. Roybal?

USE OF CETA FUNDS TO SUPPORT POLITICAL JOBS

Mr. ROYBAL. Mr. Secretary, I have been concerned for some time about the misuse of CETA funds. Now CETA regulations prohibit CETA employees from working in the office of politicians such as Congressmen, city councilmen, and others.

These regulations have been on the book for years and have been reissued and strengthened within the last 6 months. We still find, however, that in most of the major cities CETA employees still work in political offices.

Now, when will these regulations be enforced?

Secretary MARSHALL. I think we need to enforce them right now if that is the case. Maybe I ought to let Mr. Hewitt report on that. I am not familiar with that particular problem.

Mr. HEWITT. We are enforcing the regulations in every instance where it comes to our attention that the prime sponsors are in violation.

Mr. ROYBAL. I brought this matter to your attention several years ago, 2 years ago at least, and nothing has been done in various cities that I know of. They are still working in these offices.

In my opinion, these are moneys that are being used and taken away from those that really need it; these are people who are not being trained for any job, but are just going out representing the elected official at public meetings.

Now, my information is quite reliable. I know that CETA money is being used. Then city moneys are being added to it, so that individuals are paid 12, 16, 18, $19,000 and more.

Now that was not the purpose of the CETA program, was it?

Mr. HEWITT. Well, it is not permissible under the statute to engage in political activities, but local supplementation of the $10,000 limitation is permissible.

Mr. ROYBAL. That may be permissible, but we have constantly tried to emphasize the point that it is prohibited under CETA regulations to have CETA employees working in offices of politicians, but still we find that the violation continues.

Mr. HEWITT. Well, I am not familiar with the specific examples that you cited, Mr. Congressman. We will certainly go back and look at those instances. It is a difficult determination when you have the chief elected executive officer in charge of running the program and the people that are going to run it for him, that is different than a PSE assignment of public service employment positions to overtly political activities; that is certainly prohibited.

To our knowledge, we are disallowing that. Now there may be some gray area situations that we have not caught to your satisfaction.

Mr. ROYBAL. Well, it is not to my satisfaction. What I am bringing to your attention is the fact that there is a regulation that prohibits CETA employees from working in offices of politicians. If there are any CETA people working in any office of any politician, they are in violation, are they not?

Mr. PUGH. That is correct.

Mr. ROYBAL. Then why does the practice continue?

Mr. PUGH. There is a report which the Department has been requested to submit to the committee. That is due as a result of the language in the continuing resolution report.

This pertains to the public service employment program. That report is in preparation and we expect to have that to the committee by tomorrow, which focuses on the issue that you are raising now.

Mr. ROYBAL. Does that report indicate that something has been done?

Mr. PUGH. I am not familiar with the contents, the details of the report, but it does focus on the issues you are raising here and I am sure it focuses on violations and what corrective actions have been taken.

Mr. ROYBAL. Why has it taken 2 years for even the report to be written? Do you have any idea?

May I say that the CETA concept is excellent. There are some violations, but the use of CETA employees in the employ of elected officials is probably the worst violation of all.

EVALUATION OF CETA PROGRAM RESULTS

Now CETA has been running programs for disadvantaged groups for the past few years. What kind of results can you show for graduates of your various programs?

Can anyone tell me that?

Mr. HEWITT. We have a fairly rigorous system of evaluation in process, with a scientifically drawn sample of 15,000 enrollees all across the country per year that we are following up on for 3 years.

The first enrollees to be examined went into the CETA program in the first quarter of calendar 1975. We are just beginning to get the first followup. It is a longitudinal study of those enrollees.

We do not have followups of them for any significant time after they have left the programs, even the first group of this sample. But we expect in the next several months, without really having conclusive evidence until probably 1978 or even 1979 out of this system on the effectiveness and the post-program labor market experience, including earnings of all the kinds of people who have access to, have been afforded to participate in all kinds of CETA programs, public service employment, skilled training, on-the-job training, et cetera.

Mr. ROYBAL. It would be interesting to know whether or not the CETA program has actually been of some benefit.

Mr. HEWITT. Yes, sir.

CHARACTERISTICS OF CETA PARTICIPANTS

Mr. ROYBAL. It is a comprehensive employment and training program.

Well, I would like to know whether or not we have actually trained people to either work in Government or industry and whether or not the people who were trained were underemployed, unemployed, or people in the lowest income brackets at the time they came into the program.

Mr. HEWITT. We can supply a lot of information on the input side.

We can tell you what the characteristics of the enrollees into the various kinds of services, those that went into institutional training, what their characteristics are, et cetera, so that you know who the trainees were, how many low-income, disadvantaged, all the socioeconomic characteristics that they display.

We can tell you how many of them went into training versus how many of them went into public service employment in each fiscal period, and so forth.

What we do not have yet and which we are getting with this elaborate evaluation design is their experience after they get out of these programs, which takes some time.

You have to set up the program, put the people through them, and give them a year or two experience in the labor market, before you can have conclusive evidence as to how they fare when they come out.

I would like to say that all of our evaluations indicate that there is a positive payoff in this kind of activity.

We hope that the CETA method of decentralizing decisionmaking has increased the payoff over what it was under the federally run programs.

They certainly are placing people who come through the programs. We just do not have the conclusive evidence at the end of the whole process.

JOB PREPARATION OFFERED BY CETA

Mr. ROYBAL. I am glad to know people are being placed after they do get trained. One of the excuses given to me by a city councilman for hiring 18 CETA employees was that they were all training to be field representatives in spite of the fact that only one field representative is permitted.

Eighteen people were training for a job that is never going to be open. I think that is wrong.

Mr. HEWITT. I certainly would think that something less than good judgment was used in that kind of overtraining. We found a lot of that in MDTA.

Mr. ROYBAL. Do you not agree that a lot of money was wasted that could have been and should have been used to supply jobs for the unemployed?

Mr. HEWITT. The circumstances, as you have stated them explicitly, I would have to say yes.

I do not know whether extenuating circumstances entered into the decision to train that many people for that kind of a job or not.

Mr. ROYBAL. Would you look into it?

Mr. HEWITT. Yes.

Mr. FLOOD. Mr. O'Brien?

Mr. O'BRIEN. Mr. Secretary, you have been welcomed enough. I wish you well.

LANGUAGE AS A JOB SKILL

You mentioned something about your experience in Miami dealing with the Spanish-speaking people who are not literate in English and may be not literate in Spanish. That came home to me in real life when I was a trial lawyer when through an interpreter, we realized the witness could not express himself in Spanish nor in English.

In dealing with that problem, do you think we have an obligation to teach both Spanish and English?

Secretary MARSHALL. I consider language to be an important job skill. So if you are not literate in English and if you have to deal with particularly the Spanish-speaking, it is very important to be literate in Spanish.

Of course, in our society it is important for people to deal with the language they are going to need to make a living.

Mr. O'BRIEN. Right.

Secretary MARSHALL. Of course, in the Spanish-speaking community, one obstacle to making a living has been learning English. I would like to see people to be able to learn Spanish also, but I do not see the same strong need, as a labor market need.

I think wherever we can get people dealing with several languages, they are better off, but not in terms of their labor market experience unless they are going to be dealing with the Spanish-speaking, in which case I think it is important to know the language.

Mr. O'BRIEN. The younger people, that should take care of itself, should it not? Most of them in my hometown are very literate. It is the older people who are having trouble?

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Secretary MARSHALL. Yes.

OSHA INSPECTION METHODOLOGY

Mr. O'BRIEN. With regard to OSHA, for want of a better comparison, let me describe it to you this way: In my home county there is a title company and there is an examining officer there, a couple of them. One of them always has a reason why I cannot do this; the other one is always trying to find out a way that he can help me do it, whatever my legal problem is.

Sometimes I have a notion that if OSHA inspectors were doctors and you had a boil on your eyelid they would not worry about whether they blind you or not, they are anxious to clear up the boil.

Do you have the feeling that sometimes the inspectors come into business, at least I do in my district, not talking about big business, small business, where the inspector has no sympathy or understanding for the man's problem who is actually providing the payroll?

Do you have many complaints about that? I do not suppose you do. But I want you to know that I do. I think that is a flaw in the system, where the inspector is not interested in the welfare, the real general health of the patient.

Secretary MARSHALL. Well, I think one of the things that we really have to do is to continue to upgrade it, to train our people, not only technically, but to be sensitive to the problems of the groups that they are concerned with.

I have Mr. Kirk here from OSHA. Do you want to make some comment about that?

Mr. KIRK. Yes.

We have received a lot of complaints from small businessmen about inspectors and our compliance officers and their operation in inspecting their places of business.

TRAINING OF OSHA INSPECTORS

We have instituted over the last year some courses at our training facility in Rosemont, Ill., to attempt to make our compliance officers better aware of the kind of problems small businessmen face and the kinds of interaction that we would like to see with them ideally.

We set up situations for them to go through, some practice runs, if you will, about how to interact better with smaller businessmen, and understand their problems better. This is part of a whole series of activities that OSHA is undertaking in the small business area, including setting up some information lines, toll-free telephone lines that small employers particularly can call in on if they have questions, for reference of information, to request on-site consultation with State authorities.

We are very aware of the problems we have had with small business. We have tried over the last year or so to take some steps along that line.

We are also going to be continuing in these efforts under Secretary Marshall.

Mr. O'BRIEN. I think you are to be commended on that. I think it ought to get a little more notoriety, because some of the people who are affected by it do not know you are trying to be of help.

I also would like to commend you on the notion that your budget field staff has not gone up over 1977 and 1978; as far as I know you are the only ones who have come in here on that basis.

REQUIRED WORK FOR UNEMPLOYMENT INSURANCE RECIPIENTS

With regard to the unemployment insurance situation, Mr. Secretary, what would your notion be about—let me add some other facts to the scene before I ask the question.

In my home newspaper, as elsewhere, I have found a lot of ads for employment, seeking people to work. Apparently some of these jobs are just not desirable, people do not seem to respond to them, although the unemployment rate remains rather high.

You also get the beef that people on unemployment insurance rolls have no real incentive to go out and do anything in some of those areas.

What would be wrong with a person who is coming into a local area for unemployment insurance being required, say, 3 or 4 days out of 5 to do a senior public service type of job within the community there? I could spell it out, but that is the general notion.

It seems to me possibly the other day or two you would allow them free, would be ideally time that they would have an opportunity to look for another job.

Is there anything fundamentally unsound in that proposition?

I am just speaking of able-bodied people.

Secretary MARSHALL. My preference would be that we get jobs for everybody rather than have them on unemployment insurance.

I think the system was designed for relatively short-term unemployment, people who could find a job in a hurry. If you get long-term unemployment, the system was not designed for that.

It seems to me we are much better off having a jobs program, putting people to work. If, after some period of time you consider to be reasonable, they have not been able to find a job, we could examine the reasons why they have not, and then either provide training or public service employment rather than continuing to have them on unemployment insurance. I think that is better because we get the productivity that we need.

I think the only problem that I could see with the shorter term requirement that you take public service employment is that if you had people who were forced into that, then there would be the complaint that you might be taking jobs away from people or you might be forcing people into low-wage occupations and then you would get some objection to that.

But I think it is an idea that we ought to explore, either training or public service employment in conjunction with unemployment insurance in order to make judgments about the whole question.

Mr. Hewitt, do you want to comment on that?

NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION

Mr. HEWITT. I would supplement it by saying there is a National Commission on Unemployment Compensation that is to be set up in the near future to look at the whole system. It has really not been significantly modified, at least in concept, since 1935 when it was adopted as part of the Social Security Act.

This commission really has as its mission to look into a lot of aspects of it, whether we continue to finance it the way we have, whether it is adequate for the short-term layoff situation or whether it is utilized too heavily for seasonal layoffs for one reason or another.

Some industries have model changeovers, people can get on unemployment insurance and so forth. There are a lot of aspects to each one of these questions. That particular question, one of the things it was set up to do was to try to retain workers who were already trained on their jobs in that labor market rather than have them disperse due to a temporary curtailment of work in one establishment, so that they could continue to use the skills that they had developed over the years in that kind of employment. So that sustainment of utilization of skills is one of the important aspects of it.

Clearly, when you get into long-term employed, like the FSB program now has benefits up to a maximum of 65 weeks, it loses many of the characteristics of its former insurance principles and is in substantial need of examination.

Mr. O'BRIEN. They are two very separate groups, are they not?

Mr. HEWITT. The disincentive effects of unemployment insurance have not really been examined extensively. We had a study the Federal supplementary benefits program, this past year. We did not find any in that program. That obviously is a function of the exuberance of the labor market.

In a very loose labor market, you probably have difficulty finding evidence of disincentive effects when the jobs are fairly scarce to start with.

We think that the Commission is very much needed to examine in depth a number of these very difficult issues.

Mr. O'BRIEN. Thank you.

Secretary MARSHALL. Thank you, sir.

EXTENSION OF FEDERAL SUPPLEMENTAL BENEFIT PROGRAM

Mr. FLOOD. Mr. Secretary, are you going to recommend a 1-year extension of the so-called FSB program, Federal supplemental benefits? It expires March 31.

Secretary MARSHALL. Yes, sir, we have recommended that.

Mr. FLOOD. What changes is the administration going to recommend in the current FSB law?

It expires on March 31.

Secretary MARSHALL. We have recommended an extension of the current FSB law.

Mr. FLOOD. For 1 year?

Secretary MARSHALL. Yes, sir.

Mr. FLOOD. Any changes at all?

Secretary MARSHALL. Well, there are several things under consideration.

Since I was out of town, I do not know whether the economic policy group decided on it. There are several problems that we are urging within the Department that still have to be worked out with the administration.

There is no problem over the extension. There is a question about the triggering mechanism, the phaseout and the funding of the program.

We are concerned about funding because we would like to get it back to the insurance principle.

Mr. FLOOD. By extension, you mean a 1-year extension?

Secretary MARSHALL. Yes, 52 weeks.

Mr. ZUCK. The extension will be a 9-month extension with an additional 3 months to cover those workers who would be eligible at the end of December of this year. Rather than it being a 65-week program, it would be a 52-week program.

I think these are the major changes.

NEW APPRENTICESHIP EFFORTS

Mr. FLOOD. Mr. Secretary, we know that you have had a long-standing interest in the apprenticeship program. Here you are requesting additional funds in 1977 and 1978. You want to try out some new things in apprenticeship.

Can you tell us a little more about what you see evolving in this whole apprenticeship area?

Secretary MARSHALL. Yes, sir.

I woud like to see the program expanding into new areas because I think we could greatly improve the earnings of people and their productivity and their flexibility. We have done fairly extensive work to indicate that if you compare people who have served apprenticeship programs with those who have not finished the program, the apprenticeship trained craftsmen can work at a much larger variety of the occupation or trade than he happens to be in; he is upgraded a lot faster, has less unemployment, and earns more. We think, therefore, they are more productive than those who have not.

It is good for the society because I think we get better work by people who have served an apprenticeship.

In the automotive industry, only about 1,000 have had any kind of training out of about 1 million working. We think it would be useful to expand into those areas and get better-trained people and better earnings for them and better work done on your car, say, than you can get done now.

We think in the health area there are many of the technical areas that lend themselves very well to the apprentice concept. So we are establishing programs to expand into such areas on the promotional side, to try to make national agreements with associations to get them to use apprenticeship more.

We are also trying to do some things to strengthen the small programs.

The large program in a city has no trouble, with a good program. But if you have many small apprenticeship programs, they might have difficulty getting all of the advantages that a large joint apprentice-

ship committee can give its people. So we think doing something to make it possible to bring them together and get better administration of the program, better information about the kinds of things they can do to strengthen the training, would be useful.

A serious problem that we have, that we are working on as a part of this request, is that we lose a lot of apprentices when unemployment is high. That is a serious problem for the country because those people do not get trained and then when unemployment gets lower, you get a shortage of skills in particular areas that makes it difficult to expand economic output.

It is also unfortunate because the best time to give people long-term training is when unemployment is high; it costs the society less, it costs them less.

What we are trying to do is to demonstrate some ways to hold apprentices when unemployment goes up so we will then have the supply of skilled manpower in the long term.

RESEARCH AND DEVELOPMENT

Mr. FLOOD. Now, Mr. Secretary, you are an old hand at manpower research and development. We call it R. & D. around here. That is one of your specialties. You have an increase in the 1978 budget for manpower R. & D.

We have always had plenty of trouble trying to understand what is accomplished by that R. & D. operation.

Suppose you enlighten us on this subject. We have had real trouble with this one.

Secretary MARSHALL. Well, I think the thing that you accomplish with it is, you try to find out the answers to the problems that you have, like the one we are talking about here, trying to get a better match between workers and jobs.

Part of the research and development operation is to try to find that out, try to find why those workers will not take those jobs.

R. & D. works; I can speak from my own personal experience, and other researchers and people concerned with demonstration projects could do the same thing. You take the initial problem that I worked on as part of the research and development. That was: How do we get more minority youngsters into apprenticeship, especially black youngsters?

In 1960 the Census reported there were only 2,000 minority apprentices in the whole United States. That was at that time a very important problem.

We undertook a research project and a demonstration project to try to solve it. What we did first was to find out why more minority youngsters were not in it.

The simple answer was, it is discrimination. The real question then becomes, what kind of discrimination?

Are there a lot of people applying and not getting in?

You deal with that in a different way than you do if they do not apply because they do not think they can get it. It was important to find out the real reason.

What we found was that there were not a lot of people trying to get in. Also, the black community had the same attitude about manual

work that the white community had—namely, that they have a monumental bias against manual work, and it was pervasive in the society.

This was not a thing that high school counselors counseled young people to do.

The result of that demonstration project was the Outreach project.

Mr. FLOOD. I wish you would develop that for the record. Would you?

Secretary MARSHALL. Yes, sir, I would be glad to do that.

[The information follows:]

The Apprenticeship Outreach effort assists young persons, principally minorities and women, in qualifying for and gaining entry into industry-sponsored apprenticeship programs.

Major contractors for the program, which currently operates in over 100 cities, include the National Urban League (37 local projects), R-T-P, Inc. (27 local projects), and the Human Resources Development Institute of the AFL-CIO (22 local projects). Although most Apprenticeship Outreach projects focus on making placements in the building construction trades, the United Auto Workers (25 States) and the International Association of Fire Fighters (7 cities) operate projects to recruit and place young persons into their occupational areas. In addition, about 17 projects are sponsored by locally based organizations.

In fiscal year 1976, a total of 11,200 apprenticeship placements were made through the efforts of this program.

EMPLOYEE RETIREMENT INCOME SECURITY ACT

Mr. FLOOD. As you know, back in 1974 the Congress passed a rather sweeping pension reform law, the Employee Retirement Income Security Act; you mentioned that before, ERISA.

Secretary MARSHALL. Yes.

Mr. FLOOD. Maybe you have heard about the administrative problems downtown getting this new law under way. We get all kinds of complaints about redtape, paperwork, et cetera, et cetera.

Secretary MARSHALL. Yes, sir, I have found out about a lot of that——

Mr. FLOOD. I'll bet.

Secretary MARSHALL [continuing]. Because it is a problem. My own preliminary look at it is that a good bit of the problem is that we are dealing with a complex subject and therefore it is difficult to make it very simple.

Mr. FLOOD. That is the understatement of the day.

Secretary MARSHALL. The other problem is that there are several Government agencies with responsibility in this program. We have some responsibility, Treasury has some responsibility, the Department of Justice has some responsibility and it is important for us to work together on that. But having said all that, I still think there is much that we could do to improve and simplify the administration of the program. We have been taking a hard look at ways to do that, to see if we can accomplish the objectives that Congress had in mind, which is to protect those funds.

SIMPLIFICATION OF FEDERAL RULES AND REGULATIONS

Mr. FLOOD. Just so you know. Now we have heard that this administration is going to try and simplify Federal rules and regulations. That will be the day.

How do you plan to go about it in the Labor Department?

Secretary MARSHALL. Well, the first thing——

Mr. FLOOD. You are not going to actually read all these regulations yourself, are you?

Secretary MARSHALL. Yes, sir, I am going to do it.

Mr. FLOOD. What?

Secretary MARSHALL. I had first thought that meant that I had to do it in the sense that either I or my staff did it. But the next time I saw the President, he asked how long it was going to take me to do it.

Mr. FLOOD. Well, how long?

Secretary MARSHALL. So I decided he didn't mean that—that I really personally had to do it.

Mr. FLOOD. I understand.

Secretary MARSHALL. What I have therefore decided is that we have to have some short and simple regulations and bring in an expert to rewrite the regulations.

Mr. FLOOD. You have just restated the question. What is the answer?

Secretary MARSHALL. The answer is to take a hard look at why the regulations have to be detailed.

Now the lawyers tell me that one of the reasons for it is that you cannot enforce a general regulation, that you get legal problems in trying to do that. So what we are doing is examining them to see how we can simplify and make them readable and at the same time not sacrifice enforceability, not sacrifice the guidance that you need to get from the regulations. That means make them more readable.

ADMINISTRATION OF LAWS

Mr. FLOOD. Let me ask you this: In your opinion has the Congress given the Department, as part of the whole picture, given the Department too many laws to carry out? You have terrible backlog problems through that Department. What is it? Too many laws? Not enough staff? Poor administration of the laws? What is your opinion?

Secretary Marshall. Well, we don't have any laws that I would rather not have to enforce because I believe in the laws that we have. I think they are good laws and that they have good purposes and they are well within the purview of the Department of Labor. Therefore I don't have any complaint about the scope. We do need more people to enforce the laws. But I am also realistic about that. I think with the request that we have made here we are still going to have a problem. If you just look at it in terms of numbers of people and what part of the jurisdiction they can get, say, with OSHA, they are not likely to be able to inspect more than 5 percent of the places. But I think what we need to do, therefore, is to have better administration of the laws and develop some strategies for enforcement and to be sure that we are concentrating on the important matters and not on the unimportant.

CETA CATEGORICAL PROGRAMS

Mr. FLOOD. Going back to CETA, as we always do around here. would it be correct to say that the administration plans to place more emphasis on what we call categorical programs, the ones generated out of Washington and perhaps just a little bit less on the State and local

prime sponsors? Your budget has all these new programs and that leads a lot of people to believe that is the case.

Secretary MARSHALL. No, sir, we are not. What we are doing with the new programs is to categorize in the sense of targeting the programs on those particular groups, like veterans or groups they are trying to reach, but the administration of those programs will still be mainly by the CETA prime sponsors.

What we are trying to do is make some marginal shift to target the programs on groups who had not been adequately served by the CETA program, to give a higher priority to those groups.

DEPARTMENTAL STAFFING

Mr. FLOOD. This question is going on all over the place. I may as well ask you.

Have you selected all of your top staff in the department yet, assistant secretaries and all——

Secretary MARSHALL. Almost all of them. They are all hard at work——

Mr. FLOOD. I hope so.

Secretary MARSHALL. That was one of the main standards we used. We needed to get people who could work hard because we have a lot to do.

Mr. FLOOD. You have them.

Secretary MARSHALL. Yes, sir.

Mr. FLOOD. The Department of Labor has currently about 16,000 employees, I believe, something in that neighborhood.

Secretary MARSHALL. Yes, sir.

Mr. FLOOD. Do you think that number is going to rise substantially under your stewardship or do you plan to keep a tight rein on it?

Secretary MARSHALL. We plan to keep a tight rein on it. I don't expect it to rise substantially unless they transfer some whole functions into the Department of Labor that would require us to have more staff.

BUDGET FIGURES

Mr. FLOOD. Let me ask you this: I have been waiting for it all morning, that you might suggest it, but I am not sure. Are we to assume that the budget figures, the ones that are now before us here, before our committee, are they the official Carter administration budget? In other words, as far as you know, will there be no further change made in those figures?

Secretary MARSHALL. Yes, sir, those are the official figures.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you, Mr. Chairman.

CETA STATE AND LOCAL PROGRAM OPERATION

Following up on the chairman's line of questioning with respect to CETA, you know we used to run the manpower training programs for the most part from Washington. But that wasn't working so well. So we passed the CETA approach to disperse the decisionmaking out

to the localities. In the supplemental hearings I recall the testimony that there were increases in the title III and title IV but not title I. I think I asked the question at that time whether or not that was an indictment, indirectly, of title I in CETA, or that it wasn't working.

How do you respond to that question?

Secretary MARSHALL. No, sir, that wasn't an indictment. The essential thing we wanted to do with those programs is to target them on, say, veterans, but that the veterans program will still be run by the local area prime sponsors.

Mr. MICHEL. Yes, I understand. I wanted to just make absolutely sure that if there is a categorization, or a slotting, it is of specific groups. But as you have testified in answer to the chairman's question, it apparently would still be administered and carried on locally?

Secretary MARSHALL. The only exception to that is we will probably make some arrangement, say, with national organizations to help us, like the business group that we are trying to activate. To that extent we will have central administration.

Mr. MICHEL. I think business has to be motivated to take a more active role at the local level or it won't be effective.

Secretary MARSHALL. For some reason the business community seems to be less willing to go to local prime sponsors and to participate. So we are going to them and requesting that they participate on a national basis, but then they will also work with the local prime sponsors.

INCREASE OF MARRIED WOMEN IN THE WORK FORCE

Mr. MICHEL. One of the reasons for our persistently high unemployment rate in my judgment is the increasing number of married women who are now working or seeking work. I think the last statistics indicated something like 45 percent of married women are now working. Ten years ago that was at a level of something like 35 percent.

Do you see this trend continuing? If so, what effect does that have on the work eligible population seeking work in this country?

I don't think, frankly, that those statistics are going to show any reversal if these other things keep moving the way they have for a number of years forward.

Secretary MARSHALL. I think that is an important consideration. It makes it more difficult for us to reduce unemployment through job creation alone. I am not really worried about women and other people who want to work coming into the work force. I welcome it, as long as they make that decision. And I think it would be good for us to try to make the jobs available so that they can do it. I think there are some problems associated with it that we need to be alert to in our work. That is, if most of the new jobs that you create go to new entrants into the work force, to women and others, and you have long-term, experienced unemployed workers who are not being soaked up by the jobs that you create, then you have a mismatch. That is a problem.

I think we need to target on that.

Mr. MICHEL. Right.

I am sure a couple of years ago, when we had double-digit inflation, 12, 13 percent, that that obviously must have had a bearing on second breadwinners in a family being motivated to seek a job. But now the

rate of inflation is down to 4.8 percent, something of that nature, but I think the pattern has probably been set.

Do you perceive that to be the real reason, the principal reason for that additional number of second breadwinners in the family, trying to keep up with inflation, have sought jobs or is it this new advent of full equality, equal pay, equal work and therefore we have just that many more women in the work force as a result?

Secretary MARSHALL. I think there are some more secondary workers from families, including the women who enter the work force in a period of adversity. When unemployment goes up, if the head of the family loses a job others in the family enter the market.

Another adversity is that they don't have enough to pay the bills any more. So more people enter the work force. So you get some responses like that. But there is a long-run trend in our labor market for women to increase their proportion of the work force. I expect that trend is likely to continue with changing compositions of it, as different groups are involved.

SUITABILITY OF WORK

Mr. MICHEL. You have just touched on the area of those who are unemployed drawing unemployment compensation possibly having to take some measures to perhaps force them to accept the job if it is available—could I draw you out a little bit more on what your views are?

Say a person is unemployed for 15 weeks, 16 weeks—take some arbitrary figure of time—when do we get to that point where we say "Look, just because it isn't what you consider to be suitable," comparable to that last job, when can we step in and say "Look, you have to take a cut lower than that to start back up again or get on the running"? Is that feasible?

Secretary MARSHALL. I think it is feasible. I think it is also feasible to say "Well, maybe you need"——

Mr. MICHEL. You know, under the suitability of work provision that we have under the food stamp program, et cetera, you can't get anybody to administer the thing, and in our whole welfare reform thing that suitability of work requirement is just so much hocus-pocus. Nobody really wants to sit down and administer it the way it ought to be administered. Unless you do that, we are just going to keep going on the same old way. A fellow says "I got 39 weeks or 52 weeks of benefits, and we just extend it and extend it. I think that is what I want to target.

I am all for really targeting in on these people, the truly unemployed for legitimate reason and cause. But then sometimes we have to make some adjustment here. We can't go on interminably that way.

Secretary MARSHALL. I think the whole question of the relationship between our unemployment insurance and income maintenance system and the work force is one of the things we really need to give careful thought to, and to think through the implications of maybe requiring people to be trained at the end of some period of time, and if jobs are no longer available, to have public service jobs or some other way to maintain them than unemployment insurance. As Mr. Hewitt men-

tioned this is one of the things that this Unemployment Compensation Commission ought to take a careful look at.

RIGHT TO STRIKE OF PUBLIC EMPLOYEES

Mr. MICHEL. With all the new movement of unions in the public employees sector, do you support the right of public employees to strike?

Secretary MARSHALL. Well, it is not a question I think you can answer across the board because I think that in some cases public employees ought not to have the right to strike, in the safety areas, policemen, firemen, those kinds of areas.

I find it difficult——

Mr. MICHEL. How about for a hospital?

Secretary MARSHALL. I find it difficult to make a hard distinction between public and private. Some hospitals are private, so should they be permitted to strike and public hospitals not be allowed to strike? I do not take the view that all public activities are more essential to the society than all private activity. Some private activities are essential and we have the same kinds of problems. I believe public employees ought to have the right to bargain collectively. They ought to have the same rights that others do. They ought to have the choice themselves. They ought to organize and bargain collectively through representatives of their own choosing. I think in order to have that you need to have some way, on the employer's side, to set a time to come together for agreement to create some pressure for the employer to bargain. If there is no pressure on the public employer's side, then you really can't have bargaining, because the employer knows that management can hold to its position and nothing can be done about it. I think each case has to be examined. You might let a strike take place if you thought that in that case it would not do great damage to the public, or you might not. You would have the right to use what I have called and other people have called an arsenal of weapons approach. We go in, examine this particular case, try to mediate, conciliate, have third-party intervention. If that failed, then you make a judgment: Do we let this strike go on or not? And then have ways to prevent it, to arbitrate it.

Mr. MICHEL. How about compulsory arbitration?

Secretary MARSHALL. I don't like the word compulsory. I think it depends on how you handle that. I think you could have binding arbitration which is different in that you don't have to take whoever they put up to be the arbitrator. The parties would have a choice to make. I think in many areas that would be an effective way to deal with the problem. In that way you would at least know on both sides that an impartial third party would take a careful look at the positions you have taken. It is a very difficult problem.

UNIONIZATION OF THE MILITARY

Mr. MICHEL. Do you think they will ask you, if this question of unionizing the military forces gets any more play than it is getting, that they will be asking you for a judgment on that?

Secretary MARSHALL. I expect so.

Mr. MICHEL. Do you have any off-the-top-of-your-head feelings about that?

Secretary MARSHALL. Yes; my judgment is that I have not advocated the unionization of the military. I do believe there are effective parts of the participatory process that the military could effectively use in some grievance mechanism outside the chain of command. My military experience convinces me in many situations you don't get adequate information as to grievances workers have through the chain of command, partly because you have to complain about the people who caused you the grievance. If you go grieve to the sergeant and he has to pass that on to the lieutenant, you are not likely to get adequate redress.

So, I think it is important to examine that whole question very carefully. I believe collective bargaining can improve the efficiency of any large organization and the participatory process can improve the operation of any large operation or it can hurt it. It is clear that the military doesn't lend itself to the usual kinds of collective bargaining procedures so I wouldn't advocate that at all.

PREPARATION FOR WORK

Mr. MICHEL. I was pleased to note in some of your writings you are apparently concerned about the lack of relationship between the world of education and the world of work.

Secretary MARSHALL. Yes, sir.

Mr. MICHEL. Amen.

It seems this is one of the key areas insofar as employment of our youth is concerned in that too often they don't come out of school prepared for employment either at the high school or college level. Are you going to be working with the Office of Education?

Secretary MARSHALL. Yes, sir; we already are working with them.

Mr. MICHEL. I am glad to hear it. You will get an awful lot of support from this committee.

SPECIAL CONSIDERATION FOR MINORITIES

Let me throw a little hot one to you, only one, and then some of the oncoming witnesses. You know the word "minority" is not mentioned once in the entire Civil Rights Act of 1964.

Why has the Department sought to give consideration to certain groups when the intent of the law was to do away with special treatment?

Secretary MARSHALL. Well, I don't think that is a hot one at all. Of course, we don't operate under the Civil Rights Act. We administer the Executive order.

Mr. MICHEL. You are talking about No. 4, is it?

Secretary MARSHALL. Both, the OFCC program for which we are responsible, and it seems to me it is important in many cases to take special action like with the ones with which I am most familiar, the apprenticeship outreach program. There, although the program was available to everyone, it was targeted to groups with special needs. In

other words, Mexican Americans, Spanish-speaking, whites, anybody could come through it, but you would set it up in a predominantly black neighborhood to do your recruiting. You could also target it for disadvantaged.

Mr. MICHEL. How about a Polish neighborhood?

Secretary MARSHALL. Sure. But if you set up a program for people who have been excluded through apprenticeship programs, more people will benefit from that program in the excluded group than in the nonexcluded groups. For instance, you expect more blacks to take part in that program than Poles unless you are in a neighborhood where Poles have been excluded and that has happened because of the heavy emphasis on nepotism.

The advantage of this approach to it. I think, is you meet all the legitimate objectives of the parties involved in the process. You keep the qualifications and you try to keep the quantity of the program and at the same time you see to it that more people who have been excluded are included in it. Then you hope that program can then phase out once it gets institutionalized. So that is one of the recruitment sources you ordinarily use in order to select workers. I think it has been a very good program and it greatly increases that approach. It is based on the assumption you have to do more than simply lower the barriers if you want to get people through. You have to go out and actively recruit and bring in the people who have been excluded. The distinction is between overt discrimination and its institutionalization. In the overt case, nobody applied, somebody might apply and yet not get accepted. But you can get much more pervasive and stranger discrimination because the patterns have been built up so that you didn't even know anybody who was in that program because of the general assumption that if you applied for a job there to enter that training program you wouldn't get it anyway. Your counselors told you that; your parents told you that; you did not know anybody who had; so you didn't aspire to it.

The outreach concept is to break that down by compensating those groups who had been excluded by tutoring and helping them to prepare to enter those programs. That is why I think it is important to have such targeted activities.

AFFIRMATIVE ACTION

Mr. MICHEL. We had a number of discussions last year on affirmative action as to whether the corporation was to establish a quota system. Do you believe in that?

Secretary MARSHALL. I believe in affirmative action but not in a quota system. A quota says you have to get so many people in regardless of whether they are qualified or a whole number of other things. The outreach program is where you go out and recruit people and try to get as many as possible to come in. If you are a Government organization, you can tell an outreach organization your quota is to try to get in 40, or whatever. That is a lot better than telling an employer, "Look, you have to hire 40".

Mr. MICHEL. Can you just capsule, define for me affirmative action?

Secretary MARSHALL. That you take positive steps to include people who have been excluded.

SIMPLIFICATION OF REGULATIONS

Mr. MICHEL. That is pretty short and succinct. Now, if all your regulations which come from your Department will be that short, sweet and to the point, I would say that is one of the greatest things which could be accomplished. I was pleased that the President made the recommendation to each of the Departments that they read each of those regulations. That is going to be a major task for Califano.

Secretary MARSHALL. I looked at ours and it turned out to be 500 pages. I can handle that in 1 year's time. But understanding is another thing.

Mr. MICHEL. That's true. If you can't understand it you have to assume the poor devil out in the hinterland doesn't know. I force myself to fill out my own income tax returns to see what the majority of the people have to go through. Fifty percent of the people have to retain somebody to prepare their returns.

Secretary MARSHALL. I was fortunate. The first one I signed had to go to the Assistant Secretary but I will be spending more time on this matter.

Mr. FLOOD. Mr. Roybal?

HIRING OF NEW STAFF

Mr. ROYBAL. I have a follow-up question. You indicated to the chairman that you have hired almost all of your staff. How many have you hired up to now?

Secretary MARSHALL. They have not all been approved yet, but we have made decisions about them, so it is not right to say we have hired them all. Some are working as consultants because they have not gone through the clearing process. What I said to him was that we had hired almost all the top level staff people.

Mr. ROYBAL. But not all have been approved.

Secretary MARSHALL. No, sir. In fact, I am the only one who has been approved.

Mr. ROYBAL. But you say they are working?

Secretary MARSHALL. Yes.

Mr. ROYBAL. They are working as consultants?

Secretary MARSHALL. Yes, sir.

NEW STAFF WITH SPANISH SURNAMES

Mr. ROYBAL. Those who are performing as of the moment, how many have Spanish surnames?

Secretary MARSHALL. None of those who are performing as of the moment.

Mr. ROYBAL. Why is it that the Carter administration is excluding persons with Spanish surnames?

Secretary MARSHALL. I have not actively recruited persons with Spanish surnames. I considered one such individual but he went to the Department of Agriculture after I mentioned his experience in rural matters to the Secretary of Agriculture.

Your question is a good one. We are trying to have an outreach program. I think it is terribly important for us to do that. I had

hoped to have Spanish-speaking persons in the first six or seven appointments we made. I did not succeed primarily because of the fact they went to work elsewhere.

Mr. ROYBAL. Yes; but I am sure that there is more than one qualified person who could have been hired for that position.

Secretary MARSHALL. That is right.

We have Spanish-speaking people under consideration for those jobs we have not filled.

Mr. ROYBAL. Up to the moment, I can only say that I am very disappointed when I see the hiring practices of this administration. I hope that there is some change. I am glad to hear that at least you have in mind certain changes.

Secretary MARSHALL. I am disappointed, too, in our own case, that I have not been able to attract and get more Spanish-speaking people working for us.

Mr. ROYBAL. In the overall employ of the Labor Department what is the percentage of persons with Spanish surnames you have?

Secretary MARSHALL. We have that information for you.

Mr. ROYBAL. It is pretty low.

Secretary MARSHALL. It is not good. It is 3.1 percent.

Mr. ROYBAL. We find the same thing is true in Government as a whole. In fact, when President Eisenhower became President, I think the figure was 2.5 percent of all Federal employees had Spanish surnames. Today it is 3.3. That's a big increase of eight-tenths of 1 percent in more than 20 years. If this policy continues, it will only take 97 years to reach parity.

We won't be around 97 years from now and it seems to me that if we are really interested in affirmative action that this is one place where we should start. I am not saying just the Labor Department, I accuse every department of the Government, with few exceptions, in not doing enough to get persons with Spanish surnames in their employ.

Secretary MARSHALL. I agree. We will continue to work at trying to get Spanish-speaking persons employed.

Mr. ROYBAL. Equal employment opportunity legislation was intended for everybody, not just one group. Included in that are people with Spanish surnames.

Thank you very much.

Mr. FLOOD. Thank you, Mr. Secretary.

[The following questions were submitted by members of the subcommittee to be answered for the record:]

MR. MICHEL

Question. Mr. Secretary, I asked this question last week, but I would also like to hear your response in view of your position that one of the priorities of the Labor Department ought to be to improve the productivity of workers. When the NLRB witnesses were before us, they indicated that much of their backlog could be overcome if only they could get a full 8 hours a day work from each of their employees. I presume the same could be said for the Labor Department. What plans do you have to improve the productivity of your own employees?

Response. We believe that our employees can be most productive if they understand the goals and objectives of the Department and if they understand that, whatever their jobs, they make an important contribution to achieving the Department's goals.

Secretary Marshall has been observing the operations of the Department through a series of walking tours through the offices. He hopes to better communicate the goals and objectives of the organization to our employees by means of these informal visits, establishing and retaining broad personal contact with a large portion of the Department's staff.

We are planning to revitalize the employee suggestion program to tie it in closer with productivity improvement. We also plan to make productivity improvement an objective of each analytical study, management review, and organization change analysis that takes place in the Department. In addition, our staff is looking at what incentives we can offer managers in the Department through the reallocation of resources which are saved through productivity improvement to other priority activities.

To assure that the idea of productivity improvement gets down to the lowest operating level, we are asking that first line supervisors in the Department be given training in productivity improvement. We hope to expand the effort of both our employees and supervisors to think about and work on productivity improvement.

Question. Quite a few business people have expressed concern that because your views and personal ties are quite close to organized labor, business will suffer in its dealing with the Labor Department, whether overtly or covertly. Do they have a legitimate concern in this regard?

Response. My background has been almost entirely in the academic community. Although my interests have been in labor matters, particularly problems of unemployment, I do not think my actions as Secretary of Labor will be influenced by any relations I have had with organized labor.

Question. A Labor Department report recently stated that wage settlements negotiated last year were nearly twice the inflationary rate. Are you concerned about the inflationary impact of such settlements?

Response. Yes; I have a substantial concern about the possibility of renewed inflation. I plan to carefully monitor wage settlements that will be negotiated during the coming year.

Question. A report by the Council on Wage and Price Stability stated that the autoworker contracts negotiated last fall were subsantially more inflationary than appeared on the surface. With wage negotiations in the steel indusry currently underway, are you undertaking any efforts to moderate union demands and insure against another inflationary settlement?

Response. The national labor relations policy of this country is to support free collective bargaining. I fully agree with that policy. I do not believe that the Government should intervene in negotiations between private parties except in rare and unusual circumstances where the national welfare is involved. President Carter indicated that he was disturbed with recent price increases in the steel industry, but those prices were not moderated. He probably would again indicate concern if he felt that a wage settlement would have a serious inflationary impact.

Question. I need to ask a similar question regarding your expression of support for repeal of section 14(b) of Taft-Hartley. What's wrong with letting the States make the determination? Haven't we centralized enough things as it is at the Federal level?

Response. It is my view that the policies of our Federal labor relations legislation should be uniformly applied to all of the States. It should be noted that section 14(b) is the only provision of the Taft-Hartley Act which allows the individual States to exempt themselves from the policies prescribed by that law.

Question. Are you taking some of these positions because you personally favor them or because organized labor wants them?

Response. Certain aspects of labor relations legislation, such as section 14(b) of the Taft-Hartley Act, arouse intense feelings on various sides of the issue. It is my hope that the dialog on these aspects of the law can be conducted with a mutual respect for the sincere views of those with whom we may disagree.

Question. When we had the National Labor Relations Board up before us, the witnesses suggested we ask the Labor Department why there has been such a large increase in complaints filed in recent years, whether it be in NLRB, EEOC, minimum wage, or what have you. It seems to be occurring across the board. Do you have any explanation, or are you making any effort to find out?

Response. Generally, it appears that labor organizations and workers today are more sophisticated and have a greater awareness of job-related laws and rights than their counterparts in years gone by. Much of this awareness can be

attributed to the establishment of case precedents and easy and current access to information. All of this results in increased filings of complainants' seeking to rectify alleged wrongs under the numerous forums provided.

A clear example of this trend was developed under Executive Order 11491, as amended, which is administered by the Department of Labor.

Thus, in the Federal sector under Executive Order 11491, as amended, increased concentration on negotiating collective bargaining agreements and the servicing of those agreements by exclusive representatives of existing bargaining units has resulted in an increase in unfair labor practice filings in fiscal year 1974 of 46 percent over the previous year, an increase of 32 percent in fiscal year 1975, and an increase of 33 percent in fiscal year 1976. Much of this increase is attributable to the acceptance of the program by the parties involved whether they be activities, labor organizations or individual Federal employees. Additionally, part of the increase in such filings experienced in fiscal year 1976 and those increases projected for fiscal year 1977 and fiscal year 1978 are attributable to the Assistant Secretary's new responsibility under Executive Order 11838 to independently investigate unfair labor practice complaints, which procedures afford those who had previously been reluctant to file a complaint, the opportunity to have it investigated by an independent third party. The employee, be he Federal or private sector, is demanding those rights and equities bestowed upon him by law or tradition, and currently has those means available to him through the Executive Order, NLRA, and EEOC to achieve such rights.

Question. I understand you support the idea of public employee unions. I presume you simply favor such unions at the Federal level? Surely you wouldn't presume to have the Federal Government impose its will on State and local governments in this regard, would you?

Response. I believe that State and local public employees should have the right to organize just as do the members of other segments of our society.

Question. What about employees under the civil service and military personnel? Do you favor giving them the right to unionize?

Response. Federal civil service employees now have the right to organize and, in fact, the Federal sector is largely organized. While I do not support full organization for military personnel, I believe some means of handling grievances could be developed which would improve military morale.

Question. You also have been quoted as favoring the right to strike by most public employee unions. Doesn't it concern you at all that such unions with the ultimate power to strike may have the effect of undermining our democratic system of government by interferring with the ability of the people and their elected representatives to determine the expenditure levels of their government?

Response. I have said that I favor some limits on the right to strike by certain groups of public employees such as police and firefighters. Even with the right to strike, there is no reason to believe that employee unions would obtain all of the benefits they seek. The expenditure levels of their government are determined by the elected officials.

Question. As a specific example, if the employees of your department were all organized and had the right to strike, and they used this weapon to try and achieve substantial pay increases, this subcommittee would be put in the position of having to bail you out with increased funds or else have the wheels of the Labor Department come to a grinding halt. In effect, we would be subject to blackmail. Do you really favor placing us in that kind of a position?

Response. As you know, Federal employees do not have the right to bargain for pay increases nor to strike. I cannot imagine a situation where the Congress would be forced to provide additional funds to the Department of Labor to resolve a dispute even if Federal employees had the right to strike. Most strikes average only about 18 to 20 days in length and, as in private industry, many functions can continue to be carried on during that period by supervisory employees who are not involved in the strike.

Question. How do you think productivity can be improved generally in this Nation?

Response. This country has a history of a continuing improvement in productivity. Although there have been periods when the rate of productivity has declined, that generally has occurred when industrial production has been operating well below capacity. I believe that you will see again an increase in productivity in the months ahead as we recover from the recession of the last 2 years.

Question. One of the shortcomings of the CETA title I program in my view has been the lack of effective participation of the business community. This may be why less than 30 percent of the title I enrollees end up in jobs rights after they leave the program. CETA is up for renewal this year. Are you planning on suggesting any changes to enable greater participation by the business community and a greater tie between training and actual jobs available?

Response. Input into title I programing is obtained from the local business community through their representation on the prime sponsor's planning council which is provided for under the CETA regulations. In addition, representatives of the business community must be appointed to the State manpower services council.

In an effort to further provide sector involvement in the CETA program, 1½ percent of available summer program moneys for this year will be reserved to fund a national vocational exploration program, representing a joint effort between prime sponsors, HRDI and NAB, in which participants will be exposed to the private sector. Aside from this national effort, this year's proposed summer regulations include as an allowable activity, a vocational exploration program, intended to expose youth through observation and instruction to the operation and types of jobs available in the private sector.

Question. Too often too, young people coming out of high schools don't even have the basic skills and our manpower training programs thus spend much of their time focused on this aspect when they should be spending full time on specialized work skills. Do you have nay thoughts on how we can overcome this problem?

Response. While we recognize the validity of your statement, the preparation for work which occurs in the Nation's school systems is outside of our area of responsibility. We are attempting to assist schools, particularly at the secondary level, to provide improved occupational and labor market information and counseling to guide the career choices of young people.

Further, consideration is being given to the establishment of a year-round skill training and work experience program for in-school youth to prepare them to obtain and retain employment once they leave school.

Question. After a realistic period, say 15 weeks, in which they can search for work of their own choosing, is there any real justification for allowing recipients of unemployment benefits to utrn down jobs simply because they may not deem them as being suitable?

Response. Claimants may not with impunity refuse jobs simply because they may not deem them suitable. The determination of suitability of job offers refused is made by the individual State employment security agency based on that State's law. To protect labor standards, the Federal Unemployment Tax Act provides that no State law will be approved, so that employers may credit their State contributions against the Federal tax, unless the State law provides that—

Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wage, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization.

In addition to the mandatory minimum standards, most State laws list certain criteria by which the suitability of a work offer is to be tested. The usual criteria are the degree of risk to a claimant's health, safety, and morals; the claimant's physical fitness and prior training, experience, and earnings; the length of unemployment, and prospects for securing local work in the individual's occupation; and the distance of the available work from the individual's residence. In some States as the length of unemployment for an individual increases, so does the range of wages, hours, and working conditions considered suitable.

Question. When your prospective Under Secretary was before us last week testifying on the training components of the jobs package, he said all the funds were being placed in the national programs under titles 3 and 4, rather than into title I because it was necessary to target the training on selective groups. Doesn't that indicate an attitude on the part of the administration that local people outside of Washington who administer and set the priorities under title I aren't smart enough to determine the training needs in their own communities? A big brother approach in other words?

Response. Certain segments of the population, such as youth, are clearly recognized as experiencing severe rates of unemployment. Targeting funds for particular population segments in no way relates to the inability of prime sponsors to appropriately set priorities and meet the needs of their communities nor diminishes their ability to do so. Rather, the necessity for targeting stems from the fact that the title I formula will not direct funds to assist those recognized groups experiencing severe unemployment problems into areas where these groups are concentrated. We therefore feel that targeting is the most appropriate mechanism for insuring that the funds are funneled into the areas where the greatest needs exist.

Question. Why didn't the Carter administration include legislation making the employment of illegal aliens illegal as part of its jobs package? Certainly it would seem to me that the jobs such legislation would open up to American citizens ought to be an important component of any effort to decrease unemployment, should it not?

Response. Our current regulations preclude the participation of illegal aliens. More specifically they state that: "Citizenship shall not be used as a criterion to prevent persons from participating in a program. However, program participation shall be limited to nationals of the United States and aliens who have been accorded the privilege of residing in the United States as lawful permanent residents or are otherwise legally available for work in the United States."

Question. In view of the trend whereby a greater and greater percentage of our work eligible population is seeking work, do you have any thoughts as to whether our economy really has the capacity to produce the necessary jobs to achieve so-called full employment?

Response. I have no doubts whatsoever in the ability of our economic system, in the long run, to create a sufficient number of jobs for all persons willing and able to work. And I believe we can do this consistent with price stability. While I am not sure that we should assign a single numerical figure to this objective, as an interim goal this administration is placing top priority on reducing the currently very high jobless figure. As you know, the administration's economic stimulus package proposes a multiprolonged attack on the problem. It proposes to increase the overall demand for goods and services—thereby accelerating new job growth—and, at the same time, create temporary jobs in the public sector. Combined, these efforts should go a long way in reducing the cyclical component of our unemployment. Second, we propose to reduce structural unemployment—persons who are hard to employ because of lack of skills, education, or who face institutional barriers—by expanding our training program, particularly for youth, veterans, minorities, and disadvantaged groups. We also plan to make every effort to improve our linkages with private industry, where the bulk of the jobs are created.

MR. CONTE

Question. There seems to be a quantitative increase in labor-management disputes. The coal industry is an outstanding example of an antagonistic labor-management relationship. Can you tell us what methods of negotiation are the most effective in bringing about long-term harmony, and how you can act to stabilize these particularly troubled industries?

Response. It is true that the coal industry is one which has had a number of strikes. One reason has been the method of handling employee grievances in that industry. Attempts have been made to develop an improved grievance procedure but the miners have been accustomed to striking over grievances and still call such wildcat strikes despite the new procedure. In addition, the United Mine Workers have had a great deal of internal dissension during the last 3 or 4 years. Such internal union difficulties make negotiations unstable. The Labor Department stands ready to assist the parties in trying to resolve their problems, if they are ready to accept such assistance.

Question. Because of a standard minimum wage many teenagers are eliminated from the job market. Have you given any thought to implementing a two-tier minimum wage which might give employers the opportunity to hire teens at a lower minimum wage?

Response. In periods of high unemployment, we cannot solve the problem of youth unemployment by shifting the burden to the adult population. It is hardly an acceptable solution to employ more young workers as replacements for older ones. What we need is more jobs for all persons desiring work at a

level which will achieve not less than the stated goal of the Fair Labor Standards Act. ". . . the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers." Specific recommendations with regard to youth were included in the administration's economic stimulus package which included expanded youth employment and training programs under title III of CETA and more Job Corps slots for youth under title IV of CETA. It should be noted that section 14 of the FLSA does authorize the issuance of certificates for the employment of learners, student learners, student workers, apprentices, messengers, full-time students, handicapped workers in sheltered workshops as well as in private industry, and patient workers in hospitals and institutions at special minimum wages. Under the full-time certification program alone, over 21,000 certificates were issued during fiscal year 1976 authorizing the employment of some 600,000 full-time students, 153,000 of them in retail or service establishments, over 1,000 in agriculture and the rest in institutions of higher education.

MR. ROYBAL

Question. The Bureau of Labor Statistics has been criticized in the methods it uses to count the number of unemployed. Some groups contend that you undercount numbers of their groups and overcount other groups. Do you plan to review the formula used to count the number of unemployed.

Response. The new National Commission on Employment and Unemployment Statistics will be examining these and many related issues in the next 18 months or so and then will issue a report, including a series of recommendations.

Question. On a recent nationwide television show, there was an exposé concerning flight controllers of the FAA retiring on disability retirement allegedly resulting from hypertension and mental anxiety. During the course of the show, is it true as stated, that a division of the Department of Labor is supposed to periodically check these retirees to determine whether they are still physically disabled? However, it was reported that some people have been on disability for 5 to 7 years without being rechecked. Which division of your Department is responsible to do these checks?

Response. These periodic reviews of Federal claimants receiving compensation are the responsibility of the Federal Employees' Compensation Act program, within the Office of Workers' Compensation Programs, which is a part of the Department's Employment Standards Administration. Every claim now on the periodic roll is being reviewed and evaluated in our field offices. As of February 18, 546 claims on this roll had been reviewed and evaluated. Additional resources are planned for investigation of such cases in the future.

Question. How large is its staff?

Response. In fiscal year 1977, there are 522 full-time permanent positions available for the Federal Employees' Compensation Act program.

Question. What is its jurisdiction?

Response. Under the Federal Employees' Compensation Act, all civilian workers employed by Federal agencies and quasi-governmental entities, such as the Postal Service and the Tennessee Valley Authority, are eligible for benefits due to job-related injuries, disease, or death. In addition, the act has been extended to cover other employees, such as non-Federal law enforcement officers, the Peace Corps, and Federal Reservists. The total universe of potential claimants is comprised of approximately 3 million Federal civilian employees and an estimated 350,000 other workers under the act's extensions of coverage.

Question. How large a caseload does it have?

Response. We received just over 40,000 new claims for compensation in fiscal year 1976, and based on present trends, will receive about 48,000 such claims in fiscal year 1978. We also estimate that about 105,000 continuation-of-pay cases will be filed in fiscal year 1978 which will require post-adjudication review on our part.

Question. Why doesn't it check more disability retirees for fraud?

Response. One of our major concerns is to maintain an effective case management system which includes constant monitoring and follow-up of long-term disability cases. We have requested additional staff in the fiscal year 1977 supplemental to strengthen our oversight of long-term cases. With the resources we have had available in recent years, we have been hard pressed to stay even with incoming workloads. With the additional resources provided by the supplemental, we will have the capability to monitor the long-term cases.

Question. How many additional staff positions are you allotting to this division?

Response. We have requested the addition of 123 new positions in the fiscal year 1977 supplemental to strengthen the administration of the FECA program. Of this amount, 45 are claims examiners needed to provide the additional capacity to process and adjudicate a greater volume of incoming claims, and thus provide all the claims examiners with sufficient time to thoroughly scrutinize every action; 30 positions are for the management and monitoring of existing periodic roll cases; 20 positions are to staff the FECA investigative function; 14 positions are to expand the FECA vocational rehabilitation program; and 14 full-time physicians are requested to provide qualified professional expertise to the program.

TUESDAY, FEBRUARY 22, 1977.

EMPLOYMENT STANDARDS ADMINISTRATION

WITNESSES

JOHN B. MUMFORD, ACTING ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS
JAMES D. BROWN, DEPUTY DIRECTOR, OFFICE OF PROGRAM DEVELOPMENT AND ACCOUNTABILITY
ROBERT A. DI GREGORIO, BUDGET OFFICER, DIVISION OF BUDGET AND FINANCE, OFFICE OF PROGRAM DEVELOPMENT AND ACCOUNTABILITY
MARY N. HILTON, ACTING DIRECTOR, WOMEN'S BUREAU
EVERETT P. JENNINGS, ACTING DIRECTOR, OFFICE OF WORKERS' COMPENSATION PROGRAMS
ALBERT KLINE, ASSOCIATE DIRECTOR FOR FEDERAL EMPLOYEES' COMPENSATION
WARREN D. LANDIS, ACTING ADMINISTRATOR, WAGE AND HOUR DIVISION
ALEXANDER MONTGOMERY, DIRECTOR, OFFICE OF ADMINISTRATIVE MANAGEMENT
JUNE E. PATRON, ASSOCIATE DIRECTOR FOR COAL MINE WORKERS' COMPENSATION
DORIS D. WOOTEN, ASSOCIATE DIRECTOR, OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS
ALFRED M. ZUCK, COMPTROLLER
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. We have the Department of Labor, the Employment Standards Administration.

The presentation will be made by John B. Mumford, Acting Assistant Secretary for Employment Standards.

We have your biographical sketch, Mr. Mumford, which we will place in the record at this point.

[The biographical sketch follows:]

John B. Mumford is Acting Assistant Secretary for Employment Standards, since January 31, 1977. He directs the activities of the Employment Standards Administration which include enforcement of Federal minimum wage, equal pay, age discrimination, child labor, and wage garnishment laws and administration of laws and regulations involving equal employment opportunity in Federal contract work, women's job opportunities, and workers' compensation for Federal employees, longshore and harborworkers, and black lung victims and their dependents. He served as Deputy Assistant Secretary beginning September 1976. He also continues to serve as Special Assistant to the Secretary on matters relating to the construction industry, a position he has held since 1975.

As President of National Commercial Credit Corporation from 1974 to 1975, Mr. Mumford was responsible for restructuring internal operations and consolidating the corporation. From 1972 to 1973 Mr. Mumford was a White House Fellow assigned as Special Assistant to the Secretary of Labor with primary responsibility for development of the worker assistance portion of international trade legislation passed by the Congress. He served on a White House task force on workmen's compensation programs and chairman of the Fellows' Steering Committee. From 1971 to 1972 Mr. Mumford was project administrator for construction of Walt Disney World, Florida, and in 1970 he was a summer associate with McKinsey and Co.

Mr. Mumford received a B.S. degree from the U.S. Military Academy, West Point, and served in the U.S. Army from 1962 to 1969, attaining the rank of major. He received his MBA in 1971 from Harvard Graduate School of Business Administration.

Mr. Mumford's honors include Outstanding Young Man of America in 1972 and 1974, Personalities of the South in 1973, Men of Achievement in 1974 and 1975, and Directory of International Biography in 1974 and 1975.

Mr. Mumford was born July 1, 1939. He and his wife, the former Karen Dade Alexander, reside with their two children in Fairfax, Va.

INTRODUCTION OF WITNESSES

Mr. FLOOD. Would you like us to meet some of the people you have with you?

Mr. MUMFORD. We appreciate the opportunity to appear before you today. I should like to introduce the members of the senior staff who have accompanied me. First, Mr. Charles Pugh, Director, Office of Budget; Doris Wooten, Office of Federal Contract Compliance Programs, who will be testifying as the Acting Director; Mr. Warren Landis, Acting Administrator of Wage and Hour; Mr. James Brown, Deputy Director of our Office of Program Development and Accountability; and, on my left is Mr. Everett Jennings, Acting Director, Office of the Workers' Compensation Program; on his left is Ms. Mary Hilton, Acting Director, Women's Bureau; and then Mr. Albert Kline, Associate Director for Federal Employees' Compensation.

Mr. FLOOD. You have quite a few actors there.

Mr. MUMFORD. I can assure you, Mr. Chairman, that we have all been busy during the period of our current responsibilities.

STATEMENT OF ACTING ASSISTANT SECRETARY MUMFORD

I have a statement I should like to summarize.

Mr. FLOOD. Without objection, we will place your statement in the record.

[The statement referred to follows:]

Mr. Chairman and members of the committee, we will be discussing the fiscal year 1978 Budget Request for Salaries and Expenses and Special Benefits for the Employment Standards Administration. This agency is charged with the administration of a number of statutes and Executive orders which provide the basic protections for the people of this country in their productive role as workers. The Employment Standards Administration programs cover three broad areas of protection for employees which are reflected in the budget activity titles: improving and protecting wages, elimination of discrimination in employment, and the administration of selected workers' compensation programs. In summary, the fiscal year 1978 salaries and expenses account request provides for 3,332 full-time permanent positions and $109,545,000 which includes 10 positions and $265,000 to be financed from the special fund under the Longshoremen's and Harbor Workers' Compensation Act, as amended. Program increases include $1,500,000 in the Federal employees' compensation program for operation of the

automated claims processing system and the establishment of a contingency fund in the event unforeseen workloads occur; and $750,000 to expand further the program for developing cooperative arrangements with State governments for the administration of respectively similar labor standards programs.

The special benefits account provides for the payment of workers' compensation benefits under the Federal Employees' Compensation Act, and the black lung benefits provisions of the Coal Mine Health and Safety Act. In addition, this account provides for the Government's share of selected benefit costs under the Longshoremen's and Harbor Workers' Compensation Act. The overall request for the special benefits fund in fiscal year 1978 is $737,179,000, which includes $319,360,000 in direct appropriations, and $417,819,000 in reimbursement from other sources.

I would like to describe the salaries and expenses requests by budget activity, give you a status report on all of our ongoing programs, and then conclude with special benefits.

IMPROVING AND PROTECTING WAGES

For fiscal year 1978, we are requesting a total of 1,549 positions and $47,045,000 for this activity which includes annualization of the cost of the positions provided in the fiscal year 1977 supplemental, and other mandatory increases for Federal pay raises and support services.

This activity finances several program areas. Principal among these is the Fair Labor Standards Act. About 52 million workers are protected by one or more provisions of the act. In testimony for the fiscal year 1977 supplemental budget request, we pointed out the problems we have had with growth in the inventory of complaints which have been filed by workers and others but which still await action. Because of the time lag in hiring and training new compliance officers, the complaint inventory will continue to grow somewhat in fiscal year 1977 but with the additional 67 positions requested in the fiscal year 1977 supplemental we will stabilize the inventory by the end of the year to a 6-month workload level. Further inventory growth could cause unconscionable delays in beginning complaint investigations.

The 1974 amendments to the Farm Labor Contractor Registration Act have been successful in getting more contractors to register. In fiscal year 1975, 3,125 contractors registered; in fiscal year 1978 the number will be 11,500. We are following a strategy of investigating the known contractor universe over a 3 to 5 year period, and think we can achieve a 90 to 95 percent level of compliance by so doing. We do have a long way to go, as 90 percent of the crew leaders investigated in fiscal year 1976 were found to be violating the act in some way. Since we are well aware of the hardships which these violations cause for agricultural workers, we carry out this program somewhat differently from others in this activity because of the priority needs of the workers affected and the unlikelihood that they will file a complaint.

In the prevailing wage programs, the design of an automated wage data information system for the construction wage determination program under the Davis-Bacon Act is underway. This system will permit us to maintain more data than we can presently handle, and to update it on a timely basis to assure that our wage scales for covered workers are reflective of current wages being paid in a given locality. We also hope to be able to use this industry wage data for a variety of other purposes in conjunction with the Department's program of monitoring activity in the construction industry.

We do have some problems in the enforcement of the Davis-Bacon Act. While ESA directly enforces the prevailing wage provisions on construction projects funded by general revenue sharing, the primary enforcement responsibility for all other Federally funded construction lies with the contracting or grant agency which provides the funds for a given project. Most of these agencies, particularly the grant agencies, do not have staffs specifically designated for enforcement work. We are attempting to improve this situation, but we view it as serious both for protection of workers and the integrity of the competitive bid process.

THE ELIMINATION OF DISCRIMINATION IN EMPLOYMENT

The fiscal year 1978 budget request provides 534 positions and $16,317,000 for all programs funded under this activity, and includes increases only for mandatory items. We are, however, undertaking several significant initiatives in these programs.

In the enforcement of the Equal Pay and Age Discrimination in Employment Acts, the addition of 10 compliance officers requested in the fiscal year 1977 supplemental will assure our capability to answer complaints alleging age discrimination which are received from workers or those older persons seeking to become productive workers. We will also be able to maintain a modest program of directed investigations to help these same groups. Directed enforcement is necessary in these programs to develop a strong base of case law and to insure overall compliance and protection for those who work for a living. We are also continuing to concentrate on specialized investigative training for compliance officers, target our priorities toward cases with large impact, and effectively utilize outside assistance in developing cases for litigation.

In the contract compliance affirmative action programs, several of the program improvement initiatives are being undertaken. The number of compliance agencies enforcing Executive Order 11246 under delegations of authority from the Secretary will be reduced from 17 to 11 in fiscal year 1978. This action recognizes the validity of contractor complaints regarding duplication of enforcement effort and of those of civil rights groups contending that uneveness in enforcement prevents progress in the elimination of discrimination in employment. Minorities and women should be the primary beneficiaries from the greater overall success in hiring and promotions through strengthened agency compliance programs. Industry should benefit from having to deal with fewer agencies and from a more consistent approach to requirements for enforcement. The Department's lead agency capability is also enhanced through the reduction of its span of control.

In the veterans and handicapped workers affirmative action programs, we must continue to concentrate on training for our staff and providing technical assistance to contractors and subcontractors on recruiting, "reasonable accommodation," and to obtain voluntary compliance. In the handicapped affirmative action program, we must, of necessity, be concerned with servicing complaints by handicapped individuals alleging discrimination in employment. There is a growing awareness among handicapped persons of our presence and willingness to assist. We anticipate that 2,000 complaints under this program will be filed in fiscal year 1978. Such will not be the case for the veterans program which has not generated as many complaints against Federal contractors as had originally been expected. We anticipate conducting a vigorous technical assistance and public awareness campaign to gain the public's interest and to make the beneficiaries of this law awar of its existence.

Demands for services of the Women's Bureau continue to grow. The Bureau has furnished a dozen outreach programs to open up occupations and job opportunities which have been traditionally closed to women. In the past year, the Bureau either sponsored or participated in more than 2,400 conferences, conventions and other meetings. The Bureau is an active leader in bringing the message to women workers that broader work opportunities and horizons are opening to them.

WOKERS' COMPENSATION

In the workers' compensation activity for fiscal year 1978, the budget request for all programs in this activity provides 999 positions and $32,889,000, which includes mandatory increases, as well as program increases of $1,500,000.

We will face several major challenges in the administration of the Federal Employees' Compensation Act program. The resources requested in the fiscal year 1977 budget supplemental, on which I have previously testified, will, with the comprehensive program improvements we are initiating, increase case processing capacity, strenghten case monitoring and quality control functions, improve on in-house medical evaluation capability, and expand the vocational rehabilitation program. These improvements will permit us to provide timely service to injured workers, as well as quick and accurate response to their inquiries, return more workers to a job through rehabilitation, and at the same time guard against potential abuse of the compensation system. We also anticipate full implementation of the data processing support systems for this program during the fiscal year which will, in conjunction with the new resources, improve our management capability. Because of unanticipated cost increases when operating cost estimates were made, prior to completion of the system design, and the additional processing capacity necessary to meet increased caseloads, we are requesting an additional $500,000 for annual operating funds.

The success of our overall strategy to strengthen this program is predicated on the assumption that incoming workload will not materially exceed our projec-

tions. Because of the long leadtime in obtaining additional resources through the normal budget process, we are requesting a total of $1 million in fiscal year 1978 to establish a resource reserve which could be used to process unforeseen workloads under the FECA. The appropriations language proposed in the budget for fiscal year 1978 contains a "trigger" mechanism to make this contingency fund available to the FECA program. These funds would be made available only if the rate of claims received exceeded the monthly rate of claims now projected for the budget year by 5 percent. This would establish a reserve capability to rapidly cope with unexpected workload demands. Resources to meet any permanent workload increases would be requested through the normal budget process.

In the administration of the Longshoremen's and Harbor Workers' Compensation Act, the inventory of unprocessed case actions by the end of fiscal year 1978 is expected to be approximately 4,000 such actions, a significant reduction from the 20,000 case actions at the end of fiscal year 1976 and the standard we need to achieve. Based upon the resource levels now available, we should be able to materially improve the service to both claimants and employers as mandated by the 1972 amendments to the act.

In the black lung program, we are undertaking a series of actions to shorten the time for processing and making initial determinations on claims, and to improve our responsiveness to the coal miners and their dependents who have filed claims with us. The black lung task force recommended and we are implementing a number of improvements in workflow operations and claim adjudication to reduce current delays in adjudicatory time. For example, we are taking steps to obtain and substantiate a claimant's medical and employment history more rapidly than in the past, and thus reduce the time necessary to effect an initial determination. With the downward trend in new claims being filed, the 30 news jobs added at the end of the last fiscal year, and the implementation of these improvements, we are reducing the inventory of claims awaiting determination.

PROGRAM DEVELOPMENT AND ADMINISTRATION

In the activity titled program development and administration—which includes ESA's management, research, and support functions—the fiscal year 1978 budget request calls for a total of 250 positions and $13,294,000, which includes mandatory increases and a program increase of $750,000.

We are beginning the experimental program of Federal/State cooperation in the administration of employment standards for which initial funding was provided in fiscal year 1977. Contracts have been made and discussions held with State labor officials, and we are moving ahead with plans for cooperative projects. To strengthen this effort, we are requesting an additional $750,000 in fiscal year 1978. This funding would provide sufficient financing to undertake a range of projects to fully test the feasibility of the cooperative approach.

In other areas, work continues on the research projects mandated by the 1974 Fair Labor Standards Act Amendments. It is expected that two-thirds of all such studies will be completed during this fiscal year. We are restructuring our research program for fiscal years 1977 and 1978 to provide more support for the workers' compensation and equal opportunity programs.

ESA is concentrating its training efforts in all programs on the development of technical expertise in its enforcement and adjudication programs. We are continuing refinements in our own internal procedures to insure that we effectively and efficiently fulfill our basic responsibilities to the Nation's workforce.

SPECIAL BENEFITS

Turning now to the special benefits account, the overall request for fiscal year 1978 for the special benefits fund is $737,179,000, an increase of $113,639,000 over the fiscal year 1977 revised estimate of $623,540,000. The total for fiscal year 1978 includes $319,360,000 in direct appropriations, which is a decrease of $17,589,000 over the revised levels from the previous year, and $417,819,000 in reimbursements from other sources, an increase of $131,228,000 from the revised fiscal year 1977 levels. The largest part of the overall increase for the special benefits fund from last year's level results from an increase of $109,146,000 in disability and death compensation and medical expenses for beneficiaries under the Federal Employees' Compensation Act and its extensions. The increased costs are caused by continuing high numbers of claims filed; adjustments to benefits as a result of anticipated increases in the Consumer Price Index; continuing cost increases

for medical care at both Government and private facilities; a projected Federal pay raise; and a change in the mix of cases being compensated on the periodic (long-term disability) roll, as new, higher cost claims replace older, lower cost claims. The proportion of benefits funded through reimbursements by agencies covered under the Federal Employees' Compensation Act has increased for fiscal year 1978. This reflects the large number of cases added to the compensation rolls in fiscal year 1975 and 1976, but for which reimbursements are only now being received.

An increase of $293,000 is requested for Longshoremen's and Harbor Workers' Compensation Act Benefits. This amount repesents the incease in the Government's share of the permanent disability and death compensation adjustments which occur annually, as required by the 1972 amendments.

In fiscal year 1978, the budget request for the black lung benefits program totals $34,300,000, an increase of $4,200,000 over the fiscal year 1977 level. The net increase is made up of an additional $7 million in reimbursements from identifiable coal mine operators or their insurers, and offset by a decrease in appropriated funds of $2,800,000. While the overall cost of benefits is rising because of the continuing benefit and treatment payments of claims in payment status, recent court decisions lead us to believe that more and more of the benefit payments will be financed through the responsible mine operator provisions. We should note, however, that progress in collecting such reimbursements is totally dependent upon our ability to substantiate mine operator responsibilities through continuing litigation action.

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

OVERVIEW OF REQUEST

Mr. MUMFORD. Having had the opportunity to testify before you on Friday with regard to the employment standards supplemental 1977, I will make only a few brief points.

First of all, assuming the committee finds the supplemental reasonable, I would mention that this request doesn't make any further change in the number of positions we are requesting.

Mr. FLOOD. You are not requesting any new positions for fiscal 1978?

Mr. MUMFORD. That is right, sir. We do have incorporated in the budget a total of 3,332 full-time, permanent positions. Our request is for $109,545,000 which includes 10 positions and $265,000 to be financed from the Special Fund under the Longshoremen's and Harbor Workers' Compensation Act. Program increases include $1 million for a contingency fund to be used in the event the number of claims received are greater than anticipated in our estimates for the FEC program. An additional request of $750,000 is to finance Federal-State cooperative programs. We currently have $250,000 on hand for that purpose and are working several proposals from the States.

Under the special benefits fund, we are requesting $737 million for fiscal year 1978.

Beyond that, in the program for contract compliance, we envision improving administration and making that program, as well as our others, more responsive to the needs of the public.

I think the same holds true for the wage and hour program. We do not, as yet, have the flexibility desired for directed enforcement. However, unless there are new amendments, we have sufficient resources to at least handle the in-flow of complaints under most of the statutes we administer.

We are well aware of your interest in our compensation programs and in the Women's Bureau. We continue to achieve an increase in

the productivity of the senior staff of the Bureau and in the program throughout the country and intend to maintain that trend throughout fiscal 1978.

With that, Mr. Chairman, I would make no further comments but would be glad to respond to your questions.

SUPPLEMENTAL REQUEST

Mr. FLOOD. How much are you requesting to annualize these new jobs requested in the supplemental for 1977?

Mr. MUMFORD. About $2.8 million, sir.

Mr. FLOOD. Suppose we do approve your supplemental request for these 200 new jobs, will you actually have them all on board by September 30, the end of the fiscal year?

Mr. MUMFORD. We will, sir.

Mr. FLOOD. You will? Remember you said so.

Mr. MUMFORD. The needs are great. We have already started the process of recruiting candidates for those positions.

WORKING CAPITAL FUND

Mr. FLOOD. Administrative and program support services. What does that represent and how did you arrive at that magic number, $1,041,000?

Mr. BROWN. Those are funds transferred by the Employment Standards Administration to the Department to pay for common services provided at the department level to all agencies.

Mr. FLOOD. Did you pick that figure off the left field wall?

Suppose you do that for the record. Just give us a detailed breakdown for the record of that increase of $1,041,000.

[The information requested follows:]

EMPLOYMENT STANDARDS ADMINISTRATION

WORKING CAPITAL FUND—FISCAL YEAR 1978 MANDATORY INCREASES

The mandatory increase requested for administrative and program support services represents the additional resources required to finance the services provided to the Employment Standards Administration through the Department's Working Capital Fund. Specifically, the $1,041,000 increase is distributed as follows:

Field operations	+$378
General services	+231
Financial management (checks, bonds, vouchers, etc.)	+168
Data processing	+142
Other WCF items (penalty mail, FTS, graphics, printing, etc.)	+122
Total, mandatories	+1,041

CONTINGENCY FUND

Mr. FLOOD. Now, take a look at your appropriations language. It is your language. You want to establish a $1 million reserve fund, evidently. Well, now, what is the purpose? You know our attitude here on this committee as to language in an appropriations bill. What is the purpose of this language?

Mr. MUMFORD. That fund is for making available additional temporary assistance in the event the claims inflow significantly exceeds what we project for fiscal year 1978 based on our past experience.

Mr. FLOOD. What would happen if we just deleted the language?

Mr. BROWN. That would not delete the funds, sir, but would make them available without regard to the number of claims received.

Mr. MUMFORD. It is not our intent to request funds which are not absolutely necessary.

Mr. FLOOD. Oh, I am sure of that, no question about that.

How did you compute the figure of $1 million for the reserve fund? What is the figure composed of?

Mr. MUMFORD. We used the experience of the past and present fiscal years to estimate our needs for temporary employees, overtime, and contractual services.

FECA AUTOMATION

Mr. FLOOD. You are requesting an additional $500,000 for continuing the automation of the claims processing system for the FEC Act. You have had a lot of problems with that. Suppose you bring us up to date.

Mr. MUMFORD. The system as it is now being developed will be pilot tested in Kansas City next month. We do anticipate the need for these additional funds because we intend to install more hardware in field locations and we intend to have a more decentralized system than originally planned.

Mr. FLOOD. When will it become operational?

Mr. MUMFORD. Assuming successful pilot testing in Kansas City, in early March, we will put the first phase of this system into effect on April 15 in several offices and in the rest of our offices on July 15. The data conversion program has been going on for the past 7 months.

Mr. FLOOD. Is that automated system going to solve most of your processing problems?

Mr. MUMFORD. I don't know that it will solve the problems, but it will give us the control we very badly need. When we inventory the workload for each month we virtually have to shut down our offices for 1 full day, plus. This automated system will give us information on the status of most cases and we will be able to respond promptly to inquiries from claimants regarding their claims.

FECA PROGRAM

Mr. FLOOD. We talked about this FECA program at some length when you were here last week on the hearings for the supplemental. Now, is there anything else going on in that program that you think we ought to talk about today? If so, what is it?

Mr. MUMFORD. In the Federal employees' compensation program, we have done extensive work to begin the upgrading of internal claims procedures. The Department has just completed an audit of the periodic roll and we are continuing our efforts to control the level of disbursements. We had a task force which completed a report with some 30 recommendations on all aspects of the program. We have also developed seven legislative proposals in that program. And in the black lung program we have likewise not only completed a task force review, but also have completed an internal management engineering study.

Mr. FLOOD. I will ask you something about black lung later.

Mr. MUMFORD. Yes.

FEDERAL/STATE PILOT PROJECTS

Mr. FLOOD. You are requesting an increase for "projects on joint Federal-State administration of similar labor standards."

All right, can you explain why that is so important and how did you arrive at the figure of $750,000?

Mr. MUMFORD. For example, we had one set of pilot projects proposed by government in which they had developed plans calling for about $200,000 of coordinated activity with that State government. While this is more than we want to commit to any State, we wanted to have at least five to six kinds of those individual pilot projects which is the basis.

These include for our estimate such items as joint training efforts. There is a great deal of duplication in the areas of coverage and those of the States and we feel given the restraints which both Federal and State governments enjoy in this area, every effort we could make to improve the coordination would be to the overall benefit of the working population.

"OTHER SERVICES" REQUEST

Mr. FLOOD. In your schedule of obligations by object you show an increase of $2,700,000 for "Other Services." That's safe enough, but that "Other Services" is certainly a hodge-podge of a lot of things. What is that figure composed of?

Mr. PUGH. The largest single item of that increase is for working capital fund which relates to the question you asked earlier. We will supply a breakdown of the $2,700,000 for the record.

[Information follows:]

The net increase of $2,700,000 in fiscal year 1978 under object class 2500 "Other Services" is made up of the following items:

Annualization of 200 positions requested in the 1977 program supplemental	$ 387,000
Annualization of 35 FECA positions added by the Congress in fiscal year 1977	22,000
Mandatory increase for working capital fund	1,041,000
Contingency funds for contractual services in support of FECA automated system	500,000
Additional funds requested for Federal/State joint cooperative efforts	750,000
Total	$2,700,000

VIETNAM ERA VETERANS

Mr. FLOOD. What are your responsibilities under the Vietnam Veterans' Readjustment Act of 1974?

Mr. MUMFORD. We have approximately 23 people throughout the Nation, sir, who are handling complaints under this act to place veterans in the workforce. They include making businesses and Federal contractors more aware of the Vietnam veterans needs for employment.

Mr. FLOOD. How many compliance people do you have assigned full time to that act?

Mr. MUMFORD. Seventeen.

Mr. FLOOD. Mr. Michel.

EXECUTIVE ORDER 11246

Mr. MICHEL. Mr. Mumford, this morning I explored very briefly with one question the goals, timetables, and hiring with the Secretary. The Affirmative Action Revised Order No. 4 appeared to discriminate against Americans of Irish, Italian, French, et cetera, descent by excluding them from goals and timetables set up by other groups.

Is it the position of the department that these minorities are less equal than those set up by the department?

Mr. MUMFORD. It is not the position of the department that these groups constitute classes which should be protected over and above those which exist in the statutes. We do feel there are different conditions which apply. And you know we only have goals and timetables for some groups and they relate more to industries than to specific classes.

Mr. MICHEL. By industries what are you talking about?

Mr. MUMFORD. The early strategy, as you know, dealt with jobs in the construction industry. The goals and timetable program——

Mr. MICHEL. When you speak of minorities, is it blacks, Chicanos, women?

Mr. MUMFORD. In that case, the program dealt principally with blacks.

BACK PAY

Mr. MICHEL. Let me go back to this question: In your budget justifications, you refer to the amount of back wages restored under affirmative action and project a total of $12.5 million to be restored during the current fiscal year. A February 10, 1976, memorandum from the Office of Federal Contract Compliance to the heads of all compliance agencies states: "Agencies are encouraged to pursue back pay vigorously among the remedies sought for discriminatees." Where does your authority come from to demand that Federal contractors award back pay in cases of alleged noncompliance?

Mr. MUMFORD. The Duquesne Power and Light case which stated we could. In fact, there are a number of court decisions in this area. We will provide a synopsis of the department's policy on back pay for the record.

[The information follows:]

The Executive order prescribes the equal employment clause which is included in all Government contracts, and which provides for such sanctions or remedies as the Secretary of Labor may impose or invoke by rule, regulation, or order or as otherwise provided by law.

Thus, the order authorizes the Secretary to impose or invoke by rule or regulation sanctions and remedies which would be in addition to the specified penalties of cancellation, termination, suspension, or debarment set forth in sections 202 and 209 of the Executive order. The Executive order, therefore, provides the legal basis for the application of such remedies as are necessary to bring government contractors and subcontractors into full compliance with their contractual commitments.

Although we traditionally have distinguished between sanctions and remedies under the Executive order, the Administrative Procedure Act (5 U.S.C. 500 et seq.) defines sanctions to include such remedies as the assessment of damages, reimbursement, restitution, compensation, costs, charges or fees. The APA also recognizes the validity of sanctions imposed in accordance with nonstatutory

law which supports the use of the Executive order as a basis upon which the back pay authority may rely.

The Executive order embodies a long-time public policy of the Federal Government that private contractors seeking to do business with the Government must engage in nondiscriminatory employment practices. This policy is based on the constitutional concept that the Government should not engage in business with, and thereby tacitly support, discriminatory contractors engaged in practices from which the Government itself is prohibited. The Executive order sets forth this public policy and creates a mechanism for its enforcement. In order to implement this policy fully and in an orderly and nonduplicative fashion, it is essential that the victims of illegal discrimination receive an adequate remedy. Back pay may be an essential element of that remedy. The Supreme Court recognized this vital function of back pay in *Phelps Dodge, Inc.* v. *NLRB*, 313 U.S. 177 where it held that "making the workers whole for losses suffered on account of an unfair labor practice is part of the vindication of public policy which the NLRB enforces." Therefore, although back pay is authorized by the NLRA, the court went beyond the terms of the act to uphold back pay as a proper method of enforcing a public policy. The Supreme Court reaffirmed the *Phelps Dodge* holding in *Albemarle Paper Co.* v. *Moody*, 42 USLW 4880, the first decision by the Court to consider the validity of back pay as a remedy under title VII.

The courts also have allowed back pay in cases where there was no specific statutory authority. The Railway Labor Act (45 U.S.C. 153) is a good example. That act contains an oblique reference to monetary awards but does not specifically authorize back pay as a remedy. The courts have upheld back pay awards under the RLA, and the National Railroad Adjustment Board consistently has applied back pay as a remedy. As originally enacted, the Fair Labor Standards Act did not authorize back wage awards in injunctive actions brought by the Secretary of Labor. In *Mitchell* v. *De Mario Jewelry* (361 U.S. 228) the Supreme Court held, however, that district courts enjoyed the "historic power of equity" to award lost wages to workingmen unlawfully discharged under section 17 of the FLSA, which prohibits discrimination against employees for filing complaints with the Department of Labor.

The courts also have granted back pay in numerous cases under the post-Civil War civil rights acts, although those statutes do not specifically refer to the use of back pay as a remedy. Two of the most significant of these cases are *Pettway* v. *American Cast Iron Pipe Co.*, 494 F.2d 211 (5th Cir. 1975) and, *Johnson* v. *Railway Express Agency*, 10 FEP cases 817 (May 19, 1975).

Since 1969 the compliance agencies have entered into over 325 agreements involving back pay which provided more than $6 million to workers who had suffered from discrimination. The decision of the U.S. District Court of Western Pennsylvania in *U.S.* v. *Duquesne Light Co.* which held (November 30, 1976) that the Executive order does permit the Government to request restitutionary relief, including back pay, is the most recent of the court decisions supporting the Department's position.

Mr. MICHEL. When was that court decision?

Mr. MUMFORD. I would have to ask Ms. Wooten.

Mr. MICHEL. Was it in 1976?

Ms. WOOTEN. Yes, it was November 30, 1976.

Mr. MICHEL. The memo I am talking about here was 1976, before there was a court decision. Now, was the order issued to influence the court? What came first? You say you are bound by a court decision but your memorandum had no court decision.

Mr. MUMFORD. We had taken this position which was upheld by the court decision.

Mr. MICHEL. Isn't it true that section 209 of Executive Order 11246, the section that establishes the sanctions for noncompliance with affirmative action directives, does not list back pay awards or changes in seniority systems among the sanctions or remedies, and that no implied authority for the imposition of such remedies exists elsewhere in the Executive order?

So, what you have here is the courts have rewritten the law for us, in effect, haven't they?

Mr. MUMFORD. It is a case of what we consider upholding an equitable and fair position in this program, Mr. Michel.

CONSOLIDATION OF COMPLIANCE AGENCIES

Mr. MICHEL. You make reference in your statement of reducing the number of compliance agencies in affirmative action from 17 to 11. Will the activities of the agencies to be dropped be consolidated with existing agencies, or will there be new ones created?

Mr. MUMFORD. It is our intent to consolidate into the existing agencies those six which are being dropped.

Mr. MICHEL. Will you provide for the record, then, a list of those agencies which will be eliminated, then tell us how they will consolidate?

You will still have 11 agencies?

Mr. MUMFORD. Yes.

[The information requested follows:]

EMPLOYMENT STANDARDS ADMINISTRATION—TRANSFER OF COMPLIANCE RESPONSIBILITIES BETWEEN FEDERAL AGENCIES WITH CONTRACT COMPLIANCE RESPONSIBILITY UNDER EXECUTIVE ORDER 11246

Agency [1]	Industry responsibility	Positions transferred	Fiscal year 1978 budget authority transferred (thousands)
Agriculture		52	$1,078
Environmental Protection Agency	Construction	(3)	(51)
Department of Defense	Agriculture, food and tobacco products	(49)	(1,027)
Health, Education and Welfare [2]		52	1,534
Housing for Urban Development	Construction	(52)	(1,534)
Interior [2]		7	174
Environmental Protection Agency	Construction	(7)	(174)
Justice		4	90
General Service Admihistration	Construction	(4)	(90)
National Aernautics Space Administration		9	211
Department of Defense	Construction	(9)	(211)
Tennessee Valley Authority		3	65
Environmental Protection Agency	Construction	(3)	(65)
Veterans Administration		56	1,385
Environmental Research Drug Administration.	Drugs, phamaceuticals, soap, detergents, and cosmetics.	(47)	(1,035)
Housing for Urban Development	Construction	(9)	(350)
Commerce [2]		6	144
Housing for Urban Development	Construction	(6)	(144)
Total change		189	4,681

[1] The agency from which compliance responsibility is being transferred is listed 1st and the agencies to which the responsibility is being shifted is shown parenthetically.

[2] Denotes those agencies for which only responsibility for the construction industry has been transferred.

Mr. MICHEL. Any prospect for further consolidation?

Mr. MUMFORD. We are now reviewing that whole proposal with a view toward determining whether or not further consolidation would be appropriate. We don't anticipate any decision for at least 60 days, however.

Mr. MICHEL. Many complaints about the OFCCP emphasize excessive paperwork requirements. Keeping in mind what our new President has said as to elimination of excessive paper work, and so forth,

what are you doing to implement the new posture of the Department as enunciated by the new President?

Mr. MUMFORD. Mr. Michel, we did publish a more shortened and much simplified version of our construction requirements in late summer 1976. The purpose was to make clear exactly what was required of contractors under the construction side of the program. We are looking to do the same thing in the supply and service program and, in effect, have a set of documentation outlining reporting requirements. We will make further studies in the event it is required but this document will hopefully provide to the contractor a very simplified explanation of his or her obligations.

WOMEN'S BUREAU

Mr. MICHEL. Turning to women, how much is being allocated to the Women's Bureau?

Mr. MUMFORD. $2.2 million.

Mr. MICHEL. How many employees are assigned there?

Mr. MUMFORD. Seventy-nine.

Mr. MICHEL. One of the functions of the Bureau, it says here, is to undertake intensive efforts to promote the entry of women into nontraditional jobs and apprenticeship programs.

What form will this take?

Mr. MUMFORD. We are now developing a list of what we consider to be the nontraditional type jobs which will be this category.

I'm sure Mrs. Hilton would agree that these jobs are of the highest priority.

Mr. MICHEL. What is meant by the expression, "part-time or flexitime"?

Mrs. HILTON. Part-time is the concept of people working less than 40 hours a week and flexitime is the concept of people working certain hours per day. These are concepts very often put forward as particularly helpful to employees and especially women. Flexitime is something under consideration by industry and Government at the present time. Of course, many, many women presently do work part-time in our economy.

FEDERAL EMPLOYEES COMPENSATION PROGRAM

Mr. MICHEL. In the Workmen's Compensation program, how many cases of fraud in that area has the Labor Department actually referred to the Department of Justice in the past year?

Mr. MUMFORD. To my knowledge, in the past year no referrals for fraud were made. However, several have been referred over the past 15 years. In most cases the amount of money involved is such that those cases haven't received the degree of attention we would like.

Mr. FLOOD. Mr. Early.

Mr. EARLY. With regard to Mr. Michel's last question, we have had very few cases referred to the Justice Department, or none.

Mr. MUMFORD. There have been approximately 5 to 10 cases reported in the past 15 years to the Justice Department. There are investigations underway which would be premature to comment upon at this time.

Mr. EARLY. What would be an appropriate amount attributable to fraud over the years?

Mr. MUMFORD. We don't believe fraud exists as a pattern in this program and, in fact, over the recent months have made efforts to make sure it does not exist. We have no basis to make an estimate.

TECHNICAL ASSISTANCE

Mr. EARLY. On page 6, you speak of the veterans' program not generating as many complaints against Federal contractors as had originally been expected. You anticipate conducting a vigorous technical assistance and public awareness campaign to gain the public's interest and to make the beneficiaries of this law aware of its existence.

Is the Labor Department soliciting complaints? I would think you would be more concerned with fraud.

Mr. MUMFORD. It is not a case of the Labor Department soliciting complaints in this area. We are concerned this particular section of the Veterans Readjustment Act is not well known to a number of veterans and the protections provided are not well known to a number of veterans. Right now there are about 175 unprocessed complaints and we would think there should be more complaints.

Mr. EARLY. Wouldn't you assume there would be more fraud?

Mr. MUMFORD. I am not sure you can state a relationship between the two. We have no instances of fraud or potential fraud which are not already being investigated.

Mr. EARLY. My question is, are we making more of an effort to drum up complaints than to identify more cases of fraud?

Mr. MUMFORD. No, sir. For example, in the FECA program, we are providing more investigating assistance to the program by diverting half of the staff which had been working on the technical assistance phase of the program. We intend to use them halftime for purposes of investigation to help insure that any possible instances of fraud are uncovered and corrected. That is at best a very limited capability. As you are aware, our supplemental for the program does include a request for additional resources for full-time investigators.

Mr. EARLY. I get the impression that your goal is to get in here to justify the number of complaints, thus justifying your existence, rather than to remove your complaints. We seem to be giving you more employees to justify the existing employees.

Mr. MUMFORD. I think our record would support a finding of other than just generating complaints. We feel we are making progress. We don't feel we have satisfactory response time for the handling of any of our complaints. It is in part that concern which brings us here to seek additional resources.

Mr. EARLY. The assumption you are making is that, in the veterans program, you are not notifying the veterans of their complaint rights. I think you should be less concerned with spending the taxpayers' money to get more complaints and more concerned with resolving those you already have.

Mr. MUMFORD. We do want to spend taxpayers' money to resolve complaints under the statutes.

Mr. EARLY. What do you mean on page 6, "* * * to make the beneficiaries of this law aware of its existence"?

Mr. MUMFORD. I would be happy to furnish for the record where we have received complaints and where some of the beneficiaries are not aware of the process. It is our goal to see veterans in jobs and I would be happy to furnish additional information on this subject.

Mr. EARLY. If you will, please.

[The information requested follows:]

VETERANS' AFFIRMATIVE ACTION PROGRAM, COMPLAINTS RECEIVED BY REGION AND TYPE

	Fiscal year 1976 and transition quarter				Fiscal year 1977 through December 1976			
	Hiring	Promotion	Discharge	Total[1]	Hiring	Promotion	Discharge	Total
Region I	3	2	4	11	4	4	1	9
Region II	15	3	7	55	14	1	4	19
Region III	6	0	0	6	3	0	2	5
Region IV	7	3	8	21	3	0	2	5
Region V	1	0	0	1	4	0	2	6
Region VI	2	0	0	4	2	0	0	2
Region VII	2	1	1	4	4	0	1	5
Region VIII	14	1	1	16	2	0	3	5
Region IX	27	4	4	36	NA	NA	NA	NA
Region X	2	0	0	2	1	0	0	1
Total	79	14	25	156	37	5	15	57

[1] Includes 38 miscellaneous complaints classified as other.

RESEARCH

Mr. FLOOD. How much money is in the budget for research activities of one kind or another?

Mr. MUMFORD. Approximately $4.8 million.

Mr. FLOOD. Suppose you give us a couple of examples of the type and kind of research you are funding.

Mr. MUMFORD. In the year past most of the research activity has been concentrated on congressionally mandated studies of exemptions under the Fair Labor Standards Act. There are a number of other areas of research that relate to the responsibilities under the Fair Labor Standards Act. We are also planning on doing some additional research in each of the other program areas which ESA administers.

FARM LABOR CONTRACTOR REGISTRATION ACT

Mr. FLOOD. Are you keeping up with the workloads in the Farm Labor Contractor Registration Act?

Mr. MUMFORD. Under the Farm Labor Contractor Registration Act, we now have registered approximately 11,000 of the estimated 13,000 farm labor contractors in the United States and were given some 15 positions.

Mr. FLOOD. How many people do you have assigned full time to the act?

Mr. LANDIS. Thirty-eight man-years, 28 of those are compliance officers.

Mr. FLOOD. How many?

Mr. LANDIS. Twenty-eight out of the 38.

Mr. FLOOD. Is that enough in your opinion?

Mr. LANDIS. In my opinion, I think this is enough to get at the goal we told the Congress we were going to try to meet; that is, to investigate 13,000 farm labor contractors within 5 years.

DAVIS-BACON AUTOMATION

Mr. FLOOD. We have been talking about automation all day. What is the status of the automation program in the Davis-Bacon Act? We provided funds for that in the 1977 Appropriations Act.

Mr. MUMFORD. You provided $1.4 million. We did select a contractor in April of 1976. The contractor has now completed a full system specification which the Department is now reviewing. It is our intent to go forward with the development process. We have delayed the process by a couple of months to make sure the system is as complete as it can be. The specification is some 2,000 pages long and if approved, we believe such a system will vastly enhance our being able to use our staff well.

MINIMUM WAGE

Mr. FLOOD. Here is something: You expect to issue 55,000 special minimum wage certificates in 1978. What is the purpose of those certificates?

Mr. MUMFORD. This is the program by which certain groups provided for in the statute may work at less than the minimum wage. We administer the program out of each of our 10 regional offices as well as the national office. The program has undergone a great deal of change and growth over the past years.

WOMEN'S BUREAU

Mr. FLOOD. What is the function of the Women's Bureau?

Mr. MUMFORD. To enhance the opportunities available to workingwomen throughout America. I think it has a long and proud history of having carried that function out very well.

Mr. FLOOD. How many people assigned to that function?

Mr. MUMFORD. Seventy-nine.

BLACK LUNG

Mr. FLOOD. How many full-time, permanent positions are currently authorized for the black lung program?

Mr. MUMFORD. 166 full-time, permanent positions working directly on the program.

Mr. FLOOD. How many are filled today?

Mr. MUMFORD. 150 filled with full-time, permanent personnel. We have approximately 50 temporary personnel also working in the program.

Mr. FLOOD. How many of those authorized black lung positions are claims examiners?

Mr. MUMFORD. Forty-nine claims examiner positions, 40 of which are full-time and an additional 9 are being filled by temporary personnel.

Mr. FLOOD. You really don't have enough claims examiners, do you?

Mr. MUMFORD. No, sir, we do feel we need more claims examiners in the program and we are attempting to put more in the program.

Mr. FLOOD. How many black lung claims have you received since this program was taken over by the Department of Labor?

Mr. MUMFORD. The program was taken over July 1, 1973, and as of the end of January, 105,399 claims were received. We have processed approximately 51,000 to completion.

Mr. FLOOD. All right. What is your backlog as of the present time?

Mr. MUMFORD. The remaining nearly—approximately 54,000 are in an inventory status, being processed but not completed.

Mr. FLOOD. You know what a backlog is, don't you?

Mr. MUMFORD. We prefer to use the term "work inventory."

Mr. FLOOD. A rose by any other name. What about those cases, what are they doing, sitting up on a shelf someplace?

Mr. MUMFORD. No, sir. The claims which have not reached a status of initial determination are in one step or another of the steps needed to complete a claim in its entirety. So while we say we have not completed the process on the 54,000, they are well along at various stages of processing.

Mr. FLOOD. How many claims do you expect to receive in 1978?

Mr. MUMFORD. In the past 6 months we have been receiving them at a range of about 1,600 to 2,100 a month.

Mr. FLOOD. Is that a realistic estimate you are making now?

Let me ask you. What is the total for 1978?

Mr. MUMFORD. What do you mean, sir? We anticipate approximately 1,000 a month. We also anticipated that the claims load would have decreased significantly, but that has not been the case.

BLACK LUNG TASK FORCE

Mr. FLOOD. You have this black lung task force report, just finished very recently. That report says that the average processing time for a black lung claim is 630 days.

That is almost 2 years?

Mr. MUMFORD. Yes, sir.

Mr. FLOOD. Suppose you take a few minutes and describe the major recommendations of that black lung task force and at the same time tell us how and when they are going to actually be implemented.

Mr. MUMFORD. The major recommendations deal with every aspect of the program. We have dealt with staffing in the program, and have used a related study to look at the staffing and organization of the program in some depth. They also deal with instructions to claims examiners. Between the task force report, the management engineering study which the Department has also completed and our work in the legislative area, we feel we are well on the way to having a first rate program. Under no circumstances do we believe 630 days to be a reasonable average processing time. We intend to process claims on a first-in, first-out basis, eliminating prior-year cases as fast as we can. We are currently working on this latter effort.

Mr. FLOOD. You are saying all these poor people have to do is just keep breathing. In view of everything that has been said here today, and the other day, why aren't you requesting additional funds for this program?

Mr. MUMFORD. We intend to do so and are actively considering additional resources for that program.

Mr. FLOOD. That is encouraging. What does that mean, you are now actively considering, what? Marvelous, that is real progress.

Mr. MUMFORD. We are concerned that we do not have enough latitude to make the internal reallocations of staff needed to put the amount of professional talent into that organization which is still needed. In addition, we find needs for additional claims examiners.

Mr. FLOOD. If you were sitting at the kitchen table with a lamp on there, 2 years, it is hard to believe.

Mr. MUMFORD. I am not making excuses or apologies. We do intend to make it right.

Mr. FLOOD. You are expressing a majority opinion.

SPECIAL BENEFITS

How can you suppose you are going to need a smaller direct appropriation for 1978 in special benefits than in 1977?

Mr. MUMFORD. It does provide for an increase——

Mr. FLOOD. This is the Appropriations Committee. That amount is smaller. How can you possibly do that?

Mr. BROWN. The reduction results from an increase in reimbursements from other Federal agencies for costs of prior-year injuries.

Mr. FLOOD. The reimbursements from other agencies are going up next year, you say.

For the record, you explain in detail why that is so. And tell us how you arrive at that figure of $417.8 million for reimbursements.

Mr. MUMFORD. We will do it, sir.

[The information requested follows:]

The reimbursable amount of $417,819,000 under the special benfiets request consists of $407,819,000 under the chargeback provision of the Federal Employees' Compensation Act (FECA) and $10 million relating to the Federal Coal Mine Health and Safety Act.

The anticipated reimbursements under the FECA consists of $407,819,000 based on actual payments made during the expense period July 1, 1975 through June 30, 1976. Of this amount, $301,667,000 has been billed to agencies dependent on an annual appropriation for inclusion in their fiscal year 1978 budget requests and the remaining $106,152,000 is an estimate of payments (based on fiscal year 1976 actuals) to be made during the current expense period July 1, 1976 through June 30, 1977 that will be billed to agencies not dependent on an annual appropriation.

In addition to the FECA reimbursements, ESA anticipates that $10 million will also be paid by responsible coal mine operators for benefit payments relating to the Federal Coal Mine Health and Safety Act. This estimate was developed on the assumption that a significant proportion of cases currently pending litigation will be settled in favor of the Department of Labor.

Mr. FLOOD. I have some other questions which I will submit for the record.

Mr. Early?

Mr. EARLY. No questions.

Mr. FLOOD. Thank you very much.

[NOTE: The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

Mr. CONTE

Question. You state in your justifications that in 1976 you realized a drop of 37 percent in child labor related violations. What is your expected drop in fiscal year 1977 and why do you project an increase in 1978?

Response. As you point out, child labor violations for fiscal year 1976 declined by 37 percent from the previous year. This was due in large measure to the implementation of the civil money penalty provisions contained in the 1974 Fair Labor Standards Amendments.

We anticipate a small increase, from 10,701 in fiscal year 1976 to 11,200 in fiscal year 1977 in the number of child labor violations disclosed. This is directly related to the increase in the number of compliance actions which will be completed in fiscal year 1977. We expect the number of violations disclosed in fiscal year 1978 to approximate those discovered in fiscal year 1977.

Question. Under "Activity II, elimination of discrimination in employment," how do you plan to consolidate your compliance agencies, and what will be the subsequent savings?

Response. I am submitting for the record a chart which shows the resource shifts that will be effected and the major industry responsibilities which have been shifted. The major reason for consolidation is to make the program more efficient. While there will be no net savings in terms of dollars and positions, the merging of the programs should result in a greater number or work-years being available directly for the enforcement effort through economies of scale and the elimination of programs with low levels of performance.

Question. Why is it necessary for compliance firms to have to deal with more than one compliance agency in regards to equal opportunity? You are trimming your agencies from 17 to 11 for more efficiency. Can't this number be cut even further to eliminate the excessive paperwork which results from an overlap?

Response. At the present time, we have opted for eliminating the smaller programs and those programs which have been less successful than others. Once this effort has been achieved, the new structures created will be reviewed for effectiveness. Should it appear to be beneficial to consolidate further, it could be done then. Consolidation involves a major transfer of personnel, files, records between agencies, and notifications to various interested parties of the change in responsibilities. Of necessity, our approach must be deliberate.

Question. Why do you anticipate so many complaints (3,700) for both veterans and handicapped programs for fiscal year 1978?

Response. Currently, complaints are being received at a rate of about 200 per month in the handicapped workers program. The trend of the inflow appears to be increasing. The veterans program inflow of complaints is beginning to increase steadily as covered veterans become more aware of the affirmative action provisions.

Question. Explain the program and the proposed followup procedures regarding "upgrading private household workers." Who will this effect—minority women, low-income women, women in rural areas, and women with special needs?

Response. ESA's program for upgrading private household workers is designed to inform employers and workers of the opportunities that exist for household workers in areas other than house cleaning. Such areas would include working knowledge "nutritionists" in regard to purchasing and preparing foods, serving as geriatric companions and child-care attendants, and buying household furnishings and equipment. The program impacts upon low-income women presently in the occupation in both urban and rural areas; mature women with no income and little or no paid work experience; and young women, in and out of school, interested in becoming trained household workers.

Question. In both the Equal Pay and Age Discrimination in Employment Acts (EPA and ADEA), you found a substantial decrease in complaints between fiscal years 1975 and 1976. To what do you attribute the equally substantial increases forecasted for fiscal years 1977 and 1978?

Response. Between fiscal years 1975 and 1976 there was a decrease of about 400 complaints received under the Equal Pay Act. Our projections of complaints received in fiscal years 1977 and 1978 are based on the Equal Pay Act level continuing at the 1976 rate. We project an increase of about 400 complaints under Age Discrimination in Employment Act for each year over fiscal year 1976 levels which accounts for a slight net decrease for the combined programs. The level of Age Discrimination in Employment Act complaints increased dramatically from fiscal year 1974 to fiscal year 1976. We anticipate that this trend will continue into fiscal year 1977 with some possible leveling off in fiscal year 1978.

Question. What made fiscal year 1976 a particularly good year for people covered under these acts?

Response. We believe that the substantial numbers of employees aided in fiscal year 1976 is a result of the high priority we have assigned to these programs and to the intensive classroom training which was provided for all of our compliance officers and supervisors in fiscal year 1976. During fiscal year 1976, nearly $18 million was found due to 24,610 employees. In addition, the Department filed over 130 equal pay lawsuits during the last calendar year.

Under the Age Discrimination in Employment Act, income restored rose from approximately $1.7 million during fiscal year 1975 to nearly $3.5 million during fiscal year 1976. This is nearly double the amount.

Question. What effect will the automated claims processing system have on the agencies' operations, and in what ways will this be either better or worse than a more personalized system?

Response. The automated production of claims processing data will not preclude or reduce personal contact between the FECA program, Federal workers, and employing agencies. Instead, the Department anticipates that the computer output will enhance relationships with both agencies and claimants by providing more and better information on Federal workers' compensation. Our avowed purpose in implementing the automated claims processing system has been the provision of timely and accurate service for the FECA program, eligible Federal claimants, and Federal employing agencies. The most immediate impacts of the operational system will be speedier response to claims filed by Federal employees, improved procedures for dealing with supervisory evidence submitted by agencies, more accurate tracking of compensation paid by the FECA and Federal agencies, and better utilization of FECA program staff for more qualitative claims development and adjudication.

Question. What steps will you take in following the LHWC's task force recommendations in regard to a better method of training personnel to promote efficiency?

Response. We have contracted for the development of a comprehensive claims examiner training program for all the examiner staff in the longshoremen's and harbor workers' compensation program. It it anticipated that this training program will be in place within the next few months.

Question. How will you improve the presently substandard activity of disseminating material informing both labor and management of available technical assistance.

Response. We are very cognizant of the need to insure that both employees and employers are aware of the requirements of this law and their respective right and responsibilities under it. We have an active and far from substandard ongoing program of technical assistance to employee, employee organizations and Federal agencies on the Federal Employees' Compensation Act. Since 1971. we have had a national program to hold training seminars at the request of employee organizations and Federal agencies. There is an established program arranged through the U.S. Civil Service Commission in each year for Federal agencies employees involved with the act.

Question. What is the division of responsibilities between the Social Security Administration and the Department of Labor regarding black lung benefits, and are there any overlaps in responsibilities?

Response. The Social Security Administration has benefit payment responsibility for claims filed by living coal miners through June 30, 1973, and claims filed by survivors through December 31, 1973. The SSA also has payment responsibility for those cases where a miner died during this time period. Under section 415 of the Black Lung Benefits Act, the Department required benefit payment responsibility for those claims filed by living coal miners during the period July 1 to December 31, 1973, and all claims filed after January 1, 1974, except those survivors' claims mentioned above as the responsibilty of the SSA. The respective payment responsibilities of the two agencies are clearly defined by the act and, therefore, we do not feel that there is any major overlap of responsibilities for payment of benefits.

Question. Would the total cost of administering this service be cut if Labor took all black lung cases?

Response. If total responsibility for payment of all benefits were combined within one agency, it is doubtful that the overall level of costs for making these benefit payments would be changed. All new claims for black lung benefits are adjudicated by the Department of Labor. However, the Department

currently utilizes the existing network of SSA field offices, for the initial receipt of claims filed by coal miners or their survivors, and some departmental activity. We do not have figures available as to what it would cost to take over the payment function for claims now being paid by SSA.

Mr. ROYBAL

Question. According to your statement on page 1, you are charged, among other things, with the elimination of discrimination in employment. Doesn't this activity duplicate the work of the EEOC? If not, are your areas of jurisdiction different?

Response. There are overlaps of coverage under the Executive order and title VII as administered by the Department and EEOC respectively. Although our jurisdiction applies only to government contractors and subcontractors, this covers virtually all large employers and the majority of the total work force. The major difference between the two agencies is that the Executive order is directed at patterns and practices and requires affirmative action while EEOC activity places significant emphasis on individual complaints. Our goal is to avoid administrative overlap in the programs. We are studying further methods to insure that administrative overlap is minimized.

Question. Do you work closely with the EEOC?

Response. Yes; particularly in the areas of individual complaints, and coordinating employee reporting obligations. We have a memorandum of understanding with EEOC which while requiring more attention to effectively implement, establishes joint policy on referral of individual complaints to EEOC and the cooperation between the two agencies on investigations and reviews. We also participate with EEOC on the Equal Employment Opportunity Coordinating Council. The Civil Rights Commission, Civil Service Commission and Justice Department also participate, and have developed and issued Federal Executive Agency Guidelines on Employee Selecton Procedures. We both use the same employment reporting forms so that the employer only has to send one form to the Joint Reporting Committee to satisfy both the Departments and EEOC's reporting requirements.

Question. Have both agencies ever investigated the same case?

Response. In several special circumstances, we have joined with EEOC and the Justice Department in coordinated investigative efforts, such as the one which resulted in the A.T. & T. consent decree. As a general rule, however, we endeavor to avoid duplication of effort. The memorandum of understanding between EEOC and OFCCP is concerned with this. The memorandum does require more attention to be properly followed and implemented. We also take the position that we will defer to title VII litigation initiated by EEOC, if the violations disclosed by the EEOC investigation are identical to those disclosed by the Executive order compliance review.

Question. Do you have a smaller backlog than EEOC?

Response. Our current backlog under the Executive order is 508 cases.

Question. Congress passed a bill which contained a provision allowing employers to pay a smaller minimum wage to teenagers. Has this provision been abused? Are people trying to pay this substandard minimum wage to young adults?

Response. Your question relates to the 1974 FLSA revisions of section 14 with respect to the employment of full-time students at not less than 85 percent of the minimum wage in retail or service establishments, in agriculture and in institutions of higher education. Our enforcement statistics do not indicate that there is any major problem with abuse in this program. Since this provision is limited to full-time students, substantially all the individuals who qualify for the subminimum wages under this provision are young adults.

Question. What percentage of your Fair Labor Standards Act cases result in a decision favoring the worker?

Response. Of the 52,584 establishments investigated in fiscal year 1976 under this law, 24,891 or 47 percent were in violation of the minimum wage provisions of the act, and 23,004 or 44 percent were in violation of its overtime provisions. There is some overlap in those numbers, with some establishments having both types of violations. We do not have an unduplicated count just for the FLSA. However, in the combined statistics for all of the laws which we enforce, we found violations in fiscal year 1976 in 40,058 of the 59,981 establishments investigated, or 67 percent. Whether or not a violation has occurred is a question of fact. I might add that under the Fair Labor Standards Act over $55,000,000 in back wages was paid to employees in fiscal year 1976.

Question. When a worker files such a complaint, what protection does he have against being fired or laid off?

Response. The law specifically prohibits discharge of an employee, or discrimination in any other manner against an employee, because the employee has filed a complaint. It also provides criminal sanctions against employers who violate the law.

Question. How long does it take an average Fair Labor Standards Act complaint to be finally resolved?

Response. While it is difficult to generalize about the timespan for the final resolution of a complaint because of varying complaint loads among area offices, it takes an average of about 5 months for the investigation to start after the complaint is filed. In most cases the investigation can be resolved within 1 month after the initiation of the investigation. Of course, if litigation is involved, it may take somewhat longer to be fully settled.

Question. Doesn't this long delay severely prejudice the rights of the complainant?

Response. In offices where we do have a large complaint backlog, we try to schedule our investigations so that the impact of the statute of limitations is minimized. I might note that where there is going to be a delay, we so advise the complainants, and they can resort to their independent rights to sue if they wish to do so.

Question. You indicated that in fiscal year 1976, 90 percent of the crew leaders were violating the Farm Labor Contractor Registration Act. Could you give us some examples of the violations?

Response. There are approximately 35 possible violations of the act. Some of the more common ones are: failure to register as a farm labor contractor or farm labor contractor employee; failure to inform the worker in writing the terms and conditions of employment in a manner understandable to him; failure to post the terms and conditions of employment at the place of employment upon arrival; transporting or housing workers in a vehicle or housing which is unsafe or uninsured; failure to abide by agreement with workers or the peson who hires the contractor; knowingly employing illegal aliens or aliens not authorized by the attorney general to accept employment; hiring an unregistered farm labor contractor; hiring an unregistered farm labor contractor employee; and various recordkeeping violations.

Question. Could you indicate what percentage could be termed serious violations and what percentage were technical or minor?

Response. Neither the act nor the regulations make a distinction between "serious" and "technical" violations. A violation of any portion of the act may result in either the revocation, denial or suspension of a farm labor contractor's certificate of registration or a farm labor contractor employee's identification card. Civil money penalties or other appropriate legal action can also be imposed.

There are, of course, certain violations that might be generally considered to be more serious than others because they directly affect the well-being of the workers, such as vehicle and/or housing safety and health, vehicle insurance, employing illegal aliens, and violations of Interstate Commerce Commission rules and regulations regarding the operation of vehicles used to transport workers. At this time, we have no way of breaking out the percentages dealing with these particular areas. However, such percentages would be high as these areas are some of the most common violations found.

Question. Why is there a record of noncompliance?

Response. Before the 1974 amendments to the act, there was little to deter violations by the contractor. The most that could happen to a farm labor contractor was that if he got caught and if the violations were such that he was taken to court, he could receive a fine of up to $500. In many cases, this was less costly than coming into compliance. We have previously outlined the steps that have been and are being taken to curb the high rate of noncompliance and we are beginning to see some results from our efforts. In calendar year 1976, ESA registered nearly 11,000 farm labor contractors, more than double the preceding year. Much of this increase is a direct result of our stepped-up program of information and investigation.

Question. Do you recommend any legislative changes?

Response. We believe that the civil money penalty provisions which were implemented during 1976 have significantly strengthened our ability to achieve more widespread compliance with the act. We are analyzing the program on a

continuing basis to determine if modifications are needed, but have nothing specifically to recommend at this time.

Question. With such a large amount of noncompliance, how can you hope to bring these contractors into compliance?

Response. Through an intensive program of enforcement and information, we hope to not only bring those persons who are "caught" into compliance, but to spread the word so that those contractors and workers who are trying to work within the law can come into voluntary compliance. Based on the increase in registration activity during the past year and the projection for this year, the program seems to be working. Also, with the assessment of civil money penalties and expanded litigation provisions, contractors, employees and users alike will soon realize that it is no longer economically beneficial to remain in non-compliance.

Question. You indicate that you carry out this program differently from others. Would you explain how you carry the program out and differentiate it from your modus operandi of other programs?

Response. The FLCRA program is the only one carried out by the Employment Standards Administration in which the employer is required to register in order to operate and in which he is on the move from one part of the country to the other. Our offices which carry out these functions are set up within geographical boundaries which are regularly crossed by the contractor on the move. This necessitates a great deal of interstate activity among our own people during the course of an investigation and a network of communication to literally track the route he has taken and any contacts with ESA he might have had along the way.

The transient aspect of the contractor causes more time and effort to be taken on the part of our field and National Office personnel in determining if the violations disclosed were done with knowledge and intent or not. Also, as distinguished from the Fair Labor Standards Act programs, relatively few complaints are received, and therefore most Farm Labor Contractor Registration Act investigations are initiated by us. We have, as I have mentioned, developed an enforcement strategy which calls for the investigation of the contractor universe over a 5-year period. This strategy is unique to this enforcement program.

Question. You indicate that with respect to the Davis-Bacon Act, primary enforcement responsibility for federally funded construction lies with the grant agency. Yet, you go on to say that they don't have specialized staffs to do enforcement work. This is an interesting Catch–22 situation. Specifically, what are you doing about this?

Response. A few of the agencies, HUD, GSA, and Navy for example, have personnel assigned specifically to conduct investigations of contract violations. Most of the other Federal agencies do not, although some others have positions allocated in their budgets, and yet others delegate enforcement to the funding recipients. We are taking a number of steps to improve the Government-wide enforcement program. We have increased our contacts with the headquarters agencies. During the past year we also conducted training sessions for contracting agency personnel in some regions. We have on occasion requested agencies to perform investigations, and then monitor their activity, and we have ourselves conducted some oversight investigations, even though agencies have primary responsibility.

Question. Do you wait for a complaint or an agency to come to you before you investigate?

Response. This enforcement structure was established by Reorganization Plan 14 of 1950, giving contracting agencies prime responsibility, but charging the Labor Department with providing uniform regulations and procedures, and granting authority to make such investigations as deemed desirable. So, ESA can and does make noncomplaint investigations. However, due to the heavy workloads we have been experiencing under the Fair Labor Standards Act and other statutes, we have had to limit ourselves with few exceptions to complaint investigations. When instances of flagrant violation come to our attention, we do not hesitate to act.

Question. Do you ever do spot checks on your own?

Response. We have not initiated spot checks on a regular basis. To substantiate our suspicions that enforcement and compliance are lagging, we did, in October and November 1976, randomly select 20 projects, two in each region, for investigation. Our findings to date indicate both significant noncompliance by contractors and a need for strengthened enforcement activity by contracting agencies.

Question. Do you try to help those agencies which may have the least capable enforcement programs?

Response. We do provide specific enforcement training for agency personnel in the field. We also issue periodic bulletins to all agencies. In specific cases, we provide telephone and written advice on interpretative and regulatory matters, and will conduct investigations on request from agencies. Sometimes this is done on our own, or we may assist agency personnel, particularly in regions where experience tells us that the quality of agency enforcement could be improved.

Question. Under the section of your statement entitled "Elimination of Discrimination in Employment" on page 4, you indicate that the number of compliance agencies will be reduced from 17 to 11 in fiscal year 1978. The purpose of this cutback is to end duplication. How did you decide to cut from 17 to 11? Could you have made even more cuts?

Response. The principal criteria used to decide which agencies would relinquish compliance responsibility and which would assume additional responsibilities are size and performance. Small programs and those not exerting a major influence on the hiring of minorities and women are those which will be transferred. While further consolidation at a future date is an option which remains open, the scale of administrative difficulties in transferring more resources at the present time would ill serve the goal of equal employment opportunity, and our ongoing operations to that end.

MR. FLOOD

Question. How many people are currently receiving FECA benefits?

Response. As of January 31, 1977, there were 44,546 cases in long-term compensation status, including claimants who are permanently disabled or survivors of covered employees killed in a job-related incident. During this past month, 4,254 payments were made to Federal employees on the temporary disability roll which usually extends to about 90 days. In addition, there are several thousands of employees being paid under the salary continuation provisions for 45 days for less traumatic injuries, and even more who may have received some medical treatment. In January, we made 32,334 payments for medical care at both private and Government facilities for all disabled Federal employees covered under the act, including those who received continuation-of-pay by their employing agencies. We do not have an unduplicated count of all beneficiaries of the act.

Question. What is the average monthly cost for each case on the rolls?

Response. In fiscal year 1976, we paid out approximately $343.6 million in compensation for 42,401 cases on the long-term disability rolls. The average cost of compensating these permanent disability, death, and extension cases was $8,103 for fiscal year 1976, or a rough average of $675 a month per case in periodic roll compensation. In fiscal year 1978, our estimates project that each case will average about $914 per month in disability or survivor benefits. Most of this increase in average case cost can be attributed to the changing mix of cases on the rolls, as new, higher-cost entries replace older, lower-cost cases.

Question. What assumptions did you make for the Consumer Price Index in compiling this request?

Response. We utilized the most recent assumptions of the Administration regarding the Consumer Price Index. Our request for fiscal year 1978 includes the impact of a projected 4.44-percent increase in the CPI during fiscal year 1977, and a 4.38-percent increase during fiscal year 1978.

Question. What about the next Federal pay raise? What are your assumptions there?

Response. We used the Administration's estimates of December 1976, in our projection of the impact of Federal pay increases on FECA compensation costs. Our budget request includes the additional funds necessary to finance the mandated increases in compensation levels due to Federal pay raises. The average 4.83-percent increase which went into effect last October and an estimated 6.5-percent pay raise effective next October have been factored into our projections for fiscal year 1978.

Question. What do you mean by "short-term disability"?

Response. Short-term disability cases can best be described as those traumatic injuries in which the period of disability does not extend beyond 90 calendar days.

Question. With respect to black lung, what kind of success are you having in finding the responsible coal mine operators?

Response. Of the cases approved, the coal mining industry has contested over 90 percent of the cases in which an operator has been initially determined to be liable to pay benefits. As a result, mine operators are paying only 135 cases for which benefits have been approved. A number of cases currently in litigation on the responsible mine operators' question, if settled in favor of the Department, would ultimately result in about 35 percent of the currently approved claims being paid by operators. However, I would note that in the future, we will be dealing with claimants whose work history is of more recent vintage, and the identification of responsible operators liable to pay benefits should be easier to determine, due to more readily available data on a claimant's employment history.

Question. Where did you get the figure of $7 million in anticipated reimbursements from mine operators? How did you compute that?

Response. Based upon court cases settled to date, we assume that pending litigation on the responsible operators' question will be settled in favor of the Department, which would put the total potential liability of identified coal mine operators at approximately $10 million. We also expect settlement of the litigation now pending in the courts during fiscal year 1978. This $10 million level of expected reimbursements in fiscal year 1978 is $7 million more than the amount of reimbursements from mine operators anticipated in fiscal year 1977.

Mr. MICHEL

Question. Under existing OFCCP procedures, contractors alleged to be in noncompliance may be barred from receiving future Government contracts prior to a hearing to determine whether, in fact, a violation has occurred. By threatening to cut off future Government contracts in this manner, OFCCP in a substantial number of instances has been able to exact backpay from Government contractors, doesn't this in effect represent a form of blackmail over contractors?

Response. No it does not. Under the rules and regulations a hearing is required before a debarment action can be taken. While a review of allegations is underway, we cannot let further contracts since all contracts have the same affirmative action requirements. Backpay is not the issue. The issue is achieving compliance. What we are trying to do is achieve agreements to comply with the terms of the contract regarding affirmative action and nondiscrimination.

Question. How much money and personnel out of the total proposed budget of $32.9 million and 999 positions are you allocating for investigations and related activity?

Response. The requested $32.9 million and 999 positions are for the entire budget activity III, which includes the Federal Employees' Compensation Act (FECA) program. Under the FECA program, we are requesting $21,588,000 and 643 positions. This number includes 20 positions in the pending fiscal year 1977 supplemental for investigative activity of allegations of abuse and to corroborate evidence. Also in the supplemental, we have requested 30 positions to institute more effective control and monitoring of long-term disability cases. This staff will strengthen our capability to perform reviews of claimant eligibility, wage earning capacity determinations, and undertake broader quality control functions in managing. We have also requested additional positions in fiscal year 1977 to process the greater number of claims being received and to increase the amount of time available to adjudicate each case. This will enable us to devote more attention and closer scrutiny to each new claim received and to screen out improper claims.

Question. Will this be enough to enable you to effectively do the job so that we won't have any further stories of rampant abuses in the news media, such as those recently appearing on "60 Minute" and in Readers Digest?

Response. To begin with, while we acknowledge some abuse, we have no evidence that it is rampant. Our request represents the Department's best estimate on the level of resources necessary to perform these needed functions. For the most part, our overall problem now stems from the lack of resources to provide for good case management. Proper attention to claims as they move through the adjudication process and monitoring long-term cases can prevent most kinds of "abuse." We do estimate that about 5 percent of the claims filed annually and those which are already on our roll will require some closer scrutiny outside of

the normal process. The investigative positions we have requested are based on this estimate. If our supplemental is approved as submitted, we should avoid the media attention you have mentioned. It is estimated that 5 percent of all claims filed annually, together with those cases in long-term payment status, warrant closer scrutiny and continuous review by professional staff. At the projected case load levels for fiscal year 1978, the program staff of 250 claims examiners would be adjudicating approximately 48,000 new claims and 46,500 periodic roll cases. We believe that these additional positions, coupled with the ADP efforts now underway, will provide the assistance necessary to improve the administration of this program and maintain it at an effective performance level.

Question. Would you recommend any legislative changes in order to permit this program to be tightened up?

Response. The recently completed task force study of the FECA program recommended many initiatives to improve the administration of the program, including several recommendations which would require legislation. These involve revisions to the continuation-of-pay provisions, vocational rehabilitation procedures, appellate rights, the role of employing Federal agencies, and benefit levels. We are now in the process of evaluating those which we think essential.

Question. Can you tell us how, specifically, you determine what the prevailing wage rate is in a given community under the Davis-Bacon Act?

Response. The act provides that the prevailing wage rate will be based on the wages paid to the various laborers and mechanics employed on projects of a character similar in a political subdivision of the State in which the work is to be performed. We normally determine prevailing wage rates on a county-by-county basis. When determining the prevailing wage rate for a certain type of construction in a community, we attempt to gather information as to the wages paid to each of the various classifications of laborers and mechanics employed on all the projects of that type under construction, or completed as far back as 1 year in the county in which the community is located. The information is then compiled craft by craft, and the formula provided by our regulations is applied. If one rate is paid to the majority of those employed in a craft, that is the prevailing rate. If there is not a majority, the prevailing rate is the rate paid to the greater number, providing that number constitutes 30 percent of those employed. In the event that no one rate is 30 percent, then the average rate of all those employed is the prevailing rate.

JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Employment Standards Administration including reimbursement to State, Federal, and local agencies and their employees for inspection services rendered [$92,952,000,] *$103,280,000 of which a total of $1,000,000 shall be available only to the extent necessary to meet increased costs of the administration of the Federal Employees' Compensation Act resulting from an increase of at least five percent in the rate of claims filed under the Act over the rate upon which the budget estimates were based,* 1/ together with [$250,000] *$265,000* which may be expended from the Special Fund in accordance with Sections 39(c) and 44(j) of the Longshoremen's and Harbor Workers' Compensation Act.

Explanation of Language Change

1/ The proposed language would establish a reserve to provide resources necessary to process unforseen workloads in the administration of the Federal Employees' Compensation Act. This change in language provides that if the monthly rate of claims exceeds the monthly rate of claims projected for the budget year by five percent, the reserve is available to provide funds for the employment of temporary personnel and payments of overtime worked and contractual services to process the resulting increased workloads.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Amounts Available for Obligation

	1977	1978
Appropriation or Estimate 1/	$ 93,212,000	$ 109,545,000
Proposed Pay Raise Supplemental	3,237,000	
Proposed Supplemental	4,658,000	
Budget Authority, Total Amount Available for Obligation	101,107,000	109,545,000

1/ Includes reimbursement from the Special Fund established by the Longshoremen's and Harbor Workers' Compensation Act: $260,000 in Fiscal Year 1977, which includes $10,000 for pay raise effective October 10, 1976, and $265,000 in Fiscal Year 1978.

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EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Summary of Changes

	Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1977 Appropriation	10	$ 250,000	3,122	$ 92,952,000	3,132	$ 93,202,000
Proposed supplemental for pay costs	---	+ 10,000	---	+ 3,237,000	---	+ 3,247,000
Proposed program supplemental	---	---	+ 200	+ 4,658,000	+ 200	+ 4,658,000
1977 Revised Estimate	10	260,000	3,322	100,847,000	3,332	101,107,000
1978 Estimate	10	265,000	3,322	109,280,000	3,332	109,545,000
Total Change	---	+ 5,000	---	+ 8,433,000	---	+ 8,438,000

	Trust Fund		General Fund				Total Estimate	
			Base		Change			
Mandatory Items:	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Increases:								
Net additional cost of within-grade promotions effective for part year in 1977	---	---			---	+ 455,000	---	+ 455,000
Net additional cost of within-grade promotions becoming effective in 1978	---	+ 5,000			---	+ 607,000	---	+ 612,000
To provide for increased costs of GSA space rental	---	---			---	+1,050,000	---	+ 1,050,000
To provide for annualization of 35 Federal Employees' Compensation positions that Congress added in 1977	---	---			---	+ 92,000	---	+ 92,000
To provide a net increase in contributions to the Federal Employees' Compensation Fund	---	---			---	+ 162,000	---	+ 162,000
To provide for annualization of new positions requested in 1977 supplemental	---	---			---	+2,790,000	---	+ 2,790,000
To provide for increased costs related to Service Contract Act wage surveys	---	---			---	+ 145,000	---	+ 145,000
To provide for increases in administrative and program support services	---	---			---	+1,041,000	---	+ 1,041,000

	Trust Fund		General Fund				Total Estimate	
			Base		Change			
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
To provide for annualization of pay increase effective 10/10/76.....	---	---			---	+ 70,000	---	+ 70,000
Subtotal, increase.....	---	+ 5,000			---	+ 6,412,000	---	+ 6,417,000
Decreases:								
To provide for one less day of pay in 1978.....	---	---			---	- 229,000	---	- 229,000
Total, Mandatory Items.....	---	+ 5,000			---	+ 6,183,000	---	+ 6,188,000
Program Items:								
Increases:								
To provide resources for operations of the Federal Employees' Compensation automated claims processing system (page)..	---	---	522	$16,298,000	---	+ 500,000	---	+ 500,000
To provide resources as a contingency fund in support of the Federal Employees' Compensation program (page).....	---	---	522	$16,298,000	---	+ 1,000,000	---	+ 1,000,000
To provide for additional resources for projects on joint Federal/State administration of similar labor standards (page).....	---	---	250	$12,298,000	---	+ 750,000	---	+ 750,000
Total, Program Items.....	---	---			---	+ 2,250,000	---	+ 2,250,000
Total Change.....	---	+ 5,000			---	+ 8,433,000	---	+ 8,438,000

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Explanation of Changes

Mandatory Items:

Increases:

Net additional cost of within-grade promotions effective for part year in 1977, $455,000. This is included in the activities as follows: Improving and protecting wages, $228,000; Elimination of discrimination in employment, $84,000; Workers' compensation, $105,000; Program development and administration, $38,000.

Net additional cost of within-grade promotions becoming effective in 1978, $612,000. This is included in the activities as follows: Improving and protecting wages, $302,000; Elimination of discrimination in employment, $114,000; Workers' compensation, $145,000 which includes $5,000 for within-grade promotions for the 10 Longshore positions financed from the Special Fund established under sections 39(c) and 44(j) of the Longshoremen's and Harbor Workers' Compensation Act; Program development and administration, $51,000.

To provide for an increase in space rental payments (SLUC) to the General Services Administration due to increases in space rental rates, $1,050,000. This is included in the activities as follows: Improving and protecting wages, $467,000; Elimination of discrimination in employment, $187,000; Workers' compensation, $308,000; Program development and administration, $88,000.

Net additional cost to provide full year funding of 35 Federal Employees' Compensation positions that Congress added in 1977, $92,000. This is included in the Workers' compensation activity.

To provide a net increase in contributions to the Federal Employees' Compensation Fund, $162,000. This is included in the activities as follows: Improving and protecting wages, $1,000; Elimination of discrimination in employment, $9,000; Workers' compensation, $126,000; Program development and administration, $26,000.

Net additional costs to provide full year funding of 200 positions requested in 1977, $2,790,000. This is included in the activities as follows: Improving and protecting wages, $886,000; Elimination of discrimination in employment, $136,000; Workers' compensation, $1,768,000.

To provide for increased payments to the Bureau of Labor Statistics for increased costs of gathering wage data for the Service Contract Act wage surveys, $145,000. This is included in the Improving and protecting wages activity.

To provide an increase for administrative and program support services (Working Capital Fund),$1,041,000. This is included in the activities as follows: Improving and protecting wages, $696,000; Elimination of discrimination in employment, $111,000; Workers' compensation,$182,000; Program development and administration, $52,000.

Net additional cost to provide full year funding of the pay increase effective October 10, 1976, $70,000. This is included in the activities as follows: Improving and protecting wages, $35,000; Elimination of discrimination in employment, $11,000; Workers' compensation, $17,000; Program development and administration, $7,000.

Decreases:

Non-recurring extra day of pay for current year staff, $229,000. This is included in the activities as follows: Improving and protecting wages, $119,000; Elimination of discrimination, $49,000; Workers' compensation, $45,000; Program development and administration, $16,000.

Program Items:

Increases:

Workers' compensation: To provide $500,000 for additional resources for operation of the Federal Employees' Compensation automated claims processing system.

Workers' compensation: To provide $1,000,000 as a contingency fund for necessary assistance in processing workloads in excess of those projected for the fiscal year under the Federal Employees' Compensation Act.

Program development and administration: To provide $750,000 to strengthen the program in Federal/State cooperation in the administration of employment standards including joint projects, information exchange, publications, training and technical assistance.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Improving and protecting wages	1,549	$44,404,000	1,549	$47,045,000	---	$+2,641,000
2. Elimination of discrimination in employment	534	15,714,000	534	16,317,000	---	+ 603,000
3. Workers' compensation	999	28,691,000	999	32,889,000	---	+4,198,000
4. Program development and administration	250	12,298,000	250	13,294,000	---	+ 996,000
Total, obligations by activity	3,332	101,107,000	3,332	109,545,000	---	+8,438,000

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
Total number of permanent positions..	3,332	3,332	---
Positions other than permanent.....	142	167	+ 25
Average number of all employees.....	3,188	3,314	+126
Personnel Compensation:			
Permanent positions.....	$ 60,168,000	$ 62,927,000	$+ 2,759,000
Positions other than permanent....	1,445,000	1,695,000	+ 250,000
Other personnel compensation.....	1,379,000	1,629,000	+ 250,000
Special personal service payments.	200,000	200,000	---
11 Total personnel compensation.....	63,192,000	66,451,000	+ 3,259,000
12 Personnel benefits.....	6,149,000	6,569,000	+ 420,000
21 Travel and transportation of persons.....	3,066,000	3,367,000	+ 301,000
22 Transportation of things.....	205,000	206,000	+ 1,000
23 Rent, communications and utilities.....	1,491,000	1,529,000	+ 38,000
Standard Level User Charges.....	3,820,000	5,035,000	+ 1,215,000
24 Printing and reproduction.....	532,000	541,000	+ 9,000
25 Other services.....	13,579,000	16,279,000	+ 2,700,000
Services of other agencies.....	8,172,000	8,817,000	+ 645,000
26 Supplies and materials.....	195,000	213,000	+ 18,000
31 Equipment.....	706,000	538,000	- 168,000
Total, obligations by object.....	101,107,000	109,545,000	+ 8,438,000
Working Capital Fund items included above.....	(7,500,000)	(10,130,000)	(+2,630,000)

ACTION ON CONGRESSIONAL
RECOMMENDATIONS

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Authorizing Legislation

Legislation	FY 1977 Authorized	FY 1977 Estimate	FY 1978 Authorized	FY 1978 Estimate
Fair Labor Standards Act of 1938; approved June 25, 1938; as amended; Walsh-Healey Public Contract Act; approved June 30, 1936; as amended; Consumer Credit Protection Act (Title III-Restriction on Garnishment); approved May 29, 1968; Contract Work Hours and Safety Standards Act; approved August 13, 1962; as amended.....	Indefinite	$ 44,768,000	Indefinite	$ 47,716,000
Farm Labor Contractor Registration Act; approved September 7, 1964; as amended.....	Indefinite	1,254,000	Indefinite	1,271,000
McNamara-O'Hara Service Contract Act; approved October 22, 1965; as amended.....	Indefinite	2,955,000	Indefinite	3,125,000
Davis-Bacon Act; approved March 3, 1931; as amended, and Related Acts.....	Indefinite	4,140,000	Indefinite	4,197,000
Equal Pay Act of 1963; approved June 10, 1963; as amended.....	Indefinite	4,626,000	Indefinite	4,792,000
Age Discrimination in Employment Act of 1967; approved December 15, 1967; as amended.....	$5,000,000	2,983,000	$5,000,000	3,262,000
Executive Order 11246; issued September 24, 1965.	Indefinite	4,500,000	Indefinite	4,628,000
Rehabilitation Act of 1973; approved September 26, 1973; as amended.....	Indefinite	1,758,000	Indefinite	1,818,000
Vietnam Era Veterans Readjustment Assistance Act of 1974; Approved December 3, 1974.....	Indefinite	930,000	Indefinite	962,000

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
29 U.S.C. Chapter 2 (Women's Bureau Organic Act); approved June 5, 1920.....	Indefinite	$ 2,356,000	Indefinite	$ 2,444,000
Federal Employees' Compensation Act; approved September 7, 1916; as amended.	Indefinite	19,065,000	Indefinite	23,109,000
Longshoremen's and Harbor Workers' Compensation Act; approved March 4, 1927; as amended.....	Indefinite	4,231,000	Indefinite	4,486,000
Federal Coal Mine Health and Safety Act of 1969; approved December 30, 1969; as amended.....	Indefinite	7,281,000	Indefinite	7,470,000

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Appropriation History

	Budget Estimated to Congress	House Allowance	Senate Allowance	Appropriation
1968	$ 37,247,000	$ 35,522,000	$ 35,560,000	$ 35,522,000
1969	39,710,000	38,310,000	38,510,000	38,410,000
1970	42,840,000	43,364,000	43,364,000	43,364,000
1971	60,538,000	56,531,000	58,462,000	58,033,000
1972	48,935,000	48,935,000	48,935,000	48,935,000
1973	50,663,500	50,913,500	50,913,500	50,663,000
1974	57,068,000	57,428,000	57,428,000	57,428,000
1975	77,461,000	70,248,000	76,116,000	76,116,000
1976 *	86,025,000	86,622,000	88,865,000	87,632,000
Transition Quarter *	21,880,000	22,301,000	22,986,000	22,677,000
1977 *	93,525,000	93,202,000	93,202,000	93,202,000
Pay Cost Supplemental Pending	3,237,000			
Supplemental Pending	4,658,000			
1978 *	109,545,000			

* Includes reimbursement from the Special Fund established by the Longshoremen's and Harbor Workers' Compensation Act : $225,000 in Fiscal Year 1976, $56,000 in the Transition Quarter, $260,000 in Fiscal Year 1977, and $265,000 in 1978.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Activity 1. Improving and Protecting Wages (1977, $44,404,000, Pos. 1,549; 1978, $47,045,000, Pos. 1,549)

Narrative Description of Program

This activity of the Employment Standards Administration (ESA) provides for the administration of the minimum wage, overtime, and child labor standards of the Fair Labor Standards Act, the Contract Work Hours and Safety Standards Act, the Walsh-Healey Public Contracts Act, Title III of the Consumer Credit Protection Act, and the crew leader certification and enforcement provisions of the Farm Labor Contractor Registration Act.

In 1976, workload for this activity continued to be dominated by the increased complaint inflow caused by the 1974 Amendments to the Fair Labor Standards Act. The 56,892 complaints received represented a four percent increase over those received in FY 1975. Despite ESA efforts to reduce the complaint inventory to a manageable level, the complaint inventory rose to 22,901, representing 25 weeks workload. The 62,770 compliance actions conducted yielded back wages due of $94,210,758. The number of employees receiving restored back wages reached 429,766, an increase over the FY 1975 level. Correspondingly, the amount of benefits provided to these employees in terms of back wages restored, $59,087,194, and annual future income gained, $52,022,152, were also higher than the previous year amounts.

To help meet the growing complaint workload, 30 additional positions, of which 25 were compliance officers, were provided in a FY 1976 Supplemental Appropriation. Hiring and training of these personnel took place in the second half of the fiscal year. Funds for overtime for existing staff were also provided. The addition of these resources enabled the agency to slow, although not entirely arrest the growth in complaints inventory.

Child labor compliance activity found 10,701 minors employed in violation of the FLSA, a decrease of 37 percent from the previous year. Of these, 3,088 were found working in jobs covered by a Hazardous Order, which prohibits the employment of workers less than 18 years old in that occupation. The new child labor provisions contained in the 1974 FLSA Amendments authorizing the Secretary of Labor to assess child labor violators with civil money penalties and to collect such fines were implemented on July 18, 1975, and are believed to be largely responsible for the lower incidence of minors found illegally employed.

A total of 19 additional positions were provided in the regular FY 1976 Appropriation Act to administer and enforce the amended Farm Labor Contractor Registration Act. The increase in the number of covered contractors from 5,000 to an estimated 13,000 brought about by the Amendments mandated a strong directed enforcement program. The basic enforcement strategy developed called for investigating all known contractors over a three-to-five year period to achieve 90-95 percent compliance among those farm labor contractors investigated. Seven of the new positions were used to address the increased registration workload, and the remaining positions were used for compliance officers to enforce the Amended Act. The Amendments have been successful in getting contractors to register. In FY 1976, registrations increased to 10,976 from 3,125 the previous year. However, 90 percent of the crew leaders investigated still were found to be engaging in violative practices. A total of 4,763 farm labor contractor compliance actions were conducted. (These are not counted in other Activity I compliance action statistics.) ESA began developing coordinative arrangements with State governments and other Federal agencies, such as the Immigration and Naturalization Service, to enhance overall enforcement in this program.

In the wage determination programs, the 1972 Amendments to the Service Contract Act called for year-to-year decreasing contract size standards for mandatory application of wage determinations, culminating in FY 1977 when all service contracts with more than five service employees should receive prevailing wage protection. This goal was, by and large, met a year in advance, as 71 percent of service contracts, covering approximately 85 percent of service contract workers, prescribed prevailing wages to be paid. Available data indicates that more than 60 percent of all service contracts performed involve fewer than five employees.

In the construction prevailing wage program under the Davis-Bacon and Related Acts, moderate expansion continued on the development and publication of non-expiring general wage determinations covering a geographic area rather than a specific construction project. While this effort reduced overall paperwork for the construction contracting agencies, it became difficult within ESA to maintain the more than 700 general wage determinations in effect. A large volume of current wage data must be maintained to keep general determinations current and reflective of wage scales prevailing in the localities covered. This data was compiled manually and was of such complexity that the capacity to handle it manually was strained. Analysis indicated that it would be possible to computerize the wage data information system. Consequently, a contract was let seeking a detailed feasibility study and implementation of an automated system to utilize data processing techniques for collection, analysis, and retrieval of wage information.

In the Transition Quarter, enforcement operations and policy emphasis in this activity continued as in FY 1976. In the project to automate the Davis-Bacon construction wage determination process, the conceptual design and requirements analysis for the system were compiled. In the Farm Labor Contractor Registration Act program, regulations were implemented specifying civil money penalties for violations of the Act.

In 1977, priority has been assigned to resolving complaints on a timely basis and to stabilizing the size of the complaint inventory, while maintaining basic commitments to other programs (child labor provisions of the Fair Labor Standards Act, the Farm Labor Contractor Registration Act, and government contract labor standards which require enforcement effort but do not generate large numbers of complaints. However, to maintain this strategy in the face of continuing heavy and uncontrollable workloads, a supplemental appropriation has been requested to provide 67 new positions, of which 60 are compliance officers, for enforcement in this Activity. These positions will be filled during the second half of FY 1977. The rate of complaint receipt during the first quarter of this fiscal year continued at the previous year level. However, complaints are expected to increase again as a result of the higher minimum wage that went into effect on January 1, 1977, when the minimum wage rate was increased to $2.30 for almost 14 million additional workers. Of these, more than two million should receive the hourly increase, the remainder already earning $2.30 or more per hour. There will also be new coverage of 527,000 employees working in 100,000 establishments which were previously exempted from the Act. In FY 1977, ESA anticipates that $99,900,000 in back wages will be found due to 568,000 workers. Back wages will be restored to 456,000 employees in the amount or $62,600,000 and these workers will receive $55,100,000 in future annual income gained as a result of ESA investigations.

ESA expects to implement fully its strategy under the Farm Labor Contractor Program of attempting to contact each contractor to rectify violative practices and to bring about a 90 to 95 percent level of compliance over a five year period. The number of contractors registering will increase to approximately 11,500.

In the prevailing wage programs, the program for Federal service contracts is experiencing an unusually heavy workload, This is directly attributable to the effects of the new commencement date of the Federal fiscal year. Wage determination requests, which annually build to a peak workload in the latter half of

the fiscal year, have carried over into the beginning of FY 1977. This should be a one-time phenomenon, with most of this workload returning to its usual seasonal pattern for the FY 1978 contracting cycle. The remainder represents some expansion in the number of service contracts being let.

In the construction prevailing wage program under the Davis-Bacon and Related Acts, efforts are underway in designing the automated Davis-Bacon wage data information system. Hardware requirements and specifications, with a system test and pilot test scheduled for the end of the fiscal year, are also being developed. Construction wage determinations are currently being made at a slightly slower pace than in previous years, due primarily to the greater coverage of general determinations in effect. Funds for implementation of the automated system were provided in the FY 1977 Appropriation Act.

Primary enforcement responsibility of the Davis-Bacon and Related Acts, lies with approximately 20 contracting and grant agencies, with the exception of construction funded by general revenue sharing, for which the Employment Standards Administration has direct responsibility under an agreement with the Treasury Department. Under Reorganization Plan 14 of 1950, ESA prescribes standards, regulations, and procedures to assure consistency of enforcement. However, there is no lead agency infrastructure to monitor agency activity, nor do most of the agencies have staff specifically designated for this enforcement work. There are consequently continuing problems in maintaining Davis-Bacon enforcement on Federally-funded construction at necessary levels. During FY 1977, ESA will be developing strategies to strengthen the overall enforcement of the Davis-Bacon and Related Acts.

In 1978, ESA enforcement strategy will be oriented to servicing the complaints inflow and maintaining the complaints inventory at a tolerable level. Enforcement time available will increase moderately with the increasing productivity of a relatively more senior and experienced workforce. In addition, the 60 compliance officers in the FY 1977 supplemental budget request will be available for the entire fiscal year. Complaint inflow levels in FY 1978 are expected to be at about the same as in the previous year. With the resources available, the enforcement program should be able to keep abreast of incoming complaint workloads. The enforcement strategy also provides for the judicious use of overtime for which funds have been programmed to meet fluctuations of time and location in complaint receipts. The inventory of complaints awaiting action should be stable in FY 1978 at end of year FY 1977 levels. (See Table I, page 205). However, there will be virtually no directed investigations program as a result of the complaint workload. The number of compliance actions, violations disclosed and corrected, and the results in FY 1978, are expected to show further substantial gains. A projected 66,000 compliance actions will disclose that 653,900 workers have been subjected to employment practices which violate the law. Those violations will amount to $113,900,000. These actions will result in monetary benefits amounting to $71,500,000 in income restored and $62,900,000 in annual income gained. The number of minors found to be employed illegally under child labor provisions should reach 11,200.

Major gains in compliance with the Farm Labor Contractor Registration Act are anticipated for this Fiscal Year. Although the increasing registration of contractors has been significant, a large number of registered contractors will continue to violate one or more provisions of the Act. The use of civil penalty provisions will continue to be a major element in the increasing the level of compliance under this program.

In the prevailing wage programs, the service contract program will continue to prescribe prevailing wages for all contracts. However, due to a FY 1977 Federal procurement regulation, significantly changing the comparison pricing factors of performing functions in in-house versus contracting out, a gradual increase in workload is projected. The extent of this increase in service contracting by the Federal establishment cannot be projected at this time.

A mandatory increase of $145,000 is included in the budget request to provide for increased payments to the Bureau of Labor Statistics for increased costs of gathering wage data for this wage determination program.

In the construction program under the Davis-Bacon and Related Acts, installation, conversion, and operational implementation of the automated information system is expected early in the fiscal year. The expanded wage data base and increased input into the wage determination process will provide more comprehensive construction industry data on wage and employment patterns as well as more accurate and timely construction wage determinations.

Changes in 1978

Mandatory changes amount to	$+2,641,000
Program changes amount to	None
Positions	None

Mandatory changes include an increase of $530,000 for the net additional cost of within-grade promotions; $467,000 for an increase in the General Services Administration space rental costs (SLUC); $1,000 for increased contributions to the Federal Employees' Compensation Fund; $886,000 for the net cost of annualization of 67 positions requested in the 1977 supplemental for the Wage-Hour program; $145,000 to provide for increased payments to the Bureau of Labor Statistics for increased costs of gathering wage data for the Service Contract Act wage determination program; $696,000 for increases in administrative and program support services; $35,000 for the net additional cost of the pay increase effective October 10,1976; and a decrease of $119,000 for one less extra day of pay in 1978.

TABLE I

ACTIVITY I - IMPROVING AND PROTECTING WAGES

PROGRAM ACTIVITIES, FISCAL YEARS 1975 AND 1976 ACTUALS AND ESTIMATES FOR FISCAL YEARS 1977 AND 1978

	Actual		Estimated	
	1975	1976	1977	1978
Complaints received.....	54,583	56,892	57,000	57,800
Complaints inventory 1/....	18,404	22,901	29,100	29,400
Compliance actions.....	61,263	62,770	64,500	66,000
Investigations.....	26,372	27,393	28,000	29,000
Limited investigations...	12,095	11.728	13,000	13,500
Conciliations.....	22,796	23,649	23,500	24,000
Employees found underpaid	438,211	536,760	568,600	601,200
FLSA Minimum Wage (only).	216,886	296,324	315,000	359,000
Amount of underpayments....	$75,797,546	$94,210,758	$99,900,000	$113,900,000
Employees who employers agree to pay.....	361,637	429,766	456,000	520,000
Back wages restored.....	$49,037,435	$59,087,194	$62,600,000	$71,500,000
Annual income gained 2/....	$51,458,368	$52,022,152	$55,100,000	$62,900,000
Minors illegally employed..	16,966	10,701	11,200	11,200
Farm labor contractors registered.....	3,125	10,900	11,500	11,500
Special Minimum Wage Certification				
Certificates issued.....	65,698	54,841	55,000	55,000
Employment authorized....	665,000	802,163	640,000	640,000

1/ Number of complaints waiting to be investigated at the end of the year.

2/ Annual income gained is an estimate based on the annual projection of underpayments disclosed during the work week investigated.

Activity 2. Elimination of Discrimination in Employment (1977, $15,714,000, Pos. 534; 1978, $16,317,000, Pos. 534)

Narrative Description of Program

This activity provides for the administration of Executive Order 11246, as amended, including equal opportunity in the performance of Federal contracts; the administration and enforcement of Section 503 of the Rehabilitation Act of 1973, as amended, which requires affirmative action by Federal contractors in the employment and promotion of handicapped workers; the administration and enforcement of Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, which requires affirmative action by Federal contractors in the employment and promotion of disabled veterans and veterans of the Vietnam era; the Women's Bureau's program, which is designed to upgrade the status of women and provide for their fuller utilization in the work force; and the administration and enforcement of the Equal Pay and Age Discrimination in Employment Acts.

In 1976, the Executive Order 11246 program, the affirmative action program for handicapped workers, and the affirmative action program for disabled and Vietnam era veterans were consolidated administratively under the Office of Federal Contract Compliance Programs (OFCCP). A unified organizational strategy has succeeded in integrating the common policy and procedural elements of these programs, such as recordkeeping and reporting requirements, while at the same time addressing the particular employment and advancement problems faced by each target group.

In exercising the Department's leadership role in the Executive Order 11246 program, the Department has in the past year implemented procedures to evaluate compliance agency enforcement efforts in supply and service contracting; produced an operations manual for the construction program to simplify and delineate more clearly the responsibilities of the Department, the compliance agencies, and Federal construction contractors; implemented the use of Special Bid Conditions to generate employment goals and timetables for large construction projects located in areas not covered by Hometown or Imposed Plans; pilot tested the compliance officer training program for compliance agency staff; published for comment, proposed new regulations for implementing Executive Order 11246; and, developed a Directives System to ensure that all compliance agencies receive policy issuances on a timely and uniform basis.

Approximately 23,200 compliance reviews of Federal contractors were conducted by the compliance agencies in FY 1976. The Office of Federal Contract Compliance Programs (OFCCP) performed 497 post compliance review audits, 151 on-site compliance reviews, 13 special directed compliance reviews, and 43 agency audits to evaluate compliance agency enforcement efforts in supply and service industries. The participation rate (percent of total employment by Federal contractors and subcontractors excluding Department of Defense data) rose from 26.3 percent to 27.7 percent for all women, and from 5.7 percent to 5.9 percent for minority women, but fell from 11 percent to 9.4 percent for minority men during this period. In the construction program, 43 audits were made of the 70 hometown and imposed plans in effect during the year.

In Fiscal Year 1976 enforcement of Section 503 of the Rehabilitation Act of 1973 focused on outreach to employers and handicapped groups, resolution of complaints and staff training. This Act requires that Federal contractors take affirmative action in the employment, promotion and retention of handicapped workers. Of the 800 complaints received, approximately 300 were resolved during the year. Some two hundred were found not covered under the Act and the other three hundred were in the inventory at the end of the fiscal year.

Resources for the program under Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974 were received in January 1976. Of the 33 complaints received under this program, 16 were resolved during the year. Final regulations were promulgated for both the Handicapped Worker and Veterans' programs.

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The Women's Bureau implemented a number of major outreach efforts including the initiation of a program for rural women with emphasis on Appalachia, and the launching of a program for young people to make them more aware of employment opportunities, particularly in the non-traditional areas of employment. Further development was undertaken in 1976 to improve the situation of women offenders and ex-offenders. The Bureau continued to promote non-traditional job opportunities for women including apprenticeship programs, with major conferences held on the subject throughout the country. The Bureau also impacted on activities affecting women within the Department of Labor through participation in the Intradepartmental Coordinating Committee for Women (ICCW) and the Regional Committee on Activities Affecting Women (RCAAW). For the entire year, the Bureau co-sponsored or participated in 2,400 conferences, consultations and other meetings and provided 23,500 technical and advisory services. Because women are becoming a greater economic force in the world of work, more substantive analyses of various aspects of women in the labor market were undertaken and culminated in a number of publications dealing with such areas as the earnings gap between women and men, mature women workers, and unemployment in recessions for women and minority workers.

Several high priority efforts were developed in the enforcement of the Age Discrimination in Employment and Equal Pay Acts. Specific guidance on priorities, targeting and investigation procedures was provided to field managers. Specialized training courses on the conduct of the ADEA and EPA enforcement programs were provided to area office level managers and supervisors. Advanced training in investigative procedures for these programs was given to junior level compliance officers. The Department established compliance officer specialist positions within currently available resources to concentrate on ADEA and Equal Pay enforcement. These positions were established to provide a greater level of expertise to deal with the complexities of proving discrimination due to age and sex. Selective directed enforcement effort to develop major cases continued although an increasing proportion of enforcement effort in FY 1976 was devoted to the resolution of complaints and reduction of complaint inventories. A number of large settlements from employers were successfully obtained in FY 1976 through these selected enforcement efforts. A total of $11,373,000 was recovered for 17,470 employees for violations under the Equal Pay and Age Discrimination in Employment Acts.

The Supreme Court, in deciding the case of National League of Cities vs. Usery, ruled that the minimum wage and overtime provisions of the Fair Labor Standards Act do not apply to employees of State and local government and institutions, thus overturning a portion of the 1974 FLSA Amendments. The decision was silent on whether the provisions of the Equal Pay Act and the Age Discrimination in Employment Act, incorporated by reference in the FLSA, still apply to these State and local government entities.

Based upon the Supreme Court's silence, the Department took the position that EPA and ADEA provisions still apply to the public sector, but nonetheless placed a moratorium on enforcement action in this area pending judicial clarification. Since that time, more than 15 individual court decisions have upheld this area of coverage. Enforcement activities are now proceeding on this basis.

The OFCCP published new revised regulations for the Executive Order 11246 program during the first month of the transition quarter and is currently evaluating the comments received. The purpose of these revisions to the regulations was to strengthen the enforcement mechanism, to consolidate the regulations in a consistent manner, and to simplify the paperwork requirements for contractors.

Under the new proposed regulations, concentration would shift to contractors which have the greatest potential for employment opportunities and to enable the agencies to conduct more in-depth compliance reviews. A 1975 study prepared by the Employment Standards Administration, indicates that the proposed change would relieve 41 percent of the contractors from the requirements of a written plan while still leaving 88 percent of the employees covered by written plans.

In the Transition Quarter, program operations proceeded as in FY 1976. The Office of Federal Contract Compliance Programs performed 150 post compliance review audits, 14 on-site compliance review audits, 16 agency audits in the service and

supply program, and three agency audits and three hometown plan audits in the construction program. Complaint activity under the Handicapped and Veterans programs continued at the same rate as in FY 1976.

The Women's Bureau sponsored or participated in 710 conferences, consultations, and other meetings, and provided 5,600 technical and advisory services.

In the Wage and Hour programs for Equal Pay and Age Discrimination in Employment enforcement, approximately 5,000 compliance actions were conducted, resulting in restoration of $1,035,619 to workers in previous income illegally withheld, and future gain in income of $558,500.

In 1977, the first priority under Executive Order 11246 will be the analysis of written comments on the proposed revisions to the regulations implementing the order. During the first quarter, four public hearings were held to obtain further comment on the changes. Following the analysis of both the comments submitted and testimony of various interested parties, decisions will be made as to what will be incorporated into the final regulations. Enforcement efforts will continue to stress conducting in-depth reviews and the remedying of systematic discrimination.

New guidelines for employee testing and selection were issued during the first quarter in conjunction with identical issuances of the Department of Justice and the Civil Service Commission. Therefore, their issuance represents a step toward uniformity of policy among agencies responsible for the enforcement of equal opportunity laws and regulations.

Compliance agencies are expected to have an average employment totaling 1,563 staff-years in the supply and service and construction programs under the Executive Order 11246 program. The Office of Federal Contract Compliance Programs (OFCCP) plans to monitor approximately five percent of the reviews of each compliance agency to assure that all rules and regulations under the Executive Order are consistently applied.

It is estimated that in FY 1977 the agencies will conduct 24,500 compliance reviews. Projections for OFCCP acivity for the fiscal year include about 900 post compliance review audits, 200 on-site compliance reviews, 30 special directed compliance reviews, and 50 agency audits to evaluate compliance agency enforcement effort in the supply and service industries. Goals for minority participants in new hires for FY 1977 are 24.1 percent women, (including 6.8 minority women), and 10.7 percent minority males. In the construction program, 50 audits are planned for this period.

It estimated that 2,000 complaints alleging discrimination in employment due to a physical or mental handicap under Section 503 of the Rehabilitation Act will be received. Based on experience, however, probably one-third of those will not be within the jurisdiction of the Act. Technical assistance activity will continue to include the counseling of Federal contractors and subcontractors on recruiting resources, reasonable accommodation and the concept of voluntary compliance.

Complaint activity under the Veterans' affirmative action program is projected at 500 filings for the year, not including the number of contractor failures to make the mandatory listings of jobs with State agencies as required under the Act. Under the terms of a Memorandum of Understanding signed by the Employment Training Administration (ETA) and Employment Standards Administration (ESA), ETA is to report apparent violations of the mandatory listing requirements to OFCCP for enforcement action. Technical assistance will continue to stress outreach to the potentially covered population.

The Women's Bureau is giving, and will continue to give particular attention to increased participation of women in Comprehensive Employment and Training Act (CETA) programs. A fact sheet on CETA funding was prepared and is being distributed to interested parties. Further efforts are being made to reach minority women and other women with special needs. In this connection a series of conferences, coordinated with the Employment and Training Administration, are cur-

rently underway to focus attention on employment issues of low income women. Additional conferences, focusing on participation by women in CETA programs, will be held throughout the fiscal year with Black, Hispanic, Indian and Asian groups. Such ongoing programs as furthering day care services for children of working parents and increasing part-time and flexitime opportunities for employment will also be highlighted. In addition, an action plan will be devised and implemented to upgrade private household workers. The ICCW and RCAAW will focus attention on specific DOL programs that can be made more responsive of the needs of women.

The study of economic issues affecting women will be given priority attention in FY 1977 including: the impact of strengthened equal employment opportunity enforcement; alternative work schedules; child care for working parents; improved training and employment opportunity for the displaced homemaker; and, those aspects of pension and social security plans that are disadvantageous to women.

Workloads for enforcement of these non-discrimination statutes has continued to rise over the previous year with a change in the relative mix of complaints received. Allegations of Equal Pay violations have stabilized, while Age Discrimination complaints have increased sharply. To resolve the increased number of complaints, ESA has requested ten additional compliance officer positions as part of a FY 1977 supplemental appropriations request, to be devoted to ADEA enforcement. These positions would be filled during the second half of FY 1977. The additional positions will permit the continuation of the strategy for both Acts of maintaining some "directed" enforcement program while servicing all complaints received. The bulk of this directed effort is being and will be used for case development and pursuit of litigation in large or potential landmark cases to obtain judicial clarification and precedent for the two statutes.

In 1978, the number of agencies with compliance responsibilities under the Executive Order will be reduced from 17 to 11. The Department believes that a number of the criticisms of the Executive Order enforcement effort result from the problems of coordination, training and duplication that are directly attributable to the multiplicity of Federal agencies with enforcement authority. The Department has already begun the sequence of steps necessary to effect the transfer of compliance responsibilities. The resource adjustments for enforcement activity have been incorporated in the respective agency 1978 Budgets. The mechanics of working out the physical transfer of positions, files and related logistical problems will be undertaken in FY 1977. Liaison contacts with the affected agencies have been established and Civil Service Commission guidance will be sought as necessary.

The key program benefits expected to accrue from consolidation of enforcement responsibility include a probable increase in the Department's effectiveness (as the span of control is reduced and fewer agencies must be monitored), an increase in the effectiveness of technical assistance and monitoring activities provided by the Department (as a larger number of agency compliance personnel would be reached for a given amount of Department effort in conjunction with compliance agency management), and a probable increased utilization of operational compliance personnel.

The consolidation will result in a more rational distribution of enforcement work and resources. Government contractors would experience an enforcement effort with less overlap, more consistency, and better organization. Consolidation will not, however, completely eliminate the problems of conglomerate firms having to deal with more than one compliance agency, but at the same time, there should be greater unifromity among agencies. Industry will benefit by being able to rely upon a more consistent approach to requirements under enforcement. Minorities and women should benefit from the greater overall success in hiring and promotions anticipated from the coordination of efforts.

In addition to consolidation, contract compliance program initiatives for the future will continue to focus upon: improving the effectiveness of the construction compliance program; reassessing with the Office of Management and

Budget (OMB), the General Services Administration (GSA), and the Department of Defense (DOD) the future role of the compliance agencies in the Handicapped Worker and Veterans programs; completing implementation of the Department's supply and service evaluation procedures, and completing the steps necessary to develop a comprehensive contract compliance information system.

For both the Handicapped and Veterans' programs, 1978 will be a time to assess the feasibility of a role for OFCCP compliance agencies in the enforcement effort. Effecting such a role would require a change in the regulations and present compliance resource levels. These agencies currently are limited to an informational role, advising contractors of their basic responsibilities and reporting to ESA any potentially discriminatory action for investigation. It is anticipated that 3,000 complaints will be received in FY 1978 under the Handicapped Workers' program and 700 under the Veterans' program.

As part of its response to the ever-widening earnings gap between men and women, the Women's Bureau will continue its intensive efforts to promote the entry of women into non-traditional jobs and apprenticeship programs. At the same time, expansion of child care services and the promotion of part-time and flex-time opportunities for women will be stressed. Follow-up actions will be taken in regard to plans developed in 1977 for upgrading private household workers. Services will be extended to minority women, low-income women, women in rural areas and other women with special needs. Department of Labor activities will continue to be reviewed to assure that all policies and practices are conducive to the best interests of women workers. Special consideration will be given to developing a balanced research program for the Bureau which will focus on providing the type of research needed by the Bureau to improve the delivery of services to its clintele.

Continued priority will be given to the Equal Pay and Age Discrimination in Employment (ADEA) Acts. The addition of ten compliance officer positions in a FY 1977 supplemental budget request will permit continuation of the strategy of answering all complaints, reducing the complaint inventory to manageable size, and initiating selected investigations for large and potential landmark cases. Otherwise the growth in the number of complaints alleging age discrimination would reduce this enforcement effort to a "complaints-only" program, and the inventory of complaints awaiting action would once again increase.

Approximately 25,000 compliance actions will be conducted under the ADEA and Equal Pay Acts. The results of these investigations will yield $14,400,000 in back wages restored to workers. Workers' future incomes will be increased by about $9,800,000. (See Table II on page 211).

Changes for 1978

Mandatory changes amount to	$+603,000
Program changes amount to	None
Positions	None

Mandatory changes include an increase of $198,000 for the net additional cost of within-grade promotions; $187,000 for an increase in the General Services Administration space rental costs (SLUC); $9,000 for increased contributions to the Federal Employees' Compensation Fund; $136,000 for the net cost of annualization of ten positions requested in the 1977 supplemental for the Age Discrimination in Employment Act program; $111,000 for increases in administrative and program support services; $11,000 for the net additional cost of the pay increase effective October 10, 1976; and a decrease of $49,000 for one less extra day of pay in 1978.

TABLE II

EQUAL PAY ACT AND AGE DISCRIMINATION IN EMPLOYMENT ACT
PROGRAM ACTIVITIES, FISCAL YEARS 1975 AND 1976 ACTUALS AND
ESTIMATES FOR FISCAL YEARS 1977 AND 1978

	Actual		Estimated	
	1975	1976	1977	1978
Complaints received.....	7,444	7,430	7,800	7,900
Inventory 1/.....	3,534	3,873	3,700	3,400
Compliance actions.....	21,556	21,970	22,900	25,000
Investigations.....	10,131	9,588	10,800	11,600
Limited investigations...	3,194	4,105	3,600	4,000
Conciliations.....	8,231	8,277	8,500	9,400
Employees found employed in violation.....	34,193	26,518	29,200	33,600
ADEA.....	2,350	1,908	2,100	2,400
EPA.....	31,843	24,610	27,100	31,200
Amount of underpayments....	$33,059,269	$26,583,644	$27,100,000	$33,600,000
Employees who employers agree to pay.....	18,617	17,470	19,200	22,100
Back wages restored.....	$ 9,150,334	$11,373,160	$12,500,000	$14,400,000
Annual income gained 2/....	$ 7,839,936	$ 7,702,188	$ 8,500,000	$ 9,800,000

1/ Number of complaints waiting to be investigated at the end of the year.

2/ Annual income gained is an estimate based on the annual projection of underpayments disclosed during the work week investigations.

Activity 3. Workers' Compensation (1977, $28,691,000, Pos. 999; 1978, $32,889,000, Pos. 999)

Narrative Description of Program

Federally-administered workers' compensation programs include the Federal Employees' Compensation Act (FECA) program, the Longshoremen's and Harbor Workers' Compensation Act program, and the Black Lung Benefits Act program. Under these programs, benefits are provided to eligible claimants who are disabled, or to their surviviors in case of death, as a result of job-related injuries or disease. Medical treatment, vocational rehabilitation, and other services are provided to claimants according to the provisions of each Act.

In 1976, the total number of claims received under the Federal Employees' Compensation Act was 40,324, approximately 4,700 more than in FY 1975. The number of new injuries reported, 191,172, was almost 32 percent higher than a year ago, while the periodic (long-term disability) rolls increased by over 16 percent to 42,401 cases being compensated. Analysis of the increase in all components of the incoming workload shows that much of it can be attributed to the continued effects of the 1974 Amendments to the Act, particularly with the elimination of the initial three-day waiting period before receipt of compensation. In addition, there is an increasing awareness by Federal employees of the relationship of disease to occupations and the potential benefits that can be received under the FECA.

Long-term improvements to the operating efficiency and claims processing capacity of the FECA program are based on the implementation of an automated system. Pilot operations were begun in the latter half of this fiscal year, and later suspended, when it became apparent that the system as designed could not fully meet all the operational needs of the program. The initial stages of data conversion were begun, and the combination of work stoppages for conversion of the case files and high levels of incoming workloads resulted in major growth to the program's inventory of unprocessed case actions. However, utilization of temporary resources and overtime reduced the inventory from a mid-year level in excess of 50,000 pending actions to 37,748 such actions by the end of the year.

A significant action taken this fiscal year was the establishment of a Workers' Compensation Task Force to conduct an intensive analysis and evaluation of all three Federal workers' compensation programs. The report on all aspects of the FECA program, including analyses of resources, policies and workloads, was completed in January 1977, and included findings and recommendations for administrative improvements, legislative changes, and new initiatives to be undertaken in FY 1977.

Incoming caseloads in the Longshore program continued at very high levels, and by year-end, the inventory of unprocessed actions exceeded 15,000. The heavy inflow of cases created severe time lags in the adjudicatory process, particularly in the holding of informal conferences. Because of the continued heavy workload, and the projection that it would increase further, 52 additional positions were authorized in a supplemental budget appropriation.

A series of studies was also conducted during the year in the Longshore program to assess its management and workload trends, the most notable of which were audits by the General Accounting Office, a management engineering study by the Department's Office of Administrative Services and Management, and a comprehensive review by the Workers' Compensation Task Force, similar in scope to that conducted on the FECA program. The Task Force report was completed in December 1976, and its findings and recommendations will be implemented in FY 1977.

A total of 23,700 Black Lung claims were filed this fiscal year under the Federal Coal Mine Health and Safety Act of 1969, as amended. The inventory of Black Lung claims awaiting completion of initial determination was just over 50,000. The priority objective of this program in FY 1976 was the reduction of the claims inventory through the utilization of temporary resources and streamlined administrative procedures. However, no substantial reduction was effected, due to the level of incoming workload being considerably higher than anticipated.

Other aspects of the program were also affected by the unforeseen high level of claims inflow. It was decided to continue the existing claims-taking arrangements with the Social Security Administration, as ESA had no viable alternative for the receipt of claims on a nation-wide basis. Because of continued administrative and procedural difficulties experienced in the program, major studies of the Black Lung program were initiated, including a management engineering study by the Department's Office of Administrative Services and Management, a study by the General Accounting Office, and a thorough review by the Workers' Compensation Task Force to examine and recommend specific procedures to reduce the claims inventory and improve the quality of program services.

In the Transition Quarter, 10,027 new claims were received and 52,502 new injuries were reported to the FECA program. Concurrently, the inventory of unprocessed actions increased to 56,299. In the Longshore program, 11,251 lost-time injury reports were received, confirming earlier projections of a higher level of case inflow. By the end of this three-month period, the inventory of pending actions reached 20,000. In spite of a slight decline in the rate of claim filings, the inventory of pending Black Lung claims remained at the 50,000 level.

In 1977, the major objective of the FECA program will be completion of data conversion and other initial stages of implementing the ADP system, prior to its scheduled operation in FY 1978. Concurrent with nation-wide data conversion, the FECA program is experiencing a greater level of incoming caseload, with 43,000 new claims expected and 44,500 cases to be compensated on the periodic rolls. To maintain office operations in the face of these two factors, and to effect a substantial reduction in the case action inventory, supplemental resources have been requested for FY 1977.

A total of 123 additional permanent positions has been requested to strengthen the administration of the FECA program, by improving service to eligible claimants and protecting employee rights, while insuring that the Government's interests are similarly protected. The new resources will provide for additional claims examiners for development and adjudication of claims; increased quality control and case management activity on long-term disability cases; an investigation function; an increased number of vocational rehabilitation specialists; and professional medical specialists on a full-time basis to provide qualified evaluation of evidence of job-relatedness in non-traumatic injury and occupational disease cases.

Recommendations of the Workers' Compensation Task Force to improve FECA operating procedures and claimant services will be implemented during FY 1977. Included in these efforts are revisions to current reporting procedures, reorganization of the District Office structure to promote efficient workflow, strengthening the rehabilitation and training programs, and development of a management information system in conjunction with the automated claims processing system.

Within the Longshore program, the main emphasis in FY 1977 will be on reduction of the claims inventory. With the hiring and training of the additional staff provided in FY 1976, it is expected that ESA's goal of 4,000 pending claims in the inventory can be attained by year-end. First quarter experience indicates that inventory reduction is being effected more rapidly than anticipated. With the filling of the rehabilitation specialist positions in the District Offices,

the vocational rehabilitation responsibilities under the Longshore Act are proceeding apace. Increased emphasis in this area is expected in FY 1977, resulting in a greater number of injured employees undergoing rehabilitation services and returning to remunerative employment.

Stabilization of the incoming workload levels is projected for FY 1977, and with implementation of several recommendations proposed by the various studies conducted in FY 1976, the Longshore program is expected to be on a current basis by the end of the fiscal year. Task Force recommendations will be implemented, including the development of a management information system, and completion of the Longshore procedures manual is also expected this year. In addition, specifications have been developed for an outside contractor study of the problems associated with the availability and the high rates of insurance for the maritime industry under the Longshoremen's and Harbor Workers' Compensation Act.

Based on the experience of recent years and current monthly trends, only a moderate decline in the rate of Black Lung claim filings is anticipated during FY 1977, with receipt of 18,000 claims projected. In addition to continuing its efforts of inventory reduction, the Black Lung program is undertaking several initiatives recommended by the Task Force to improve its workflow operations and processing. A new claims adjudication procedure is being implemented, whereby certain initial medical information is supplied to the claims examiner to determine whether the physical condition of the claimant warrants any further claim development. This procedure is expected to facilitate determinations and substantially reduce the current delay in adjudicatory time. Other recommendations for program improvement resulting from the recent management engineering study and the Workers' Compensation Task Force will be further developed and implemented during FY 1977.

In 1978, the productivity supplied by the positions added by the FY 1977 supplemental will assure more timely and accurate processing of claims and increased quality control in the adjudication and benefit payment process. Based on current workflow trends through FY 1976, ESA is projecting that 48,000 new claims will be received in FY 1978, and that 46,500 cases will be receiving compensation on the periodic rolls. The capacity to remain current in the processing of claims in the face of expected increases in incoming workloads is dependent on the full-year availability of these resources in FY 1978. In the event actual workloads significantly exceed projections, ESA is requesting the establishment of a contingency fund for FY 1978, through which resources would be available to meet unforeseen workload demands.

Implementation of a number of recommendations of the Workers' Compensation Task Force to improve program operations will be continued through FY 1978. Work will continue on the implementation of the automated claims processing system in the FECA program, with full operation currently scheduled by the end of the year.

Through FY 1978, the Longshore program should maintain its case inventory at the 4,000 level given projected workloads. With the implementation of various administrative and procedural changes, the development of a management information system, and a formal training program in effect for the staff, the management objectives of improved service should be met.

With a continued decline in the rate of claim filings projected for FY 1978 (receipt of 10,000 claims is the present estimate), the Black Lung program will place further emphasis on the reduction of its claims inventory. Implementation of the various recommendations of the management engineering study and the Workers' Compensation Task Force is expected to result in positive program improvements in the quality of claimant service. In addition, the future status of the claims-taking arrangement with the Social Security Administration will be undergoing further evaluation, as will the type and extent of technical assistance needed by the States, prior to potential State assumption of responsibility for payment of Black Lung benefits by 1981, as intended by the Federal Coal Mine Health and Safety Act, as amended.

Changes for 1978

Mandatory changes amount to.....+$2,693,000
Program changes amount to.....+$1,500,000
Positions..... None

Mandatory changes include an increase of $250,000 for the net additional cost of within-grade promotions, of which $5,000 is financed from the Special Fund in accordance with Section 39(c) and 44(j) of the Longshoremen's and Harbor Workers' Compensation Act; $308,000 for an increase in the General Services Administration space rental costs (SLUC); $1,860,000 for the net cost of annualization of 158 positions added to the Federal Employees' Compensation Act program in FY 1977; $126,000 for increased contributions to the Federal Employees' Compensation Fund; $182,000 for increases in administrative and program support services; $17,000 for the net additional cost of the pay increase effective October 10, 1976; and a decrease of $45,000 for one less extra day of pay in 1978.

Improving the Federal Employees' Compensation Act Program

Proposal: Over the last several years, conditions in the Federal Employees' Compensation Act (FECA) program have been highly volatile, with workloads changing rapidly. The rate of growth in the number of claims filed has been extremely unpredictable over time. To meet this problem, ESA is proposing the establishment of a Contingency Fund in FY 1978 of $1,000,000 to finance overtime work, temporary assistance, and appropriate contracting services (including ADP services) to offset unforeseen increases in workload.

The Need: In recent years, future workloads under the FECA program have been extremely difficult to estimate, particularly since enactment of the 1974 Amendments to the Act. Both the absolute levels of the workloads under the FECA and the mix of claims being filed are changing rapidly. The estimates made just two years ago, based on the then-existent trends and best available evidence, were materially short of what actually occurred. The initiation of the provisions for continuation-of-pay by agencies for up to 45 days and elimination of the initial waiting period before receipt of compensation has significantly increased the number of short-term claims which must be post-audited by ESA. In addition, the number of claims based on long-term disability or occupational disease have more than doubled since the 1974 Amendments. The number of long-term claims expected in FY 1978 is almost as great as the number of both short- and long-term claims filed in FY 1975. Given a relatively stable Federal employee population, there has been little basis upon which to project such a phenomenal growth on workload. This has produced a continual problem in the administration of the FECA program of responding to major increases in workloads which cannot be met with resources available. Budget estimates for succeeding fiscal years are based on the best evidence available and reflect existing trends to the extent that those trends can be realistically projected. As a consequence, given the uncontrollable and demanding nature of workloads under FECA, when the number of claims received exceeds the rate at which resources have been provided, the claims processing system is quickly overloaded. The basic symptom of this imbalance is the inventory of case actions awaiting processing at any given time. At the end of January, 1977, this inventory stood at just over 85,000 cases, compared to the standard of approximately 20,000 case actions. This numerical symptom reflects workload pressures which cause delays in processing claims and limitations on the quality of the adjudication process.

Additional resources have been requested in a FY 1977 Supplemental Budget to meet basic workload demands and to implement improved case management techniques and quality controls. By the end of Fiscal Year 1978, program operations and inventory levels should be in balance, if projected workload levels are realized and the substantial workload capacity dividends materialize from the implementation of the automated support system, now scheduled for full operation by the end of FY 1978. However, the effectiveness of these strategies would be compromised should the number of new incoming claims materially exceed the current projections for FY 1978. Should that occur, bottlenecks to timely claims processing would once again become prevalent. There is a consequent need for a rapid response mechanism through which additional resources can be brought on-line quickly to service unforeseen workloads.

The normal procedures for providing additional resources are insufficiently responsive, since even a one or two month delay in obtaining additional resources will result in rapid deterioration of service, and will require major efforts to correct the inflated inventory levels which would occur. Since the workloads are uncontrollable, there is a need to provide a reserve or "contingency" fund which can be used to provide resources for additional processing capacity when the rate of claims filed exceeds the rate for which the claims processing system has been programmed.

The Program: A total of $1,000,000 is requested to establish a resource reserve which can be used to process unforeseen workloads under the Federal Employees' Compensation Act. The appropriations language proposed in the budget for FY 1978 as submitted by the Executive Branch contains a trigger mechanism, by which these funds would be made available. Under the trigger mechanism, these funds would be available only if the rate of claims received exceeded the monthly rate of claims projected for the budget year by five percent. The table below shows the monthly receipt rate for new claims based on the projection of 48,000 new claims for Fiscal Year 1978.

Monthly Claims Filing Rate
Federal Employees' Compensation Act
Fiscal Year 1978

Month	No. of Claims	Month	No. of Claims
October	3,800	April	4,000
November	3,850	May	4,100
December	3,850	June	4,100
January	3,850	July	4,150
February	3,950	August	4,150
March	4,000	September	4,200

Once the trigger mechanism for a given month was reached, the reserve would be available at such rate as is necessary to maintain timely claims processing until the rate of new claims filed declined below the projected inflow rate. The funds would be used, as appropriate, to hire temporary personnel, to provide for overtime payments, or to enable the use of contractual services.

Base:
Positions. 643 Estimated Cost: $20,088,000

Additional Cost:
Positions: None Staff-Years: 25.0 Estimated Cost: $ 1,000,000

Completion of the Automated System for the Federal Employees' Compensation Act Program

Proposal: A total of $500,000 is requested in annual operating funds to provide additional processing capacity and continued system development and implementation in the administration of the Federal Employees' Compensation Act (FECA) program.

The Need: The Employment Standards Administration is in the process of implementing an automated claims processing system for the FECA program. However, since the conceptual design of the FECA system in November 1974, several additional factors have combined to substantially increase the total amount of funds needed for full implementation of the new system and proper maintenance on an ongoing basis. Previous budget forecasts did not accurately reflect the scope of the system, the difficulty in implementing it, its costs, or the impact of inflation. As a result, the costs of various components of the system, notably central computer processing time, hardware rental, and software programming by professional outside contractors, have increased over earlier projections used to estimate system implementation costs. In addition, a basic re-design of certain phases of the system will require system development and implementation work in FY 1978 at levels significantly above those originally planned.

FECA workloads have been expanding in recent years, and this rising trend is expected to continue. Furthermore, ESA has been receiving numerous requests from other Federal agencies for more effective claims processing and monitoring efforts, more accurate data, and more detailed analytical breakouts of agency claims and associated costs by various parameters.

In the initial detailed design and programming of the FECA program's automated benefit payment system, the system provided for a high degree of complex interrelated processes which would have involved a level of data processing sophistication well beyond that which now exists. As the final design was completed, it was determined that the amount of data input and computer processing capacity necessary to meet the design specifications would have required significantly more operating funds than could realistically be devoted to the system. As a consequence, it has been necessary to scale back the design of the system to eliminate several sophisticated routines which would have been advantageous had they proved feasible.

The re-design of the system will incorporate, within the revised resource levels requested, the essential processing elements necessary to provide workload relief and improved service for FECA District Offices. Full operation of the system in future years is expected to result in more accurate processing and monitoring of cases and payments.

In addition, the re-design of the system will require a different schedule of full development and implementation. This will require the incurrence of additional system development costs which had not been previously projected. Additional hardware equipment will also be needed to accommodate the increased number of claims examiners requested in the FY 1977 supplemental budget. Higher equipment rental costs in FY 1978 reflect this need. Regardless of the size of the data processing system and its relative sophistication, the additional amount of data which is now necessary to be maintained within the system will also require increased computer processing capacity. Further, because of the change in the schedule for implementation, there will be certain increased development and implementation costs through FY 1978 which could not be foreseen at the time the initial budget and estimates were developed. The combination of these factors has increased the overall estimate of 1978 system costs from $2,000,000 as originally projected, to $2,921,000. The table below provides a breakdown of the estimated cost of operation of this system.

To meet the increased costs for system development and implementation, and rental of additional hardware equipment estimated for FY 1978, an additional $623,000 is needed. This increased level of funding will be used for ongoing costs of operation beyond FY 1978. However, of this amount, $123,000 will be financed through annualization of funds requested in the FY 1977 Supplemental Budget. Therefore, the net additional requirement for FY 1978 is $500,000 to assure full implementation of the system. With the completion of data conversion expected in FY 1977, the funds now being devoted for this effort will be used to meet the increased costs of data processing services and system support, as well as the needed preparation of user manuals for the FECA staff and accounting procedures to meet General Accounting Office requirements. In FY 1977, the FECA program will absorb the costs for initial development of user manuals and system support of data conversion efforts from existing contractual funds. The costs for training the FECA staff in the use of the ADP system in FY 1978 will also be financed in this manner.

The data processing system is still envisioned as the singular most important element in developing improved methods of administration for the Federal Employees' Compensation Act program. This includes improved service to claimants, both in timeliness and in the ability to track cases, improved paper flow and elimination of extraneous paperwork within the administration of the program itself, and the provision of quality control checkpoints and management information systems which are not now available. The system is expected to be operational by the end of FY 1978.

Federal Employees' Compensation Act
Automated System

Summary of Fund Requests
(Dollars in Thousands)

	FY 1977		FY 1978	
	Previous Estimate	Revised Estimate	Initial Projection	Current Estimate
System Development and Implementation	$200	$400	--	$800
Conversion of Case Data	400	650	--	--
Hardware Rental at Regional Sites	800	748	$800	971
Contract for Data Processing Services	400	400	800	600
Telecommunication Links	200	100	200	100
Preparation of User Manuals	--	(50) 1/	--	150
System Support 2/	--	(200) 1/	200	300
	$2,000	$2,298	$2,000	$2,921

1/ To be absorbed within existing contractual funds.

2/ Includes costs for site preparation, operating supplies and peripheral equipment (ribbons, tapes, discs, etc.).

The Program: The provision of the requested $500,000 will ensure full development, implementation, and maintenance of the FECA automated claims processing system. It is expected that this system will result in more rapid and more accurate claims processing, and improved quality control.

Base:
Positions: 643 Estimated Cost: $20,088,000

Additional Cost:
Positions: None Staff-years: None Estimated Cost: $ 500,000

Activity 4. Program Development and Administration (1977, $12,298,000, Pos. 250; 1978, $13,294,000, Pos. 250)

Narrative Description of Program

This activity provides for overall executive direction and administrative support for the Employment Standards Administration. The support includes unified direction, policy planning, program development and accountability, personnel management, management information systems, research, and budgeting and accounting for all programs.

In 1976, the newly created Office of Federal Contract Compliance Programs, consolidating the three affirmative action programs administered by the Employment Standards Administration, was made operational with staffing of the Handicapped Workers program completed by the end of the year. The new organization integrates the common policy and procedural elements of the three programs, such as recordkeeping and reporting requirements, while at the same time addressing the particular employment and advancement problems faced by each target group. National Office and Regional Performance Reviews, together with management by objective projects, supported the process of maintaining accountability for ESA programs. The ten positions provided by the FY 1976 Supplemental Appropriation provided much needed support to ESA Regional Administrators in the areas of policy planning, program development and program accountability. Six major research and evaluation studies were completed: Annual Reports on the Economic Effects of the Fair Labor Standards Act, the Age Discrimination in Employment Act, the Black Lung Benefits Act, and the Farm Labor Contractor Registration Act, A Study on the Demographic Characteristic of Workers in the Work Clothing Industry, and An Evaluation Study of the Federal Employees' Compensation Act.

In the Transition Quarter, ESA top management officials were in close contact with the International Association of Governmental Labor Officials regarding joint initiatives. Work began on developing pilot projects for cooperative agreements and initial contacts were made with selected State government agencies.

In 1977, the Employment Standards Administration is undertaking a number of initiatives to improve program operations which will improve the productivity of existing resources, and enable the agency to even more effectively utilize the additional resources requested in the supplemental budgets for FY 1977, for the Wage-Hour and Workers' Compensation Programs. Staffing of the Veterans program will be completed during the year. Strategies have also been developed to assure that there is strong program continuity as a new Administration takes office.

A special task force has been established for the planning, coordination, and implementation of the Federal Employees' Compensation Act automated claims processing system. Implementation of the system has proved to be more complex than initially envisioned and it has become necessary to reevaluate the system and consider modifications.

Another major initiative is underway in the workers' compensation program. An Intra-Agency Task Force on Workers' Compensation is coordinating a comprehensive review of all Federally-administered programs in order to improve program policies and procedures. Over 200 recommendations have been made, many of which are currently being implemented.

A comprehensive training program for improving the technical knowledge and overall levels of all ESA employees is being developed. A contract has been awarded for the training of workers' compensation claims examiners. It is expected that a contract will be awarded in the third quarter for a case management study of the Longshore and Harbor Workers' program. A Request for Proposal (RFP) has been developed for a training program for staff members in the Longshore program. Specific training has been provided to Wage-Hour field personnel in the investigative and legal aspects of the Equal Pay and Age Discrimination Employment Acts.

Also, action has been initiated to fill the five positions transferred from Activity I to Activity IV for purposes of providing technical assistance and training to non-ESA personnel. In this connection, a contract for the training of Agency compliance officers responsible for enforcement of Executive Order No. 11246, has been let and training classes should commence during the third quarter.

Planning is underway to develop and implement Federal/State cooperative agreements to achieve more efficient administration of both Federal and State employment standards, to minimize duplication of activities, and to eliminate minor differences in standards. This effort was the subject of several meetings with IALGO officials. Also, State Labor Commissioners have been requested to submit proposals for potential projects. It is expected that some projects will involve tripartite participation by government, labor and business representatives.

The development of a balanced resource and evaluation program continues to have a high priority. Research projects have been programmed for reviewing data in the employment of women and to assess the availability of women to participate in the construction industry. Studies will be conducted to improve ESA's basic knowledge about handicapped persons. A number of projects have been developed for the workers' compensation programs including studies of continuation-of-pay provisions under the Federal Employees' Compensation Act and Longshore insurance costs, and an overview study of the Black Lung program.

Work continues on the research studies mandated by the 1974 Fair Labor Standards Act Amendments. It is expected that two-thirds of all such studies will be completed by the end of the fiscal year. Annual reports on the Economic Effects of the Fair Labor Standards Act, the Age Discrimination in Employment Act, and the Farm Labor Contractor Registration Act have been completed.

The Office of Information will continue to target its effort toward those programs most in need of its technical assistance. Radio and T.V. spots will highlight such areas as the Minimum Wage, Equal Pay and Age Discrimination programs. A training film has been developed for the Federal Employees' Compensation Program and will be available shortly. Another film, to inform the general public and government contractors about the contract compliance program, is expected to be completed in the near future.

The program analysis and accountability review function will be emphasized with each Region's performance being formally reviewed twice per year and each Region being visited yearly by the Accountability Review Team for purposes of determining whether field programs are managed properly and whether managers are adhering to procedural and policy requirements. In addition, National Office Program Heads are subject to regular performance reviews concerning the activities for which they are responsible.

In 1978, ESA will concentrate on the improvement of the new management efforts undertaken over the past few years. Particular attention will be given to the further development of ESA/State cooperative arrangements. In this connection, it is requested that an additional $750,000 be made available for expansion of the program. A proposal to this effect follows.

Research and evaluation projects will be developed to provide ESA with a balanced program. Projects concerning activities affecting women will be continued, the validity of the hometown plan for affirmative action in the construction industry will be studied and fee schedules in all compensation programs will be examined.

Training initiated in FY 1977 for ESA employees will be reviewed and integrated into ESA's ongoing program as appropriate. In addition, the comprehensive technical assistance and training program established in FY 1977 will be made fully operational. It is expected that some type of training will be provided to selected State employees administering programs similar to ESA programs.

In addition to furthering ESA/State cooperative arrangements, conducting a comprehensive training and technical assistance program, and developing a balanced research and evaluation program, ESA will continue its emphasis on program analysis and accountability reviews to assure that managers are performing satisfactorily and adhering to approved policies and procedures. Recommendations of the Intra-Agency Task Force on Workers' Compensation will continue to be reviewed and appropriate actions taken.

Changes in 1978

Mandatory changes amount to	$+246,000
Program changes amount to	$+750,000
Positions	None

Mandatory changes include an increase of $89,000 for the net additional cost of within-grade promotions; $88,000 for an increase in the General Service istration space rental costs (SLUC); $26,000 for increased contributions to the Federal Employees' Compensation Fund; $52,000 for increases in administrative and program supprot services; $7,000 for the net additional cost of the pay increase effective October 10, 1976, and a decrease of $16,000 for one less extra day of pay.

Coordination of ESA Program Implementation with State Governments.

Proposal: To expand further the program funded in FY 1977 for developing ESA/State cooperative arrangements on the administration of employment standards statutes. Projects selected would be limited to areas of joint responsibility and would contribute to a better utilization of both State and Federal resources. It is not intended that any project would involve a transfer of basic enforcement authority from one governmental level to another.

The Need: ESA and State labor agencies separately administer employment standards programs addressed essentially to the same worker needs. In recent years, the possibiltiy of overlap in coverage has increased, as new and revised standards have been adopted at both governmental levels and Federal standards have expanded into areas which had been primarily State domains. The concurrent jurisdiction creates situations which could lead to duplication of effort and confusion for workers and employers. In the face of increasing concern about limited government resources, the need for greater Federal/State coordination is more urgent. The goal is to achieve efficient administration of both State and Federal employment standards, to minimize potential duplication of activities, and to eliminate minor differences in standards. Success of the program should result in higher employment standards, and will contribute to a better utilization of both State and Federal resources.

Most ESA programs are matched by a comparable State program with the State maintaining jurisdiction concurrently with the Federal government. Counterpart State legislation exists in the following areas: minimum wage (40 States), and premium overtime pay (29 States), child labor (50 States), equal pay (38 States), employment discrimination based on age (33 States), the existence of a handicap (27 States), and prevailing wage standards on public works (40 States) and farm labor contractor registration. In most States civil rights or Fair Employment Practice laws are applicable to the same employers subject to Executive Order 11246. At least eight States have public contracts laws requiring affirmative action in employment.

A cooperative approach to administration of labor standards is needed to provide for more efficient use of ESA resources, and recognize the legitimate interest of both the States and the Federal government in the field. Technical assistance is needed to assist States in the development of comprehensive labor standards programs and, in selected areas, to improve State standards. Better

coordination is necessary to insure that recordkeeping and paper burden on employers, particularly small business is kept to minimum levels necessary and provide positive steps to decrease the economic impact of Federal regulations on employers.

Each State has been contacted to obtain their views on cooperative arrangements and many State officials have expressed interest in pursuing a wide variety of formal and informal cooperative projects. The contacts were made based on the limited program approved by Congress in FY 1977, and indicated a need to materially expand the scope of this program. A number of these specific projects are described below. The International Association of Governmental Labor Officials (IAGLO), the official organization of State Labor Commissioners, has created a Committee for the express purpose of dealing directly with the Employment Standards Administration in suggesting the implementing new forms of Federal/State relationships in the execution of similar programs. At the July,1976 and December,1976 conventions of IAGLO, the cooperative ESA/State program was discussed at length. There was general agreement that given sufficient resources, it will make an important contribution to service delivery by both levels of government. In addition, each State Labor Commissioner will be contacted directly and requested to submit specific proposals for potential projects based on the initial suggestions by the States.

Most laws enforced by ESA do already include a statutory basis for joint, complementary or partial Federal/State administration (e.g., Section 11(b) of FLSA). But even where the law is silent with respect to such specific authority (as in the Davis-Bacon Act, for example), the possibility of Federal/State cooperation by administrative arrangement exists.

The Program: Funding of $750,000 is requested to augment the $250,000 appropriated in FY 1977 to develop a full program providing an adequate test and evaluation of the feasibility of the full range of potential joint activities. The requested funds will be used for the expenses incurred in developing and administering projects, including the establishment of joint labor-management tasks forces and the training of State and Federal officials, as well as the expenses of specific cooperative project operations. There is a broad range of potential areas of cooperative activity, because of the many Federal and State employment standards. Among those initially targeted are cooperation directed toward information sharing, codification of employer recordkeeping requirements, development of joint posters, or utilization of State personnel to perform certain specific administrative or registration functions.

Extensive consultation, planning, and negotiations with State officials is a prerequisite to any agreement and implementation of a pilot project. The projects would be limited to those States where there is presently a demonstrated capacity and interest to carry on an effective labor standards program. The rights provided to workers under Federal law would in no way be jeopardized by these projects. Recourse to Federal action would be maintained in each instance.

It is planned to establish task forces in selected States. The composition of these working groups would vary, depending on the scope and potential impact of the projects to be considered. In some States, at the outset, the group would consist only of Federal and State government officials, such as the State Labor Commissioner, the ESA Regional Administrator, and their respective key personnel. Subsequently, such groups may be expanded to tripartite composition by including representatives of labor and management. In other States, it might be appropriate to begin immediately with the tripartite task force.

The first of these groups will be constituted in Fiscal Year 1977. In FY 1978 it is estimated that additional joint committees will be in operation at a cost of $200,000. Based upon the initial response of the States to the cooperative

projects and with a year's experience and selected committees in operation, it is projected that $500,000 could be effectively utilized for special projects in FY 1978. Some of these projects and joint arrangements will require little or no funding beyond present levels. Other projects would require specific additional funding.

The range of projects to be developed includes, but is not limited to, the following:

-- A number of counterpart programs involve the gathering of information and/or its dissemination. Prominent among these are prevailing wage laws which establish wage standards for employers contracting with the government. Cooperative projects would include the development of broad wage data bases, the development and distribution of job-site posters and the conducting of joint seminars for labor and management to apprise them of employer obligations and employees' rights under both Federal and State law.

-- A number of labor standards involve specific registration and/or applications for special wage certificates by the employer with one or two governmental entities. The potential for joint activity or an agency arrangement to perform some of these functions by only one governmental agency in such programs as registration of farm labor contractors and application for special wage rates for handicapped workers would be tested.

-- Formal agreements could be established with State Human Rights Commissions in areas of mutual interest. Federal technical assistance could be provided to States for establishing State Interdepartmental Committees on the Status of Women.

A high degree of interest has been expressed in the intergovernmental assignment of staff for specific projects. Such assignments would provide expertise to the States in such areas as the development of compliance manuals, enforcement strategies, and program evaluation methodologies. The potential for such assignments would be incorporated into the special projects program. Projects could also be developed to acquaint ESA employees with State and local government Labor Departments and the labor standards administered by such governments. It is projected that ten intergovernmental arrangements would be made in FY 1978 at a cost of $20,000 salary and $10,000 related expenses, for a total of $150,000. (Represents 50 percent of total for Federal Share)

Special cross-training for ESA and State labor standards personnel could also be very productive. Such training would result in better program coordination and would provide much needed cross-fertilization in the administration of employment standards. For its part, ESA plans to acquaint State counterpart personnel in selected States with Federal labor standards provisions so that personnel performing State technical efforts will have a working knowledge of Federal requirements leading to such things as an exchange of investigation leads concerning possible violations of labor standards. Consideration would also be given to the development by ESA, in possible cooperation with IAGLO, of orientation sessions for new State Labor Commissioners.

This type of activity is cost-beneficial both in terms of promoting voluntary compliance and in freeing some additional time of ESA field staff now used for technical assistance. $100,000 would be utilized in FY 1978 to pay for the costs of providing this training to State personnel.

Joint publications also represents an area of activity which could result in significant long-term savings to State and Federal governments, particularly where the laws of both are closely parallel. Ultimately such ESA publications would be funded from normal printing allocations; $50,000 is planned for FY 1978 to meet the needs for the exploration of possibilities, design and publication of jointly printed material.

Program output and performance criteria will be carefully measured before and during implementation of the projects. As projects are completed, formal evaluations will be prepared for each and recommendations formulated accordingly. Such recommendations will include continuation or discontinuation of the project, proposals for replicating in other States any beneficial results revealed by the project, and any Federal or State legislation needed to achieve potential benefits disclosed by the project.

Base:

Positions: 250 Estimated Cost: $12,544,000

Additional Costs:

Positions: None Staff-Years: None Estimated Cost: $ 750,000

COMPARISON OF FECA WORKLOAD STATISTICS
FY 1975 - FY 1978

Fiscal Year	New FECA Claims Received	% Change From Previous Year	Periodic Roll	% Change From Previous Year	Caseload Inventory	% Change From Previous Year	Budgeted Positions 1/
1975	35,615	+14.8	36,479	+11.4	23,795	-38.4	469
1976	40,324	+13.2	42,401	+16.2	37,748	+58.6	487 2/
1977	43,000	+ 6.6	44,500	+ 5.0	30,000 3/	-25.8	522 4/
1978	48,000	+11.6	46,500	+ 4.5	20,000	-46.7	520 5/

1/ Does not include temporary positions.

2/ In FY 1976, 18 positions (the Regional Deputy Commissioners and their secretaries) representing general program direction were transferred from the Longshore program to the FECA program.

3/ Reflects impact of temporary positions requested in the FY 1977 Supplemental Request.

4/ Includes addition of 35 positions provided by the Congress in the 1977 Appropriation Act.

5/ Two positions (a Deputy Commissioner and secretary) were transferred to the Longshore program from the FECA program.

COMPARISON OF LONGSHORE STATISTICS
FY 1975 - FY 1978 1/

Fiscal Year	New Injuries Reported	New Lost-Time Injuries	Cases Compensated	Caseload Inventory	Budgeted Positions
1975	166,367	37,474	11,721	14,039	124
1976	195,198	39,262	12,805	16,131	152 2/
1977	200,000	42,000	13,000	4,000	162 3/
1978	200,000	43,000	13,500	4,000	164 4/

1/ Includes all extensions except District of Columbia Compensation Act.

2/ In FY 1976, 18 positions (the Regional Deputy Commissioners and their secretaries) representing general program direction were transferred from the Longshore program to the FECA program. In addition, the funding for 6 non-ESA positions was also transferred from the Longshore program. Also in FY 1976, 52 positions were provided by the Second Supplemental Appropriation Act of 1976 to the 100 base positions.

3/ Includes the reprogramming of 10 positions from the Black Lung program.

4/ Two positions (one Deputy Commissioner and secretary) were transferred from the FECA program to the Longshore program.

COMPARISON OF BLACK LUNG WORKLOAD STATISTICS
FY 1975 - FY 1978

Fiscal Year	Claims Filed	Initial Determinations	Approvals	Ending Inventory E-O-Y	Staff 1/
1975	31,690	20,664	1,187	49,043	154
1976	26,051	19,724	1,669	50,446	180 2/
1977	18,000	25,000	2,000 - 2,500	43,000	170 3/
1978	10,000	25,000	2,000	28,000	170

1/ Excludes 65 non-ESA positions and 12 State Workers' Standards positions.

2/ Includes 30 positions provided by the Congress in the Second Supplemental Appropriations Act of 1976 and excludes 4 positions transferred to the Office of Program Development and Administration

3/ In FY 1977, ten positions were reprogrammed from the Black Lung program to the Longshore program.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Distribution of Field Staff

Supervising Offices	1977			1978		
	Professional	Clerical	Total	Professional	Clerical	Total
Atlanta, Georgia.....	377	99	476	377	99	476
Boston, Massachusetts.....	126	34	160	126	34	160
Chicago, Illinois.....	328	70	398	328	70	398
Dallas, Texas.....	247	75	322	247	75	322
Denver, Colorado.....	65	17	82	65	17	82
Kansas City, Missouri.....	106	21	127	106	21	127
New York, New York.....	195	73	268	195	73	268
Philadelphia, Pennsylvania.	206	65	271	206	65	271
San Francisco, California..	191	68	259	191	68	259
Seattle, Washington.....	78	21	99	78	21	99
Total Field Staff.....	1,919	543	2,462	1,919	543	2,462

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

List of New Positions Requested

	Number	Grade	Annual Salary

No new positions requested.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Improving and Protecting Wages (Fair Labor Standards Act, as amended; Walsh-Healey Public Contracts Act, as amended; Title III of the Consumer Credit Protection Act; Farm Labor Contractor Registration Act, as amended; Contract Work Hours and Safety Standards Act; McNamara-O'Hara Service Contract Act, as amended; Davis-Bacon and Related Acts)

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
1,549	$44,404,000	Indefinite	1,549	$47,045,000

Purpose: This program is directed to improving and protecting the wages and working conditions of the Nation's workforce. This is accomplished by providing for the administration and enforcement of the minimum wage, overtime compensation, and child labor standards of the Fair Labor Standards Act; Title III of the Consumer Credit Protection Act; the Davis-Bacon and Related Acts; the Service Contract Act; the Walsh-Healey Public Contract Act; the Contract Work Hours and Safety Standards Act; and the crew leader certification and enforcement provisions of the Farm Labor Contractor Registration Act.

Explanation: Funds provide salaries and expenses for organizations of ESA involved in the administration of these programs.

Accomplishments: ESA concentrated on servicing complaints of violation of the Fair Labor Standards Act, and controlling the inventory of complaints on-hand awaiting action. At year's end, 22,901 remained to be serviced. About 568,600 workers will benefit from labor standards enforcement. Wage determinations under the Davis-Bacon and Related Acts, and the Service Contract Act will be issued promptly. Work will proceed on the automation of the Davis-Bacon wage data storage and retrieval system. An increased number of special minimum wage certificate applications will be processed. Registrations by crew leaders under the Farm Labor Contractor Registration Act will surpass 11,500. Civil money penalties will be imposed on violators, as ESA continues to seek a 90-95 percent compliance level of those crew leaders investigated.

Objectives for FY 1978: With the addition of 67 positions from a FY 1977 Supplemental Appropriation, ESA will be able to stabilize the growth in inventory of complaints awaiting action. FLCRA enforcement will continue to seek a 90-95 percent compliance level among crew leaders investigated. There will be pilot implementation of the automated Davis-Bacon wage information system. It is projected that ESA will conduct 66,000 compliance actions which will aid 601,200 workers.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Elimination of Discrimination in Employment (Equal Pay Act of 1963, as amended; Age Discrimination in Employment Act of 1967, as amended; 29 U.S.C. 2 (Women's Bureau Organic Act); Executive Order 11246 of September 28, 1965, as amended; Section 503 of Rehabilitation Act, of 1973, as amended; Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974)

1977			1978 Estimate	
Pos.	Amount	Authorization	Pos.	Amount
534	$15,714,000	Indefinite	534	$16,317,000

Purpose: This activity provides for the administration of the Equal Pay and Age Discrimination in Employment Acts, the administration of Executive Order 11246, which provides for equal opportunity in the performance of Federal contracts, the administration of the affirmative action provisions of the Rehabilitation Act of 1973, as amended, the Vietnam Era Veterans Readjustment Assistance Act of 1974, and activities which are designed to upgrade the position of women and provide for their fuller utilization in the workforce.

Explanation: Funds provide salaries and expenses for the Office of Federal Contract Compliance Programs (OFCCP), the Women's Bureau (WB), and those organizations of ESA involved with the administration of the Equal Pay and Age Discrimination in Employment Acts.

Accomplishments in 1977: The Office of Federal Contract Compliance Programs began implementation of its new Executive Order operating manual for the construction industry and its training program for Agency compliance personnel. The handicapped worker program received 808 complaints of which 433 were resolved; 33 complaints were received and 16 resolved under the veterans program.

The Women's Bureau is coordinating a series of conferences with the Employment and Training Administration concerning employment issues of low-income women. Additional conferences, focusing on participation by women in CETA programs will be held with Black, Hispanic, Indian, and Asian groups. Program results for age discrimination and equal pay enforcement are expected to reflect the impact of recent intensive training programs and the establishment of age discrimination and equal pay specialist positions; approximately 22,900 compliance actions will be conducted under both programs.

Objectives for 1978: The primary focus of the contract compliance program will be the implementation of the consolidation of compliance agencies under Executive Order 11246. The Women's Bureau will continue to promote the entry of women into non-traditional jobs and apprenticeship programs. A dual strategy will be developed for the age discrimination and equal pay programs answering all complaints and initiating selected investigations for large and potential landmark cases.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Workers' Compensation (Federal Employees' Compensation Act, as amended; Longshoremen's and Harbor Workers' Compensation Act, as amended; Federal Coal Mine Health and Safety Act, as amended)

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
999	$28,691,000	Indefinite	999	$32,889,000

Purpose: This activity provides administrative support for the payment of compensation and related benefits, including medical care and vocational rehabilitation to individuals covered under the Federal Employees' Compensation Act (FECA) with extensions; the Longshoremen's and Harbor Workers' Compensation Act (LSHWCA), as amended and as extended; and the Black Lung Benefits Program, pursuant to Title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended.

Explanation: Funds provide salaries and expenses for the Office of Workers' Compensation Programs.

Accomplishments in 1977: Resources received in 1976 for the Longshoremen's and Harbor Workers' Compensation program will help to reduce the backlog resulting from the 1972 Amendments to the Act. Implementation has begun on the automated claims processing system in FECA and conversion of all existing data files to computer format will be completed. Additional positions requested this year should enable the FECA to effect substantive improvements in program administration and to institute quality controls into the benefits payment process. Temporary assistance that can be financed within available funding will be provided in FECA and Black Lung for the reduction of case inventories in both programs.

Objectives for 1978: The objective is to maintain reasonable standards of timeliness and efficiency in claims processing through further reduction of backlogs in all programs. In addition, the increase in FECA staff provided in 1977 will allow for more accurate claimant service and better insure the overall integrity of the program. The implementation of the FECA automated system will be completed. Training and a management survey scheduled for the LSHWCA program will modernize case adjudication and monitoring procedures. Efforts to reduce adjudication lags will continue in the Black Lung benefits program.

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Program Development and Administration (For the authorizing legislation see: Improving and Protecting Wages, Elimination of Discrimination in Employment, and Workers' Compensation)

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
250	$12,298,000	Indefinite	250	$13,294,000

Purpose: This activity provides for policy formulation, direction, and coordination of all employment standards programs including program planning and development, research, evaluation, accountability, budget, and other administrative matters.

Explanation: Federal funds provide salaries and expenses for the Assistant Secretary for Employment Standards and his staff, and the Regional Administrators and their staffs.

Accomplishments in 1977: Research projects have been developed to provide ESA with a balanced research and evaluation program. Work continues on the studies mandated by the 1974 Fair Labor Standards Act Amendments. Planning is underway to develop and implement ESA/State cooperative agreements to achieve more efficient administration of both Federal and State employment standards. A comprehensive training program for ESA employees as well as a technical assistance program for non-ESA personnel is being developed. Wage-Hour field staff has been trained in equal pay and age discrimination enforcement and contracts have been let for training workers' compensation claims examiners, and Agency Compliance Officers responsible for enforcement of Executive Order 11246. A special ESA Task Force has been established for the planning, coordination and implementation of an automated claims processing system under the Federal Employees' Compensation Act. In addition, an Intra-Agency Task Force on Workers' Compensation is coordinating a comprehensive review of all Federally-administered compensation programs. Over 200 recommendations have been made, many of which are currently being implemented.

Objectives for 1978: Program Development and Administration activities will concentrate on the development of the management initiatives undertaken over the past few years. Particular attention will be given to the further development of ESA/State cooperative agreements. Research and evaluation projects will be programmed to provide assistance to all ESA programs. New training initiatives for ESA employees will be reviewed and integrated into ESA's ongoing program as appropriate. The comprehensive technical assistance and training program for non-ESA personnel will be made fully operational.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

For the payment of compensation, benefits, and expenses (except administrative expenses) accuring during the current or any prior fiscal year authorized by title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended, and title V, chapter 81 of the United States Code; continuation of benefits as provided for under the head "Civilian War Benefits" in the Federal Security Agency Appropriation Act, 1947; the Employees' Compensation Commission Appropriation Act, 1944; and section 4(c) and 5(f) of the War Claims Act of 1948 (50 U.S.C. App. 2012); and fifty per centum of the additional compensation and benefits required by section 10(h) of the Longshoremen's and Harbor Workers' Compensation Act, as amended, [$317,818,000] *$319,360,000*, together with such amount as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to September 15 of the current year: *Provided*, That in addition there shall be transferred from the Postal Service fund to this appropriation such sums as the Secretary of Labor determines to be the cost of administration for Postal Service employees through September 30 [1977] *1978*.

Whenever the Secretary of Labor finds it will promote the achievement of the above activities, qualified persons may be appointed to conduct hearings thereunder without meeting the requirements for hearing examiners appointed under 5 U.S.C. 3105: *Provided*, That no person shall hold a hearing in any case with which [he] *that person* 1/ has been concerned previously in the administration of such activities.

Explanation of Language

1/ To delete any reference characterizing the masculine gender.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Amounts Available for Obligation

	1977	1978
Appropriation or Estimate.....	$317,818,000	$319,360,000
Proposed Supplemental.....	19,131,000	---
Reimbursements from other sources.....	286,591,000	417,819,000
Budget Authority, Total Amount Available for Obligation.....	623,540,000	737,179,000

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Summary of Changes

	Direct Appropriation	Estimated Reimbursements	Estimated Available
1977 Appropriation.....	$ 317,818,000	$ 286,591,000	$ 604,409,000
Proposed supplemental.....	19,131,000	---	19,131,000
1977 Revised Estimate.....	336,949,000	286,591,000	623,540,000
1978 Estimate.....	319,360,000	417,819,000	737,179,000
Total Change.....	- 17,589,000	+131,228,000	+113,639,000
Mandatory Items:			
Increases:			
Federal Employees' Compensation Act benefits.	- 15,082,000	+124,228,000	+109,146,000
Disabled coal miners' benefits.....	- 2,800,000	+ 7,000,000	+ 4,200,000
Longshore and harbor workers' compensation benefits.....	+ 293,000	---	+ 293,000
Total Change.....	- 17,589,000	+131,228,000	+113,639,000

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Explanation of Changes

Mandatory Items:

Increases:

The total increase for this appropriation in Fiscal Year 1978 is $113,639,000.

Increases for Federal Employees' Compensation Act benefits include estimates for the effect of one anticipated Consumer Price Index adjustment, costs related to an expected Federal salary increase, certain increased benefits brought about by the 1974 Federal Employees' Compensation Act Amendements, and increased medical costs for beneficiaries under the Act and its extensions. The total increase for the Federal Employees' Compensation Act is $109,146,000, with an estimated $13,328,000 of the increase related to medical costs and $95,818,000 associated with disability and death benefits.

Under the Federal Coal Mine Health and Safety Act, an increase of $4,200,000 for eligible beneficiaries is due to the projected addition of 1,000 new cases to payment status, retroactive payments of benefits for approved claims, and increases costs of medical treatment.

Increases for Longshoremen's and Harbor Workers' Compensation Act benefits amount to $293,000, representing the upward revision of benefit payments after the annual October weekly wage adjustments per Section 10, subsections (f) and (g) of the Act. The adjusted payments provide increased benefits in cases of permanent disability and death which were being compensated prior to the enactment of the 1972 Amendments to the Longshoremen's and Harbor Workers' Compensation Act.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Obligations by Activity

	1977 Amount	1978 Amount	Change 1977/1978 Amount
1. Federal Employees' Compensation Act benefits	$590,998,000	$700,144,000	$+109,146,000
2. Disabled coal miners' benefits	30,100,000	34,300,000	+ 4,200,000
3. Longshore and harbor workers' compensation benefits	2,442,000	2,735,000	+ 293,000
Total, obligations by activity	623,540,000	737,179,000	+113,639,000

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
42 Insurance claims and indemnities	$623,540,000	$737,179,000	$+113,639,000
Deduct:			
Reimbursements from other sources	-286,591,000	-417,819,000	-131,228,000
Total, obligations by object	336,949,000	319,360,000	- 17,589,000

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ACTION ON CONGRESSIONAL RECOMMENDATIONS

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
Federal Employees' Compensation Act, approved September 7, 1916, as amended and its extension..	Indefinite	$307,407,000	Indefinite	$292,325,000
Federal Coal Mine Health and Safety Act of 1969, as amended.....	Indefinite	27,100,000	Indefinite	24,300,000
Longshoremen's and Harbor Workers' Compensation Act, approved March 4,1927, as amended.....	Indefinite	2,442,000	Indefinite	2,735,000

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	$ 56,061,000	$ 56,061,000	$ 56,061,000	$ 56,061,000
1969	68,591,000	68,591,000	68,591,000	68,591,000
1970	60,116,000	60,116,000	60,116,000	60,116,000
1971	109,800,000	109,800,000	109,800,000	109,800,000
1972	112,000,000	112,000,000	112,000,000	112,000,000
1973	108,292,000	108,292,000	108,292,000	108,292,000
1974	140,410,000	139,450,000	138,450,000	138,450,000
1975	165,000,000	165,000,000	165,000,000	165,000,000
1976	298,100,000	298,100,000	298,100,000	298,100,000
Transition Quarter	80,800,000	80,800,000	80,800,000	80,800,000
1977	317,818,000	317,818,000	317,818,000	317,818,000
Supplemental Pending	19,131,000			
1978	319,360,000			

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Activity 1. Federal Employees' Compensation Act Benefits (1977, $590,998,000; 1978, $700,114,000)

Narrative Description of Program

The Federal Employees' Compensation Act provides payment of benefits to Federal civilian employees of the United States who are disabled as a result of injury or illness sustained in the performance of duty, and to their dependents in case of death as a result of such injury or illness. Under extensions to the Act, these benefits are also paid to certain other groups such as non-Federal law enforcment officers and Job Corps enrollees. The principal costs of this program are for permanent disability and death compensation. Factors influencing the cost of compensation benefits and medical expenses include the number of covered employees; the wage levels on which compensation is based; the severity and frequency of injuries; the cost of medical care; cost-of-living factors based on the Consumer Price Index; and the number of employees choosing compensation as opposed to using sick or annual leave. While the number of new claims received and cases compensated have been steadily increasing over the past four years, the workloads experienced in FY 1976 have led to lower growth rate projections of future incoming claims and payments. Actual data and the revised estimates for FY 1978 are shown in the following table:

Fiscal Year	New FECA Claims Received	FECA Cases Compensated On Periodic Rolls	Number of Payments Made
1975	35,615	36,479	933,634
1976	40,324	42,401	1,076,638
1977	43,000	44,500	1,190,000
1978	48,000	46,500	1,240,000

Included in the 1974 Amendments to the Act were provisions for continuation-of-pay of up to 45 days and elimination of the initial three-day waiting period before receipt of compensation. Initial projections were that the continuation-of-pay provision would slow the growth of Compensation Fund costs, and to some extent this has occurred. Costs for the temporary disability rolls, which reflect the number of short-term disability claims in payment status from the Compensation Fund, have been decreasing in proportion to the total Fund since 1974, and this trend is projected to continue through FY 1978. However, the overall costs of the Fund are expected to increase in both FY 1977 and FY 1978. Based on actual data of FY 1976 and reflected in the future-year caseload projections, there are indications that the continuation-of-pay provisions and other changes created by the 1974 Amendments have acted as an incentive to file claims. The conclusion can be drawn that overall costs to the Federal Government, given claims paid by salary continuation, have increased as a result of the Amendments, and if present trends are maintained, will continue to increase. The cost of medical care will continue to be paid from the Fund, including medical bills for all cases regardless of duration, and for all claims arising from occupational disease or other non-traumatic injuries.

The rate of growth for the number of cases being compensated on the periodic (long-term disability) rolls is projected to decline over the next two years, although there will be a net increase in the total level of cases. The overall average cost per case continues to increase each year, as older cases reflecting lower salary levels are dropped, while new cases with higher salary levels are added. During FY 1976, the cost for a new case added to the periodic rolls averaged $734 per month, while the cost of a case removed averaged $692 per month. From this increase in average cost due to case turnover, it is estimated that the average cost per case on the periodic rolls increased from $556 per month to $646 per month over the twelve-month time period.

Under 5 U.S.C. 8147(b), other Government agencies are required to reimburse the Compensation Fund for costs associated with injuries or deaths occurring after December 1, 1960. Under this provision, the Department must provide each agency with a statement of such costs by August 15, for the preceding twelve-month expense period ending in June. Each agency is then required to include in its annual budget a request for an amount equal to such costs. As a result of a FY 1974 General Accounting Office recommendation, agencies not on annual appropriation are now required to make payment within 15 days after the start of the new fiscal year. These sums are then deposited with the Treasury to the credit of the Compensation Fund.

Changes for 1978

Mandatory changes amount to $109,146,000
Direct appropriation.....$-15,082,000
Reimbursements.....$+124,228,000

New increases in costs for FY 1978 amount to $95,818,000 for disability and death compensation and $13,328,000 for medical costs for the Federal Employees' Compensation Act and its extensions. For those injuries not compensated under the continuation-of-pay provision by other Federal agencies, reimbursements to the Compensation Fund will total $407,819,000 in FY 1978, an increase of $124,228,000 over the level of the prior year. With the number of cases and the cost of payments projected to increase at slower rates, the proportion of total compensation and medical costs funded by agencies rises. Thus, the ensuing higher level of agency reimbursements to the Fund results in a decreased estimate for direct appropriations.

For comparison purposes, actual and estimated figures for the major cost components of the Federal Employees' Compensation Act are listed in the table below:

(Dollars in 000's)

Fiscal Year	Permanent Disability	Medical	Temporary Disability	Death	Extensions	Total Costs
1976 Act.	$286,784	$63,118	$70,462	$41,669	$14,999	$477,212
1977 Est.	367,425	78,964	83,593	45,056	15,960	590,998
1978 Est.	445,147	92,292	97,945	48,555	16,205	700,144

Medical expenditures from the Compensation Fund for FY 1978 reflect a continuing increase in cost for treatment at both private and Government facilities. The anticipated $13,328,000 increase for medical costs in FY 1978 reflects the increase in the number of cases in which medical payments must be made and the general cost increase for medical services. The medical cost component of the Consumer Price Index is projected to increase by 5.6 percent in FY 1978, which will amount to approximately $8,402,000 of the total estimated increase in medical costs.

A number of long-term cases being paid under certain extensions to the Act (such as Armed Forces Reservists, War Claims Acts, and Federal Relief Projects) are projected to decline gradually, due to normal attrition. However, this slight decrease is offset by an increasing number of cases for other extensions to the Act (for example, non-Federal law enforcement officers, Civil Air Patrol, and Job Corps). In addition, the costs for benefits are increasing as a result of cost-of-living adjustments. The net effect is an overall increase of $245,000 in costs for these cases.

Under 5 U.S.C. 8146(a), payments to certain beneficiaries are required to be adjusted for cost-of-living increases. If there is a rise in the Consumer Price Index (CPI) of at least three percent for three consecutive months over

the index for the latest base month, an adjustment will be effective on the first day of the month after the consecutive three-month period. The estimates for disability and death compensation to be paid reflect a projected CPI increase of 4.83 percent in FY 1978. This adjustment will increase compensation costs by $15,429,000.

A Federal pay raise is anticipated for October 1977. Increased costs due to the addition of higher-salaried cases to the periodic rolls and the required adjustments for maximum and minimum pay rates will amount to $17,393,000.

An estimated 46,500 cases will be compensated on the periodic rolls by the end of FY 1978. The increase in costs associated with these cases, including the adjustments for benefits under the 1974 Amendments, will be $55,792,000 in FY 1978.

Both the number and cost of short-term disability payments from the Compensation Fund are expected to increase in FY 1978, in spite of employee utilization of the continuation-of-pay provisions in the Act's Amendments. Although the major share of case costs associated with short-term traumatic injuries is now paid directly by the employing agency through continuation of the injured employees's pay, the number of non-traumatic injuries reported is expected to increase. Many of these cases are initially entered on the short-term roll to expedite compensation payments to eligible beneficiaries before processing and entry on the permanent roll is completed. Given the greater number of payments, the costs for short-term disability will increase by $6,959,000 in FY 1978.

Activity 2. Disabled Coal Miners' Benefits (1977, $30,100,000; 1978, $34,300,000)

Narrative Description of Program

The 1972 Amendments to the Federal Coal Mine Health and Safety Act of 1969 authorized funds to provide for the payment of benefits, and specifically state that these funds are to be appropriated to the Department of Labor for such payments. The Department of Labor assumed responsibility for all claims filed on or after July 1, 1973. During the period from July 1, 1973 to December 31, 1973 all benefits were paid according to Part B of Title IV. Payments under Part C of Title IV, which became effective January 1, 1974, require that the cost of benefits and medical treatment be borne by identified responsible mine operators. The Federal Government is responsible for all benefits where no responsible mine operator can be identified. Part B claimants may file under Part C in order to receive the medical benefits allowed. The number of claims received annually is expected to continue declining; the total received in FY 1976 (26,051) was 10 percent less than the level of the previous year. The projected total of claims received for FY 1977 is 18,000 and for FY 1978 is 10,000.

Changes for 1978

Mandatory changes amount to.....$+4,200,000
Direct appropriation.....$-2,800,000
Reimbursements.....$+7,000,000

The increase in overall costs for this Activity in FY 1978 is primarily due to the addition of an estimated 1,000 new cases to payment status. The estimate also includes the increased costs for medical examinations and treatments for Black Lung disease, as well as the cost of retroactive benefit payments for those claims expected to be approved in FY 1978 which were filed in previous years. However, since the overall total number of claims received is projected to decrease, a corresponding decline is projected for the costs associated with these claims.

In addition, this estimate assumes that a number of cases in litigation on the responsible mine operators' question will be settled in favor of the Department, resulting in an additional $7,000,000 in reimbursements from the coal mine operators or their insurers for those claims. Settlement and reimbursement is expected on a case-by-case basis. Coupled with an estimated $2,800,000 decrease in appropriated funds, the estimated net increase for this Activity is $4,200,000 in FY 1978. The $7,000,000 estimate is for the initial payments from the responsible mine operators for their share of the benefit payments responsiblitiy. Should adverse decisions be rendered, however, the Federal Government would assume full liability in all such cases. Departmental liability would result in an upward revision of FY 1978 estimates by as much as the $7,000,000 in anticipated reimbursements.

Activity 3. Longshore and Harbor Workers' Compensation Act Benefits (1977, $2,442,000; 1978, $2,735,000)

Narrative Description of Program

Benefits under this activity are for workers covered under the Longshoremen's and Harbor Workers' Compensation Act and related extensions, including the District of Columbia Compensation Act.

Section 44 of the Longshoremen's and Harbor Workers' Compensation Act authorized the establishment of a Special Fund to be administered by the Secretary and held in custody by the Treasury Department. Benefit payments from this Fund compensate for second injuries, permanent total disability and death cases where an uninsured employer is defunct, rehabilitation training and related services, and provide for the annual adjustments in compensation to beneficiaries in cases of total disability or death occurring on or prior to October 27, 1972, as required by the 1972 Amendments to the Act.

Changes for 1978

Mandatory changes amount to.....$+293,000

The increase for this activity in FY 1978 represents the upward revision of benefit payments after the annual October weekly wage adjustments per Section 10 (f) and (g) of the amended Act. These adjusted payments provide increased benefits in those cases which were being compensated prior to the enactment of the 1972 Amendments. As specified by the Amendments, 50 percent of the increase is paid by Federal funds and 50 percent by the insurance companies and/or self-indured employers.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Program Purpose and Accomplishments

Activity: Federal Employees' Compensation Act benefits (Federal Employees' Compensation Act, as amended, with extensions)

1977 Amount	Authorization	1978 Budget Estimate Amount
$590,998,000	Indefinite	$700,144,000

Purpose: This activity provides compensation and related benefits, including medical treatment payments and vocational rehabilitation allowances to civilian employees of the United States and others covered by extensions to the Act who are disabled as a result of injury or illness sustained while in the performance of duty and provides compensation benefits to dependents of such employees who die as a result of such incidents.

Explanation: Payment of compensation and related benefits to employees covered by the Federal Employees' Compensation Act and its extensions is provided through one-hundred percent Federal funding which includes direct appropriation and a "reimbursement" from other Federal agencies.

Accomplishments in 1977: An estimated 1,190,000 benefit payments are being made at a cost of $590,998,000.

Objectives for 1978: The basic objective for 1978 is to make benefit payments in a timely manner. An estimated 1,240,000 benefit payments will be made at a total cost of $700,144,000.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Program Purpose and Accomplishments

Activity: Disabled Coal Mine Workers' Benefits (Federal Coal Mine Health and Safety Act, as amended)

1977 Amount	Authorization	1978 Budget Estimate Amount
$30,100,000	Indefinite	$34,300,000

Purpose: This activity provides for payment of benefits and medical treatment to those eligible persons totally and permanently disabled as a result of coal mine workers' pneumoconiosis (Black Lung). Under the provisions of the Black Lung Benefits Amendments (P.L. 92-303) to the Federal Coal Mine Health and Safety Act of 1969, the Department of Labor assumed responsibility on July 1, 1973, for payment of benefits from funds authorized and appropriated to the Secretary of Labor for this purpose.

Explanation: During the first half of FY 1974, all claims approved were paid by the Federal Government, but after January 1, 1974, liabilities were assigned where possible, and identified responsible operators were notified of their assessment duties.

Accomplishments in 1977: The basic objective for FY 1977 has been to review and adjudicate claims, identifying the responsible mine operators and, as appropriate, pay for benefits, medical examinations and treatment.

Objectives for 1978: During FY 1978, the program will continue to make payments on claims approved in 1978 and preceding years.

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

Program Purpose and Accomplishments

Activity: Longshore and Harbor Workers' Compensation Benefits (Longshoremen's and Harbor Workers' Compensation Act, as amended, with extensions)

1977 Amount	Authorization	1978 Budget Estimate Amount
$2,442,000	Indefinite	$2,735,000

Purpose: Section 44 of the Longshoremen's and Harbor Workers' Compensation Act authorizes the establishment of a special fund to be administered by the Secretary of Labor and held in the custody of the Treasury Department. The fund is available for benefit payments upon the order of the Secretary, pursuant to Section 10 of the amended Act, including adjustments in compensation for permanent total disability or death occurring prior to October 27, 1972.

Explanation: Adjustments are made with fifty percent of the payments coming from assessments to private employers on a pro rata basis and the other fifty percent from direct appropriation.

Accomplishments in 1977: Payments are being made on the cases affected by the adjustments required by the 1972 Amendments to the Longshoremen's and Harbor Workers' Compensation Act. Funds requested totaled $2,442,000 to cover the Federal share of the payments. Fifty percent of the adjustments is paid by Federal funds and fifty percent by the insurance carriers and self-insured employers.

Objectives for 1978: The amount requested for Fiscal Year 1978 represents the funds necessary for the cost of the Federal share of the payments, including the increase necessary to cover the annual October weekly wage adjustment per Section 10, subsections (f) and (g) of the amended Act.

TUESDAY, FEBRUARY 22, 1977.

BUREAU OF LABOR STATISTICS

WITNESSES

JULIUS SHISKIN, COMMISSIONER
WILLIAM G. BARRON, DEPUTY ASSISTANT COMMISSIONER FOR PRICES AND LIVING CONDITIONS
PAUL G. BECKER, ACTING CHIEF FOR PLANNING AND FINANCIAL MANAGEMENT
THEODORE J. GOLONKA, ASSISTANT COMMISSIONER FOR OCCUPATIONAL SAFETY AND HEALTH STATISTICS
JEROME A. MARK, ASSISTANT COMMISSIONER, OFFICE OF PRODUCTIVITY AND TECHNOLOGY
DUDLEY E. YOUNG, ASSISTANT COMMISSIONER FOR EMPLOYMENT STRUCTURE AND TRENDS
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. The presentation will be made by Julius Shiskin, the Commissioner. We have your biographical sketch which we will place in the record at this point.

[The biographical sketch follows:]

Julius Shiskin assumed his duties as Commissioner of Labor Statistics on August 1, 1973.

Prior to his appointment, Mr. Shiskin served as Chief Statician of the Office of Management and Budget and as U.S. Representative to the U.N. Statistical Commission. A career Federal employee for more than 30 years, he has also held the positions of Chief Economic Statistician and Assistant Director of the Bureau of the Census.

Born in New York City on October 13, 1912, he attended elementary and secondary schools in New Jersey and earned B.S. and M.A. degrees from Rutgers University. While pursuing graduate studies both at Rutgers and Columbia University, he taught economics and statistics at Rutgers.

Mr. Shiskin has served as consultant to the Council of Economic Advisers, Organization for Economic Cooperation and Development, United Nations, and International Monetary Fund.

He has been elected to Phi Beta Kappa and the International Statistical Institute. He is a Fellow of the American Statistical Association and of the American Association for the Advancement of Science and is an Honorary Fellow of the Royal Statistical Society. In addition, he has been the recipient of many professional awards, including the Rockefeller Public Service Award, and maintains active membership in numerous professional organizations. He is the author of two books as well as many articles in the field of economic statistics. He is in Who's Who in America.

Mr. Shiskin and his wife, the former Frances Levine, have two married daughters and four grandchildren.

INTRODUCTION OF WITNESSES

Mr. FLOOD. Now, you have some people with you you would like us to meet, I am sure.

Mr. SHISKIN. Mr. Pugh, our Department budget officer; Mr. Dudley Young, who handles our employment and unemployment statistics; Mr. Paul Becker, our budget officer; Mr. Bill Barron, who works on prices; and Mr. Jerome Mark, who handles our productivity statistics.

STATEMENT OF THE COMMISSIONER

I have a brief statement, but you have heard most of it before. I will spare you that.

Mr. FLOOD. We will place it in the record.

[The prepared statement follows:]

Mr. Chairman and members of the committee, I am pleased to be here today to present to you the fiscal 1978 budget for the Bureau of Labor Statistics.

Each recent year has seen increasing reliance on BLS key economic indicators by decisionmakers in Government, labor, and industry. Given their potential impact on economic policy, the data on employment and unemployment, prices, wages, and productivity must be accurate, timely, and relevant. For this reason, the improvement of these indicators is our major goal. With your support, great strides have been made in the last several years to improve these critical statistical series. As a part of this program, the fiscal 1978 budget contains important proposals which build on our present momentum.

The budget request is for $84,366,000, or an increase of $5,199,000 over the fiscal 1977 revised estimate of $79,167,000. This change consists of an increase of $4,456,000 to cover mandatory items and $4,509,000 for proposed new work. As an offset to these increases, two decreases totaling $3,766,000 are contained in the fiscal year 1978 request. Although the net increase for program items is rather small—less than 1 percent of the fiscal 1977 revised estimate—it covers major initiatives in several of our key statistical programs.

The largest proposed increases are for improved statistics on prices and living conditions. As you know, we are presently working on the massive decennial revision of the Consumer Price Index. The last several years have taught us a great deal about the process by which the CPI is revised. Based on this experience, I proposed to you last year a program to facilitate future revisions in terms of accuracy and promptness. A major component of this new approach is the establishment of a continuing consumer expenditure survey program. Funds approved in the current budget are being used for developmental work on this program.

To reach its full implementation level, this program will require an additional $6.6 million. Originally, we planned to request the full amount in fiscal 1978 to enable us to launch data collection in July 1978. Since that time, however, it has become clear that the CPI revision will take somewhat longer than planned. We have experienced difficult problems in the development of the computer system required for testing, data validation, and monthly compilation of data. Thus, the completion of the revision program must be delayed beyond the previously scheduled April 1977 date. This delay will, of course, require additional resources to enable the revision program to be completed. A delay of about 6 months in the time schedule for full implementation of the continuing consumer expenditure survey, however, should free up the necesary funds. Once the revision has been completed, I would propose to redirect these resources into initiation of the continuing consumer expenditure survey. For fiscal 1978, then, I am requesting an increase of 20 positions and $2,974,000 for this program.

I cannot overemphasize the potential value of a continuing consumer expenditure survey. Once operational, this survey will fill a large void in the Nation's economic statistics by providing a continuous flow of data on consumer incomes and consumption patterns. Not only will it produce the data necessary to update CPI market baskets of goods and services, thus supporting future revisions of that critical index, but it will also be invaluable for use in both economic analysis and policy formulation. In addition, this new program will provide one of the basic data inputs to revise and update our family budgets programs, as required by the Comprehensive Employment and Training Act of 1973. Finally, the program will create a flexible survey vehicle which can be used to collect special ad hoc information on consumption patterns. Examples of this are the consumer reaction to price changes in vital sectors such as how consumers cope with rising energy prices, what consumers do with income tax rebates, and how they respond to changes in withholding rates.

Our fiscal 1978 budget also contains a proposal to accelerate the revision of the industrial price program. These statistics, and particularly the Wholesale Price Index, are presently in wide use as economic indicators and as escalators

to long-term purchasing contracts. By and large, the widespread public criticism of these data are valid, and it is apparent that these statistics are in need of massive improvement. For some time, then, BLS has been preparing for such a major overhaul. Funds already approved by Congress have permitted us to make some interim improvements; for example, we have added new indexes covering the railroad freight, bituminous coal and refined petroleum industries, and have converted index weights to a 1972 base. I am proposing in this request that we begin a comprehensive effort to revise the industrial price series, expand its coverage and improve sampling procedures. To initiate these needed changes, I am requesting 33 positions and $909,000 for fiscal 1978. Further increases will be required in future years but, as is the case with the CPI revision, some of these resources will no longer be needed once the improvements have been implemented.

The final request in the price area is for seven positions and $292,000 to continue development of the international price program. This program, which produces the only data specifically designed to measure price trends in the foreign trade sector of the economy, has seen steady growth in recent years and this increase would bring total coverage from 55 to 65 percent of the value of American exports and from 37 to 50 percent of the value of our imports.

The two remaining proposals represent BLS response to some of the growing demands for more data on the public sector. Despite the fact that governments now employ nearly one-fifth of the civilian nonfarm workforce, for example, less is known about wages and compensation in governments than almost any other important sector of the economy. If approved by the Congress, our proposal for 13 positions and $261,000 will permit us to develop comprehensive information on collective bargaining settlements in the public sector. There is also limited information on worker productivity in the Federal sector, as the present BLS program covers about 66 percent of total Federal employment. I am proposing a small increase of three positions and $73,000 to enable us to expand coverage to NASA, the Department of State, and the Department of Defense, and to improve our existing measures.

As an offset to these increases, I am proposing two program decreases totaling 124 positions and $3,616,000. The bulk of this reduction represents a lower level for the CPI revision.

I would like to say a few words about 1976 and our progress both in developing new indicators and in responding to accelerated demands for more data. One of the sharpest increases in data demands has been for more local area unemployment statistics. As employment-related legislation has tied Federal revenue-sharing allocations in part to unemployment estimates, BLS has been literally inundated with legislated requirements for more and more data covering smaller and smaller geopolitical areas.

These legislative requirements are ahead of our ability to produce accurate and timely unemployment data for local areas which meet the standards that we have set for our national figures. In view of the greater importance of these small area unemployment rates in meeting national policy set by the Congress, BLS is making every possible effort to improve them. To date we have made significant—though still not adequate—strides to that end. We now publish each month data for 5,500 geographic places. BLS has given the highest priority to efforts to expand current population survey estimates to all 50 States and to work with the States on their administrative unemployment insurance records. It is important to note that Congress and the President have acknowledged the vital nature of these statistics by promulgating legislation establishing an independent commission to review the definitions and methodologies used in the present employment and unemployment statistics program.

We also made progress in our other program areas. In addition to continued effort on the CPI revision, progress was made in the international price program which now covers 40 percent of the value of U.S. exports and 17 percent of the value of U.S. imports. Also in the price area, BLS initiated efforts to revise the industrial price program, and completed conversion of WPI and related index weights to a 1972 base. Major steps were also taken in wage statistics programs with the first publication of quarterly employment cost index data, and by expansion of the professional, administrative, technical and clerical pay survey—used in the Federal paysetting process—to include new industries. Finally, special supplements to the current population survey obtained additional data on the use of job search methods and on selected characteristics of discouraged workers.

The programs I have outlined today have been reviewed by major interagency statistical committees and by many of our users. They are integral components of our overall program to improve key statistical indicators, and they will be used by economic decisionmakers throughout the public and private sectors. I urge you to give them your support.

This concludes my statement. Thank you, Mr. Chairman.

TERM OF COMMISSIONER

Mr. FLOOD. How long have you been Commissioner of Labor Statistics?

Mr. SHISKIN. Three and a half years. The Commissioner's position holds a fixed 4-year term decided by Congress 90 years ago and presumably I will be here for 4 years.

TYPES OF BLS REPORTS

Mr. FLOOD. How many different kinds of reports does the Bureau produce?

Mr. SHISKIN. Seven or eight.

Mr. FLOOD. For the record, will you provide a list of each of these products and at the same time a short description of what it does, and who the users are? That will get a lot of reading.

Mr. SHISKIN. OK.

[The information requested follows:]

The Bureau of Labor Statistics produces some of the Nation's most important macroeconomic measures which report on employment, unemployment, consumer prices, wholesale prices, productivity, average hourly earnings, average weekly hours, labor turnover, and the employment cost index. These measures are widely used by Government and other economic planners, by researchers in academic and other institutions and by industry and labor. Some examples of the coverage and specific uses of Bureau macromeasures are set forth below:

Series	Coverage	Uses
Industry employment	This series shows employment in nonagricultural industries, but does not include the self-employed, domestics, agricultural workers, unpaid family workers.	These employment data are used as an: Economic indicator and in marketing studies; economic research and planning; government funding and policy analysis; regional analysis; industry studies; and plant location planning.
Employment and unemployment.	These monthly measures report on the labor force status of the civilian noninstitutional population 16 and over.	These data are used by economic planners as a measure of the condition of the economy and in economic research.
Consumer prices	The Consumer Price Index (CPI) is a monthly measure of price change for a fixed market basket of goods and services purchased by urban wage earners and clerical workers.	This series is one of the most important indicators of inflationary trends in the economy and as a measure of change in purchasing power of the consumer dollar. In addition to some 8,500,000 workers whose wages are adjusted according to changes in the CPI, more than 50,000,000 persons now find their incomes affected by the index, largely as a result of statutory action. Also, changes in the CPI affect 25,000,000 children who eat lunch or breakfast at school. The CPI is revised periodically to take account of changes in buying habits. The revision now in progress is scheduled for completion in 1977.
Wholesale prices	The wholesale price index (WPI) is a fixed weighted structure of commodity and commodity grouping indexes which measures price changes for farm, food, and industrial products at the primary market level. Indexes are published monthly. About 2,650 commodities are classified by similarity of end-use or material composition. Since 1967, a total of 769 items have been added to the index.	These indexes are used as a measure of price movement—measures price change, not level of prices. They measure the purchasing power of the dollar at primary markets. They are used to escalate long-term contracts and in LIFO accounting by some organizations.

Series	Coverage	Uses
Productivity	These measures include indexes of output per hour (of all persons) both quarterly and annually for the private economy as well as for nonfinancial corporations. Included with these series are related measures of hourly compensation and unit labor cost, along with corresponding series on unit nonlabor payments per unit of output. In addition, the measures are prepared for broad economic sectors, such as mining, manufacturing, trade, and utilities. Studies are also made of short- and long-term determinants of labor productivity to improve current measures of labor productivity and costs.	These series are used as economic indicators; aids to economic policymakers in industry, Government, and labor who assess the direction and nature of current economic activity, and in economic analysis. They are a direct input to the Bureau of Economic Analysis in its compilation of compensation measures for the national income accounts. They are often used to assess labor requirements; study relationships among productivity, wages, prices, and employment; and measure economic growth and productive strength.
Employment cost index	The employment cost index (ECI), now under development, will measure changes in the rate of compensation much as the Consumer Price Index measures changes in the price of goods and services. Initially, quarterly measures of change in straight-time hourly earnings for the total private nonfarm economy, four broad geographic areas, 5 major industries, and 9 occupational groups will be published. At the national level, indexes will be computed for union occupations, i.e., those covered by collective bargaining agreements, nonunion occupations, and for metropolitan and nonmetropolitan areas. The ECI will be expanded gradually to broaden its coverage, detail, and frequency to a monthly index of all compensation—wages and salaries plus benefits—covering the total civilian economy. More detailed indexes for industries, occupations, and areas will be added.	This new measure will be used in: Public and private policy review; general economic analysis; price escalation in long-term contracts; and in collective bargaining.

BUDGET INCREASE

Mr. FLOOD. Over the past 10 years, this budget has increased substantially. This year you are asking for another substantial increase. Are you convinced you are doing everything in your power to keep the cost down?

Mr. SHISKIN. I am doing everything in my powers to keep the cost down, although there may be other greater powers that could do better than I. We have grade control, and I take a look every quarter or so at the distribution of grades. In fact, I am glad to say I looked at the grade structure—in the top grades, GS–13, 14, 15—we have a smaller percentage now than when I became Commissioner. That is not true of most of the lower grades but we are holding the other grades quite stable.

REIMBURSEMENTS

Mr. FLOOD. Do you receive reimbursements from other agencies in addition to the money we provide you directly?

Mr. SHISKIN. We do.

Mr. FLOOD. Who are the other agencies and how much money is involved?

Mr. SHISKIN. We have a table here.

Mr. FLOOD. Supply it for the record.

[The information requested follows:]

Bureau of Labor Statistics
FY 1977 Working Funds and Reimbursements
(Dollars in Thousands)

Project Title and Description of Work	Source of Funding	Positions	Amount
Activity One: Labor Force Statistics			
-Expansion and Maintenance of the Current Population Survey (CPS) Supplemental sampling of the CPS to obtain State estimates of unemployment for the purpose of allocating CETA funds.	Employment and Training Administration/DOL	39	$3,700.0 1/
-Occupational Employment Statistics (OES) Collecting current information on the occupational composition of the nation's work force and projecting occupation and industry employment and occupational demand and supply for States and labor market areas. Information will be used in the labor market planning process under CETA.	Employment and Training Administration/DOL	77	1,500.0
-Labor Force Employment and Unemployment Data Development of data on labor force, employment, unemployment and the unemployment rate for each CETA area, and annual review of all areas to determine continued CETA qualification. Data will be provided to EDA for administration of funds distribution as required under the Public Works and Development Act of 1965.	Economic Development Administration/Dept. of Commerce	21	595.0

1/ Total resources available for the expansion and maintenance of the Current Population Survey in FY 1977 is $3,900 of which $3,700 is new funding made available by the Employment and Training Administration.

Project Title and Description of Work	Source of Funding	Positions	Amount
-Survey of Scientific and Technical Personnel Survey of establishments in the manufacturing industries to provide information on the employment of scientific and technical personnel. Returns will be combined with returns from establishments sampled under existing Federal-State cooperative agreements in order to generate estimates of employment of scientific personnel for the nation.	National Science Foundation	15	$ 275.0
-Manpower Studies in the Field of Aging Update earlier study of manpower needs in the nursing home industry; develop and disseminate vocational guidance materials concerning opportunities in the field of aging for established professional occupations; analyze manpower issues in the field of social work; examine several key occupations within administrative and planning agencies on aging; and study the feasibility of gathering needed labor force data in the field of aging through the use of ongoing Federal surveys. Data will be used to fulfill a mandate under the Comprehensive Older Americans Services Admendments of 1973.	Administration on Aging	7	140.0
-Labor Market Information System for the Virgin Islands Development of a usable report on Covered Employment and Wages (ES-202), a Current Employment Statistics series, and labor force data for the Virgin Islands. Data will form the basis of a labor market information system for the Virgin Islands.	Government of the Virgin Islands	3	37.0

Project Title and Description of Work	Source of Funding	Positions	Amount
-Miscellaneous Reimbursements Magentic tapes and other small projects done for other government agencies and the public.	Miscellaneous	-	$ 20.0
-Survey of Training in Industry Development of statistics on the characteristics of occupational training conducted by American industries to determine how industry provides workers with skills to enter an occupation or upgrades the skills of individuals already employed in an occupation.	Employment and Training Administration/DOL	2	20.0
-Shipyard Labor Indices Monthly reports on shipyard labor, and preparation of indices for use in connection with labor escalation clauses in shipbuilding contracts.	Dept. of Navy	1	7.0
-Hours and Earnings Data Development of composite average hourly earnings and weekly hours for establishments in the private operations of certain ERDA contractors.	Energy Research & Development Administration	-	.5
Activity Two: Prices and Cost of Living			
-New York City Apartment House Operating Cost Index Develop a base-weighted index of the price of various cost components relating to operating buildings in N.Y. City which are governed by the 1969 Rent Stabilization Law.	Rent Stabilization Association of N.Y.C., Inc.	8	190.0
-Collection of Food Price Data in the Virgin Islands and Guam Collection of food price data in the Virgin Islands and Guam; data will be used in administering the food stamp programs in those areas.	Department of Agriculture	7	126.7

Project Title and Description of Work	Source of Funding	Positions	Amount
-LIFO Department Store Inventory Price Index Develop a semi-annual inventory weighted price index of goods carried by department stores. This index is designed for use by department stores in preparing income tax returns.	American Retail Federation	4	$ 64.4
-Collection of Agricultural Prices Collection of retail prices in selected cities for poultry, fruits, vegetables, and fats and oils; data will be provided to the Economic Research Service.	Department of Agriculture	2	51.0
-Miscellaneous Reimbursements Magnetic tapes and other small projects done for other government agencies and the public.	Miscellaneous	-	47.0
Activity Three: Wages and Industrial Relations			
-FLSA Exemption and Distribution Studies Survey of earnings, hours of work, and related conditions of employment in selected industries and occupations exempt from the Fair Labor Standards Act, for the purpose of fulfilling a legislative mandate.	Employment Standards Admin./DOL	133	2,660.0
-Service Contract Act Surveys Studies of occupational wages in selected areas and industries for ESA's use in administering the Service Contract Act of 1965.	Employment Standards Admin./DOL	73	1,394.0
-New York State Extension of AWS and PATC Surveys of occupational wages in the Syracuse, N.Y. Standard Metropolitan Statistical Area (SMSA), and the extension of the Bureau's national survey of professional, administrative, technical and clerical occupations in various areas of New York State for the purpose of determining salaries of various state employees.	New York State Dept. of Labor	5	100.0

Project Title and Description of Work	Source of Funding	Positions	Amount
-Public Sector Studies Study designed to determine whether the enactment of State statues permitting public employees to engage in collective bargaining and to strike has an effect on the level of strike activity in the public sector. Results will assist LMSA in formulating DOL policy on proposed public sector strike legislation.	Labor-Management Services Administration/DOL	6	$ 84.4
-Analysis of Pension Plan Provisions Acceleration of detailed analyses of pension plan provisions as of 1974 and as of 1976 in order that a 1974-76 comparison be made.	Labor-Management Services Administration/DOL	4	68.9
-Employee Benefit Plan Studies Update of previous analysis of employee health benefit plans to January 1977, and preparation of 1973 universe estimates of participants in and benefits paid by noninsured death benefit plans.	Social Security Administration	4	65.0
-Akron Area Wage Survey Survey of wages and related benefits in the Akron, Ohio SMSA for selected occupations. Data will be used to determine salaries of police and firefighters in Akron.	City of Akron	1	19.5
-Miscellaneous Reimbursements Magnetic tapes and other small projects done for other government agencies and the public.	Miscellaneous	1	38.4

Project Title and Description of Work	Source of Funding	Positions	Amount
Activity Five: Economic Growth			
-Conversion of Pollution Model Development of long-term economic growth projections applicable to policy issues in EPA. Data will assist EPA in using their model for projecting pollution generated and the resulting abatement requirements.	Environmental Protection Agency	5	$ 78.4
-Feasability Study A feasibility study of a model previously developed by BLS to estimate the work force requirements generated by Federal program expenditures. The study will enable HUD to determine whether a full-scale effort to refine the employment factors and provide regional or local estimates is feasable and desirable.	Dept. of Housing and Urban Development	2	31.6
-Disaggregation of Input-Output Tables Disaggregation of input-output tables to result in an updated and energy oriented input-output system which will greatly expand the capability to analyze potential industrial impacts of energy policies. Data will assist FEA in fulfilling a legislative mandate under the Federal Energy Administration Act of 1974 to evaluate the economic impact of all energy policies and actions on the economy.	Federal Energy Administration	4	26.1
Activity Six: Executive Direction and Staff Services			
-Training and Orientation of Foreign Participants Provision of training and orientation to foreign participants in the field of labor statistics, utilizing both in-house staff and outside lecturers.	Bureau of International Labor Affairs/ Agency for International Development	5	147.9

Project Title and Description of Work	Source of Funding	Positions	Amount
-CSC Wage Board Systems Survey Selection and weighing of establishment samples for full-scale wage surveys conducted under the Coordinated Federal Wage System, for the purpose of establishing wage scales for blue collar workers.	Miscellaneous Federal Agencies	6	$ 105.0
-DOD Non-Appropriated Fund Employees Sample design and sample selection and maintenance for wage surveys designed to set rates for non-appropriated fund employees, under the Coordinated Federal Wage System.	Department of Defense	6	83.0
-Study of Youth Labor Market A study which sequentially analyzes labor market activity of young men and women aged 18 through 24, using National Longitudinal Survey data for years 1966 through 1971.	Employment and Training Administration/DOL	3	55.6
-Miscellaneous Reimbursements Magnetic tapes and other small projects done for other government agencies and the public.	Miscellaneous	1	12.6
Occupational Safety and Health Statistics Maintenance of statistical collection system to provide information on incidence and extent of occupational injuries and illnesses under the Occupational Safety and Health Act of 1970.	Occupational Safety and Health Administration/DOL	163	3,800.0
FY 1977 Consolidated Working Fund Total		588	15,190.0
FY 1977 Reimbursable Total		20	354.0

CONTRACTING OUT

Mr. SHISKIN. One is OSHA. We also do work for ETA. But we also contract out more of our work than we get in. That is, in fiscal year 1977, we will contract, for example, somewhere around $13 million worth of work to the Census Bureau. When you add to this what we contract to other agencies, on the net basis we actually contract out more than we contract in.

REVISION OF THE CONSUMER PRICE INDEX

Mr. FLOOD. I am sure you know the Secretary last week sent us a 1977 reprograming letter because of the delay in completing the revision of the Consumer Price Index. Can you explain for us why you can't be ready in April as you said you would be?

Mr. SHISKIN. Well, a revision similar to this revision has taken place every 10 to 15 years. This particular one started in 1970. For several years, there was little or no progress. When I first came to the BLS I received a report that progress was slow. So we set up a new schedule at that point. We set a deadline date of April 1977. That was set 3½ years in advance. We also spelled out a detailed work schedule.

Mr. FLOOD. Why aren't you ready?

Mr. SHISKIN. Most of the parts of the program were finished on time, but the computer systems work was not. At the present time we don't have a computer system to process completely the data collected.

Mr. FLOOD. How does that reprograming affect this 1978 request?

Mr. SHISKIN. We had expected to finish the survey in April and to start publishing new data at that time, then we would have discontinued making that type of revision. Instead what we are proposing to do is to begin a continuous quarterly survey of expenditures on a much smaller scale and then periodically to use that as a way of updating the CPI expenditures weights. Since we couldn't meet the schedule this time we made the proposal to the Department that we defer the initiation of this new program for several months and that we use the money earmarked for the new program to finish the old one.

Mr. FLOOD. What was the original cost estimate of that CPI revision compared to what it will actually have cost to do it?

Mr. SHISKIN. That estimate was made before I was here, and also the estimate was made in current, not constant dollars. The original estimate was at that time, I think, about $43 million.

Mr. FLOOD. Compared to what it is actually going to cost.

Mr. SHISKIN. The actual difference will be about $5 million.

Mr. FLOOD. Have the users of that CPI index been able to adequately prepare for the changeover?

Mr. SHISKIN. What we did, of course, was—as soon as we reached this judgment that we couldn't come out with the index in April—we informed a number of our users. Through our budget officials, we informed the Appropriations Committees. We also informed our Labor Research Advisory Committee and our Business Research Advisory Committee. At a hearing at the Joint Economic Committee we presented a statement explaining the delay, and we have included an explanation in our February 18 CPI press release.

Mr. FLOOD. Yes or no, have they been able to adequately prepare for this thing?

Mr. SHISKIN. I think so. We have not heard a single serious objection to this.

UPDATING THE CONSUMER PRICE INDEX

Mr. FLOOD. You are proposing to continue the development of the ongoing consumer expenditure survey. What will this provide that your current programs don't provide?

Mr. SHISKIN. In addition to other, smaller changes it will provide a whole new series of indexes, one for the United States, for 23 different cities and 400 commodities every month. Periodically however, we must update that index and bring it up to date in three different ways. First, we have to bring the retail store samples up to date by contacting stores from different parts of the country.

Mr. FLOOD. Is that a tough assignment?

Mr. SHISKIN. No. It just needs to be done, but it is not cheap. None of these things is cheap.

Second, we need to get a new market basket. The things people buy change over time. For example, the fast foods and convenience foods we are buying today were not available 15 years ago when the index was last revised. The market basket must be revised to take account of such changes.

Mr. FLOOD. If you are in the middle of a survey, does bad weather, such as in Florida, affect your numbers?

Mr. SHISKIN. I think bad weather has caused all statistics to suffer.

The third thing we have to do is to get a new set of consumer expenditures weights which is set according to the percent of the total consumer's expenditures for the various categories, such as food, clothing, housing, and so on. Those patterns change. What has been happening, for example, over the years is that the proportion of income which is spent for food has been declining, in proportion to other items.

So, periodically, we have to update the CPI program by introducing these new samples, new market baskets and new weights.

The traditional way of doing that has been through a decennial method. It became clear to me when I first took over this job that the way it was being done must change.

Mr. FLOOD. Finish that statement for the record.

[The information requested follows:]

In sum the proposed continuing consumer expenditure survey would replace the massive periodic surveys which have been conducted in the past and:

(1) produce the data necessary to update the CPI market baskets of goods and services, revise the Consumer Price Index (CPI) weights, and, thus, support future CPI revisions;

(2) provide a continuous flow of data on income and consumption patterns for use in economic analysis and policy formulation;

(3) provide one of the basic data inputs required to revise and update the BLS family budget program as required by the Comprenhensive Employment and Training Act of 1973 (CETA); and

(4) provide a flexible consumer survey vehicle that—like the current population survey—will be available for the use of other agencies.

Mr. FLOOD. I yield to Mr. Patten.

Mr. PATTEN. It is always good to see you.

When the work program came out, the criteria cut my district off on account of they were using labor statistics. Even though I had 26,000 people out of work, 12 percent people out of work, we did not get anything because the county was tied in with a lot of rich areas. Newark suffered, Jersey suffered.

Mr. SHISKIN. Is that still true, sir? Because, as I recall that program, we are publishing data now for 5,500 separate areas every month. And I would suppose your area is a separate area. We have expanded that program greatly in the last year.

Mr. PATTEN. One of the criteria they used was your statistical information on unemployment.

Do you agree with me on this?

Mr. YOUNG. I have difficulty understanding that. Your district shows a rate of unemployment in my figures of over 10 percent. I don't know—you see, we are not responsible for making the allocations. We just furnish the statistics.

Mr. SHISKIN. We publish these figures every month and you can use them, too.

Mr. PATTEN. We didn't realize the impact until they started picking the projects.

Mr. SHISKIN. You are talking about the public works project.

Mr. PATTEN. Right. For instance, the city of Elizabeth, take my word for it, it looks like some of our other old cities was tied in with a number of other rich suburbs, and got nothing. New Brunswick got no projects.

Mr. SHISKIN. We only furnish the unemployment figures.

Mr. PATTEN. Did I make my point?

Mr. SHISKIN. The point we are trying to make is that although we provide the unemployment figures for your area. But it is some other agency which allocates the money and defines the area.

Mr. YOUNG. Sir, I believe you are talking about the Department of Commerce program on public works. I attended a program very recently with them and they will come in with legislation proposing to change those rules.

Mr. SHISKIN. As far as I am concerned, we provide the unemployment rates and you have a high unemployment rate in those cities.

Mr. PATTEN. You set a goal to give us better figures on the cost of living. I believe your statement is well put. This would be a big help to know what consumers buy and to know more about the cost-of-living factor.

Mr. SHISKIN. The new program will tell you something, for example, as to the impact of special programs such as the income tax rebates. We don't know the impact today, but once we have the new program in place, we can ask additional questions on the survey to determine the impact.

Mr. FLOOD. Mr. Early.

UNEMPLOYMENT STATISTICS

Mr. EARLY. How accurate are the statistics on unemployment?

Mr. SHISKIN. We publish a lot of different figures on unemployment. The figures for the United States as a whole are accurate within two-tenths of 1 percent.

Mr. EARLY. Are they accurate with respect to the unemployment compensation or with respect to the people unemployed?

Mr. SHISKIN. When we published the figure last month of 7.3 percent, if we had taken a complete universe the figure would have been between 7.1 and 7.5 percent. The figure for the United States is off by only two-tenths. When you get to some of the small places which you have in mind, however, the error is more significant.

Mr. EARLY. What was the last unemployment statistic for Massachusetts?

Mr. PATTEN. Don't you get the monthly report?

Mr. EARLY. I get them, but I don't believe them.

Mr. SHISKIN. Massachusetts was 9.5 percent for the year 1976.

Mr. EARLY. The 9.5 is for what month?

Mr. SHISKIN. For the month of December, however, the unemployment rate for Massachusetts was 5.9 percent.

Mr. EARLY. I live in the State and we have 75 percent of our building trades unemployed, yet you give us the statistic 5.8 and say it is accurate.

Mr. SHISKIN. For example, we have a figure——

Mr. EARLY. But what good is a statistic that doesn't tell the true story? I am suggesting to you, that this figure is based on unemployment compensation and you are retorting that it is not.

Mr. FLOOD. Mr. Young.

Mr. YOUNG. Let me do a little bit of clarification here. The figures for Massachusetts, as for all other States, are in the process of revision right now. The 1976 annual averages and all months for 1976 are in the process of revision, and the new figures will be issued by the middle of March. The annual average level for the State of Massachusetts—I don't have the figures for individual areas—is going to be raised from an annual average of 8.0, as it was originally published, to 9.5 percent. Now, that increase is the result of getting a new level for 1976 from a completely independent survey, the Census Bureau's Current Population Survey, the same survey used to get the national unemployment figures which is separate from the month-to-month projection which the State employment security agency does.

Mr. EARLY. I was initially told the unemployment figure for Massachusetts was 5.9 percent, which it was not.

Mr. YOUNG. That was a figure projected by the State throughout 1976.

Mr. EARLY. For the month of December?

Mr. YOUNG. For the month of December, it was 5.9. The annual average was 8.0.

COUNTING THE UNEMPLOYED

Mr. EARLY. What happens when Joe Jones, getting unemployment in November, was not eligible in December, so he did not sign up? Do you people list him as unemployed?

Mr. YOUNG. As an individual, he is not listed as unemployed, but an allowance is made for him.

Mr. EARLY. Therefore, your statistic is no good to the Congress.

Mr. SHISKIN. We take a sample of people in each State in the country today and we continue that sample through the entire year. At the end of the year we have an average unemployment rate based on that sample for each State in the Union. That is the figure Mr. Young is talking about. So the figure he gave you shows 9½ percent which will be the control total to which we will raise the figures for the towns in Massachusetts.

Mr. EARLY. But you also told me that for every 100 employable people in Massachusetts in December only 5 were unemployed.

Mr. SHISKIN. That is an estimate based on the State data.

Mr. EARLY. That is the estimate on which——

Mr. SHISKIN. We will be issuing a new set of figures in mid-March which will raise or reduce all the figures published by the different States. The reason we will be able to use the figures is that they are based on a sample large enough so that we have an accurate estimate of unemployment in the United States. That figure for Massachusetts will be 9.5.

Mr. EARLY. Why do you want that figure?

Mr. SHISKIN. That is the figure to be used in allocating funds.

Mr. EARLY. I sat in all morning on the EDA hearing and they talked about how they funded their projects. The towns didn't use your statistics. If you lived in Auburn or Shrewsbury, and you moved to a large city, the city of Worcester, they used the figure for Worcester. Why use a figure from the Bureau of Labor Statistics if it just confuses us more?

Mr. SHISKIN. We just went through a process where they didn't use the Bureau of Labor Statistics figures at all.

Within the past few years there has been a lot of legislation which involved the allocation of funds before we had adequate statistics on which these allocations could be based.

Mr. EARLY. Mr. Shiskin, every agency that comes in here, I would like to know what percentage of the manpower they use to establish their statistics. Everybody comes in with their own statistics. We have a Bureau of Labor Statistics. Why have it if it is not going to be used?

ALLOCATION OF FUNDS

Mr. SHISKIN. Under the CETA law the agencies are required to use our data in allocating funds.

Mr. EARLY. If you sit here and tell me that Massachusetts has 5 percent unemployment for December and it is going down, I will tell you your statistics are totally unacceptable.

Mr. SHISKIN. These figures are?

Mr. EARLY. The ones you just revealed to me.

Mr. SHISKIN. These were figures submitted to us by the States which we will adjust by the figures we are now putting together.

Mr. EARLY. Revenue sharing moneys are being reimbursed by the counties, the rich get richer.

Mr. SHISKIN. After we make our figures public, there will be a large allocation of funds.

Mr. EARLY. There are no funds left. Boston received money; Worcester, nothing; New Bedford, nothing; Lowell and Lawrence, nothing. Lowell and Lawrence have unemployment in the areas of 30 to 35 percent. Why should we supply figures to the Bureau of Labor Statistics if we get those type of results?

Mr. SHISKIN. When the new set of figures are made in March, you will get more money under the new allocation.

Mr. EARLY. I don't know how you do it, but we have to adjust the Bureau of Labor Statistics to get more accurate statistics.

Mr. SHISKIN. I agree. We published a few hundred figures for different local areas. Then, suddenly, we are required to publish data for 5,500 areas a month. It was a herculean job for us.

Mr. EARLY. Maybe we would be better off doing nothing if you can't put out accurate figures.

Mr. SHISKIN. I pointed that out on numerous occasions, and I can bring you copies of the Congressional Record where many Congressmen have quoted me as saying the figures are inaccurate.

Mr. EARLY. They are getting awfully sick of rhetoric, of me telling them that unemployment is going down.

If you are the Bureau of Labor Statistics, the other agencies should stop establishing their own statistics, then we would have one central agency.

INTERNATIONAL PRICES

Mr. FLOOD. How much are you presently spending on the international price program?

Mr. SHISKIN. $1,500,000 in 1977.

Mr. FLOOD. Why do you need additional funds for the international pricing?

Mr. SHISKIN. We only have partial coverage of exports and imports. We are asking for more money so that we can have more coverage.

INDUSTRIAL PRICE INDEX

Mr. FLOOD. What do you mean by "comprehensive revision of the industrial price program?"

Mr. SHISKIN. The wholesale price index has come under a lot of criticism. It has been criticized by many different people, by the past and present members of the Council of Economic Advisers, and by the Chairmen, past and present, of the Cost of Living Council.

Mr. FLOOD. Why do you need 33 new jobs for it?

Mr. SHISKIN. We are planning to expand the program. Obviously, when you expand a program you need additional persons to fill jobs. I am not prepared to tell you today why we need 33. But we do have a separate formula for calculating the number of people needed for each program. I will submit for the record why we need 33.

[The information follows:]

The request for 33 positions for the industrial price program is based on the goals stated in the program narrative and workload experience in this and related programs. The fiscal year 1978 objectives for the industrial price program are to develop 20 industry indexes and 250 commodity indexes within those industries. Fifteen of these indexes will be completed in fiscal year 1978 and five will be completed in fiscal year 1979. To do this, BLS estimates that, on

average, data will have to be collected from 60 firms for each industry index, and within each firm three price quotations will be required. Because our anticipated rate of cooperation among firms contacted to provide price data is 80 percent, the following data collection effort will be necessary to meet our objectives:

(1) Contact 75 firms per industry (1,500 firms);
(2) Initiate data collection in 60 firms per industry (1,200 firms);
(3) Collect 3 price quotations per firm per month (3,600 quotes).

When reviewing the basis for the estimate for 33 positions, you must remember that a 25 percent lapse rate has been used for new programs so BLS does not get a full year's work from each position in the first year. With that in mind the following positions are requested.

(1) Data collection: (*a*) Field—2 supervisors, 11 data collectors, 1 clerk—Each data collector can contact 180 firms a year. The ratio of supervisors and clerks is consistent with other Bureau programs; and (*b*) Washington—1 economist—Coordinates work with field.

(2) Data processing—3 statistical clerks: Each clerk can process 600 price quotes per month. When added to three clerks in the base, the staff will be sufficient to process 3,600 price quotes a month.

(3) Economic Analysis—10 economists: The Bureau estimates that it will require one-half of a man year of economic analysis to develop each industry index and the complementary commodity indexes. Based on this and the lapse rate, 10 economists can develop indexes for 15 industries.

(4) Statistical Analysis—five statisticians: Similarly, the BLS estimates that it will require one-quarter of a man year of statistical review for each industry index developed. Again, based on this estimate and the lapse rate, 5 statisticians can support the development of indexes for 15 industries.

COLLECTIVE BARGAINING

Mr. FLOOD. Why do you need 13 new jobs to develop data on collective bargaining in the public sector?

Mr. SHISKIN. We publish statistics each month which show the impact on wages of new contract agreements which are made in different private sector industries. These are a familiar set of BLS figures. We don't have at the present time similar data as to the impact of contracts made in the public sector.

LOCAL AREA UNEMPLOYMENT STATISTICS

Mr. FLOOD. You know, Congress is very concerned about the unreliability of the State and local unemployment rates.

Mr. SHISKIN. Yes, sir.

Mr. FLOOD. On that depends the allocation of billions and billions of Federal dollars. Yet, this budget requests no additional funds for developing more accurate figures.

Mr. SHISKIN. We had a dialog about 2 years ago in which we were asked the same question. Congressman Obey interrogated me for 15 to 20 minuutes. He finally asked me how much money could we expend in improving those data. We ended up with a figure of $5 million. We put a substantial amount of that money into improving the State data which Mr. Early stated was so poor. Then we put the rest of the money into the current population survey.

Mr. FLOOD. What is the status of the current population survey?

Mr. SHISKIN. It has been expanded to all 50 States. The question is, Shouldn't we be doing more? There are some people who feel the only way to resolve this problem is to have a monthly figure for every State. That involves a much greater expansion of the current popu-

lation survey than what we have now. We have gone through a lot of obstacle courses. We have the OMB to deal with, our own Department to deal with, we will have to deal with you later on, but we are developing a plan to give a better set of statistics. We are concerned with the quality of the data. It is not something you can do in a year or two.

NEW NATIONAL COMMISSION

Mr. FLOOD. What is your role vis-a-vis the new National Commission on Employment and Unemployment Statistics?

Mr. SHISKIN. When I was up for appointment to be Commissioner I stated I would take a look at the labor unemployment statistics. Since then new developments have emerged. Under the CETA law a new commission has been established.

You will recall this morning, Secretary Marshall said he will be prepared to list very shortly the names of those on the commission, so we can get that commission going. One of the principal items is how to improve the State and local figures.

OCCUPATIONAL STATISTICS

Mr. FLOOD. How reliable are your supply and demand figures? For example, we hear an awful lot about these problems among the health professions, doctors, nurses, et cetera. How confident are you of your ability to make these kind of projections?

Mr. SHISKIN. I am not very confident at all, sir. Most forecast are pretty inaccurate. Mr. Young may wish to amplify my remarks, with your permission.

Mr. YOUNG. Basically, the projections which the Bureau of Labor Statistics makes are not really forecasts; they are based on a set of particular assumptions. The assumptions which you make have a great deal to do with how the forecast comes out.

Mr. FLOOD. How reliable are they?

Mr. YOUNG. They are not perfect, but they appear to be sufficiently reliable to be helpful.

Mr. SHISKIN. On the other hand, we looked up the record on the Occupational Outlook Handbook and we sold 130,000 copies of that.

EMPLOYMENT COST INDEX

Mr. FLOOD. In your justification you mentioned the employment cost index; what is the status of that?

Mr. SHISKIN. We are putting out quarterly figures on that. We don't cover all the industries yet and we don't cover fringe benefits yet, but we will be expanding the survey to cover all industries and all payments.

COMMERCE DEPARTMENT

Mr. FLOOD. How much of the work is duplicated by the Commerce Department? They put out a lot of statistics over there; don't they?

Mr. SHISKIN. Yes, sir, but I spent many years putting out statistics there and I don't believe there is any duplication.

MANDATORY INCREASES

Mr. FLOOD. You also show a mandatory increase of $1,260,000 for administrative and support services. What is that comprised of?

Mr. SHISKIN. I am responsible for program statistics and Mr. Becker is responsible for mandatories.

Mr. BECKER. That is needed to pay for generalized services the Department provides. It breaks up into four categories. The major portion $461,000, is for computer processing. $104,000 is for increased cost of FTS service, $317,000 is for increased cost of mail service. We do an awful lot of work using mail surveys and we have to pay the increased cost of the mails. The remaining amount is for generalized services the Department provides such as delivery of mail within the offices, space analysis, centralized accounting, payroll and similar services.

LAPSE RATE

Mr. FLOOD. You want 76 new jobs in total, altogether. What is the average lapse rate? How did you apply that to the new jobs in determining the cost of them?

Mr. BECKER. The lapse rate is 25 percent except when we have a continuing program. Then we use 10 percent.

REDUCTION IN PERSONNEL COMPENSATION

Mr. FLOOD. You show a reduction of $587,000 in personnel compensation for nonpermanent positions. How do you account for that reduction?

Mr. BECKER. The CPI revision will be phasing down and our need for temporary people on that program will be reduced. That is the reason for the reduction.

WORKING CAPITAL FUND

Mr. FLOOD. Why do your working capital fund costs increase in 1978 by $830,000?

Mr. BECKER. The working capital fund is what I described earlier. We need increased funds for such things as the payment for mail service, FTS——

Mr. FLOOD. The same things?

Mr. BECKER. That is right, sir.

ADP COSTS

Mr. FLOOD. How much money do you have in this budget for automated data processing? ADP.

Mr. BECKER. Approximately $7 million, sir.

Mr. FLOOD. And how does that compare with the current fiscal year?

Mr. BECKER. The amount for computer will go up approximately $1 million. In other words, approximately a 16-percent increase.

Mr. FLOOD. Thank you very much.

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Mr. PATTEN. On the comparability of Federal pay study—are you in the business of gathering figures on Members' salaries?

Mr. SHISKIN. We didn't make the studies of congressional and top level pay, however, but only of the comparability of civil service pay.

Mr. PATTEN. I see in the paper President Carter has used the figure of 6½ percent of the budget, whatever that means, to take care of the white collar workers.

Mr. SHISKIN. This presumably will be the approximate increase for civil servants and other Government workers which will be proposed to Congress in October.

Mr. PATTEN. You know what you are talking about? You said that. Today is February.

Mr. SHISKIN. It works this way. Each year we conduct the survey of professional, administrative, technical and clerical pay. One is now underway. The President has to submit a budget early in the fiscal year and he has to make an estimate of what we will come up with and what, in turn, his agents will recommend. At this time, however, we have not completed that survey.

Mr. PATTEN. Somewhere I read today that the President had provided in his budget for a 6½ percent across-the-board raise.

Mr. SHISKIN. A figure has to be in every budget because the President has to estimate the percentage increase in the pay raise.

Mr. PATTEN. We don't have to take that too seriously.

Mr. SHISKIN. That is not a BLS figure.

Mr. PATTEN. I am going to meet with a gang of Federal workers. They will be pressing me but I will not say to them, "You will get a 6½ percent raise."

Mr. SHISKIN. No.

Mr. PUGH. The 6½ percent is only the amount he had in the budget.

Mr. PATTEN. We never had anything in the budget until after a decision was made.

Mr. PUGH. We have had it in budget estimates for the past 2 years.

Mr. FLOOD. Thank you very much.

[NOTE: The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

MR. MICHEL

Question. I raised this question last year when you were here. I raised it when Mr. Brown was here last week, and I am going to continue to raise it until we get some answers. Why haven't any surveys been undertaken on the total number of job openings in this country? Can you tell me how many jobs at this very point in time are available but unfilled? The Employment Service listings reflect only a fraction of them.

Response. At the present time, the Bureau has no program to develop data on job vacancies, either nationally or locally. In fact, little data are available from any source on the unmet demand for labor, or job vacancies. The U.S. Employment Service has a measure of nonagricultural job openings but this series is based only on job orders placed by employers at the Employment Service, which is of limited value as a comprehensive measure of job vacancies. An index of classified help wanted advertisements from leading newspapers has been compiled into an index by the National Industrial Conference Board, but this measure is, similarly, of little value, because it is not sufficiently comprehensive.

In earlier years, the Employment and Training Administration (ETA) conducted experimental job vacancy surveys primarily of manufacturing industries in over 50 metropolitan areas. The initial surveys were oriented toward operational needs of ETA rather than analytical or economic policy uses. The Bureau also experimented with the collection of job vacancy data in conjunction with its labor turnover statistical program. Both these earlier efforts failed to meet the need for job vacancy data either for the job placement activities the need for training programs. The Bureau's efforts were terminated in December 1973, and the ETA withdrew its financial support of this program.

Question. We need continuing surveys, perhaps as many as 2 or 3 a year, as to the total number of jobs available but unfilled, the types of jobs they are, where they are located. Are you undertaking any such surveys?

Response. At this time we are not conducting any job vacancy surveys.

Question. If we were to call on you today to develop and undertake surveys along this line how much would you need in terms of money and personnel?

Response. A program to test the feasibility of developing national estimates of job vacancies was considered in our program planning and formulation phase last fall. At that time this feasibility study was estimated to cost $250,000 in fiscal year 1978. It provided for tests to be conducted that would determine (a) the feasibility of collecting national data on job vacancies with occupational and regional detail (b) the existence of establishment records systems from which data could be drawn that were consonant with a conceptual framework similar to the Current Population Survey and (c) the willingness of business establishments to cooperate in supplying the data. As a responsible statistical organization the Bureau could not put a full-scale survey into the field without determining in advance the probability of its success, particularly one as difficult and expensive as a job vacancy survey. Should a feasibility test prove the concepts to be viable, adequate records to be available, and business to be willing to cooperate in providing the data, the Bureau estimated, last fall, that a full-scale survey—with occupational and regional detail that would permit meaningful comparisons with CPS unemployment data by occupation and region—would range between $20 million and possibly as high as $50 million annually.

We could institute a program of both feasibiilty studies and data collection that might possibly result in national job vacancy information within a 2-year period. Such a program would cost about $1 million with 52 positions during fiscal year 1978 and fiscal year 1979. If the resulting measures are adequate and comparable to measures of unemployment, decisions to expand the program to more geographic detail can be made at that time.

Additional costs would be involved to restructure the current population survey to develop detailed regional and occupational estimates of employment and unemployment.

Question. How quickly could you undertake and complete such a survey once you were given the go-ahead?

Response. Once again it is difficult to answer this question until after a feasibility study has been conducted and analyzed. If all the results of a pilot test—conducted in fiscal year 1978 and fiscal year 1979—suggested the survey was indeed feasible and money was made available right away, it is possible that the selection of a sample and actual data collection could be implemented in fiscal year 1980.

Question. Last year we discussed a job intensity search survey which you were about to undertake. Was anything done on this? If so, do we have some results?

Response. The survey was conducted in May 1976. The Census Bureau is in the final stages of processing the data, and we expect to receive tabulations from them very soon. We intend to prepare a summary report based on this first group of tabulations, hopefully sometime this spring. More extensive analyses will be prepared over the subsequent year or so.

Question. What are the latest figures on the percentage of husband and wife families who have more than one breadwinner?

Response. The most recent data we have on this subject is for March 1975. At that time about 58 percent of all husband-wife families had two or more earners.

Question. Then a followup question: What percentage of the total labor force is comprised of second or third members of a household?

Response. In 1976, on average, the composition of the labor force included: 47 percent, family heads; 23 percent, wives; 18 percent, other relatives. The other 12 percent were persons not living in families.

Question. Why is it taking you so long to revise the Consumer Price Index? If I recall correctly, this revision was begun in 1970.

Response: The Bureau began the revision program in 1970 and now anticipates that revised indexes can be published in fiscal year 1978. The program is the largest and most complicated single statistical program ever carried out by BLS. The size and complexity of the program contribute significantly to the long period over which work has been funded. A large scale Consumer Expenditure Survey, conducted in 1972 and 1973, was necessary to provide basic data on what consumers actually buy. A second major survey, the Point-of-Purchase Survey, was conducted in order to provide—for the first time—a scientifically selected sample of retail outlets in which index populations actually purchased goods and services.

Both of these surveys, conducted by the Census Bureau for BLS were complex statistical programs and required significant amounts of time. While previous expenditure surveys had been conducted by BLS, the 1972–73 CES represents a totally new approach to the collection of information on what people buy. The last survey of this type had been done in the early 1960's, thus, major changes in concept, procedure, and methodology had to be introduced by a staff with little working experience with expenditure surveys. In the case of the Point-of-Purchase Survey, which has been a tremendous success, no survey of this kind had previously been conducted. Thus, once again we have paid a price for having to start from zero to introduce a completely new survey.

In addition to the survey implementation problems, this revision program is unique with respect to earlier efforts—in 1964 and 1953—in that almost all components of the index have been examined in detail with respect to the economic and statistical concepts and the methodology used to apply these concepts in an ongoing operational program. Finally, a computer system compatible with the methodological improvements and the current generation of computer equipment had to be designed, produced, and tested. It is this last facet of the revision which is our current major stumbling block.

All of these projects have been large and complicated, and all are closely interrelated. One of our basic program goals—to publish the revised indexes in April 1977—was established in 1973. We have always known that this represented an extremely tight time schedule given the scope of the overall program and at the same time have been disturbed by the fact that periodic programs such as the revision require so much time to plan and implement.

Assigning this program extremely high priority and devoting our best efforts to the work remaining does not alter the fact that this revision has taken about 8 years to complete. The Bureau has requested funds in fiscal year 1977 and 1978 for continuing programs to provide regular information on consumer buying habits. One crucial aspect of these continuing programs will be to reduce some of the periodic aspects of future revisions, thereby reducing the time that will be required to conduct future revisions of the CPI.

Question. How much has been spent on this revision since its inception?

Response. Through January 31, 1977, $41,246,500, has been obligated to this CPI revision program.

Question. Once it is completed, how long do you expect it will be before another overall revision will be necessary?

Response. In the past the BLS has pursued a policy whereby it was assumed that, in the absence of some catastrophic influence, the weights and items priced each month in the CPI would need to be revised every 10 years. When it was launched, the current CPI revision, was, in fact, called the decennial CPI revision program, and the initial requests for funding presented to the Congress back in the early 1970's referred to the program by that title and presented the case for updating the samples of items and outlets, as well as the CPI weights, every 10 years. In the absence of current information on consumer spending patterns, such as would be provided by our proposal to launch a continuing consumer expenditure survey, this assumption that revisions are required every 10 years is not unreasonable. Within this context, the weights to be included in the revised CPI when it is introduced will, as you are well aware, already be 5 years old. Given the economic circumstances of the past 5 years, and the influences of, for example,

inflation and the energy shortage on the American consumer, the revised CPI may well already be at the point where another revision of the weights and items priced each month is required.

I emphasize may, Mr. Michel, because in the absence of an ongoing survey of expenditures, we can make reasonable assumptions but we do not know for sure. Moreover, if we did know that a change having a significant impact on consumer expenditures had occurred, we could not, in the absence of an ongoing survey to measure the changes, revise the CPI on a timely basis.

It is evident that all of this points to the need for the continuing survey of consumer expenditures which we have proposed. First, it will give us information to assess whether or not the weights should be revised, and second, we will have a survey in place which over time will provide us with the necessary information to revise the weights when this becomes necessary. While the CPI revision process encompasses much more than just an expenditure survey and the updating of weights, the collection and processing of the expenditures data and derivation of weights is far and away the most time consuming and expensive component of the revision process. While other complex problems remain to be solved, the adoption of a CCES will, in and of itself, guarantee that future revisions of the CPI will not be delayed by the problems associated with launching such a survey on a massive basis every 10 to 15 years.

Question. You make reference in your statement to the consumer expenditure survey. How exactly will this survey be undertaken? Will there be a continuous sample group and how will the sample be selected?

Response. As was the case with the 1972–73 expenditure survey, the continuing consumer expenditure survey (CCES) will be conducted for the BLS by the Bureau of the Census. Consumer income and expenditure data will be collected on an ongoing basis in 102 primary geographic sampling areas (PSU's), with the nucleus of this sample consisting of the 85 areas of the country in which prices for the monthly revised CPI will be obtained. As in the case of the 1972–73 survey, the CCES will have two components, a quarterly interview and a diary. For the quarterly interview component, which is designed to obtain information on income as well as for the major items which people buy, a sample of approximately 7,500 households will be contacted each quarter. Each cooperating household respondent will be contacted for 5 consecutive calendar quarters. In the case of the diary survey, a separate sample of 6,000 households will be selected. Each household will be asked to keep the diary, which is primarily used to tabulate expenditures on small, frequent purchases such as food and personal care items, for 2 weeks, after which the household will drop out of the survey.

In the case of both survey components, data collection will be spread throughout the year in order to smooth the operational workload. Sample sizes are such that BLS will launch a regular quarterly publication program reporting expenditure levels for major components of consumption.

As noted earlier, households selected for the quarterly interview component will remain in the survey for 5 consecutive quarters; households selected for the diary component will remain in the survey for the 2 week period covered by the diary. The household samples for both surveys will be selected from the 1970 decennial census files for each of the 102 primary sampling areas supplemented for new construction which has taken place since 1970. The population eligible for the survey includes the total noninstitutional civilian population residing in each of the sampling areas and the sample of households will be selected via probability sampling techniques to yield a representative sample for each area.

Question. You also make reference to worker productivity in the Federal sector. From the information you have developed so far, what has the trend been? Is productivity of the Federal worker up or down?

Response. Productivity data are currently collected from about 280 Federal organizational units covering 66 percent of the employee-years in the Federal civilian sector. Productivity for the total Federal sample has increased about 12 percent, or at an average rate of 1.3 percent per year, during the fiscal year 1967–76 period. However, as indicated in the table below, year-to-year movements in productivity have varied from a 2.7 percent increase in 1973 to a —0.5 percent decrease in 1974, the only year in which productivity declined.

OUTPUT PER EMPLOYEE-HOUR FOR THE OVERALL FEDERAL SAMPLE, FISCAL YEARS 1967–76

Fiscal year	Indexes (fiscal year 1967=100)	Percent change from previous year
1967	100.0	
1968	101.1	1.1
1969	103.5	2.4
1970	104.0	.5
1971	105.6	1.6
1972	106.3	.6
1973	109.2	2.7
1974	108.7	−.5
1975	110.7	1.9
1976 (preliminary)	112.1	1.3

Question. Have you been able to make any comparisons as yet between productivity in the Federal sector versus that in the private sector? If so, what do they show?

Response. Both the private and Federal Government sectors have experienced similar trends in productivity in the last several years as indicated in the following table:

Average annual rate of change in output per employee-hour, fiscal years 1967–76 [1]

Federal Government	1.3
Private Business	1.5
Nonfarm Business	1.3

However, comparisons of productivity levels between the two sectors cannot be made because the types of activities are different in each. For those few activities which are similar, such as electric power, definition differences and other data problems preclude making any valid comparisons.

MR. CONTE

Question. Will you describe the functions of the matrix system used by the occupational education (employment) statistics (OES) program?

Response. The function of the National/State industry—occupation matrix system is to assist State employment security agencies to develop State and sub-State estimates of current occupational employment requirements. It is also the function of the system to carry out this work using standardized definitions, procedures, and concepts to allow for analysis of occupational employment by industry on a comparable basis for areas within States, regions, labor market areas that cross State lines, and at the national level. The system, as it is designed, allows for program evaluation, the study of geographical movement of occupational employment among and within States, the development of employment data for use in vocational guidance and counseling, the development of information on the location of occupational skills and the numbers involved, and the analysis of such influences on employment as plant openings, plant closings, and the impact of technological change.

With regard to how the matrix system functions, it provides a set of 51 (all States and the District of Columbia) individual matrices, or tables, that present total occupational employment, cross classified by industrial sectors, for a specific period of time. Currently, matrices are available for each State for 1970, 1974, and 1985. Each matrix provides employment estimates for about 420 occupations and for 201 industry sectors. They are based on data derived from several sources including the census of population, industry and occupational employment data provided by the State employment security agencies obtained from employers and other sources, and occupational data obtained from regulatory and licensing agencies. Projections of occupational requirements are developed by applying the employment patterns in the 1985 matrix to projections of industry employment developed by the individual State agencies. Procedures allow the State agencies to incorporate their knowledge of plant openings and plant deaths into the estimating and projecting processes.

[1] Based on the linear least squares trends of the logarithms of the index numbers.

The matrices are consistent in format, concept, and data base with the BLS national matrix. The system further provides for the development of matrices for sub-State areas, usually labor market areas with a population of 50,000 or more. Work is virtually complete on the development of projections of occupational employment requirements for each State, the District of Columbia, and nearly 270 areas within States with at least 50,000 population. The system includes occupation specific death and retirement rates for each State, which are used to estimate total occupational openings. These rates were developed using special Census Bureau tabulations of occupational employment distributed by age and BLS standard working life tables for males and females. A flexible, multipurpose computer system permits cooperating State employment security agencies to update their matrices as required, and prepare sub-State matrices.

The Occupational Employment Statistics Survey, as part of the OES program, is a periodic survey currently conducted in 37 States and the District of Columbia. It is a mail survey conducted by State employment security agencies of a sample of nonfarm establishments. These data are used to estimate total employment by occupation and by industry for each State and for areas within each State. Employment information is currently being collected for more than 2,000 occupations, including professional, technical, clerical, sales, crafts, operative, and some limited skill occupations, as well as entry occupations and emerging occupations.

Question. What are your plans for updating this system?

Response. The National/State industry operation matrix system is currently being expanded to incorporate the greater occupational detail being developed at the State level through the OES surveys. States cooperating in the survey program will, therefore, have considerable more occupational employment information on which to base their education and training plans than those not participating in the survey. The current matrix program will be maintained for those States without survey data.

Work is underway to incorporate the most recent data on the participation of women in the labor force into the matrix system. Also, plans call for the development of a 1976 matrix for each State and the Nation, for use in developing revised estimates of current employment by State and projections of future occupational needs. In addition, we anticipate that additional States will join the OES survey program during the next year.

Question. What are the reasons for concentrating more effort to obtain data on persons of Spanish origin?

Response. Persons of Spanish origin currently number more than 11 million persons, or some 5.3 percent of the total U.S. population. Next to black Americans, they comprise the Nation's second largest racial/ethnic origin minority group. Like their black counterparts, Hispanic Americans historically have been worse off economically than white Americans; this has been true in terms of unemployment, type of job, level of earnings and income, as well as most other statistical yardsticks.

Up to the present time, only limited (both in content and regularity) economic data have been collected and published for this important minority group, far less, for example, than are published for black and white Americans. Improvements to the Federal Government's data development program for Hispanics is thus long overdue. More comprehensive and regularly available data are needed by the Congress and many executive agencies for the planning and implementation of policies and programs affecting the Spanish origin population. Comparable social and economic data to that already available for black and white Americans are also needed to assure the accurate determination of the special needs and problems of Hispanics. To this end, Public Law 94-311 was made law in 1976; the law mandates the development of a Government-wide Hispanic-American data program. The Bureau of Labor Statistics has the responsibility within the Department of Labor for implementaton of the law.

Question. Have you always provided unemployment estimates for counties or is this a new function for BLS?

Response. The geographic detail in unemployment data has expanded significantly in recent years, and particularly since the passage of the Public Works Employment Act of 1976 which requires substantial geographic detail. Unemployment estimates for all counties, except in the New England States where cities and towns are used, were published for the first time in mid-1976.

Question. You state in your justifications that once contractual work for the States, concerning unemployment insurance is completed you will expand current population survey (CPS). Why should CPS be expanded?

Response. The employment and unemployment data from the current population survey (CPS) provide the means for assuring that the data used in developing the estimates of unemployment are as comparable as possible with the national estimate of unemployment. The monthly State estimates, as you know, rely primarily on data obtained from the administrative records of the State unemployment insurance system. The UI data are not always comparable between States and, of course, do not include some unemployed workers who, for various reasons, are not receiving UI benefits; hence, many adjustments to these data have to be made. The annual CPS data—which are comparable among States and include all unemployed workers as they are presently defined—are used to adjust the State estimates.

The Bureau believes that the current population survey data should be expanded so State data that meets minimum quality standards would be available monthly instead of annually as is now the case. With monthly data, the quality of the local area unemployment estimates could be improved so they could reasonably bear the weight of the decisionmaking presently being placed on them. There would be no need for the revisions that now are necessary when the estimates are adjusted to the national totals.

Question. A recent Chicago Tribune editorial stated that the unemployment figures do not represent hardship but rather local, and particularly urban, problems. Would you comment on this statement?

Response. We would certainly concur with the Chicago Tribune that the national unemployment levels and rates are not hardship measures, an observation that we have often made ourselves. Rather, we are reflecting the number and proportions of individuals 16 years and over in the labor force who are without jobs but are currently available for and actively seeking to work. Need for a job as measured by family income, or other worker characteristics—such as age, sex, marital or family status—is a value judgment that statistical agencies cannot make and still collect data objectively.

National figures, of course, represent the situation for the Nation as a whole, including both urban and rural portions. Unemployment rates are higher in metropolitan areas, and since nearly 70 percent of our national population resides in these areas, the urban situation predominates in the overall statistics.

Question. The Chicago Tribune's editorial also stated that there are more wage earners per 100 people than ever before. What effect, if any, does this have on the living conditions of the Nation? Is it a significant fact to consider in statistical analysis of unemployment?

Response. While it is true that our level of employment is presently at an alltime high, the proportion of the population that is employed—56.3 percent in January 1977—is still not quite as high as it had been in early 1974, when it reached 57.4 percent, or in a few other periods in the postwar era. But it is a very high proportion, nonetheless, and probably does serve as an indication of changing lifestyles and a higher standard of living as well. This proportion has grown over the years, for example, in response to the increased participation of women and youth in the labor market, which, in turn, has contributed to higher incomes of the average American family.

In terms of the analyses of unemployment, the BLS has always attempted to present a balanced view of the Nation's employment situation, and this includes emphasis upon developments in both employment and unemployment. Data on both ratios, for example, are among the best measures of economic performance that are collected and regularly published. It is therefore perhaps unfortunate—and an occurrence that we try very hard to deflect—that the results on unemployment, and frequently only the overall unemployment rate, are the more visible in terms of media presentation and therefore the public's awareness.

Question. Have you attempted to provide analysis of the roots of unemployment problems such as the movement of industry out of the cities, how urban transportation has affected the unemployment rates, and what types of education should be stressed to better prepare people entering an increasingly technical job market?

Response. Up to the present time, we have not had sufficient data below the national level to permit any analysis of the impacts of industrial exodus or urban transportation upon unemployment. We certainly agree that these may well be

important causal factors for the problem in certain localities, but, at the same time, we are unsure as to whether we can ever statistically assess cause for change in the incidence of unemployment in a specific area. Causality can, of course, be inferred where there is a major plant shutdown, but many factors, such as the relative efficiency of public transportation systems, may be much too subtle to gage under other changing circumstances in a community.

The Bureau in its occupational outlook program describes the education required in all occupations, both technical and nontechnical. The results are published in the Occupational Outlook Handbook and are designed to be used primarily in counseling young people planning their careers. Our publications indicate that training beyond high school, be it for a technical, or nontechnical job, is increasingly being required for employment. Of course, educational requirements vary greatly within the technical fields. Engineering requires 4 years or more of college training, whereas a technicians job may only require 2 years of post high school training, which may be obtained in a variety of settings, including on the job, in the military, or vocational-technical school.

Question. Would you comment on the criticism that unemployment figures are heavily influenced by those claiming unemployment compensation but do not adequately reflect the number of people who have exhausted unemployment benefits but are still seeking employment?

Response. The criticism is valid. Even though procedures have been developed to estimate the number of unemployed workers who have exhausted their unemployment insurance (UI) benefits, these estimates are less than perfect. To develop them, certain assumptions have been made concerning historical relationships between workers who are receiving benefits and those who have exhausted their benefits. To the extent that these historical relationships have changed, the estimates will not be accurate.

Question. The use of the 94 percent survival rate in Massachusetts is not considered to be an accurate method for judging the change in unemployment figures. Can you offer any alternatives?

Response. The problem is that the current estimates are based on unemployment insurance (UI) data which do not directly count all portions of the unemployed population. The Current Population Survey (CPS) does not suffer from his limitation. The CPS is a monthly household survey which covers the entire population, including all unemployed workers. Use of the CPS as the basis for monthly unemployment estimates for the States would eliminate this problem.

Question. What changes will be made in the revision of the Consumer Price Index to account for a cut of approximately $3.5 million?

Response. At this time, the $7.2 million budget for the revision of the Consumer Price Index supports data collection, data processing, development of the computer system and evaluation of the price data for the revised indexes. The budget reduction in fiscal year 1978 of approximately $3.5 million assumes that the revised CPI will be published in October 1977 and all of the functions noted except development of the computer system will be conducted within the prices and cost of living budget activity. For fiscal 1978, the $3.6 million request will support the following major projects:

(a) Two million dollars has been requested to continue publication of the old, unrevised index for 6 months after the publication of the revised indexes. This overlap period is intended to assist the transition between the old index and the revised CPI.

(b) The remaining $1.6 million has been requested to fund: (1) A projected deficit of $500,000 in the amount of funds previously requested to support the monthly computer processing of the revised Consumer Price Index; and (2) additional systems design and computer programing work necessary to the ongoing CPI program. This work will not be completed when the initial revised indexes are introduced in the fall of the year. In the fiscal 1979 budget, it will be necessary to finance the month-to-month processing of the CPI in budget activity 2 on a permanent basis; further assessment of the work to complete the CPI computer system will take place prior to formulation of the fiscal 1979 budget.

Question. Do you have any idea what effect a two-tier minimum wage would have if directed at producing jobs for teenagers who are now excluded from the job market?

Response. The Bureau has no data that would indicate the effect—either adverse or favorable—of a two-tier minimum wage on teenage employment opportunities: Evidence is scarce if not nonexistent. In 1970, at the request of the then-Secretary of Labor, George Shultz, the Bureau took the lead in a departmental effort to study the relationship between minimum wage levels and the youth unemployment problem. This study concluded succinctly, that "The available materials do not permit any firm conclusions about adverse effects of a youth differential minimum wage." In fact the study presented no clear conclusion about effects one way or another, nor did it make any findings as to adult displacement probabilities. The Bureau has no reason to believe that any further evidence has accumulated in the interim.

MR. ROYBAL

Question. In the past year, there have been numerous complaints about your method of collecting unemployment statistics. Minorities have claimed you undercount their unemployment rates. Some people say your definition of unemployed ("a person seeking a job") understates the real unemployment rate, since people who become so depressed that they give up, but would still like a job, are not counted. Other people say you may be overstating unemployment by counting many women who are seeking a new career but have the ability to wait and be selective because their husbands are working. Finally, there is criticism that your unemployment rate totally overlooks teenage unemployment. Is there any way you can devise a new definition of unemployment to take into account some of these criticisms?

Response. We have been keenly aware of the numerous disagreements with the present concepts of employment and unemployment. In fact, it was in direct reaction to such criticism that we introduced, first at our Monthly Joint Economic Committee hearings and now into our employment situation press release, the U_1 through U_7 measures. These measures range from a very restrictive one in which long-term employment is taken as a proportion of the labor force (U_1), through a broad estimate embodying not only total unemployment but also involuntary part-time workers and discouraged workers (U_7). In this scheme, U_5, is the official unemployment rate.

Whereas we have the latitude to introduce new measures based upon data that we collect, we are not able to redefine unemployment and/or introduce conceptual changes into the official statistics. That is a decision requiring concurrence of the entire statistical establishment under the auspices of the Office of Management and Budget and then only after a thorough, rigorous review of the entire data system. Such a review will be getting underway in the very near future, as a result of Public Law 94–444, which provided for the establishment of a National Commission on Employment and Unemployment Statistics. The BLS is looking forward to participating with this Commission in its deliberations, as well as to assisting it toward the successful completion of its tasks. We will then be prepared to deal with its final recommendations, which may well include proposals for conceptual and/or statistical change.

Question. There are many groups who would like to see you put out more specific cost-of-living indexes. For instance, I have cosponsored a bill that provides for a cost-of-living index for the elderly.

(a) How much would it cost to put together a specialized index like this?

(b) How long would it take to work up the theoretical model that the index would be based upon?

(c) What other problems would you encounter in formulating the index?

Response. Mr. Roybal, let me answer each part of your question in turn. First, construction of a consumer price index for the elderly would require careful examination of the existing CPI samples of outlets, items, and weights to determine the extent to which these samples, or the surveys from which these data are derived, would need to be supplemented in order to construct a CPI for the elderly population. Such an effort would, in itself, require several months of effort, and the output from such an exercise would be the program specifications or requirements upon which a cost estimate could be based. Without having conducted this type of analysis, I am afraid that I cannot give you a precise answer to your question.

Second, the theoretical model for such an index would be the same as that for the national CPI program; the change is in the target population which an index for the elderly would cover. Thus, the major problem is one of implementing this overall design and obtaining information needed to construct an index which reflects the experience of the elderly population in terms of the items which they purchase and the places where they live and shop.

Finally, in the immediate future, the largest problem BLS would face in formulating such an index is that the revision of the current national CPI is not complete. The difficulties experienced in the development of the computer system to process the CPI have delayed that project, and its completion is the Bureau's top priority. To do that will require the total effort of both the CPI and CPI revision staffs. This means that all of the experienced personnel required to address the question of developing a CPI for the elderly will be working on the CPI revision until its completion.

While this of necessity would delay any serious consideration of a CPI for the elderly, it is important for another reason to have the CPI revision completed. Until the revised CPI is in operation, it will not be possible to fully evaluate what is needed to develop this or any other special indexes.

The remaining issues that come to mind are not so much problems as questions that need to be considered before developing any new index. Among the more important are:

(1) How is elderly to be defined and by whom;
(2) What accuracy is required;
(3) What level of item detail is required;
(4) What geographic detail is required;
(5) How often will the data be published;
(6) What resources are available; and
(7) In what time perspective should the development be considered?

In terms of the last question, there are some advantages to delaying serious consideration of such an index because, in addition to permitting the evaluation of the revised CPI noted earlier, a consumer expenditure survey would very likely be needed for such an index which might be included as a supplement to the continuing consumer expenditure survey which BLS has proposed for funding in fiscal year 1978.

Given the many questions that exist and the high costs that are likely to be incurred in a full-scale program, we believe it would be desirable to conduct a smaller research study to determine the extent to which an index for the elderly would differ from an index for the all urban population. Such a study would include a small pilot data collection program.

Question. Would you be specific as to why the revision of the Consumer Price Index (CPI) has taken longer than you expected?

Response. A necessary and important part of the revision program has been the redesign of the computer system used to process data and compute the Consumer Price Index. Such a redesign is required in order to produce the CPI with the current generation of computer equipment and to support the new methodology for collecting data. The systems redesign project is crucial to all aspects of the overall effort and delays impact every aspect of the program. Over the past year, key elements of the redesign project, necessary for the analysis of data and computation of test indexes, have fallen substantially behind schedule. In an effort to make up for delays, the Bureau took steps to develop an interim computer facility capable of maintaining the massive data collection process and substantially augmented the resources devoted to the main systems redesign effort. While the Bureau has been able to maintain the data collection process itself, computer programs developed on an interim basis have not provided the necessary capability to evaluate the new methodology and compute test indexes to assure that the revised index can be regularly produced in a timely manner meeting the Bureau's standards of quality.

Any one of these problems is sufficient to necessitate a delay in publication of the revised indexes. It is an absolute necessity for the Bureau to assure that the data being collected for the revised indexes meet rigid quality standards and can be published in a timely manner. Completion of critical components and thorough testing of the system redesign effort is a prerequisite to subsequent production of test indexes and detailed evaluation of data quality.

Question. What advantages will the new CPI have over the old one?

Response. The major improvements and advantages to be incorporated in the revised CPI program are as follows:

1. BLS will compile and publish two consumer price indexes

Beginning with the publication of the revised CPI, the Bureau will collect, process, and analyze price data—based on the revised market basket of goods and services and new collection methods—and will produce two indexes: A revised CPI for urban wage earners and clerical workers and a new index covering all urban households.

2. The number of CPI pricing areas will be expanded

Price information for almost all components of the index will be collected in 85 areas of the country rather than in 56 areas as is done at present. The sample expansion has been designed to improve the overall representativeness of the CPI and will reflect population growth and shifts since the 1960 Census. The expansion in pricing areas will be accompanied by a reduction in the total number of price quotations.

3. There will be an expansion in geographic detail available from the CPI

Local area indexes will be published for 28 areas—4 more than at present. In addition, for the first time, indexes will be available for four regions by three city-size classes. This expansion will improve the local area data base provided by the CPI program.

4. An improved process for selecting the items to be priced has been introduced

New procedures for the in-store selection of the specific, detailed items to be priced will be adopted. The new process is designed to insure that the merchandise priced will be more representative of the wide array of goods and services available in the marketplace that are purchased by consumers.

5. Timing of data collection has been improved

Pricing activities will be systematically spread throughout the month to yield an index more representative of the month as a whole than is currently the case.

6. A process providing for continuous updating of the CPI samples has been introduced

One of the most important achievements of the CPI revision program has been the application of modern scientific sampling procedures to develop survey data for the selection of the CPI outlet sample. A change is necessary because the outlet sample for the current index is not scientifically selected on the basis of evidence of shifts in consumer spending and shopping habits; in the current index outlets that drop out of the sample are replaced on a judgment basis and no provision is made for reflecting shifts in merchandising techniques, and the development of new stores and shopping areas. The present deterioration in the sample over time has been considered one of the most serious deficiencies—or possible sources of bias—in the current CPI system.

To insure that the new Consumer Price Indexes properly reflect the market place on a continuing basis, a point-of-purchase (POPS) survey will be conducted in one-fifth of the 85 pricing areas (primary sampling units) in the outlet sample each year. On the basis of these surveys, a new sample of outlets for each pricing area covered will be selected. Thus, over the course of a 5-year period, the entire CPI outlet sample will be revised every 5 years on a rotating basis. Use of probability techniques based on the point-of-purchase approach as the basis for the revision of the CPI outlet sample represents a marked advancement in CPI design and methodology.

In contrast to the present method, the new approach:

Will provide for the selection of CPI outlets based on information obtained directly from consumers as to where they make their purchases; and

Will provide the only known technique for associating "market basket" items withoutlets frequented by specific population groups such as urban wage earners and clerical workers and all urban consumers.

Question. There are many labor union contracts that have cost-of-living escalators based on the CPI built into their provisions. Will the CPI revision allow labor unions to say that the CPI has understated the real cost-of-living increase and so they are therefore entitled to a larger increase?

Response. One of the major uses of the CPI is as a yardstick for revising wages, salaries, and other income payments to keep in step with rising prices. With the completion of the revision, the BLS plans to publish two new CPI's, an improved index for urban wage earners and clerical workers and an index for all urban consumers, which includes salaried workers, the self-employed, the retired, and the unemployed, as well as wage earners and clerical workers. No one can say whether the price movement in the revised indexes will be greater than, equal to, or less than that for the current index. The movement of the indexes depend on a number of factors; the individual items priced, the weights assigned to the items and on the outlets sampled. What we can say is that the revised indexes will represent the best measure of price change that we have for the respective index populations.

In addition, BLS plans to continue publication of the current CPI for urban wage earners and clerical workers for a period of 6 months following the introduction of the revised CPI. Although the BLS has made an effort to inform users of the index that a revision of the CPI will be completed and introduced in 1977, we have neither the means nor the authority to insure that the contracting parties have, in fact, taken this into consideration in their negotiations. The plan to provide a 6-month extension of the current CPI will allow contracting parties more time to adjust in those cases where the possibility of a transition to a new index is not specifically dealt with in their contracts.

Question. Will you use the new CPI that you develop to go back and recompute prior cost-of-living increases?

Response. Collective bargaining contracts covering more than 8.5 million workers tie wages to the CPI. Pensions and other incomes are adjusted to changes in the index for about 50 million social security beneficiaries, retired military and Federal civil service employees and survivors, and food stamp recipients. Funds for meals provided to the more than 25 million schoolchildren who eat at school are affected by adjustments based on the CPI. Private firms and individuals use the index to keep rents, royalties, and child support payments in line with changing prices.

While the BLS collects and publishes the data which is used for the basis of all of these adjustments, the calculation of specific cost-of-living increases required by the widely varying individual uses of the index is the responsibility of the users of the data. Of course, we do provide assistance to the thousands of organizations and individuals who require help in arriving at the specific computations which their particular circumstances may require.

In terms of the national CPI program, the revised indexes will become the official U.S. data at the time of their initial publication. At the time the revised indexes are introduced, the revised and old indexes are set equal at the level of the existing, old index so that the CPI is continuous through time. From the link month forward, changes in the CPI will be based on the new market basket of goods and services, updated outlet sample, and the other important changes in methodology and coverage which have been introduced.

Question. Why are we developing an index that measures international price trends? How will this directly affect our domestic economic stability?

Response. The indexes being developed by BLS will measure the price trends for U.S.-produced goods exported to international markets and for goods imported into the United States from other countries.

Information on the prices the United States pays and receives for its goods in international trade will affect our domestic economic stability because:

(*a*) It will enable policymakers directly to measure the influence of price changes in world markets on the price level in the U.S. economy. There are many opinions on how international price changes feed into the U.S. economy but there are no reliable data on these export prices that will enable policymakers to measure these effects directly.

(*b*) The OMB Committee on Improvement of the GNP Accounts has noted that reliable measures of U.S. export and import price trends are needed so that the value of "real" exports and the value of "real" imports into the United States can be known. Both real exports and real imports are components of our GNP adjusted for price change. These export and import indexes, therefore, will contribute directly to improving our measures of total production in the United States. As the measure of GNP becomes more accurate, policymakers will be better able to formulate policies designed to improve economic stability.

(c) in the private sector as more firms introduce inflation cost accounting as required by the SEC, accurate measures of overall price change become increasingly important to businesses. These U.S. export and import price indexes by contributing more accurate information on prices will enable firms more accurately to assess the impact of inflation on replacement costs of capital and inventories.

In sum, this program, the need for which has been repeatedly cited by the Federal Reserve Board, U.S. Department of Treasury, U.S. Department of State, and U.S. Department of Commerce, and the Office of Management and Budget, as well as users in the private sector, responds to a data requirement which is not being met by any other statistical program carried out in this country.

JUSTIFICATION OF THE BUDGET ESTIMATES

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

For necessary expenses for the Bureau of Labor Statistics, including advances or reimbursements to State, Federal, and local agencies and their employees for services rendered, [$73,018,000] *$84,366,000*, of which [$5,614,000] *$3,600,000* shall be for expenses of revising the Consumer Price Index, including salaries of temporary personnel assigned to this project without regard to competitive civil service requirements.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or estimate.....	$73,018,000	$84,366,000
Proposed Supplemental for pay costs.....	2,249,000	---
Comparative transfer from:		
Employment and Training Administration for Local Area Unemployment Statistics and other programs.....	3,900,000	---
Budget Authority, Total Amount Available for Obligations.....	79,167,000	84,366,000

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Summary of Changes

	Pos.	Amount
1977 Appropriation	1,848	$ 73,018,000
Proposed Supplemental for Pay Costs	---	2,249,000
Comparative Transfer From: Transfer from other sources for local area unemployment statistics and other programs	+ 78	3,900,000
1977 Revised Estimate	1,926	79,167,000
1978 Estimate	1,878	84,366,000
Total Change	- 48	+ 5,199,000

	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items:				
Increases:				
Annualization of FY 1977 program increases			---	+1,565,000
Annualization of FY 1977 pay increase effective October 10, 1976			---	+ 44,000
To provide for increased costs of GSA space rental			---	+ 551,000
To provide for increased Census Bureau costs for the Current Population and Point of Purchase Surveys			---	+ 200,000
To provide for State salary increases in connection with cooperative programs			---	+ 294,000
Net additional cost of within-grade promotions effective for part year in 1977			---	+ 167,000
Net cost of within-grade promotions becoming effective in 1978			---	+ 178,000
To provide for increased cost of administrative and program support services			---	+1,260,000

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	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items:				
Increases:				
To provide for an increase in contributions to the Federal Employees Compensation Fund			---	+ 83,000
To provide for increased cost of printing			---	+ 200,000
To provide for building security			---	+ 44,000
Subtotal, increases			---	+4,586,000
Decreases:				
To provide for non-recurring extra day of pay			---	- 130,000
Total, Mandatory Items			---	+4,456,000
Program Items:				
Increases:				
To continue the development of a continuing consumer expenditure survey	11	410,000	+ 20	+2,974,000
To continue the development of the international price program	96	1,513,000	+ 7	+ 292,000
To revise the industrial price series	36	600,000	+ 33	+ 909,000
To develop comprehensive information on collective bargaining settlements in the public sector	8	137,000	+ 13	+ 261,000
To expand and improve measures of productivity for the Federal sector	5	156,000	+ 3	+ 73,000
Subtotal, increases			+ 76	+4,509,000
Decreases:				
To phase down the Revision of the Consumer Price Index	204	7,216,000	-124	-3,616,000
To reduce administrative and other support for the local area unemployment statistics program	65	8,886,000	---	- 150,000
Subtotal, decreases			-124	-3,766,000
Total, Program Items			- 48	+ 743,000
Total Change			- 48	+5,199,000

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SALARIES AND EXPENSES

Explanation of Changes

Mandatory Items:

Increases:

Net additional costs to provide full year funding of pay on FY 1977 program increases, $1,565,000. This is included in the activities as follows: Prices and Cost of Living, $1,527,000; and Wages and Industrial Relations, $38,000.

Net additional costs to provide full year funding of pay increase effective October, 1976, $44,000. This is included in the activities as follows: Labor Force Statistics, $9,000; Prices and Cost of Living, $14,000; Wages and Industrial Relations, $10,000; Productivity and Technology, $2,000; Economic Growth, $1,000; and Executive Direction and Staff Services, $8,000.

Increase in GSA Standard Level User Charges, $551,000. This is included in the activities as follows: Labor Force Statistics, $132,000; Prices and Cost of Living, $215,000; Wages and Industrial Relations, $143,000; Productivity and Technology, $50,000; Economic Growth, $11,000.

Increased Census Bureau costs related to the operation of the Current Population Survey, and the Point-of-Purchase Survey; $200,000. This is included in the activities as follows: Labor Force Statistics, $187,000; and Prices and Cost of Living, $13,000.

State salary increases in connection with cooperative programs, $294,000. This is included entirely within the Labor Force Statistics activity.

Full year costs of within-grade promotions effective for part year in 1977, $167,000. This is included in the activities as follows: Labor Force Statistics, $35,000; Prices and Cost of Living, $46,000; Wages and Industrial Relations, $40,000; Productivity and Technology, $11,000; Economic Growth, $2,000; and Executive Direction and Staff Services, $33,000.

Net additional cost of within-grade promotions becoming effective in 1978, $178,000. This is included in the activities as follows: Labor Force Statistics, $36,000; Prices and Cost of Living, $62,000; Wages and Industrial Relations, $40,000; Productivity and Technology, $11,000; Economic Growth, $2,000; Executive Direction and Staff Services, $27,000.

Increased cost of administrative and program support services, $1,260,000. This is included in the activities as follows: Labor Force Statistics, $425,000; Prices and Cost of Living, $436,000; Wages and Industrial Relations, $302,000; Productivity and Technology, $78,000; and Economic Growth, $19,000.

Increased contribution to the Federal Employees Compensation Fund, $83,000. This is included entirely within the Executive Direction and Staff Services activity.

Increased cost of printing, $200,000. This is included in the following activities: Labor Force Statistics, $95,000; Prices and Cost of Living, $34,000; Wages and Industrial Relations, $64,000; Productivity and Technology, $4,000; Economic Growth, $3,000.

To provide for building security, $44,000. This is included entirely within the Executive Direction and Staff Services activity.

Decreases:

One less day of pay in 1978 than in 1977, $130,000. This is included in the following activities: Labor Force Statistics, $27,000; Prices and Cost of Living, $39,000; Wages and Industrial Relations, $30,000; Productivity and Technology, $8,000; Economic Growth, $1,000; Executive Direction and Staff Services, $25,000.

Program Items:

Increases:

New FY 1978 Positions:

Prices and Cost of Living: An increase of $2,974,000 and 20 positions is requested to continue the development of a continuing consumer expenditure survey program. It will produce the data necessary to update CPI market baskets of goods and services, thus supporting future revisions of this critical index.

Prices and Cost of Living: An increase of $292,000 and 7 positions is requested to continue development of the international price program. This increase would bring total coverage to 65 percent of the value of American exports and 50 percent of the value of our imports.

Prices and Cost of Living: An increase of $909,000 and 33 positions is requested to provide for the revision of the industrial price series, to expand its coverage and improve sampling procedures.

Wages and Industrial Relations: An increase of $261,000 and 13 positions is requested to develop comprehensive information on collective bargaining settlements in the public sector.

Productivity and Technology: An increase of $73,000 and 3 positions is requested to expand data on worker productivity in the Federal sector and to improve existing measures.

Decreases:

Revision of the Consumer Price Index: A decrease of $3,616,000 and 124 positions is planned for the phase down of the Revision of the Consumer Price Index.

Labor Force Statistics: A decrease of $150,000 resulting from the development of a computerized data processing system and data base in the Local Area Unemployment Statistics Program.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Labor force statistics...	378	$31,278,000	378	$32,314,000	--	+1,036,000
2. Prices and cost of living.....	517	15,460,000	577	21,943,000	+60	+6,483,000
3. Wages and industrial relations.....	405	11,573,000	418	12,441,000	+13	+ 868,000
4. Productivity and technology.....	100	2,789,000	103	3,010,000	+ 3	+ 221,000
5. Economic growth.....	18	694,000	18	731,000	--	+ 37,000
6. Executive direction and staff services.....	304	10,157,000	304	10,327,000	--	+ 170,000
7. Revision of the consumer price index.....	204	7,216,000	80	3,600,000	-124	-3,616,000
Total obligations by activity.....	1,926	79,167,000	1,878	84,366,000	- 48	+5,199,000

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Obligations by Object

	1977	1977 Estimate	Change 1977/ 1978
Total number of permanent positions.....	1,926	1,878	- 48
Positions other than permanent.....	232	200	- 32
Average number of all employees.....	2,058	1,915	- 143
Personnel Compensation:			
Permanent Positions.....	$31,991,000	$32,016,000	$ + 28,000
Positions other than permanent.....	2,537,000	1,950,000	- 587,000
Other personnel compensation.....	326,000	278,000	- 51,000
11 Total personnel compensation.....	34,854,000	34,244,000	- 610,000
12 Personnel benefits.....	3,064,000	3,057,000	- 7,000
21 Travel and transportation of persons....	2,673,000	2,578,000	- 95,000
22 Transportation of things.....	28,000	28,000	--
23 Rent, communications, and utilities.....	1,186,000	1,225,000	+ 39,000
Standard Level User Charges.....	2,653,000	3,263,000	+ 610,000
24 Printing and reproduction.....	1,043,000	1,282,000	+ 239,000
25 Other services.....	15,064,000	16,921,000	+1,857,000
Services of other agencies.....	18,040,000	21,142,000	+3,102,000
26 Supplies and materials.....	197,000	207,000	+ 10,000
31 Equipment.....	365,000	419,000	+ 54,000
Total, obligations by object.....	79,167,000	84,366,000	+5,199,000
Working Capital Fund items included above...	(7,459,000)	(8,289,000)	(+ 830,000)

Action on Congressional
Recommendations

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
An Act to Establish the Bureau of Labor, 1884, (amended by Act of 1913 to establish the Department of Labor)	Indefinite	$79,167,000	Indefinite	$84,366,000

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$22,849,000	$21,943,000	$21,943,000	$21,943,000
1970	25,937,000	24,653,000	24,653,000	24,653,000
1971	29,686,000	28,253,000	28,253,000	28,163,000
1972	39,436,000	37,300,000	38,550,000	37,300,000
1973	45,651,000	44,907,000	47,907,000	44,451,000
1974	49,865,000	48,635,000	48,635,000	48,635,000
1975	53,850,000	53,000,000	53,172,000	54,442,000
1976	62,939,000	65,846,000	65,846,000	65,846,000
Transition Quarter	15,705,000	16,590,000	16,590,000	16,590,000
1977	73,688,000	72,196,000	73,451,000	73,018,000
Pay Cost Supplemental Pending	2,249,000			
1978	84,366,000			

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Activity 1. Labor Force Statistics (1977, $31,278,000, Pos. 378
1978, $32,314,000, Pos. 378)

Narrative Description of Program
(29 U.S.C. 2,7,181)

The Labor Force Statistics Program provides the official Federal Government statistics on employment and unemployment in the United States on a monthly basis. In addition, monthly data on employment, hours, earnings, and labor turnover are available for wage and salary workers by industry and geographic sector. Data on the labor force status of the population--obtained by the Bureau of the Census on a contract basis for BLS--also include detail on the characteristics of workers, such as age, sex, race, household relationship, marital status, occupation, industry, and reason for and duration of unemployment. Data also are available on the experience and characteristics of special groups in the population, such as discouraged workers, persons of Spanish origin, women, veterans, blacks, young workers, and poverty area residents. For persons not in the labor force, information published quarterly includes previous work history, present desire for work, future job-seeking intentions, and detailed reason for nonparticipation in the labor force classified by a number of worker characteristics. Annual supplements to the Current Population Survey (CPS) provide data particularly useful in analysis, such as the family characteristics of labor force participants, the children of working mothers, the educational attainment of the work force, the configuration of work schedules among wage and salaried employees, and the employment situation of school-age youth.

Local area unemployment statistics are developed on a Federal/State cooperative basis. The monthly estimates of labor force and unemployment have a number of operational and analytical uses. On the operational side, the estimates are used to determine eligibility for revenue allocations specified in several recent acts of Congress, including the Comprehensive Employment and Training Act, the Public Works and Economic Development Act, and the Public Works Employment Act. On the analytical side, the estimates provide a measure of the levels and trends in total unemployment at the State and local area level. State and area estimates are prepared by cooperating State employment security agencies, based on methodology prescribed by the Bureau. Support, guidance, and technical assistance are offered to the State agencies by the Bureau's regional offices.

Data on employment, hours, and earnings in all nonagricultural industries and on labor turnover in manufacturing, mining, and communications are obtained by mail surveys of samples of employers conducted in cooperation with State employment security agencies. Employment, hours, and earnings data are published for each State and for a large number of industries and local areas; labor turnover data are published by industry for local areas and for 38 States. Quarterly data on the number of workers--and their related wages--covered by unemployment insurance (UI) and the personal characteristics of unemployment insurance claimants are collected in cooperation with State employment security agencies.

The occupational outlook and special studies program provides information on projected occupational and industrial employment requirements and resources. The Occupational Outlook Handbook, the major biennial publication of the program, provides comprehensive information on job characteristics and prospects for more than 850 occupations and 30 major industries. Additional occupational and related employment information is published in a variety of special reports and bulletins.

The Occupational Employment Statistics (OES) Program--largely financed by the Employment and Training Administration (ETA)--provides information on employment by occupation in selected industries. This program--conducted in cooperation with ETA and participating State employment security agencies--has the long-range objective of developing occupational patterns for all industries and for national, State and sub-State employment levels. A major element of the OES program is the national/State industry-occupational matrix system. The matrix, updated periodically, is used as a basic tool in the development of projections of occupational requirements by State and areas within States; computer systems for the development of projections for more than 400 occupations in about 200 industries have been developed.

In 1976, regular reporting of the Nation's employment situation and special analyses of labor force developments continued. Studies on the recessionary period focused primarily on assessing the effect of unemployment on population subgroups. In addition, special supplements to the CPS were used to obtain additional data on (1) earnings of the employed, (2) previous work history and earnings of the unemployed, (3) the extent of job search activity among unemployed workers, and (4) the prior work experience, past job search activity and current job interest of persons not in the labor force. New labor force projections to 1990 were prepared and published and tables of work-life expectancy for men and women were revised to account for changes in the labor force participation of both groups.

The Federal/State cooperative survey of employment, hours, and earnings was expanded to include the following areas: Bristol, Virginia; Dallas-Fort Worth, Texas; Nashua, New Hampshire; and Parkersburg, West Virginia and Marietta, Ohio. By the end of the year, monthly employment data were being produced for the Nation, all States, one standard consolidated area, 206 of the Nation's Standard Metropolitan Statistical Areas (SMSAs), and for 20 other major labor market areas. Express mail service and special procedures for processing late reports were initiated to improve the initial response rate from employers in this survey of industry establishments. Approximately 50 percent of the 160,000 establishments in this mail survey are now reporting within two weeks of the reference period each month, thus enhancing the accuracy of the preliminary results of the survey.

The second phase of the conversion of industry statistics to the revised Standard Industrial Classification (SIC) system was started. This major revision in the SIC, the first in over 15 years, requires a major effort to introduce the new coding structure without destroying the historical continuity of industry time series of employment, hours of work, earnings, and labor turnover rates from 1909 to the present.

The processing of the Quarterly Report on Insured Employment, Wages and Contributions, which summarizes the coverage under the State unemployment insurance laws, was redesigned and accelerated. This report serves as the universe control and sampling frame for all industry surveys conducted by BLS as well as a major component of the National Income and Product Account series produced by the Commerce Department. New edit and review procedures, combined with a more efficient computer processing system, reduced the two-year backlog in tabulation and publication of the data at the national level. In addition, a more efficient data base that combines national, State and area data used by BLS, ETA and the Bureau of Economic Analysis was developed.

The 1976-1977 edition of the Occupational Outlook Handbook was published. As part of the ongoing research on occupational supply, data were developed on occupational mobility which may be useful in estimating supply.

The national industry-occupational matrix for 1985 was completed and used to develop national occupational projections under alternative assumptions related to economic growth. Procedures and a computer processing system were developed to integrate data from the OES Survey with data currently in the national/State matrix system. The national/State matrix system was used by States to develop projections of occupational requirements for 1985 in all States and SMSAs.

The second round of occupational employment statistics surveys in selected non-manufacturing industries was completed and the first survey of State and local governments was carried out. In addition, the second round survey of wholesale and retail trade industries and the first survey of federally regulated industries were started. Six additional States entered this Federal/State cooperative program.

Efforts were made to improve the quality of the unemployment insurance (UI) data, which are the basis for detailed monthly estimates of unemployment; and to expand the sample of the CPS to provide annual average benchmarks for sub-State areas. Following the completion of a comprehensive study of the UI data base in each State, work was begun by most States on a contractual basis, with technical assistance and support from the Bureau, to upgrade internal consistency and accuracy of State UI recordkeeping systems.

Responsibilities of the Bureau were significantly increased with the issuance of Exhibit J of OMB Circular A-46, which imparts to BLS sole responsibility for providing national, State, and local labor force or unemployment data to all Federal agencies. Data requirements under new and old legislation, including the Comprehensive Employment and Training Act of 1976, the Public Works and Economic Development Act of 1965, and the Public Works Employment Act of 1976 have expanded the role and importance of local area unemployment statistics in allocating Federal funds. The Bureau began work, with assistance from the administering agencies, to expand data coverage to all counties in response to this increase in demand.

In the Transition Quarter, work continued on the next stage of the SIC conversion. Efforts in the areas of Current Employment Statistics and the measurement of employment of workers covered by unemployment insurance centered on improving the telecommunications systems. Data collected for the CPS supplement were analyzed and work began on plans to repeat the CPS.

In 1977, regular reporting of the Nation's employment situation continues. The expansion of the CPS sample to all 50 States will be completed; all States will then be benchmarked to annual CPS levels and for the first time, all State estimates will be comparable. The increased sample is expected to increase reliability of national statistics of employment and unemployment in agriculture, poverty areas, nonmetropolitan areas, and for persons of Spanish origin. Special labor force analyses and reports will be prepared on the employment situation in families, among youth and minorities--including those of Spanish origin--and on such subjects as work schedules, multiple jobholding and educational attainment of the work force. Analyses of the data available from the special surveys of unemployed workers and persons not in the labor force will be completed; data will be correlated with information on employment status of family members and other demographic and labor force characteristics. Systematic research and development of a comprehensive body of data on workers' earnings will continue. Special analyses of trends in the labor force participation of men, women, and youth will be completed and published, as well as the examination of gross flows into and out of the labor force. The conceptual validity of the methodology for labor force projections will be examined, and projections to 1990 of growth and composition of the labor force by race will be undertaken.

Data will continue to be supplied to all Federal agencies requiring local area unemployment data for program purposes.

Research for the biennial revision of the Occupational Outlook Handbook and related publications will be conducted. The 1976-77 edition of Occupational Outlook for College Graduates and Occupational Projections and Training Data will be published.

Work will continue to integrate data from the OES Survey with the national/State matrix system. The national matrix will be updated. Research will be conducted to improve methods of developing labor force separation rates by occupation and State.

State agencies cooperating in the OES Survey will complete collection of data for the trade and regulated industries surveys. A new round of the survey in manufacturing industries will begin.

Work will continue on the conversion of all industry series to the 1972 SIC system.

Monitoring of State contracts for UI data base improvements and the provision of technical support will continue. A second set of contracts will be let for further improvements in State reporting systems. Further expansions of the CPS to cover many sub-State areas also are expected to increase the reliability of national statistics of employment and unemployment in agriculture, poverty areas, nonmetropolitan areas, and for persons of Spanish origin. Research and planning will continue to be directed toward the methodology used by the States in calculating monthly unemployment estimates.

In 1978, regular monthly reporting of the employment situation in the Nation and the regular program of special labor force reports and analyses will continue. In response to Public Law 94-311, which mandates expanded development and publication of data on persons of Spanish origin, research will be conducted to determine the most efficient means of producing statistically reliable data on persons of Spanish origin in a timely manner. Efforts to improve the overall data development program for employment and unemployment statistics will continue at an accelerated pace. Research on the conceptual and methodological aspects of current labor market measures will be conducted in concert with the anticipated demands and requirements of the National Commission on Employment and Unemployment Statistics which will conduct a comprehensive examination and evaluation of the entire labor force statistics program. Labor force data from the HEW-sponsored Survey of Income and Education will be analyzed and published for a large number of geographic areas. Efforts will be made to improve the timeliness of release of the supplemental data from the CPS.

The 1978-79 editions of the Occupational Outlook Handbook and the Occupational Outlook for College Graduates will be published. Research will be conducted to improve methods of developing and presenting projections of occupational requirements and supply for use in career guidance and education planning.

State matrices based on the OES Survey data will be used to develop occupational projections by State. Cooperating State agencies will complete data collection for the OES surveys of manufacturing industries. A new round of surveys of nonmanufacturing industries, except trade, will begin.

Work will continue on the conversion of all industry series to the 1972 SIC system.

The methodology used to prepare monthly labor force and unemployment estimates for local areas will be revised, where necessary, to utilize more fully new CPS and UI data. Technical handbooks and training materials will be developed to assist States in implementing the revised methodology.

Unemployment estimates for all counties, as well as all currently existing data, will be supplied to Federal agencies requiring local area data for program allocation purposes.

Improvements in the accuracy of the Quarterly Report of Insured Employment, Wages and Contributions will be sought by implementing improved standards and estimating techniques in the State employment security agencies as an aid in processing and summarizing the quarterly employment, wages and contributions of the 4 million employer units covered by the State unemployment insurance programs.

Following the completion of contractual work with the States for the improvement of the UI data base, efforts will be concentrated on further expansions of the CPS.

Changes for 1978

Mandatory changes amount to	+$1,186,000
Program changes amount to	-$ 150,000
Positions	None

Mandatory changes include annualization of FY 1977 pay increase, effective October 10, 1976 ($9,000); increased cost of owned or leased space to be reimbursed to the General Services Administration ($132,000); increased Census Bureau cost for the Current Population Survey ($187,000); State salary increases in connection with cooperative programs ($294,000); net additional cost of within-grade promotions effective for part year in 1977 ($35,000); net cost of within-grade promotions becoming effective in 1978 ($36,000); increased cost of administrative and program support services ($425,000); and increased cost of printing ($95,000); partially offset by a decrease due to one less day of pay in 1978 (-$27,000).

The reduction of $150,000 in the Local Area Unemployment Statistics Program results from the development of a computerized data processing system and data base. The new system achieved cost reductions through facilitating and speeding data handling and processing as well as review and analysis activities. Administrative support activities also were reduced.

Activity 2. Prices and Cost of Living (1977, $15,460,000, Pos. 517
1978, $21,943,000, Pos. 577)

Narrative Description of Program
(29 U.S.C. 2,7,181)

This program provides comprehensive and detailed measures of price change for several different levels of the U.S. price structure and estimates three levels of living costs in various areas of the U.S. The program's output is an essential element in the analysis of price behavior and consumer spending patterns, the interpretation of price movements in relation to other major economic changes, and the formulation and evaluation of government economic policies. The most widely-used statistics developed in this program are monthly measures of price change for the consumer and industrial sectors of the economy.

The Consumer Price Index (CPI), the principal source of information concerning trends in prices paid by consumers in the United States, is used in the formulation and evaluation of economic policy; in wage negotiations; and for escalation of wages, pensions, Social Security benefits, and food stamp allocations.

The Industrial Price Program is a major source of information on price changes in primary markets of the economy; that is, price change at the first commercial transaction for products sold in large quantities in open markets. The most widely-known index in this program, the Wholesale Price Index (WPI), provides timely, detailed data on price changes of products grouped by commodity type, stage of processing and industry origin. The data are used in market analysis, escalation of long-term purchases and sales contracts, formulation and evaluation of economic policy, and as indicators of price trends. The Industry Sector Price Indexes (ISPI), which measure price change for products produced by industries within the Standard Industrial Classification (SIC) framework, are used to estimate "real" output in the system of national accounts prepared by the U.S. Department of Commerce and in the analysis of prices, wages, employment and productivity by various public and private organizations.

The International Price Program provides measures of price change for U.S. exports and imports and analyses of price trends of U.S. products traded in world markets. These indexes are used to measure the effect of changes in exchange rates on the prices of goods traded by the U.S.; they also are used by U.S. representatives in international trade and financial negotiations and by other policymakers and analysts who assess trends in the competitive position of U.S. products in world markets.

The Living Conditions Program prepares and analyzes data on consumer expenditure patterns, estimates costs for three hypothetical family budgets and develops comparative living cost indexes for three hypothetical levels of living in different areas of the country.

Research to improve existing price measures as well as to develop new measures is conducted. In-depth conceptual and technical research, including analysis of consumer behavior, adjustment for quality changes and estimates of changes in the cost of living, are part of this program.

In 1976, Consumer Price Index: extensive staff work was conducted to incorporate the results of the comprehensive revision of the CPI into the ongoing program. Plans were established for developing a CPI for Fairbanks, Alaska.

Industrial Price Program: the conversion of UPI-ISPI weights to a 1972 base was completed. A comprehensive revision of the Industrial Price Program was initiated. Work continued on improving the quality of transaction price data for textile products, plastic resins and paint materials. The development of

regional indexes and prices for refined petroleum products was completed, and development of industry output price indexes for transportation, insurance and communications continued.

International Price Program: development of additional export price indexes was begun to cover additional durable goods and selected categories of manufactures, food, and crude (raw) materials. When completed, this expansion will bring coverage to approximately 55 percent of the value of total U.S. exports. Development of import price indexes was initiated to cover additional products, primarily metals and metal products, and imported fuel. This will raise coverage to about 35-40 percent of the value of total U.S. imports when completed. Additional analyses of price trends of U.S. products were prepared, including analysis of U.S. export price trends to OPEC.

Living Conditions Program: plans for the Continuing Consumer Expenditure Survey (CCES) were developed, and publication of preliminary data from the 1972-73 survey of consumer expenditures continued. Annual Family Budgets costs and interarea indexes were updated to autumn 1975 based on changes in the CPI. Research continued on alternative means of developing Family Budget data.

Research Program: work continued on the projects initiated in 1975--analysis of the demand for gasoline was conducted using data from the 1972-73 Consumer Expenditure Survey; data from the revised BLS rent survey was analyzed; and research projects focusing on improving component indexes of the WPI and CPI were conducted. Research support for improving the conceptual bases of major price programs was also conducted.

In the Transition Quarter, all major macroeconomic indicators--the Consumer Price Index, the Wholesale Price Index, and the Industry Sector Price Indexes--continued to be produced and published in a timely fashion. Efforts to expand the industrial coverage of the WPI and to collect additional transaction prices in lieu of list prices continued. Development of program plans for the initiation of an on-going survey of consumer expenditures continued. The import and export price indexes of the International Price Competitiveness Program were expanded to cover additional sectors, and additional measures of the change in the price competitiveness of U.S. products were prepared.

In 1977, Consumer Price Index: work on the revision of the index will continue. Principal attention will be given to systems development, and compiling and analyzing the indexes. The Department will request that some of the resources authorized in 1977 for the compilation and publication of the two consumer price indexes--$1,400,000--be reprogrammed to the revision of the Consumer Price Index. Work on the CPI for Fairbanks is beginning with the initiation of a local consumer expenditure survey (CES).

Industrial Price Program: a pilot survey covering four SIC industries (soybean mills, miscellaneous concrete products, newspapers and home laundry equipment) will be conducted to test thoroughly the concepts, designs and procedures to be employed in the comprehensive revision of the Industrial Price Program. Work will be completed on the development of output price indexes for the telephone industry.

International Price Program: developmental work initiated in fiscal year 1976 is being continued. Existing indexes are being updated and published quarterly.

Living Conditions Program: research and testing are being conducted in anticipation of implementing the proposed Continuing Consumer Expenditure Survey. More comprehensive tabulations and public use tapes from the 1972-73 Consumer Expenditure Survey are being made available. Annual Family Budgets costs and interarea indexes are being updated to autumn 1976 based on changes in the CPI. Alternative means of estimating budget costs and interarea indexes will be proposed and a methodology specified.

Research Program: work continues on projects initiated in 1975 and 1976. Major emphasis is placed on using data from the 1972-73 Consumer Expenditure Survey for economic analysis. Additional projects initiated include a more detailed analysis of change in housing costs and the measurement of these changes in the CPI. Research support for improving the major price programs continues.

In 1978, Consumer Price Index: The two indexes--the urban wage earner and clerical worker index and the all urban consumer index--will be published and analyzed in detail to evaluate any differences in behavior. Development of the CPI for Fairbanks will continue with the completion of the CES and a Point-of-Purchase Survey.

Industrial Price Program: the comprehensive revision will enter its full implementation stage. Fifteen industries will be surveyed in the first year which will result in industry output price indexes for 15 SIC industries and about 200 detailed commodity price indexes. Further improvements and refinements will be made to concepts, designs, and procedures, especially those relating to special problems that will be encountered in subsequent years with the more difficult industries.

International Price Program: existing indexes will be updated and published quarterly. Development of additional export price indexes will be initiated to cover an additional 10 percent of the value of U.S. exports in such categories as man-made fibers, chemicals and fuels. When completed, this expansion will bring coverage to approximately 65 percent of the value of U.S. exports. Development of new import price indexes will also be initiated to account for an additional 10 percent of the value of U.S. imports, bringing to 50 percent the value of U.S. imports covered.

Living Conditions Program: Following the completion of the revision activities of the consumer price index, work on the Continuing Consumer Expenditure Survey will continue. Reports based on analysis and evaluation of the 1972-73 Consumer Expenditure Survey will be prepared. Annual Family Budgets costs and indexes will be updated to autumn 1977, and implementation of the new methodology will begin.

Research Program: analysis of data from the 1972-73 Consumer Expenditure Survey will be continued. This massive data base should provide a substantial amount of insight into consumer behavior. Research support for the continued improvement of BLS price measures will be emphasized.

Changes for 1978

Mandatory changes amount to	+$ 2,308,000
Program changes amount to	+$ 4,175,000
Positions	+ 60

Mandatory changes include annualization of FY 1977 program increases ($1,527,000); annualization of FY 1977 pay increase, effective October 10, 1976 ($14,000); increased costs of owned or leased space to be reimbursed to the General Services Administration ($215,000); increased Census Bureau costs for the Point-of-Purchase Survey ($13,000); net additional cost of within-grade promotions effective for part year in 1977 ($46,000); net cost of within-grade promotions becoming effective in 1978 ($62,000); increased cost of administrative and program support services ($436,000); and increased cost of printing ($34,000); partially offset by a decrease due to one less day of pay in 1978 (-$39,000).

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To Continue Development of a Continuing Consumer Expenditure Survey

Proposal:

To continue the development of an ongoing Consumer Expenditure Survey Program.

The Need:

In the past, consumer income and expenditure data have been collected every 10 to 15 years as a major component of large-scale periodic projects to update and revise the Consumer Price Index. Because detailed surveys of consumer expenditures are extremely complex in terms of survey form and content, as well as massive in scope, the conduct of such surveys has historically proven to be difficult, time consuming, and expensive. Thus, while more than $20 million was spent on the 1972-1973 Consumer Expenditure Survey, the revised CPI will contain base year weights which will be at least 5 years old when the revised CPI is introduced. This lag is a direct product of the lengthy and costly start-up time associated with launching such a massive survey--the 1972-1973 CEX is second in size only to the decennial population census--on a one-time, periodic basis. A smaller CCES would reduce this lag, eliminate periodic start-up costs, and increase the overall timeliness and efficiency of future CPI Revision programs.

Further, while the need to improve the process by which the CPI is revised has been widely accepted, it is also clear that the periodic nature of past expenditure surveys has not been responsive to the ongoing demand--from the public and private sectors--for current information on consumer spending and income. Current data on consumer expenditure patterns would be of critical importance to policymakers in and out of government whose decisions are presently based on hypotheses and assumptions as to consumer reaction to changes in economic conditions and shifts in economic policy. For this reason, this program has been endorsed by the Economic Policy Board's Subcommittee on Economic Statistics, which is comprised of representatives from the highest ranking economic policymaking agencies of the executive branch.

The final element of the CCES justification is the fact that a continuing CES would provide the BLS and DOL with a firm basis for revising the BLS Family Budgets Program as required by the Comprehensive Employment and Training Act (CETA). While BLS has undertaken a review of the existing Family Budgets Program and made limited improvements in current procedures and methodologies, the CCES would provide a basis for responding to the CETA requirements for the Secretary of Labor to "develop methods to establish and maintain..." a comprehensive system of household budget data. The CCES would provide current data with which it would be possible to (1) derive and update market baskets for different budget levels, and (2) select items to be priced to develop budget costs and interarea indexes.

In sum, this proposal would respond to the requirements of three separate programs that have been of specific concern to public and private users of price statistics, including the Congress and the economic policymaking agencies of the executive branch.

The Program:

Consumer expenditure and income data will be collected on an ongoing basis in 102 primary geographic sampling areas (PSU's) with the 85 areas selected for ongoing price data collection under the revised Consumer Price Index forming the nucleus of the PSU or area sample. The area sample will be non-rotating to gain operational efficiencies from maintaining data collection in the same areas and to improve the measurement of year-to-year changes in expenditures and income. This design will enable the BLS to develop the information required to revise the Consumer Price Index as well as a regular publication program of reporting on changes in consumer expenditures. As in the case of the 1972-1973 expenditure survey, the project will consist of both quarterly interview and diary survey panels. For each respondent, quarterly interviews will be conducted for five calendar quarters, with approximately 7,500 addresses being contacted each quarter.

For the diary survey, two one-week diaries will be obtained from a designated sample of 6,000 households per year. After a 12 to 18 month start-up period, expenditure data would be published on a regular basis approximately 6 to 9 months after the reference period for which the data were collected.

The $6,574,000 request for the CCES, shown in the original FY 1978 budget submission, has been reduced by $3,600,000 to accommodate the FY 1978 funding requirements of the CPI Revision, which--contrary to earlier expectations--will require $3,600,000 in FY 1978. Hence, this request for the CCES of $2,974,000 covers only part year costs. The annual cost of the CCES will remain at the original estimate of $6,574,000, plus the $410,000 in the base, following the completion of the revision activities.

The Bureau of the Census will collect the data for BLS and resources will be transferred to it to support sample selection, data collection--7,500 addresses contacted quarterly for the interview survey and 6,000 addresses contacted annually for the diary survey--and the first stages of data processing. BLS will process, analyze and publish the data. These estimates are based on joint BLS/Census Bureau experience with the cost of the Consumer Expenditure Survey conducted in 1972-73.

Base:
Positions: 11 Estimated Cost: $ 410,000

Additional Costs:
Positions: 20 Staff Years: 15 Estimated Cost: $2,974,000

Comprehensive Revision of the Industrial Price Program.

Proposal:

To initiate a comprehensive revision of the Industrial Price Program.

The Need:

This proposed program change reflects the need to address several major deficiencies which exist in the current Industrial Price Program. Generally, these deficiencies stem from the fact that unlike any other major statistical series of the Federal Government, no major effort to revise and improve the Industrial Price Program has been undertaken for nearly 30 years. During those years, the importance of accurate, complete measures of price changes in the industrial sector has increased because the indexes have assumed greater significance in the development of economic policy and in the escalation of contracts.

Over the past few years limited efforts have been made to expand and improve this program. Major improvements to date include the revision of the weights for the Wholesale Price Index (WPI) and Industry Sector Price Indexes (ISPI) to reflect the value of shipments data from the 1972 Census of Manufactures, the increased use of transaction price data, and expansion of the coverage of the WPI and ISPI. The present series, however, still suffer from several conceptual and statistical inadequacies.

Limited coverage: Many major industries are either unpriced or underpriced: ISPIs are available for only about one-fourth of the manufacturing and mining industries; WPIs are available for less than half of the total value of shipments in agriculture, manufacturing and mining; and almost nothing is priced in the service or construction sectors.

Multiple counting: The aggregation structure by total shipments in the WPI leads to multiple counting of price changes.

Pricing heterogeneity: Prices collected are varied in nature--some are spot market prices, some contract prices, others are based on prices of delivered orders, list prices, nominal or trade journal prices. While most of these prices are intended to reflect accurately transaction price movements, current procedures are deficient in accounting for the differing implications or adequacy of these differing sources of prices.

Sampling shortcomings: Sampling is largely judgmental. As a result, no estimates of reliability are possible, and biases of unknown origin may prevail. Probability sampling would make it possible to produce measures of reliability of the measures of price change. Although not all bias can be removed, probability sampling can remove judgment bias.

Missing elements: Some of the price indexes necessary for a more complete understanding of the mechanism of price change in the economy are missing entirely; for example, input materials price indexes and final demand price indexes.

Incomplete measures: The stage-of-processing indexes, as currently structured, do not permit a clear, rigorous analysis of the flow of price change through the economy.

The Program:

The objective of the Industrial Price Revision is to design and implement a program which will provide comprehensive and accurate measures of price change for the major industrial sectors of the American economy. To achieve this objective, the revised program will provide a complete system of price measures consisting of the following major elements:

Output price indexes for all major industrial sectors of the American economy.

Detailed commodity indexes and services indexes covering both primary and secondary production.

Stage-of-processing indexes which accurately reflect processing flows in the economy.

Input materials price indexes for all major industry sectors.

Final demand price indexes by major industry sectors.

The Standard Industrial Classification system, which defines industries in accordance with the composition and structure of the economy and which establishes a consistent, government-wide framework for the compilation and publication of data, will provide the overall framework for the development of the Revised Industrial Price Program. Within this framework, the first phase of the program will focus on the development of output price indexes for all 500 manufacturing and mining industries.

In fiscal year 1978, data will be collected for 15 industries in mining and manufacturing, resulting in 15 output price indexes and about 200 detailed commodity price indexes. In addition, the sample will be selected and data collection documents prepared for the initiation of about one-third of the 230 industries that are planned for collection in fiscal year 1979. If this and a subsequent request for resources are approved, it is planned that by fiscal year 1983 the following indexes will be in monthly publication: 500 industry output price indexes, 500 industry materials input price indexes, 8,000 detailed commodity price indexes, and 20 summary stage-of-processing price indexes.

Estimates for the work proposed for fiscal year 1978 are based on the costs of developmental activities previously implemented by BLS to revise and expand the Industrial Price Program.

Base:
Positions: 36 Estimated Cost: $600,000

Additional Costs:
Positions: 33 Staff Years: 24.8 Estimated Cost: $909,000

To Continue the Development of the International Price Program

Proposal:

To expand the coverage of indexes to measure the change in prices of U.S. imports and exports and to develop analyses of the price trends of U.S. products in world markets. The objective of this program is to provide coverage for all major groups of exported and imported products by 1983 and to analyze the price trends of U.S. and other countries' goods being marketed in the principal industrially-advanced countries.

The Need:

Even though U.S. foreign trade policy is of growing concern to economic policymakers, comprehensive and accurate information on the price trends of U.S. exported and imported products does not exist. The lack of such data precludes reliable analysis of the effect of import and export price changes on the U.S. economic situation and hampers assessment of the effects of U.S. government policy decisions on balance of payments and trade problems. Better data are also required for deflating the foreign trade sector of the national income and product accounts.

Accurate and reliable measures of export and import price trends are needed to estimate the growth of the volume of exports and imports, to improve the quality of the data in the national accounts, and to evaluate the effect of alternative trade and tariff policies and exchange rate realignments. The data produced so far in this program are now being used by U.S. negotiators and in analyses for other policy problems such as aspects of the relation between the the foreign sector and the U.S. domestic economy. The data are also useful for export promotion programs and to measure changes in prices of U.S. products in relation to price changes of comparable groups of products of other major industrial countries with which the U.S. competes.

The Program:

Export Indexes: the Bureau's survey of exporters will be extended to cover an additional 10 percent of the value of U.S. exports by including categories of selected crude materials such as man-made fibers, wood and lumber, and chemicals and fuels. When this expansion is completed, about 65 percent of the value of total U.S. exports would be covered by the indexes.

Import Indexes: the survey of importers will be expanded by about 10 percent of the value of U.S. imports by including additional intermediate products, particularly in the area of textiles and selected consumer goods. This will raise the value of U.S. imports covered by the indexes to approximately 50 percent.

Analysis of Price Trends: analyses of U.S. price changes in relation to those in other countries will be prepared for additional product categories. Data collected on U.S. export and import price behavior will be compared with price information already available on domestic and export prices in a number of major industrial countries whose products compete with U.S. goods abroad, or which are major trading partners of the U.S. An example of this latter category is the recently completed analysis of U.S. export price trends and OPEC oil prices.

The estimated cost of expanding the value of coverage 10 percent for exports and 10 percent for imports, is based on the developmental work done on this program in prior years and recent experience with increased costs of sample maintenance for both products and reporters.

Base:
Positions: 96 Estimated Cost: $1,513,000

Additional Costs:
Positions: 7 Staff Years: 5.3 Estimated Cost: $ 292,000

Activity 3. Wages and Industrial Relations (1977, $11,573,000, Pos. 405
1978, $12,441,000, Pos. 418)

Narrative Description of Program
(29 U.S.C. 2,7,181)

This program provides for the collection and analysis of data on wages, salaries, and supplementary benefits. Analytical studies are made of the provisions of collective bargaining agreements and employee benefit plans based on files of such agreements and plans that are maintained for public use. Reports are prepared on the structure, membership, and activities of American trade unions. Data on work stoppages are also compiled and analyzed.

Surveys of earnings by occupation are conducted in selected localities and industries including municipal governments. Other surveys include white-collar salaries in private industry, union wage rates for selected crafts in highly unionized industries, and the level and structure of total employer expenditures for employee compensation, including supplements to straight-time pay. Periodic reports are issued on the principal features of pension, health, and insurance plans.

Current Wage Developments, a monthly publication, provides details of individual collective bargaining settlements affecting 1,000 or more workers. It includes statistical summaries of wage and benefit changes in major collective bargaining units, and in both union and nonunion manufacturing plants. Indexes of wage changes are maintained for several occupational groups such as teachers and police and firefighters. Wage chronologies are published that cover key collective bargaining situations and the changes in the amount and characteristics of wages and benefits. This record is brought up to date at the beginning of each new contract term.

A file of private industry and government collective bargaining agreements is maintained. Annual reports are prepared describing the scope and prevalence of selected provisions. A directory of national unions and employee associations in the United States, which includes union membership data by industry, sex, State, etc., is compiled biennially.

Monthly estimates and detailed annual analyses are provided on work stoppages in the United States including the number of stoppages, workers and workdays involved, duration, and settlements. Studies of work stoppages in major industries and special analytical articles are also issued.

In 1976, the annual survey of Professional, Administrative, Technical, and Clerical pay--the PATC survey--was improved and expanded. Improvements (recommended in a 1973 GAO report on the Federal pay comparability process) included development and implementation of a quality measurement program, a uniform training program for data collectors, and an increased maintenance program on survey jobs.

The 1976 PATC survey was completed on schedule, along with a major test expansion of the survey's industrial scope requested by the President's agent for pay comparability, OMB/CSC. Information on nonproduction bonuses was added to the 1976 survey (also at the agent's request), but was not used in the pay comparability process. The Bureau decided not to publish the bonus information because of high nonresponse coupled with large sampling error associated with the data.

The area wage survey program, which provides occupational wage information, developed national/regional estimates for all metropolitan areas combined as well as individual reports for a sample of 70 areas. A more efficient technique for

conducting the occupational wage survey of union/nonunion construction contractors was initiated late in 1976. This improvement was based on a successful pilot test on feasibility of collecting data by mail with personal visit follow-up if necessary. Previous surveys were made entirely by personal visit.

Quarterly publication of wage rate trends in the private nonfarm economy was initiated--marking completion of the first stage in development of the new Employment Cost Index. The Index is designed to provide a comprehensive measure of the rate of change in employee compensation. Accordingly, plans were completed for expanding the Index to total compensation by measuring employer costs for employee benefits.

Additional resources were devoted to industrial relations studies in the public sector: Reports covering police and firefighters and the details of agreements for State and county employees were issued. The 1975 edition of the Directory of National Unions and Employee Associations was published. Collective bargaining summary reports were issued on the railroad, rubber, electrical machinery, and meat packing industries. A study of wage policy provisions in major collective bargaining agreements was started. The Brief History of the American Labor Movement was released as part of the Bureau's bicentennial contribution.

In the Transition Quarter, on-going programs continued. Work started on expansion of the Employment Cost Index to cover the government sector. Preparation for the 1977 PATC survey began.

In 1977, data collection will be initiated on changes in employer cost for employee benefits to expand the Employment Cost Index coverage to total compensation. Surveys of payroll units and occupational employment in State and local governments will be conducted as part of plans to expand the Index to governments. Collection of compensation data from governments will begin late in FY 1977.

New editions of both the digest of selected pension plans and the digest of health and insurance plans will be published. Articles reporting changes in plans since the previous editions were issued also will be published. The bulletin detailing the results of the biennial survey of employer expenditures for employee compensation in private nonfarm industries in 1974 will be published. The 1976 analysis of health benefits will be updated.

A new edition of the Directory of National Unions and Employee Associations including details on various aspects of union administration will be started. A report on the earnings and demographic characteristics of union members will be planned. Collective bargaining summary reports will be released for steel, coal, and Atlantic Seaboard longshoring. An article on collective bargaining in calendar 1977 will be prepared for the Monthly Labor Review. The file of major collective bargaining agreements will be the source for a study of negotiated incentive and production standards provisions.

Work on occupational wage surveys will continue. The PATC training program for data collectors will be implemented.

In 1978, data on changes in total employee compensation will be included in quarterly releases on the Employment Cost Index. Research will continue on expanding the Index to farms and households.

The results of the 1976 survey of employer expenditures for employee compensation in private nonfarm industries will be published. Supplements to the pension and health and insurance digests will be issued.

The 1977 edition of the Directory of National Unions and Employee Associations will be published as well as a report on trends and changes in the membership of single-firm unaffiliated unions. A Fact Book, consisting of charts and graphs on earnings and demographic characteristics of union members, will be prepared.

A comprehensive report on strikes in the public sector will be released, to be followed by a study of long-term trends in teachers' strikes.

Collective bargaining summary reports in advance of contract expirations will be issued for several industries, including railroads and construction. An article on negotiations in 1978 will appear in the Monthly Labor Review along with a Wage Calendar for the year.

A bulletin describing collective bargaining provisions governing incentive systems and production standards will be completed. A bulletin analyzing union security and check-off provisions will be prepared.

A new series on public sector collective bargaining settlements, similar to the private sector series, will be developed and implemented, with initial publication scheduled for January 1979.

Changes for 1978

Mandatory changes amount to	+$ 607,000
Program changes amount to	+$ 261,000
Positions	+ 13

Mandatory changes include annualization of FY 1977 program increases ($38,000); annualization of FY 1977 pay increase, effective October 10, 1976 ($10,000); increased cost of owned or leased space to be reimbursed to the General Services Administration ($143,000); net additional cost of within-grade promotions effective for part year in 1977 ($40,000); net cost of within-grade promotions becoming effective in 1978 ($40,000); increased cost of administrative and program support services ($302,000); and increased cost of printing ($64,000), partially offset by a decrease due to one less day of pay in 1978 (-$30,000).

Collective Bargaining Settlements in the Public Sector

Proposal:

To develop and disseminate data on major collective bargaining settlements in the public sector.

The Need:

Federal, State and local governments now employ over 15 million persons, of which about four-fifths work for State and local governments. Employment at State and local levels has not only been growing rapidly but is expected to continue to grow faster than the average for all industries through the mid-1980's according to BLS projections. Unionism--once considered inappropriate for government employees--is now well-established among government workers. Membership is on the rise and, in proportionate terms, now exceeds that in the private sector: The 1972 Census of Governments indicated that about half of all government workers were represented by unions or employee associations, about double the proportion in the private sector. Only twelve States still have a prohibition against collective bargaining for their employees.

Collective bargaining activity, which is widespread in the public sector, affects not only the workers represented but also the local labor markets, the economy, and taxes; the negotiations and settlements are of paramount interest to State and local citizens, at least in part, because of the enormity of the disruptions to day-to-day living that occur when, for example, garbage collectors or local bus drivers go on strike. But--perhaps even more important to the citizenry--the settlements arrived at also affect the labor costs for these workers which, in turn, may affect State and local tax levels, a concern of the taxpayers.

The Bureau has never developed information on wages and collective bargaining activities for the public sector that matches the data it has available for the private sector. And yet, the collation and publication of information on the nature and cost of public sector collective bargaining settlements would be useful to assessments of their impact on the economy; in analyses of the relationship between the public and private sectors in bargaining settlements; and to the negotiating parties themselves in their bargaining activities. Expressions of need for an expansion of Bureau data for the public sector have come from several sources including the Council on Wage and Price Stability. More specifically--

> The Council on Wage and Price Stability recently examined both the needs and available information on public sector labor statistics, and concluded that the "Federal Government's statistics-gathering activities have not kept pace with the growth of State and local employment or the increasing importance to the economy of collective bargaining in the public sector." The Council then made several recommendations on remedying the shortage of public sector labor statistics, including: "Recommendation 2. The Bureau of Labor Statistics should develop a series to report the size of collective bargaining settlements in the State and local sector."
>
> Other users who have recently supported a Bureau expansion of public sector data are the Federal Mediation and Conciliation Service, the New York City Office of Collective Bargaining, the Labor-Management Relations Service, and the American Federation of Teachers, AFL-CIO.

The Program:

This proposal is to develop quarterly reports on the wage and benefit aspects of collective bargaining settlements in Federal, State, and local governments. To parallel Bureau measures for the private sector, measures of (a) change during the first year of the contract and (b) average annual change over the life of the contract will be developed for:

> wage-rate settlements only for bargaining units with 1,000 workers or more, and
>
> wage and benefit settlements for bargaining units with 5,000 workers or more.

These measures will be developed only for those agreements actually negotiated during the quarter. Since in any particular quarter, workers may also receive deferred increases that were negotiated earlier, a third measure will be developed to show "effective" wage-rate adjustments. "Effective" adjustments will include changes during the quarter as a result of (a) newly-negotiated settlements, (b) settlements negotiated in earlier periods but providing for increases to become effective during the quarter being reported and (c) cost-of-living increases due to escalator adjustments as a result of either the new or earlier contracts.

Effective wage adjustments will be shown for those workers receiving adjustments and prorated over all workers covered by the series whether or not they received an increase in the quarter.

The Bureau proposes to implement the public sector series according to the following time schedule:

FY 1978:

October 1977 - March 1978	Tests and data collection will begin
March 1978 - September 1978	Data will be edited and tabulated

FY 1979:

January 1979	Statistical summaries on public sector bargaining settlements will be published as part of the regular quarterly press release on major bargaining settlements; and
January 1979 - September 1979	Public sector summaries will be continued on a quarterly cycle and the terms of individual public sector settlements will be published in Current Wage Developments, a monthly Bureau publication.

This estimate is based on a data collection workload of about 300 personal visits, as well as requirements to establish a data base for the public sector collective bargaining series, e.g., information on wage levels and benefit costs. The estimate also takes account of experience in collecting similar types of information for related programs.

Base:
Positions: 11 Estimated Cost: $137,000

Additional Costs:
Positions: 13 Staff Years: 9.7 Estimated Cost: $261,000

Activity 4. Productivity and Technology (1977 $2,789,000, Pos. 100, 1978 $3,010,000, Pos. 103)

Narrative Description of Program
(29 U.S.C. 2,7,181)

This activity provides for the preparation of productivity indexes and analysis of productivity trends for the private economy, its component sectors and industries, and for a major portion of the Federal Government. Comparisons of productivity performances among major industrial countries also are prepared. Studies are made of the employment implications of automation and other technological changes within industries, as well as across industry lines. Surveys of labor and material requirements for selected types of construction are conducted.

Quarterly measures of productivity and unit labor costs are prepared for the private business economy, and the farm, nonfarm business, manufacturing and nonfinancial corporate sectors. Annual measures of output per employee-hour also are prepared for the total private economy and for selected manufacturing and nonmanufacturing industries, as well as for a major portion of the Federal Government. The relationship of these measures to other economic variables also is analyzed to determine the factors affecting long term productivity growth.

Studies of the labor requirements for various types of construction are conducted annually for one or two major types of construction (e.g., schools, hospitals, public housing). These studies provide information on onsite employee-hours worked by occupation, materials and equipment used, and the offsite employee-hours generated by consumption of materials.

Studies of the outlook for new technology and the employment implications of these changes for selected industries are conducted as are studies of the impact of innovations that cut across industry lines.

International comparisons--and related analyses--of labor compensation, output per hour, and unit labor costs in major industrial countries also are prepared, as well as comparisons of labor force, unemployment, and price trends in foreign countries.

In 1976, new productivity measures were published for the following industries: nonmetallic minerals, crushed and broken stone, copper rolling and drawing, structural clay, clay construction products, clay refractories, franchised new car dealers, and retail food stores. Productivity measures covering FY 1967-75 were prepared for a major portion of the Federal Government. Employment coverage was increased to 66 percent of the Federal work force and improvements were made in the quality of the output and input data.

The two regular press releases on quarterly productivity and costs were augmented by a quarterly analysis published in the Monthly Labor Review. The basis for productivity measurement was changed from the total private economy to a private business basis. This step involved excluding from productivity measurement those sectors of the economy for which no market measure of output can be made (e.g., the imputed value of owner occupancy of dwellings) and for which the output measures are based only on labor compensation. The accuracy of the quarterly series for manufacturing was improved.

Bulletins presenting the results of surveys of labor and materials requirements for the construction of sewers, civil works, and Federal office buildings were published. Similar surveys for schools and college housing were completed and new surveys were initiated for commercial office buildings and public housing.

Studies of the employment implications of technological trends in five additional industries were completed.

A report comparing labor force, employment, and unemployment in selected industrial countries was prepared for publication. Articles were published on recent unemployment comparisons and on unemployment compensation programs in major countries. Analyses of comparative trends in manufacturing productivity, unit labor costs, unemployment, and hourly compensation were published in the fourth annual International Economic Report of the President. Comparisons of productivity and labor cost in the iron and steel industry were updated.

In the Transition Quarter, on-going programs continued; productivity measures were developed for additional industries and efforts to increase coverage in the Federal Government and services sectors continued.

In 1977, new productivity measures will be published for the following industries: banking, eating and drinking places, laundries and drycleaning, grain mill products, cereal breakfast foods, rice milling, blended and prepared flour, wet corn milling, prepared feeds for animals and fowls, and sawmills and planing mills. Developmental work will continue on drug stores, household furniture, electric lamps and fixtures, and insurance. The productivity series for the Federal Government will be extended to include data for FY 1976, and quality improvement efforts will be continued.

The quarterly manufacturing measures will be disaggregated to report durable and nondurable manufacturing as well.

Studies of the employment implications of technological trends in five additional industries will be completed. Reports of labor and material requirements for schools and college housing will be completed. Similar surveys for commercial office buildings and public housing will be completed.

A report will be published containing all comparative productivity information compiled by the Bureau, including trend indexes for major manufacturing groups in four countries, estimates of the effects of labor shifts on the manufacturing indexes, and revisions of the iron and steel comparisons. A report comparing labor force, employment and unemployment in selected industrial countries adjusted to U.S. concepts will be published. A comparison of wage levels, supplements, and composition of earnings in major industrial countries is being prepared for publication.

In 1978, productivity measures for three to five additional industries will be completed. Developmental work will continue to be oriented toward the services sector with special emphasis on trade and personal service industries. The productivity series for the Federal Government will be extended to include data for FY 1977.

Additional funding will enable the employment coverage associated with the measures for the Federal Government to be increased to 69 percent of the Federal civilian work force. Output measures for an additional 30 organizations will be improved. Indexes for 40 suborganizational units will be prepared for use by lower-level managers.

Studies of the employment implications of technological trends in five additional industries will be completed. Reports for labor and material requirements for commercial office buildings and public housing will be completed. Similar surveys for retail stores and shopping centers and hospitals will be undertaken.

A major report describing the concepts, methods, and current measures involved in comparing trends in output, productivity, unit labor costs, hours of work, and hourly compensation in major industrial countries will be issued. Comparisons of productivity and unit labor cost trends and levels in selected industries will be expanded.

Changes for 1978

Mandatory changes amount to	+$	148,000
Program changes amount to	+$	73,000
Positions	+	3

Mandatory changes include annualization of FY 1977 pay increase, effective October 10, 1976 ($2,000); increased cost of owned or leased space to be reimbursed to the General Services Administration ($50,000); net additional cost of within-grade promotions effective for part year in 1977 ($11,000); net cost of within-grade promotions becoming effective in 1978 ($11,000); increased cost of administrative and program support services ($78,000); and increased cost of printing ($4,000); partially offset by a decrease due to one less day of pay in 1978 (-$8,000).

Productivity Measures for the Federal Government

Proposal:

To improve the Bureau's productivity measurement program by refining and expanding measures for the Federal Government.

The Need:

Recent emphasis on improving Federal productivity has intensified the need for more and better information on the efficiency of Federal organizations. For example, in a July 27, 1976 memorandum from the Office of Management and Budget, which set forth Presidential Management Initiatives, Director Lynn requested that Federal agencies undertake "improvement of productivity measurement and extension of such measurements to functions not presently covered as a means of judging both managerial and individual staff performance and of improving productivity." The Federal productivity measurement program can assist government managers in assessing and improving their own management effectiveness by providing them with another tool to analyze their operations and to optimize the utilization of limited resources.

One of the program's goals is to develop meaningful statistics for as much of the Federal sector as possible and eventually to develop measures--if methodologies developed prove successful--for the rest of the public sector. The lack of adequate productivity series for the public sector has been a major gap in the national productivity statistics. Such data would be, if available on a more comprehensive basis, useful in the analysis of overall economic trends. The efficiency with which the public sector discharges its responsibilities--its productivity--is of major concern to the Nation and its economic planners.

Presently, data for the Federal Government are available in two forms: a single series for the measured portion of Government and 25 individual series for selected functional groupings, such as printing, power, Postal Service, and medical services. Many of the existing series for the Federal Government, however, need improvement. Since many Federal Government areas provide services rather than products, their output is difficult to define and quantify.

The Program:

The FY 1978 budget increase will permit expansion of the Bureau's Federal productivity efforts in three, and possibly four, areas. Efforts will be made:

To strengthen the overall reliability of the Federal series by improving the quality of its output indicators for about 30 organizations during FY 1978 and for about 25 organizations in each subsequent year. These efforts to improve the quality of present indicators will require Bureau staff to work closely with participating agencies to develop more reliable output measures.

To develop additional output indicators for areas not presently covered, thereby extending coverage for the Federal Government by about 5 percent of total civilian employment in the next several years. New efforts will focus on the Department of Defense, Department of State, and NASA where present coverage is relatively low and the identification of measurable final outputs presents difficult problems.

To collect additional microdata that will permit the development of productivity measures for smaller organizational units within the present series. These indexes are expected to facilitate the efforts of first-line managers to analyze the productivity performance of smaller units within their agencies.

To develop a measure of overall "Federal productivity" based on final output only, if resources are available. Since the final outputs of some agencies, such as the General Services Administration, are consumed within the Federal establishment, the present aggregated statistics represent the weighted average of the productivity changes of the organizations included in the sample and not "Federal productivity" based only on outputs that are final to the Federal Government.

Cost estimates are based on developmental work already undertaken on difficult conceptual and data collection problems in compiling productivity data for the Federal Government, and on previous experience in conducting surveys of labor requirements from a central source supplemented by personal visit collection.

Base:
Positions: 5 Estimated Cost: $156,000

Additional Costs:
Positions: 3 Staff Years: 2 Estimated Cost: $73,000

Activity 5. Economic Growth (1977, $694,000, Pos. 18)
1978, $731,000, Pos. 18)

Narrative Description of Program
(29 U.S.C. 2,7,181)

Long range projections of U.S. economic growth--including broad categories of demand such as personal consumption, investment, government expenditures, and net exports--are developed based on specified assumptions as to the patterns and rates of growth. Analytical studies of the impact of these projections on industry output and employment are undertaken. This program provides a comprehensive and integrated framework for analyzing the implications of long-range economic growth and the factors which affect growth.

In 1976, a revision of the 1980-85 projections, which reflected changes in economic and energy outlook, were completed. The revision covered the full range of economic and industry employment projections included in this program. As an integral part of this program a review of earlier projections was instituted and an evaluation of the 1970 projections was completed and published.

In the Transition Quarter, on-going programs continued. Research started on the next series of long-term economic and manpower projections.

In 1977, research will be undertaken on long-term economic and manpower projections for 1990. This research will include evaluating various assumptions that might be used, preparing and assessing the data base, and updating and re-estimating the models used in making these projections.

In 1978, the 1990 projections--including individual projections to 1980 and 1985--will be completed and the results published. The projections will be shown for total GNP, the demand and income composition of GNP, industry structure of demand, technological change and output and employment by industry. The industry detail will cover the entire economy separated into 160 industries. Reports will be issued on data, methods, and analyses of these projections.

Changes for 1978

Mandatory changes amount to..... +$ 37,000

Program changes amount to..... None
Positions..... None

Mandatory changes include annualization of FY 1977 pay increase, effective October 10, 1976 ($1,000); increased cost of owned or leased space to be reimbursed to the General Services Administration ($11,000); net additional cost of within-grade promotions effective for part year in 1977 ($2,000); net cost of within-grade promotions becoming effective in 1978 ($2,000); increased cost of administrative and program support services ($19,000); and increased cost of printing ($3,000); partially offset by a decrease due to one less day of pay in 1978 (-$1,000).

Activity 6. Executive Direction and Staff Services (1977, $10,157,000, Pos. 304
1978, $10,327,000, Pos. 304)

Narrative Description of Program
(29 U.S.C. 2,7,181)

This activity provides for executive leadership in developing Bureau of Labor Statistics plans and policies for economic, statistical, and management programs. In addition, it provides technical and administrative support common to the needs of all of the Bureau's statistical and analytical programs. Included among its functions are general program direction and coordination; planning and implementation of new programs; evaluation of new concepts and methodology; coordination and direction of data collection and processing activities; development and introduction of improved statistical techniques and data collection and processing systems; planning and editing publications and press releases; maintenance of a centralized inquiry service; program-related and career development training; and administrative management and related services.

This activity supports the management staff of eight regional offices which are responsible for collecting statistical data in the field, providing technical assistance to States in the conduct of Federal/State cooperative statistical programs, preparing and disseminating statistical reports on local economic activities, and providing consultative services on the application of BLS materials to economic problems of local governments, business, labor, and the public.

In 1976, quality measurement efforts included studies on the effects of the Fair Labor Standards Act, hours and earnings data series, tests of data collection by mail in several industry wage surveys, and unit cost studies relating to the Consumer Price Index (CPI) Revision. Training activities centered upon the development of a comprehensive, formal package for the Professional, Administrative, Technical and Clerical (PATC) Pay Survey; similar packages for several wage and price programs also were developed. In addition, training of field agents for the initiation of the food, commodities and services components of the revised CPI began. The effort to redesign BLS computer systems for processing statistical data resulted in the transfer of 75 percent of the Bureau's workload to current generation facilities. Several special publications on the history of the American labor movement and related subjects were published as part of the Department's bicentennial effort. An investigation of new approaches to automated photocomposition processing for most BLS publications began with the aim of substantially reducing publication costs. Various working papers related to Bureau programs and analytical efforts were published. Lastly, a draft of a bill providing protection against disclosure of data confidentially supplied to BLS was completed.

In the Transition Quarter, continued attention was devoted to quality measurement validation and problem solving in the CPI Revision and Federal/State cooperative programs. Emphasis was placed also on survey design efforts in the Industrial Price and International Price Program areas. Efforts in the training area were directed toward preparing for the start of data collection for the revised Consumer Price Indexes, consolidating the training program for the PATC survey, and providing a coordinated basic training program for BLS regional and State staffs working on cooperative employment and occupational safety and health surveys. The redesign of computer systems for processing BLS statistical data continued. Planning for special analytical activities continued.

In 1977, the continuing effort to maintain the quality of survey data will include a considerable expansion of effort in the computation and generalization of variance estimates, and work will begin on improving the BLS quality control program. Quality measurement and sample rotation will be incorporated into the

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Employment Cost Index (ECI) and International Price Programs. Training activities will focus upon: (1) the development of courses related to Federal/State cooperative employment programs; (2) the implementation of a comprehensive, formal training package for the PATC survey; and (3) the implementation of a career development program for BLS administrative, clerical and technical employees. Work on the redesign of the BLS computer systems for processing statistical data will result in the transfer of 90 percent of the Bureau's workload to current generation facilities. The Bureau will continue to investigate automatic photo-composition methods for reducing publication costs. Studies of systems and hardware needs in the areas of word processing, data entry, and telecommunications will be undertaken in order to provide for a unified, Bureau-wide approach to these tasks. Improvements in the management of the Federal/State cooperative programs are underway, for example, establishing and monitoring specific program goals for each Federal/State program in each region. Finally, additional working papers concerning issues affecting Bureau programs and analytical efforts will be developed.

In 1978, major survey design efforts will be directed toward developing a sample for the expansion of the Industrial Price Program and the design of a sample for field collection by the Census Bureau for the diary and quarterly Continuing Consumer Expenditure Surveys. Other work to maintain the quality of statistical data will include supplementation of the ECI sample, analysis of the 1977 Point-of-Purchase Survey, and continued research in generalization of variance estimates. Training activities will include: (1) development and testing of training courses for survey managers; (2) implementation and continued refinement of training programs for the PATC survey, the revised CPI program, and Federal/State cooperative programs; and (3) the development of training programs for the ECI, International Price, Local Area Unemployment Statistics, and Industrial Price Revision Programs. The final stage of the redesign effort to transfer BLS computer systems for processing statistical data to current generation facilities will take place. Automated photo-composition and plotting systems, designed to produce Bureau publications and statistical charts on a more timely basis at lower cost and higher quality, will be developed. The Bureau will continue to investigate systems and hardware needs in the areas of word processing, data entry, and telecommunications. Management improvements in the Federal/State cooperative programs will be continued.

Changes for 1978

Mandatory changes amount to	+$ 170,000
Program changes amount to	None
Positions	None

Mandatory changes include annualization of FY 1977 pay increase, effective October 10, 1976 ($8,000); net additional cost of within-grade promotions effective for part year in 1977 ($33,000); net cost of within-grade promotions becoming effective in 1978 ($27,000); increase in contributions to the Federal Employees Compensation Fund ($83,000); and provision for building security ($44,000); partially offset by a decrease due to one less day of pay in 1978 (-$25,000).

Activity 7. Revision of the Consumer Price Index (1977, $7,216,000, Pos. 204
1978, $3,600,000, Pos. 80)

Narrative Description of Program
(29 U.S.C. 2,7,181)

A comprehensive revision of the Consumer Price Index (CPI), in progress since 1970, will be completed in 1978. If it is to be an accurate measure of price change, the CPI must be updated periodically to reflect changes in consumer spending patterns. The revision process includes a two-year survey of consumer expenditures (CEX) that utilizes quarterly interviews and daily diaries to obtain data on family expenditures, a Point-of-Purchase Survey to determine where consumers are purchasing specific retail items, a survey to revise the rent component of the index, conceptual and methodological improvements, the selection of new survey samples for ongoing CPI data collection, and a computer systems redesign to incorporate these changes in methodology and convert processing to current generation equipment.

In 1976, final processing of CEX data was completed. Public-use files of the CEX were reviewed to assure that BLS standards of reliability and confidentiality are maintained. Data collection necessary for the new item and outlet samples for commodities, services and food was completed. Surveys to collect data for commodities and services outside the scope of the Point-of-Purchase Survey were begun. The initiation of a new property tax sample was completed. Testing of several alternative measures of homeownership costs was carried out. Major computer systems redesign tasks continued.

In the Transition Quarter, the CPI Revision continued data collection and processing activities necessary for the compilation of test indexes.

In 1977, initiation of data collection for all items and outlets in the revised CPI will be completed and test indexes will be computed. Final sample sizes will be obtained and maintained for rent, property tax, commodities, services and food. Work will continue on the new computer system. Additional data from the 1972-73 Consumer Expenditure Survey will be made available to the public.

In 1978, computer redesign work will be completed and an operational system will be installed to compile and analyze the indexes. When these activities have been completed, a revised Consumer Price Index for urban wage earners and clerical workers will be published along with a new, broader index covering all consumer units in metropolitan areas and urban places.

Changes for 1978

Mandatory changes amount to	None
Program changes amount to	-$3,616,000
Positions	- 124

Program decreases amount to $3,616,000 and 124 positions and reflect a phase-down in the cost of the revision project resulting from the completion of several of its major components.

BUREAU OF LABOR STATISTICS

Salaries and Expenses

Distribution of Field Staff

Supervising Offices	1977			1978		
	Profes-sional	Clerical	Total	Profes-sional	Clerical	Total
Atlanta, Ga.....	67	4	71	67	4	71
Boston, Mass.....	44	3	47	43	3	46
Chicago, Ill.....	89	5	94	86	5	91
Dallas, Texas.....	45	4	49	45	4	49
Kansas City, Mo.....	45	3	48	45	3	48
New York, N.Y.....	65	4	69	64	4	68
Philadelphia, Pa.....	58	5	63	55	5	60
San Francisco, Calif....	71	6	77	67	6	73
Total Field Staff.....	484	34	518	472	34	506

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

List of New Positions Requested

	Number	Grade	Annual Salary
Activity 2. Prices and Cost of Living			
Departmental			
Supervisory Economist	2	GS-13	$ 48,616
Supervisory Computer Systems Analyst	1	GS-13	24,308
Economist	2	GS-13	48,616
Mathematical Statistician	1	GS-13	24,308
Economist	6	GS-12	122,652
Computer Systems Analyst	2	GS-12	40,884
Mathematical Statistician	2	GS-12	40,884
Computer Systems Analyst	4	GS-11	68,224
Mathematical Statistician	3	GS-11	51,168
Economist	2	GS- 9	28,194
Computer Systems Analyst	1	GS- 9	14,097
Mathematical Statistician	1	GS- 9	14,097
Economist	6	GS- 7	69,138
Computer Systems Analyst	4	GS- 7	46,092
Mathematical Statistician	2	GS- 7	23,046
Statistical Clerk	7	GS- 5	65,121
Sub-total	46		729,445
Field Offices			
Economist	1	GS-12	20,442
Economist	4	GS-11	68,224
Economist/Social Science Research Analyst	5	GS- 9	70,485
Economist/Social Science Research Analyst	3	GS- 7	34,569
Economist/Social Science Research Analyst	1	GS- 5	9,303
Sub-total	14		203,023
Sub-total, activity	60		932,468
Activity 3. Wages and Industrial Relations			
Departmental			
Economist	2	GS- 7	$ 23,046
Social Science Research Analyst	1	GS- 5	9,303
Secretary Typing	1	GS- 4	8,316
Clerk Typing	1	GS- 3	7,408
Sub-total	5		48,073

	Number	Grade	Annual Salary
Field Offices			
Economist	8	GS-11	136,448
Sub-total	8		136,448
Sub-total, activity	13		184,521
Activity 4. Productivity and Technology			
Departmental			
Supervisory Economist	1	GS-13	24,308
Economist	1	GS-11	17,056
Economist	1	GS- 7	11,523
Sub-total	3		52,887
Sub-total, activity	3		52,887
Total new positions	76		1,169,876

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Labor Force Statistics (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
378	$31,278,000		378	$32,314,000

Purpose: This activity provides for the development of measures of employment, unemployment, hours, earnings, and labor turnover by industry and geographic sectors and the analysis of the significance of change in the measures for economic planning and policymaking purposes. Information designed for use in manpower planning and vocational guidance is developed.

Explanation: Funds provide salaries and expenses for the Assistant Commissioner for Employment Structure and Trends and his staff in the Divisions of Industry Employment Statistics, Occupational Outlook, and Local Area Unemployment Statistics, and the Assistant Commissioner for Current Employment Analysis and his staff in the Divisions of Employment and Unemployment Analysis and Labor Force Studies. Related expenses also are provided for data collection, including funds provided to the Census Bureau for conducting the Current Population Survey (CPS) and to State agencies for cooperative programs.

Accomplishments in 1977: The expansion of the CPS sample to cover all 50 States was completed. Special labor force analyses and reports were prepared on the employment situation of families, women, youth, and minorities, and on such subjects as work schedules, multiple jobholding, and educational attainment of the work force. The data available from the special surveys on unemployed workers and persons not in the labor force were analyzed and correlated with data on various demographic and labor force characteristics. Projections to 1990 of growth and composition of the labor force by race were undertaken. Work continued on integrating data from the Occupational Employment Survey with the national/State matrix system. Work continued on the conversion of all industry series to the 1972 Standard Industrial Classification (SIC) system.

Objectives for 1978: Research will be conducted to determine the most efficient means of producing statistically reliable data on persons of Spanish origin. Research on the conceptual and methodological aspects of current labor market measures will be conducted. Labor force data from the HEW-sponsored Survey of Income and Education will be analyzed and published. The 1978-79 edition of the Occupational Outlook Handbook will be published. Occupational projections by State will be developed. Work will continue on the conversion of all industry series to the 1972 SIC system. Further expansion of the CPS to cover many sub-State areas will be undertaken and work will continue on improving the unemployment insurance (UI) data base. The methodology used to prepare monthly labor force and unemployment estimates for local areas will be revised to utilize new CPS and UI data. Unemployment estimates for all counties will be supplied to Federal agencies requiring such data for allocation purposes. State-to-State comparability and consistency will be achieved in annual unemployment estimates. Improvements in the accuracy of the Quarterly Report of Insured Employment, Wages and Contributions will be sought by implementing improved standards and estimating techniques in the State employment security agencies.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Prices and Cost of Living (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
517	$15,460,000		577	$21,943,000

Purpose: This activity provides measures of price change at the consumer and producer levels for use as significant indicators of price trends in the economy and differences in living costs for various areas in the U.S. The program provides for the analysis of price and consumer spending patterns, the interpretation of price developments in relation to other major economic factors, and measures of the price trends of U.S. products in world markets.

Explanation: Funds provide salaries and expenses for the Assistant Commissioner for Prices and Living Conditions and his staff in the Divisions of Consumer Prices and Price Indexes, Industrial Prices and Price Indexes, International Prices, Living Conditions Studies, and Price and Index Number Research as well as related expenses for data collection, processing, and field personnel and operations.

Accomplishments in 1977: Work on the revision of the Consumer Price Index (CPI) continued. The Department will request that some of the resources authorized in 1977 for the compilation and publication of the two consumer price indexes--$1,400,000--be reprogrammed to the revision of the Consumer Price Index. Major projects to develop a CPI for Fairbanks, Alaska were initiated. A pilot survey for four industries was completed to test the design and procedures proposed for a comprehensive revision of the Industrial Price Program. The expansion of the coverage of the International Price Program continued. Plans for the initiation of the Continuing Consumer Expenditure Survey were completed, and alternative methodologies for the Family Budgets Program were proposed. Research support for improving the major price programs continued.

Objectives for 1978: The two Consumer Price Indexes will be published monthly and analyzed in detail. Developmental work on the CPI for Fairbanks will continue. The full implementation of the revision of the Industrial Price Program will begin with 15 industries surveyed the first year. Price indexes will be updated and expanded to cover 65 percent of the value of U.S. exports and 50 percent of the value of U.S. imports. Developmental work on the Continuing Consumer Expenditure Survey will be completed including sample selection, design of the data collection and processing systems, and the completion of the design of the diary and interview questionnaires. A new methodology for the Family Budgets Program will be implemented. Research support for the continued improvement of BLS price measures will be emphasized.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Wages and Industrial Relations (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
405	$11,573,000		418	$12,441,000

Purpose: This activity provides basic data on the wages, salaries, and supplementary benefits American workers receive for their labor, and detailed information on collective bargaining agreements, employee benefit plans, and work stoppages. These data are used in wage and salary administration, collective bargaining arbitration, evaluation of Federal policies, occupational counseling and other labor relations activities.

Explanation: Funds provide salaries and expenses for the Assistant Commissioner for Wages and Industrial Relations, and his supporting staff in the Divisions of Occupational Wage Structures, General Compensation Structures, Trends in Employee Compensation, and Industrial Relations, as well as related expenses for data collection, processing, field staff, and operations.

Accomplishments in 1977: The Employment Cost Index (ECI) was expanded to include collection of data for the government sector. New editions of both the digest of selected pension plans and health and insurance digest were issued along with several reports analyzing current changes in employee benefit plans. The 1976 edition of the Directory of National Unions and Employee Associations including details on various aspects of union administration was started. Plans for a report on the earnings and demographic characteristics of union members began. Collective bargaining summary reports were released for steel, coal, and Atlantic longshoring. The file of major collective bargaining agreements was the source for a study of negotiated incentive and production standards provisions. Work on occupational wage surveys continued. The current training program for the Professional, Administrative, Technical, and Clerical Pay Survey data collectors was implemented. A bulletin on the results of the 1974 survey of employer expenditures for employee compensation in private nonfarm industries was published. The 1976 analysis of health benefits was updated.

Objectives for 1978: Data on changes in total employee compensation will be included in the quarterly ECI. Research will continue on expanding the Index to farms and households. Results of the 1976 survey of employer expenditures for employee compensation in private nonfarm industries will be published. Supplements to both the pension plan digest and health and insurance digest will be issued. The 1977 edition of the Directory of National Unions and Employee Associations will be published, as well as a report on trends and changes in the membership of single-firm unaffiliated unions. A comprehensive report on strikes in the public sector will be released, as well as several collective bargaining summary reports and bulletins. A new series on public sector collective bargaining settlements, similar to the private sector series, will be developed and implemented with initial publication scheduled for January 1979.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Productivity and Technology (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
100	$2,789,000		103	$3,010,000

Purpose: This activity provides for the measurement and analysis of productivity change in the total private economy, its various sectors and industries, and in the Federal Government. International comparisons of output per work-hour, labor compensation, and unit labor costs are also provided. In addition, studies of the manpower implications of changing technology are conducted.

Explanation: Funds provide salaries and expenses for the Assistant Commissioner for Productivity and Technology and his supporting staff in the Divisions of Industry Productivity Studies, Productivity Research, Technological Studies, and Foreign Labor Statistics and Trade as well as related expenses for data collection, data processing, and field personnel and operations.

Accomplishments in 1977: Productivity measures for three to five additional industries were completed. Developmental work continued to be oriented toward the services sector with special emphasis on trade and business and personal service industries. The coverage and quality of Federal Government productivity measures were improved. Studies of the employment implications of technological trends in five additional industries were completed. Reports of labor and material requirements for the construction of schools and college housing were completed. Similar studies for commercial office buildings and public housing were completed. A report was published containing all comparative productivity information compiled by the Bureau, including trend indexes for major manufacturing groups in four countries, estimates of the effects of labor shifts on the manufacturing indexes, and revisions of the iron and steel comparisons. A report comparing labor force, employment and unemployment in selected industrial countries adjusted to U.S. concepts was published. A comparison of wage levels, supplements and composition of earnings in major industrial countries was prepared for publication.

Objectives for 1978: Productivity measures for three to five additional industries will be completed. Developmental work will continue to be oriented toward the services sector with special emphasis on trade and personal service industries. Additional funding will enable the employment coverage associated with the measures for the Federal Government to be increased. Studies of the employment implications of technological trends in five additional industries will be completed. Reports for labor and material requirements for commercial office buildings and public housing will be completed. Similar surveys for retail stores and shopping centers and hospitals will be undertaken. A major report describing the concepts, methods, and current measures involved in comparing trends in output, productivity, unit labor costs, hours of work, and hourly compensation in major industrial countries will be issued. Comparisons of productivity and unit labor cost trends and levels in selected industries will be expanded.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Economic Growth (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
18	$694,000	Indefinite	18	$731,000

Purpose: This activity provides for the interpretation and analysis of long-term economic developments and special studies of broad economic and social issues.

Explanation: Funds provide salaries and expenses for the staff in the Division of Economic Growth.

Accomplishments in 1977: Research was undertaken on long-term economic and manpower projections for 1990. This research included evaluating various assumptions that were used, preparing and assessing the data base, and updating and re-estimating the models used in making these projections.

Objectives for 1978: The 1990 projections will be completed and the results published. These projections -- including individual projections for 1980 and 1985 -- will be shown for total GNP, the demand and income composition for GNP, industry structure of demand, technological change and output and employment by industry. The industry detail will cover the entire economy separated into 160 industries. Reports will be issued on data, methods, and analyses of these projections.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Executive Direction and Staff Services (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
304	$10,157,000	Indefinite	304	$10,327,000

Purpose: This activity provides for the overall executive leadership of the Bureau of Labor Statistics including administrative direction, policy decision-making, program-related training activities, program planning and staff support on economic and statistical matters to the Department and other organizations.

Explanation: Funds provide salaries and expenses for the Commissioner, the Deputy Commissioner for Data Analysis, the Deputy Commissioner for Statistical Operations and Processing, the Associate Commissioner for Publications, the Associate Commissioner for Administrative Management, and the Assistant Commissioner for Research Methods and Standards and their respective staffs, and the Regional Commissioners for Labor Statistics and their information staffs.

Accomplishments in 1977: The continuing effort to maintain the quality of survey data included a considerable expansion of effort in the computation and generalization of variance estimates, and work began on improving the BLS quality control program. Quality measurement and sample rotation was incorporated into the Employment Cost Index and International Price programs. Training activities focused upon: (1) the development of courses related to Federal/State cooperative employment programs; (2) the implementation of a comprehensive, formal training package for the PATC survey; and (3) the implementation of a career development program for BLS administrative, clerical and technical employees. Work on the redesign of the BLS computer systems for processing statistical data resulted in the transfer of 90 percent of the Bureau's workload to current generation facilities. The Bureau continued to investigate automatic photo-composition methods for reducing publication costs. Studies of systems and hardware needs in the areas of word processing, data entry, and telecommunications were undertaken. Improvements in the management of the Federal/State cooperative programs were begun.

Objectives for 1978: Major survey design efforts will be directed toward developing a sample for the expansion of the Industrial Price program and the design of a sample for field collection by the Census Bureau for the diary and quarterly Continuing Consumer Expenditure Surveys. Training activities will include: (1) development and testing of training courses for survey managers; and (2) development and implementation of training programs for several price, wage, and labor force statistics programs. The final stage of the redesign effort to transfer BLS computer systems to current generation facilities will take place. Work will continue on automated photo-composition and plotting systems, studies of Bureau word processing needs, and management improvements in Federal/State cooperative programs.

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Revision of the Consumer Price Index (29 U.S.C. 2,7,181)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
204	$7,216,000		80	$3,600,000

Purpose: This activity provides for the comprehensive review and revision of the Consumer Price Index (CPI) to insure that the Index computation, which can affect the wages, benefits and other payments to over 50 million persons, makes use of the most current conceptual and methodological techniques and accurately reflects changes in the purchasing patterns of consumers which have taken place since the last revision. The output of this effort will be the compilation of two Consumer Price Indexes in FY 1978 for two distinct populations: (1) a wage earner and clerical worker's index; and (2) a new, broader index covering metropolitan areas and urban places.

Explanation: Funds provide salaries and expenses for supporting CPI Revision management staff in the Office of the Commissioner and Revision staff in the Divisions of Consumer Prices and Price Indexes, and Living Conditions Studies. Salaries and expenses for data collection and related data processing, systems development, and field operations are also provided.

Accomplishments in 1977: Initiation of data collection for all items and outlets in the revised CPI was completed and test indexes were computed. Final sample sizes were obtained and maintained for rent, property tax, commodities, services and food. Work continued on the new computer system. Additional data from the 1972-73 Consumer Expenditure Survey were made available to the public.

Objectives for 1978: The computer redesign work will be completed and an operational system will be installed to compile and analyze the indexes. When these activities have been completed, a revised Consumer Price Index for urban wage earners and clerical workers will be published along with a new, broader index covering all consumer units in metropolitan areas and urban places.

WEDNESDAY, FEBRUARY 23, 1977.

EMPLOYMENT AND TRAINING ADMINISTRATION

WITNESSES

WILLIAM B. HEWITT, ACTING ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING
HUGH C. MURPHY, ADMINISTRATOR, BUREAU OF APPRENTICESHIP AND TRAINING
PIERCE A. QUINLAN, ADMINISTRATOR, OFFICE OF COMPREHENSIVE EMPLOYMENT DEVELOPMENT
ALBERT J. ANGEBRANNDT, ADMINISTRATOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
C. THOMSON ROSS, COMPTROLLER FOR EMPLOYMENT AND TRAINING
JOHN F. SHINE, BUDGET OFFICER, OFFICE OF ADMINISTRATION AND MANAGEMENT
ALFRED M. ZUCK, COMPTROLLER FOR THE DEPARTMENT
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. We have the Department of Labor still. We have the Employment and Training Administration, Employment and Training Assistance, Temporary Employment Assistance, Community Service Employment for Older Americans, and Program Administration.

The presentation will be made by William B. Hewitt, the Acting Assistant Secretary for Employment and Training.

Mr. Hewitt, I see you have a biographical sketch which we will place in the record at this point.

[The sketch follows:]

Mr. Hewitt has been in the government since 1951, with the Department of Labor since 1952, as a labor economist, Office of Program Review and Analysis, Bureau of Employment Security. Since that time, he has held various positions in the Department: Community Employment Specialist, U.S. Employment Service, Bureau of Employment Security; Acting Chief, Program Planning and Assistance Division, Office of Manpower Development; Chief, Division of Planning, Manpower Administration; Deputy Associate Manpower Administrator for Policy, Evaluation, and Research, Manpower Administration; and Associate Manpower Administrator for Policy, Evaluation, and Research, Manpower Administration. He is presently Administrator, Policy, Evaluation, and Research, and as of January 31, 1977, became Acting Assistant Secretary for Employment and Training, Employment and Training Administration, U.S. Department of Labor.

Mr. Hewitt received B.A. and M.A. degrees in economics from the University of Denver and completed most of the course work on a doctoral program in economics at American University. He was an enlisted man in the U.S. Navy during World War II.

Mr. FLOOD. You have some people with you you would like us to meet, I am sure.

Mr. HEWITT. Yes, indeed. Starting to my left, Mr. Al Zuck, the Comptroller of the Department; next is Mr. C. Thomson Ross, Comptroller for Employment and Training; next to me, Mr. Pierce A. Quinlan, Administrator, Office of Comprehensive Employment Devel-

opment; next to him is Mr. Al Angebranndt, Administrator, Office of Administration and Management; next to him, Mr. Charles Pugh, Director, Office of Budget.

Mr. FLOOD. I see you have a prepared statement, Mr. Hewitt. How do you want to handle this?

Mr. HEWITT. It is not a very long statement, sir. If it will be all right, I would just as soon read it.

Mr. FLOOD. Very well.

OPENING STATEMENT

Mr. HEWITT. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to present the budget request for Employment and Training Assistance, Temporary Employment Assistance, Community Service Employment for Older Americans and the Employment and Training Administration's Program Administration account for fiscal year 1978.

EMPLOYMENT AND TRAINING ASSISTANCE

The Employment and Training Assistance appropriation provides the resources for programs authorized under titles I, II, III, and IV of the Comprehensive Employment and Training Act of 1973, as amended (CETA).

The appropriation has three budget activities: State and local programs, national programs, and a summer youth employment program. The total amount requested at this time for these activities in fiscal year 1978 is $4,563, 030,000, a net decrease of $370,800,000 from the revised 1977 level of $4,933,830,000. Although there is a decrease in the amount of budget authority requested, the funds requested will increase the level of operations begun under the economic recovery package in fiscal year 1977. I will now go into specifics concerning this request.

The request for State and local programs totals $2,896,000,000, an increase of $492,000,000 over the revised fiscal year 1977 level of $2.404,000,000. This amount includes $1,880,000,000 for title I comprehensive training programs and $1,016,000,000 for title II public service employment.

The $1,880,000,000 request for title I comprehensive training and employment programs is the same level as requested in fiscal year 1977. These funds will permit prime sponsors—generally States, counties, or cities with populations of 100,000 or more, or voluntary combinations of these areas to continue to provide an estimated 496,400 enrollment opportunities for economically disadvantaged, unemployed and underemployed persons in various training and employment programs.

The $1,016,000,000 request for title II public service employment is an increase of $492,000,000 over the revised fiscal year 1977 request of $524,000,000. This increase will permit the continued funding through 1978 of the 100,000 jobs established in 1977 and also permit the expansion of the program to 125,000 jobs during the first quarter of fiscal year 1978.

The request for titles III and IV national programs is for $1,667,-030,000 a net decrease of $267,800,000 from the fiscal year 1977 level of $1,934,830,000.

The request includes $487,100,000 for the Job Corps, an increase of $213,000,000 over the revised fiscal year 1977 level of $274,100,000. This increase will permit the expansion to an enrollment level of 44,000 from the 30,000 level expected by the end of fiscal year 1977.

The request for the Indian, and migrant and seasonal farmworkers programs is $202,360,000 an increase of $58,600,000 over the fiscal year 1977 level. This request provides the amounts authorized under sections 302(g) and 303(b)(2) of CETA and also expands the new initiatives begun in fiscal year 1977 by $37,000,000 to a new level of $67,000,000.

A total of $23,000,000, an increase of $13,000,000 over the fiscal year 1977 level, will maintain the veteran outreach units and 2,500 related jobs established in fiscal year 1977.

A total of $129,700,000, a net increase of $35,100,000 over the revised fiscal year 1977 level, is requested for other special target group programs authorized under title III. This amount includes an increase of $39,000,000 for the new apprenticeship programs started in fiscal year 1977, and a decrease of $3,900,000 to be transferred to the Bureau of Labor Statistics for the Current Population Survey.

The $780,000,000 requested for the youth, STIP and HIRE programs, initiated in fiscal year 1977, is $59,000,000 less than the fiscal year 1977 request. Sufficient funds were included in the 1977 request to fund these programs for the last 6 months of fiscal year 1977 and a portion of fiscal year 1978. The $780,000,000 fiscal year 1978 request will continue the new 304,000 enrollment level for these programs through the balance of fiscal year 1978 and the first 6 months of fiscal year 1979.

The request for program support activities is for $44,870,000 an increase of $2,500,000 over the fiscal year 1977 level. This increase is for the evaluation of the new programs funded under CETA as part of the economic recovery package. The $44,870,000 includes $15,010,000 for technical assistance and training; $11,060,000 for labor market information; and $18,800,000 for research, demonstration and evaluation.

A budget request for the fiscal year 1978 summer youth employment program has not been included at this time. A supplemental request will be formally transmitted to the Congress as soon as data on the projected level of summer youth unemployment and other relevant economic factors for the summer of calendar year 1978 become available, which is usually early March of each year. The preliminary estimate for the 1978 summer program is $595,000,000 which will provide an estimate 1,000,000 jobs.

TEMPORARY EMPLOYMENT ASSISTANCE

The fiscal year 1978 budget request of $4,855,000,000 for this account is to continue and expand a temporary program of public service employment as authorized under title VI of the Comprehensive Employment and Training Act of 1973, as amended. Since CETA title VI expires September 30, 1977, additional authorizing legislation is being

proposed which will extend the period of authorization for this title through fiscal year 1978. The proposed legislation would establish a veterans preference for public service employment for unemployed veterans between the ages of 20 and 24.

This request will expand the proposed fiscal year 1977 level of 500,000 jobs to 600,000 jobs by the end of the first quarter of fiscal year 1978.

The funds requested will continue to be spent in accordance with th provisions of the Extension Act which requires sponsors to fund all new jobs in public service projects as provided in the law. The projects are not to exceed 12 months in duration. The request includes adequate budget authority to fund all projects for a full 12 months.

The act also requires all persons in projects and at least 50 percent of the individuals filling vacancies after June 30, 1976, be limited to long term unemployed persons or AFDC recipients who have low household income.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

The Community Service Employment for Older Americans appropriation provides part-time work opportunities in community service activities for unemployed low-income persons aged 55 and over with poor employment prospects.

The request for fiscal year 1978 is $22,650,000 to fund the 3-month period beginning July 1, 1978, through September 30, 1978. In fiscal year 1977, $90,600,000 was appropriated to support a level of 22,600 jobs at a unit cost of $4,009 for the period July 1, 1977, through June 30, 1978. The current request of $22,650,000 will maintain the 22,600 job level at a unit cost of $4,009 for the remaining 3 months of fiscal year 1978.

PROGRAM ADMINISTRATION

The budget request for fiscal year 1978 for the Program Administration account is $125,301,000 and 3,874 positions. This represents a net increase of $12,348,000 and 43 positions over the fiscal year 1977 revised appropriation request of $112,953,000.

Changes for 1978 consist of a net mandatory increase of $10,663,000 in order to maintain the current level of operation during 1978, and program increases totaling $1,685,000 and 43 positions. The program increases consist of the following:

$180,000 and 10 positions to provide additional technical assistance to the State employment security agencies in the performance of unemployment compensation programs.

$290,000 and 13 positions for the expansion of apprenticeship opportunities in highly skilled occupations and for the promotion of apprenticeship in industries now lacking apprenticeship programs.

$365,000 and 20 positions to provide additional technical assistance to prime sponsors in the areas of program development, labor market information, management information systems, financial management and program evaluation.

$850,000 to provide funding for the continuous wage benefit history project, which tracks unemployment insurance claimants through a sample of insured workers and claimants.

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These increases are proposed as the result of an exhaustive year-long review of ETA staff requirements.

The Employment and Training Administration will continue to extensively engage in the implementation of the new program initiatives begun in 1977 as part of the President's economic stimulus program. The effect of these initiatives significantly increased ETA's staff responsibilities since three major new programs are proposed and major expansion is proposed for four others. This request, therefore, continues the 537 positions included in the fiscal year 1977 supplemental proposed by the President.

This concludes my statement, Mr. Chairman. I will be glad to answer any questions you, or members of the committee, may have.

PUBLIC SERVICE AND WORK EXPERIENCE

Mr. FLOOD. What is the difference between public service employment and what you call work experience? Is there any at all?

Mr. HEWITT. The principal difference would be in the wage rates and the kinds of jobs that people would be assigned to. Public service employment pays essentially prevailing wages for a unit of government. If you hire additional people in the county clerk's office, they get paid just like other workers in similar jobs.

Projects in work experience are usually developed in activities that are not a part of ongoing government activity, and those people are paid normally the minimum wage.

Mr. FLOOD. Why do the local prime sponsors—I am talking about title I now of CETA—place so much emphasis on work experience, as opposed to skill training? They always do.

Mr. HEWITT. I think the advent of the CETA program coming as it did at the outset of fiscal 1974 followed by the recession, probably convinced many prime sponsors to put more of their resources into work experience, which provides, in effect, a job during those periods of hard times.

NO INCREASE IN TITLE I

Mr. FLOOD. I notice here you are asking for no increase in title I for 1978.

Mr. HEWITT. That is correct.

Mr. FLOOD. Why not? What about inflation? Somebody always says that instead of us up here. Why not? What about inflation?

Mr. HEWITT. There is clearly a continuation of some inflation.

Mr. FLOOD. Yes.

Mr. HEWITT. One could argue that in order to maintain constant program levels some increase in order to take care of increased wages of prime sponsor staff might be appropriate. On the other hand, we don't have an accounting system for title I that allows us both to assess productivity increases of prime sponsor staffs and to measure inflationary increases. Under CETA title I the only way one could distribute an inflation increase would be through the formula, and that would go to prime sponsors who needed increased wages for their staffs as well as those who didn't. That is the down side of the inflation argument there.

To the extent that inflation might increase costs by 6 percent, there could be many prime sponsors that will have to reduce program levels by that amount.

YOUTH PROGRAM

Mr. FLOOD. About this new youth program, the one you want to start right away, and for which you are asking $1.5 billion over 2 fiscal years. Do you really have concrete and specific plans for this or do you simply want to get the money first and go downtown and dream up ways to spend this?

Mr. HEWITT. We have developed articulated plans for that program. It will operate through the prime sponsors. We are not going to start a whole new categorical activity with different actors in it. We think that the plans that we have are well enough advanced to start putting people into the training slots by the end of May or in early June.

Mr. FLOOD. You tossed off the phrase, "you have plans." What about the plans? What kind of plans?

Mr. HEWITT. That program is designed in two broad components, one to be carried out through prime sponsors, essentially an urban youth service program, and one to be carried out through the Departments of Agriculture and Interior essentially on public lands, to be a rural youth service program.

Perhaps Mr. Quinlan would be able to explain to you in more detail what the plans are.

Mr. FLOOD. I hope.

Mr. QUINLAN. The program with Agriculture and Interior would enroll up to 75,000 people to be working in the Park Service, Forest Service, Bureau of Reclamation, and other projects. They would be paid the minimum wage, and most of them would be living on the site.

Mr. FLOOD. You are planning over a period of 2 years?

Mr. QUINLAN. That is correct, or 18 months.

Both of those Departments have indicated they can move very quickly in getting positions made available for young people so that they can get about 50,000 on within the first 5 or 6 months. That is the kind of plans they have indicated to us, and we think they can probably make that target based on their experience working with us in the conservation centers in the Job Corps program.

Mr. FLOOD. We are having real problems understanding this youth request.

Mr. QUINLAN. The urban program would be conducted by the prime sponsors and we would try to——

Mr. FLOOD. You would try.

Mr. QUINLAN. We would build on those prime sponsors who operate successful programs for young people, particularly those programs that have classroom training and on-the-job training.

We would put out bids to the prime sponsors for the amount of money that we have asked for these programs, for them to operate programs that would not emphasize work experience but would emphasize classroom training, basic education, and on-the-job training.

Those programs that were satisfactory in terms of the proposals and those prime sponsors who had indicated in the past, by their performance under title I, that they could operate satisfactory programs would receive priority in funding approval for these programs.

SUMMER YOUTH PROGRAM

Mr. FLOOD. In view of what you just said, in the light of all this new money for these youth programs, should we do away with the traditional summer youth programs? Why will there be a need for such programs?

Mr. QUINLAN. This would be a year-round program focused on those who have dropped out of school rather than those leaving for the summertime and who are going to return to the regular classrooms after the summer vacation.

I would definitely say there would be a need to continue a summer youth program during the summer months.

PUBLIC SERVICE JOBS

Mr. FLOOD. How much would it cost to provide advance funding in the supplemental for 1977 for all of these public service jobs you are talking about? You certainly have that figure somewhere.

Mr. HEWITT. The advanced funding for title VI?

Mr. FLOOD. Yes.

Mr. HEWITT. It would be——

Mr. FLOOD. In the 1977 supplemental.

Mr. HEWITT. It would be almost $7 billion.

Mr. FLOOD. Title VI and title II?

Mr. ZUCK. Title VI would require, if you funded all the way through fiscal 1978——

Mr. FLOOD. We are talking about a supplemental for 1977.

Mr. ZUCK. Right. A 1977 supplemental that would carry you through the end of fiscal 1978 would require an appropriation of about $6.8 billion. The title II funded in the supplemental for the same period of time would require $1.1 billion, Mr. Chairman.

Mr. FLOOD. If we provide the advance funding for these jobs, how would you allocate the funds? Would you allocate them all at one time? Would you make more than one allocation?

Mr. HEWITT. The policy decisionmakers have not considered that option yet. I would urge them to allocate them in two components: An allocation would be made immediately after the funds are appropriated and one later toward the start of fiscal 1978, which would take advantage of later unemployment data to calculate the formula shares.

Mr. FLOOD. If we give you this advance funding, how are you going to keep these prime sponsors from running out and hiring more people than they could possibly sustain over the 18 or 24 months?

Mr. HEWITT. One way would be not to give them all the money immediately but to delay the second allocation until fiscal year 1978 starts. We would have to maintain some kind of controls on their en-

rollment levels and not let them run those levels up, use up the money, and then come back and say they have to lay off people before the end of this period.

Mr. FLOOD. Just so you know.

Mr. QUINLAN. Between now and December I think most of the prime sponsors will have all they can handle to hire the people scheduled. I think we will have to watch it starting January next year.

Mr. FLOOD. Mr. Natcher.

JOB CORPS

Mr. NATCHER. How much are you spending in 1978 for the Job Corps?

Mr. HEWITT. It is $487.1 million.

Mr. NATCHER. How many enrollees would that provide for the program in 1978?

Mr. QUINLAN. 44,000.

Mr. HEWITT. 44,000 enrollment slots but something over double that number of youths would actually go into the program?

Mr. QUINLAN. Close to 100,000 would go through in the course of the year.

Mr. NATCHER. How many Job Corps centers would we have at the end of 1978?

Mr. QUINLAN. 130.

Mr. NATCHER. Will the new centers that you plan to open all be contract centers?

Mr. QUINLAN. It is our present thinking that we would move all the Job Corps to contract-type centers because of the large program that Agriculture and Interior will be operating under the youth request. We think that the new program will probably take up all the capacity in the Agriculture and Interior Departments and therefore we would move to the contract-type centers close to the operation of prime sponsors, whether they be urban prime sponsors or rural prime sponsors.

Mr. NATCHER. Will there be any more conservation centers?

Mr. QUINLAN. There will be conservation centers in the sense that I think you can describe the rural youth programs with Agriculture and Interior as being that type of centers. Yes, we would have those kinds. We would not contemplate increasing the number of conservation centers under title IV of the Job Corps though. We would stay with the 27 centers currently operated by Agriculture and Interior.

Mr. NATCHER. In your schedule of obligations by object in your justification for the employment and training assistance account, you show 1,188 permanent positions and about $66 million to support them. Explain to us, if you will, please, what these positions are for and why are you financing them from this particular account?

Mr. Ross. They are the Federal positions at Agriculture and Interior to run the Job Corps centers.

Mr. NATCHER. Why are you financing these out of this account?

Mr. QUINLAN. They would be financed the same way we would operate a program through a private nonprofit organization or a

profitmaking organization where we would have a contract with that firm and they would hire, for instance, 100 employees to manage the operation of the Job Corps center. We do the same with Agriculture and Interior. Each of those 27 centers has approximately 100 staff people. Those staff people, with the exception of the union personnel, are employees of the Forest Service, Bureau of Reclamation, or whatever the operator is. We have fully financed the operation of those centers.

Mr. NATCHER. You show 1,188 permanent positions. What are these positions for?

Mr. QUINLAN. From center director to teachers who would be providing educational assistance to persons who would work in ranger-type positions in conservation work, to such people as counselors, laborers around the centers, cafeteria personnel, the full range of operation of the centers. The largest other component in such centers would be the employees of the trade unions, the operating engineers, the carpenters, the painters, bricklayers, whatever type of union training program existed there. That would be done separately. That is not a part of our relationship with Agriculture and Interior. We have a separate contract for each of the trade unions.

Mr. NATCHER. As you gentlemen know, I am very much interested in and concerned about all of the Job Corps centers down in my section of the United States. I say to you frankly that these centers have produced many benefits not only for the boys and girls that are located there but for the people generally throughout our section, and we appreciate it.

EMPLOYMENT SECURITY AUTOMATION FUNDING

Why are you funding the employment security automation plan out of CETA funds?

Mr. Ross. Title III of CETA authorizes the Department to develop computerized job matching systems, and part of the employment security project is computerized job-matching, so we thought it was appropriate to use some CETA funds for that purpose.

Mr. NATCHER. You are not funding this to any extent out of grants to the States then?

Mr. Ross. We are funding in addition to that some of the employment security automation projects out of the grants to States' appropriation, that portion principally that deals with unemployment insurance activities.

OCCUPATIONAL INFORMATION SERVICE

Mr. NATCHER. What is your occupational information service?

Mr. HEWITT. That is essentially a pilot program we have with eight States to permit them to develop ways of packaging occupational information, to deliver primarily to youths or others to help them develop careers. There is much occupational information in the various development systems but very frequently it is not put together in a manner that makes it intelligible for young people who are making career choices. These eight States are developing different

ways of assembling occupational information and making it available so that young people can actually use it and would be encouraged to use it.

Mr. NATCHER. What are your eight States?

Mr. HEWITT. The eight States are Alabama, Colorado, Massachusetts, Michigan, Minnesota, Ohio, Washington, and Wisconsin.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten.

HIRING INCENTIVES

Mr. PATTEN. If you hand out these tremendous sums of money, I wonder if you have any policies for rebate? For instance, we have a rash of bills that would give tax incentives to private industry to hire the handicapped, or to some marginal profit industries to train people for jobs.

My gut feeling is to not get into that area. I was wondering if you have given any thought to it.

Mr. HEWITT. Yes. Both my personal thoughts and from accompanying the Secretary yesterday when he testified, reflecting his thoughts as well, we think there is a better way to accomplish the goal of stimulating hiring and training for target populations that need public support in hiring and training, and it is preferable to do it directly rather than through the tax system.

Mr. PATTEN. I have 37,000 unemployed in my district. If I get 3,000 jobs under all the plans I will be lucky. I am not solving the problem by any means. Do you think that is a fair statement?

Mr. HEWITT. Yes, but I don't think any one program could conceivably be of a size to solve all the problems. There is a package of programs.

GOVERNMENTAL REORGANIZATION

Mr. PATTEN. The President is going to reorganize the Government. Do you have any suggestions? Would you abolish, for instance, the Department of Employment offices? It has been suggested you know.

Mr. HEWITT. I am sure almost everything has been suggested. I don't believe that is one of the things the President will suggest.

Mr. PATTEN. What about you?

Mr. HEWITT. I certainly would not recommend that.

Mr. PATTEN. You are not recommending that?

Mr. HEWITT. No, sir.

CETA APPRAISAL

Mr. PATTEN. Are you pleased with the CETA program? We have had it now 3 or 4 years.

Mr. HEWITT. I think it is fine. I think it will improve a little bit overt he next several months. I am sure the administration will have some suggestions to make and we will be discussing that with the committee. We have submitted a bill for 1-year extension of CETA right now to accommodate the second year of the economic stimulus package, but beyond that I am sure there will be some suggestions for some permanent changes in the legislation to improve it.

Basically the decentralization of program decisionmaking, it seems to me, was an excellent idea and it has worked out well if not completely perfectly.

Mr. PATTEN. I am a depression man. I recall when 2 out of 3 persons were unemployed in my district. They just loved WPA. Every house in my district has a WPA shovel.

CETA was a godsend. It saved them from jumping off the bridge. I am glad we did something. I am just wondering if you are going to be able to continue the same program. For instance, you said you have about $500 million less, a decrease of $370 million, but you said you will still be able——

Mr. HEWITT. Yes. sir, that is because we have requested a 1977 supplemental, enough funding to advance fund a good part of 1978. So while the programs will grow in 1978, it won't require as much in new budget authority.

Mr. PATTEN. Do you think you did a good job in getting your CETA grants out?

Mr. HEWITT. Yes, sir.

Mr. PATTEN. What kind of mark would you give yourself, a 70 or 80?

Mr. HEWITT. No, I would go at least 90, probably an A minus.

Mr. PATTEN. How many people do you think you put to work as compared to our goal?

Mr. HEWITT. In fiscal year 1976 we have something approaching 2.5 million individuals go through CETA programs in all titles.

1978 SUMMER YOUTH EMPLOYMENT

Mr. PATTEN. Just one important question. One thing I am kicking around is no money in here for 1978 summer youth employment. That is like a shotgun; we vote summer employment. That is no way to operate.

Mr. HEWITT. That has happened in the past and it won't happen again.

TITLE VI

Mr. PATTEN. Toward the end of your story on temporary employment assistance you speak of the provisions of the Extension Act. You say that those who are low income, the long-term unemployed, the AFDC recipients, are going to get at least 50 percent of this money. You only refer to temporary, not the title I. title II CETA.

Mr. HEWITT. That is right, just title VI. The eligibility criteria require that all people on the new projects meet those standards of long-term unemployed and from long-term families.

Mr. PATTEN. I've run out of time. I want to tell you as far as my district is concerned I would rather spend 3 hours with you. I would like to have the company of all of you and go over this a little more so I can answer my peoples' questions when I go home. Don't you have any doubt about it, as far as I am concerned, in my district this is No. 1.

Mr. HEWITT. We will be glad to meet with you any time you would like.

Mr. FLOOD. Mr. Roybal.

POLITICAL VIOLATIONS OF CETA

Mr. ROYBAL Mr. Secretary, like Mr. Patten I am a supporter of the CETA program, but I find too many violations particularly in the field of politics. Maybe as a politician I shouldn't be saying this, but I find there are too many people employed in the offices of local political officials doing political work to the detriment of the people that CETA is supposed to be benefiting.

I have a report here that GAO made recently that indicates that 24 CETA paid employees are working for members of the Buffalo City Council and others work in the central office of the county legislature. That is only one minor incident. The fact is that every major city in the United States is in violation. I brought this up 2 years ago and the situation is still the same.

When is CETA going to start giving the people who really need the CETA program an even break? In other words, what I am asking is, when are we going to stop wasting money, by giving local political officials as many as 18 CETA workers per city councilman just to go out and do their political work?

Mr. HEWITT. I can only say that I am not familiar with that situation and will certainly have it investigated forthwith, nor am I familiar with your earlier representations on this matter; and after your comment to the Secretary yesterday morning we initiated a search to find out exactly what it was that you had informed the Employment Training Administration about and to seek the results. We just simply have to get back to you, sir, when we ascertain what transpired by virtue of your statements.

ENFORCEMENT OF CETA REGULATIONS

Mr. ROYBAL. I realize you weren't on the job 2 years ago. It was my understanding that the Department has an Office of Investigation and Compliance. What do you intend to do with it? Is it your intention to investigate the situation in every city in the United States or will you just issue an order mandating them to comply with the regulation? Wouldn't that be simpler?

Mr. HEWITT. We already have those orders out. To the extent they are not complying from place to place, they are disregarding that type of order. What we will have to do at the outset is to have our regional staffs who are more or less in daily contact with these prime sponsors review the positions that are filled to ascertain whether any of them are in violation of the no politics rules.

Mr. ROYBAL. First of all, I think the regulations are very clear. I think they say a CETA worker cannot be placed in an office of a Congressman, a city councilman, or any other elected official. That is as clear as it can be. If they are working in the office of a mayor or city councilman or anyplace else, they are in violation.

POLITICAL ACTIVITY

Mr. QUINLAN. Only if they are doing political activities, Congressman.

Mr. ROYBAL. Let's not be naive about this. If they are working for a mayor but are assigned to a particular department engaged in a community project, I would say that is perhaps not political. But if they go out and represent the mayor at community meetings, and do public relations work representing the mayor's office, that is political. I don't think a single one of these people should be assigned to the offices of any elected official. They should be placed in the offices of the various bureaus and help carry out the work of that particular bureau and not politic all over the place, as is the case at the moment with too many CETA workers assigned to elected officials all over the United States.

I made a spot check of this just to be sure that these allegations were true. You name the city, they are in violation. It seems to me that if we really want to help the CETA program along, that we ought to put a stop to this thing. Let's assign these people to meaningful community projects that may even help prepare them for future jobs.

Will your Office of Investigation and Compliance look into that?

Mr. HEWITT. Yes, sir.

Mr. ROYBAL. How long will it take?

Mr. HEWITT. If it is as widespread as you have indicated in your spot checks it will take quite a little while. But we will have to get back to you with an assessment of the situation and give you an estimate of the time frame in which we can resolve those problems.

Mr. ROYBAL. It has already taken 2 years just to get an answer saying yes, we will take a look at it. I hope it doesn't take that long to get some action.

MINORITY AND VETERAN PARTICIPATION IN CETA

I have another question. On page 23 of the justifications you state that little change in experience in minority and veteran participation rates. Does that mean minority groups are not participating?

Mr. HEWITT. I am not sure I find the reference. Is that on ETA page 23?

Mr. ROYBAL. Yes. Are minority groups participating in the program, and at what rate?

Mr. HEWITT. Yes. There was substantial participation of minorities in the program.

The title I programs, 37.0 percent of the enrollees were blacks, 1.4 percent American Indians, 6.2 percent other, and 14.0 percent were Spanish-speaking.

SPANISH SURNAMED EMPLOYEES

Mr. ROYBAL. In your own department how many Spanish-surname individuals do you have?

Mr. QUINLAN. It is 4.1 percent of the professional employees in the Employment and Training Administration.

Mr. ROYBAL. In other words, you are not doing as well in your own department as you are in the CETA program?

Mr. QUINLAN. We have done no hiring in the last 3 years, Mr. Congressman. So I would guess that our objective would be to sub-

stantially increase the minority hirings if we are fortunate to get the increase in staffing that has been requested in fiscal 1977 supplemental.

Mr. PUGH. Mr. Roybal, for the department as a whole, 3.1 percent of all professionals are Spanish surnamed.

Mr. ROYBAL. 3.1 instead of 4.5.

Mr. PUGH. The 4.5 was for the Employment and Training Administration proper.

Mr. ROYBAL. What is the overall percentage?

Mr. PUGH. The overall percentage is 3.1.

Mr. ROYBAL. Which is below the norm in the general Government. The norm in the general Government at the moment is 3.3.

Mr. QUINLAN. That would indicate the Employment Training Administration is leading the Department and our objective would be to get even further ahead with the new positions we are hoping to receive.

Mr. FLOOD. Mr. Patten.

Mr. PATTEN. What percentage of the employees are Spanish-speaking?

Mr. ANGEBRANNDT. It varies throughout the country. Our regions in Denver and California have a larger percentage than the national average. In our San Francisco region, for example 10.6 percent of the total professional staff is Spanish speaking and 9 percent of the nonprofessional staff are Spanish-speaking.

Mr. FLOOD. Mr. Conte.

AVERAGE ENROLLEE LENGTH OF SERVICE

Mr. CONTE. On page 23 of your justifications you say the enrollee level of public service employees are to serve an average of less than 4 months. The rest of the program is mandatory for a full year. The question is, how can an individual be effectively trained in that short period of time, and wouldn't the individual be in greater demand if the training period were extended?

Mr. QUINLAN. I believe, Congressman, we are talking about a longer period of enrollment. In title I we are talking about the period of time in training. That is based on the type of occupation. If the occupation doesn't require more than 90 or 120 days, that appears to be adequate, but I think one of the key facets that you are getting into here is some of our concerns about the need for more classroom training, longer term classroom training which is reflected in the proposal for title III, skill training improvement program, where we are trying to focus on a longer term training so we can get higher skill levels and ultimately produce a more effective program. This would be a program that would set the way in the future for the title I programs to follow so as to produce longer term training and ultimately produce higher wage rates for the graduates in the program. We find the same thing has occurred in the Job Corps the last several years.

We have been able to increase the average stay of an enrollee from about 3.8 months to 4.2 months. That extra 20 or 30 days has had the effect of improving substantially the placement performance of the

program. So that is true for all the programs. The longer you can keep the people, the better opportunities for better placement overall.

YOUTH PROGRAM

Mr. CONTE. In the youth program what long term career benefits will the youths have by serving in public natural resources and recreational areas, or is this program not particularly career oriented?

Mr. QUINLAN. It is focused on the same kind of learning and experience that occurred during the thirties in the CCC program. This is a direct parallel taking in people who don't necessarily need basic education but can benefit from a year's work in the outdoors activities, who reach maturity and then move on to training in some of the other programs or directly into jobs.

Mr. CONTE. What are the age brackets?

Mr. QUINLAN. Sixteen to twenty-one.

APPRENTICESHIP

Mr. CONTE. Will the apprenticeship programs be subsidized by private industry to take on trainees, and what useful functions will the apprentices themselves be performing?

Mr. HEWITT. They are of course employees when they are apprentices, so actually they are producing whatever product it is or building whatever is being built, depending on skills they are learning. We are talking about deferring some of the costs of training, not the wage costs of the apprentices, so that we can broaden the scope of the apprenticeship system in general.

There is one project, maybe Mr. Murphy can speak to that, we would like to launch on a pilot basis to see if we can do something when the apprentices are unmployed, to keep them attached to the trade.

Mr. MURPHY. Congressman Conte, you know the apprenticeship training varies but it usually averages about 3 or 4 years. Sometimes, particularly in this recession, they get to that point of no return. They get a year or 2 years of apprenticeship training and then become unemployed.

What we propose is a program that will retain them in the craft, pay them some kind of stipend, continue their training perhaps an institutional type training, but we want to try to keep them in the industry. If the employer has already expended 2 years of training and paid wages, it is a tragedy to see them lost.

Mr. CONTE. Do you need legislation for that?

Mr. MURPHY. No, I don't believe so.

WINTERIZATION

Mr. CONTE. Under the emergency weather and fuel crisis program who will be eligible for the home winterization? How does that work?

Mr. QUINLAN. At the present time, we work with the Community Services Administration for the winterization of homes of older

people, low-income people, primarily. That would be a relatively minor thing involving, for instance, additional insulation, weather stripping. That refers to the type activities we have underway at the present time.

Mr. CONTE. That's about it?

Mr. QUINLAN. Yes.

VETERANS PROGRAM LEVEL

Mr. CONTE. As to the veterans program, you cut 40 million. Are you putting less emphasis on the veterans' needs?

Mr. QUINLAN. Eighty million dollars for fiscal 1978 is a pretty stable level of about $100 million per year, and we will have the start-up problems of getting the program mounted for the balance of fiscal 1977. So I wouldn't construe that as a program reduction; we still hope to get something arount 60,000 positions out of each of the years. From our perspective we forward funded our request for fiscal 1977.

Mr. HEWITT. We would expect the number of hires, the number of slots to go up in 1978 as the dollars that are obligated toward the end of 1977 actually get spent.

Mr. CONTE. By how many more, and what is the rate of Vietnam veteran unemployment as compared to the unemployment of other people?

Mr. PATTEN. He did not say war veterans, he just said veterans coming out were not war veterans. You just say veterans in your statement.

Mr. HEWITT. We have three different veterans' initiatives. Some are beamed at Vietnam era veterans, some at all veterans, some at disabled veterans. It depends upon which particular piece of the program one is referring to.

Mr. CONTE. You can get it for the record.

Mr. QUINLAN. Let me provide that now. In terms of the number of people we expect for 1978, there is an additional 32,000. We go from 60 to 92,000.

Mr. CONTE. That's not bad.

Mr. QUINLAN. It is a carryover from the forward funding.

Mr. HEWITT. In January the unemployment rate for Vietnam era veterans was 7.6 percent, 7.3 was the rate for the entire population.

Mr. CONTE. I thought it would be much higher.

Mr. PATTEN. You said in your statement veterans 20 to 24 years of age.

Mr. HEWITT. Those are what we are proposing for an amendment when CETA is reenacted for veterans' preference.

SECRETARY'S DISCRETIONARY FUNDS

Mr. FLOOD. I would like to know a little bit more about the Secretary's discretionary fund in title I. How large is that fund in the current fiscal year, the discretionary fund? That's a nice phrase.

Mr. HEWITT. Overall, it is $228 million for title I.

Mr. FLOOD. That is certainly a substantial sum of money. Suppose you describe for us in some detail what you are spending that for. You know, there are a lot of stories about that money.

Mr. ROSS. Out of that, we have a total of $339 million in title III and title I for discretionary accounts. Out of that is $45 million for consortia bonuses; there are funds for rural projects; then a series of other projects; the apprenticeship program; the minority skill programs——

Mr. FLOOD. I am talking about title I. Those last three or four things are in title III. I am talking about title I. What is that? What are you spending the money for?

Mr. ROSS. The first ones I mentioned are all funded from title I. There are some projects in which titles I and III are commingled.

Mr. FLOOD. I understand that.

Mr. QUINLAN. The principal use of title I funds was contemplated to be for use in the hire program. If funds are provided in the supplemental appropriation, that would free up $80 million out of those funds noted in that table.

Mr. FLOOD. How much do you have in the current fiscal year? You gave me a figure; I told you we were having a lot of trouble with those funds; and I asked you what you were spending them for.

Mr. ROSS. We have to break those figures out for you in the record.

Mr. FLOOD. Do that for the record. There is a problem with that.

[The information requested follows:]

TITLE I DISCRETIONARY AND CONSORTIA FUND PLAN

	Fiscal year 1977 estimate	Fiscal year 1978 estimate
Consortia incentives	$45,000,000	$45,000,000
Rural CEPS	9,000,000	9,000,000
Prime sponsor hold harmless	5,000,000	19,000,000
Trade act activities	4,000,000	3,500,000
Evaluation of CETA decentralized program	5,000,000	5,000,000
Departmental audits of CETA prime sponsors	4,000,000	3,342,000
Offender programs	5,000,000	----------
Supported employment program	5,000,000	----------
Emergency weather and fuel crisis	10,000,000	----------
Veterans outreach	1,500,000	----------
New York ES system	1,000,000	----------
Employment security automation plan	3,000,000	14,300,000
National Commission on Unemployment Compensation	8,793,000	680,000
National Commission on Employment and Unemployment Statistics	1,500,000	----------
Departmental R.D. & E. funds	158,000	158,000
Judge Richey review commission	200,000	----------
Job service improvement program	500,000	----------
Occupational tests	150,000	----------
Occupational analysis work traits	200,000	----------
Job search information	100,000	----------
Counseling for CETA prime sponsors	120,000	----------
Employment and work demonstration projects	5,000,000	----------
Economic development demonstration projects	1,500,000	----------
Secretary's discretionary resources	112,208,000	106,820,000
Total	227,929,000	206,800,000

Note: Secretary's discretionary resources provide funds to the Secretary of Labor for needed flexibility to respond to various emergency situations and to supplement prime sponsor programs that are directed toward special segments of the population such as offenders, older workers and other persons who have particular disadvantages in the labor market.

CETA TITLE I

Mr. FLOOD. How many people participated in title I of CETA in fiscal 1976; the number?

Mr. Ross. It was almost 2 million enrollees.

Mr. FLOOD. On the average, how long does each person remain enrolled in the title I program?

Mr. HEWITT. Just over 4 months.

Mr. FLOOD. You have 5 percent set aside for what you call vocational training services. That is the one that goes to the Governors. How was that money actually used in 1976?

Mr. QUINLAN. It is used for classroom training activities. It is distributed by the Governors to the vocational agencies in each community. They use it for classroom funding of skill centers, things of that nature.

Mr. FLOOD. We understand the administrative costs under title I, CETA, run about 17 percent. Isn't that a little high?

Mr. QUINLAN. We established an objective of 20 percent. We started out in the first few years running close to 20 percent, we moved down over the past couple of years in the operation of CETA.

Mr. FLOOD. We understand it is 17.

Mr. QUINLAN. That is the figure.

Mr. FLOOD. You don't think that's high?

Mr. QUINLAN. Compared to some administrative costs we have seen in other programs I don't think it is too high. It would be too high in public service employment, however.

REPORT ON POLITICAL ABUSE CONTROL

Mr. FLOOD. Last fall we put language in the committee report on the continuing resolution requiring the Department to submit a report on the control of CETA political abuses. That was due on January 1, 2 months ago. Where is it?

Mr. PUGH. Mr. Chairman, I just happen to have it here in my hand. It will be delivered to the staff immediately after the hearings.

CETA BALANCE OF STATE PROGRAMS

Mr. FLOOD. How are the State CETA programs going; the balance of State programs? Are they as good as the other CETA program?

Mr. QUINLAN. They present more complicating operational services. The persons needing service are spread out all over the State. Their performance doesn't always match the performance of the other prime sponsors but the task is much more difficult. You are dealing with more spread out communities and they fall under the jurisdiction of the Governor because he happens to have the responsibility for the area.

PUBLIC SERVICE JOBS

Mr. FLOOD. How long, on the average, do people remain in these public service jobs?

Mr. HEWITT. A little over 8 months.

Mr. FLOOD. That's on the average?

Mr. HEWITT. On the average.

Mr. FLOOD. In this public service jobs request of yours, are you proposing to fund them through the end of fiscal 1978 or are you

proposing to go beyond that? From these justifications, we can't figure that out.

Mr. HEWITT. In the 1977 budget, we allow enough to fund 12-month projects from the inception, the startup, presumably April or May of this year.

Mr. FLOOD. Are you going to go beyond 1978?

Mr. HEWITT. We have not included money for the same kind of treatment in the 1978 budget. We have only included enough money for jobs through the end of fiscal 1978.

Mr. Ross. We have provided funding for the expansion of the program, the part over the base program for a 12-month period in both the 1977 supplemental and the 1978 request. Some of those jobs are funded through 1979, but not all of them.

Mr. PATTEN. Mr. Chairman, may I ask, do you fellows defend using our CETA money, like in the city of New York where they had 500 cops and firemen not working? If you are going to give New York City revenue sharing, give it to them; don't use my unemployment insurance money for people on civil service.

Unemployment is for those who are unemployed. This idea of them cutting their budget by using your unemployment money, I can't see that.

Mr. HEWITT. We did put administrative controls on it and we are told in the reenactment of title VI to take them off. In effect, half the resources that don't have to go into the new title VI area are subject to the requirements imposed on jurisdictions as to the use of CETA.

Mr. FLOOD. Are you sure the dollar amounts you are requesting for the public service jobs are sound? The more we look at them, the shakier they get around here.

Mr. Ross. Those are based on a phase-in schedule as to enrollment.

Mr. FLOOD. I'll tell you what you do. When you go back to the office suppose you just sit down and take another good, hard look at those figures.

OLDER AMERICANS

You want $22.6 million for title IX that's the older Americans program. What is the request going to do?

Mr. HEWITT. That request will simply carry the expanded level of the senior service employment programs on through to the end of fiscal year 1978. There is money already in the 1977 budget for about a 50-percent increase starting July 1, 1977. There are now 15,000 jobs being supported. The money already in the budget will run their programs at 22,600 for 1 year, through the end of June 1978. The money we have requested will run at the same level through the end of the fiscal year or September 30, 1978.

Mr. FLOOD. Are all the States getting into the act?

Mr. HEWITT. Yes, sir. They are not all covered by the five national contractors, the cost of which will be about $75 million. The balance, $15 million, will go to the States.

Mr. FLOOD. They will all get into the act.

Mr. PATTEN. Mr. Chairman, may I ask, as to the older Americans, he said it was only for 3 months.

Mr. HEWITT. The last 3 months of 1978. The first 9 months are already funded under the 1977 appropriation.

BILL LANGUAGE

Mr. FLOOD. Take a look at your appropriation language on the employment and training assistance account. We talked about the point of order language, section 4(e), last week. Remember?

Mr. HEWITT. Yes, sir.

Mr. FLOOD. I would like someone to explain today the purpose of that proviso. Why do you need that proviso? Why can't it be deleted?

Mr. HEWITT. All of that kind of activity is necessary for operating the projects.

Mr. FLOOD. You remember I raised the question about the point of order?

Mr. HEWITT. Yes, sir.

Mr. ZUCK. The point of order goes primarily to the limitation on section 4(e).

Mr. FLOOD. You are talking about motor vehicles, purchase of property, et cetera. How many motor vehicles? What are you talking about?

Mr. ZUCK. We don't have any in the Employment and Training Administration. This covers the Interior and Agriculture centers and the funds we give them for the Job Corps centers. They need the authority to renovate buildings, have automobiles, trucks and that kind of thing. It is not for Labor purposes; we have no limousines.

APPRENTICESHIP

Mr. FLOOD. How much are you requesting in 1978 for the apprenticeship program?

Mr. HEWITT. $59 million.

Mr. FLOOD. How much of an increase is that?

Mr. HEWITT. $20 million.

TITLE III BREAKDOWN

Mr. FLOOD. For the record, give us a breakdown of the figures you show for "other national programs" under title III of CETA.

[The information requested follows:]

TITLE III OTHER NATIONAL PROGRAM FUND PLAN

	Fiscal year 1977 estimate	Fiscal year 1978 estimate
New apprenticeship initiatives	$39,000,000	$59,000,000
Minority skilled training	38,063,000	41,263,000
Promotion and development	21,887,000	22,883,000
Community based organizations	5,850,000	5,850,000
Current population survey	3,900,000	----------
School to work program	3,000,000	----------
Occupational information service	2,792,000	----------
Special emphasis program (bonding grants)	700,000	700,000
Total	115,192,000	129,700,000

CONTINUOUS LONGITUDINAL MANPOWER SURVEY

Mr. FLOOD. Now, quote, "Continuous Longitudinal Manpower Survey." What is that?

Mr. HEWITT. It costs a very considerable sum. It is the main component of our system for evaluating the effects of CETA. What we are doing is selecting on a scientific basis—the Bureau of Census is doing it for us and we have to pay them handsomely—a sample of 15,000 enrollees each year. We follow them up on a longitudinal basis each 3 years. We get all the enrollee's characteristics when he first comes into the program; we find out what happens to him when he gets out of the program; and years later, how much he has been earning. We contrast that with a comparison group, people who don't get this type of service and training but have the same type characteristics, to determine the impact on that individual's earnings as a result of going through the program.

We want to know whether the individual is getting anything out of it. Whether their earnings are increased by going through this program or not. The longitudinal survey follows up on the same individual periodically.

Mr. FLOOD. You told us everything except the cost.

Mr. HEWITT. About $5 million a year.

Mr. FLOOD. Take a look at your program administration requests.

Mr. PATTEN. Mr. Chairman, can we have the results of those studies?

Mr. HEWITT. Yes, sir; as soon as the results are in. This started with enrollees the first calendar quarter of 1975. We have just gotten the first followup on those enrollees. It takes about 6 to 8 months for the Census Bureau to run the data around in their computers. There is a good deal of lag. But we will be getting conclusive results in 1978.

CONTINUOUS WAGE BENEFIT HISTORY

Mr. FLOOD. What is the continuous wage benefit history project? Why do you need $850,000 to fund that in 1978?

Mr. HEWITT. That is a similar kind of activity which identifiies individuals who are claimants for unemployment compensation and it tracks, on a scientific basis, those unemployment insurance beneficiaries in terms of their spells of unemployment. It gives data on their wage history, employment history and, hopefully, ascertains whether unemployment insurance benefits have disincentive effects in terms of the surge for work of individuals who have drawn unemployment benefits. That is the sort of policy information we are provided. The only way you can get it is to know more about the claimants.

TRAVEL COSTS

Mr. FLOOD. Your travel costs, why are they going up by $1,326,000? That is 20 percent in 1978.

Mr. ROSS. To accommodate the new staff. We have a request in the supplemental for 537 additional staff, and for 43 additional staff in the 1978 request. In addition to that, we anticipate a heavy travel load in the implementation of these new programs.

SERVICES OF OTHER AGENCIES

Mr. FLOOD. You are asking for $657,000 for "services of other agencies." What is that money for?

Mr. ROSS. I will have to get you information on the use of that money.

Mr. HEWITT. It could well be the kind of thing——

Mr. FLOOD. It could well be. I am sure of that. I want to know what it is.

[The information follows:]

The $657,000 provides funds for a research and training program as authorized by Public Law 91-373, the Employment Security Amendments of 1970. The act mandated that Federal and State personnel be adequately trained to carry out effectively and efficiently the administration of the unemployment compensation program. This provision assures that at all times adequate information will be available to provide a well-informed basis for administrative and legislative decisions.

EQUIPMENT COSTS

Mr. FLOOD. Why do you need an increase of $438,000 for equipment when you are only asking for 43 new positions? What in the world are you going to buy those people?

Mr. ROSS. This increase not only relates to the additional 43 staff in fiscal year 1978, but, also to the 537 staff increase requested in the 1977 supplemental.

Mr. FLOOD. What are you going to buy them?

Mr. ROSS. Desks, typewriters, and other types of equipment. Again, this increase relates partly to the jobs which were encompassed in the 1977 supplemental.

Mr. FLOOD. You were here last week for the supplemental. What is it doing here?

Mr. ROSS. The costs were lapsed by 50 percent for the 537 positions. Those were only partial-year costs. We are now asking full-year costs for these positions in the 1978 budget.

Mr. FLOOD. You are going to buy desks, and what else?

Mr. ROSS. Typewriters, calculators, and all the things we need to equip new staff people.

NATIONAL OFFICE EMPLOYMENT

Mr. FLOOD. Now, under "Budget activity 2," how many of those jobs are in the national office?

Mr. ROSS. As of January 31, 1977, there were 3,580 employees on board. Of these 1,360 were in the national office and 2,220 were in the regional offices.

UNEMPLOYMENT INSURANCE SERVICE STAFF

Mr. FLOOD. You want 10 new positions in the Unemployment Insurance Service. Why?

Mr. ROSS. We have done an intensive study over the past year of our staffing in the regional offices. It was revealed that we didn't have enough staff in the regions. It varied from region to region. The un-

employment insurance program didn't have enough staff to monitor State agencies, principally in fraud control and benefit payment control.

FINANCIAL MANAGEMENT

Mr. FLOOD. What about the 20 new positions for "Executive direction and management"?

Mr. ROSS. Again, those are located in the regional offices and are exclusively in the area of financial management activities.

One of the things we have been criticized for in the last several years is problems with the financial systems of CETA prime sponsors. This intensive study we did, indicated a need for additional staff in that area.

Mr. FLOOD. Mr. Natcher.

Mr. NATCHER. No questions.

FISCAL YEAR 1977 SUPPLEMENTAL

Mr. CONTE. On page ETA–36, the first paragraph states a figure of $250 million. Will you clarify this and tell me what changes you intend to make in that area?

Mr. QUINLAN. That is the supplemental request for 1977. The item is $200 million. Essentially, there is front-end loading in that program as well.

Mr. CONTE. You will be able to keep the same enrollment with those funds?

Mr. QUINLAN. Yes.

CETA TRAINEES

Mr. CONTE. What plans do you have in your CETA programs in title III and title VI funds to respond to the persons who have finished their training and are still seeking employment?

Mr. QUINLAN. Those people who have not been successfully placed after completion of training, or out of the PSE program?

Mr. CONTE. After finishing training.

Mr. QUINLAN. Those people in the public service employment don't have any particular discrete period of time. We will be moving into that when we move into the 12-month projects. We will hope to be able to move people directly into jobs or into additional classroom training from the public service program so they will be able to be continuously employed, not just stay on public service jobs forever.

APPRENTICE JOB MARKET

Mr. CONTE. When you are looking at the apprentices do you look at the job market to see where the need is?

Mr. HEWITT. Our initiatives in the apprenticeship program area have identified industries and occupations where all indications are there will be some substantial agreement in employment such as in the auto industry and where there are very few trained craftsmen. So, yes, we do look at their likelihood of being successful and getting employment but that is characteristic of the apprenticeship program, when the enrollee is indentured he is on the job.

We are also looking into the health field.

Mr. MURPHY. If I may refer to the chairman's remark as to discretionary funds. Thank God, like in the last days of Caesar, in the last days of Bill Usery, he decided to take some of that discretionary money and put it into apprenticeship. We are hoping to develop some fine training for young people.

YOUTH PROGRAMS

Mr. CONTE. I think the Job Corps has good potential. You mentioned doing forestry work. I introduced legislation to reinstitute the old CCC camps, bring in young people from 19 to 24. We have been dragging our feet on this one. This has a tremendous potential. It has a lasting effect, not like a lot of the CETA jobs.

You have forestry work that was done by the CCC which is still around today after some 47 years.

Mr. QUINLAN. We think we can get 50,000 young people on very quickly, using the existing CETA legislation without having to necessarily go through the authorizing processes of either House.

Mr. CONTE. Would they be limited to the Federal forests?

Mr. QUINLAN. Primary the national parks and national forests. There is, however, an arrangement to work with the State forest.

Mr. CONTE. We should definitely look at that. We don't have a national forest where I come from, but we do have high unemployment.

Mr. MURPHY. I am an alumnus of the CCC, back in the thirties. I was only a kid in New York. They took us out to the west coast, and they took us into a national forest. Then when winter came they took us on to the other side of Washington, then we worked in a state park.

Mr. CONTE. We had a lot of CCC camps in the forties. They did a fantastic job.

Mr. MURPHY. Go right down to the Appalachian Trail.

Mr. ROYBAL. I went to the CCC camps and I believe that the program was the best thing that has ever happened to this country. It is by far the best thing any President has done, for the youth of this country. Had I not gone to the CCC camps, I wouldn't be here today. It would be great to reestablish the camps today.

Mr. CONTE. Those kids wouldn't get in trouble; they would work a good hard day. At night they're tired. I would even go further in expanding that, so you could set up temporary shelters and teach them a trade out there. We have surplus equipment from the ordnance centers, and it wouldn't be that much trouble to teach these young people a trade so when the training is over they can take it with them. It makes a lot of sense.

Mr. PATTEN. Mr. Chairman, may I just say a word.

EMPLOYMENT SERVICE

On terminology, sometimes you call it the unemployment insurance, then you say it is employment service, in all the States where they use these terms are they consistent?

Mr. HEWITT. We have the unemployment insurance program, the employment service and it is the employment service officers where people go, hopefully, to get referred for jobs. It is the unemployment insurance offices where they go to collect their benefits.

Mr. PATTEN. I read in the paper the number of recruiters has increased 20 percent.

Mr. HEWITT. That has nothing to do with us.

Mr. PATTEN. You pick up the Sunday paper and you see big ads. That doesn't seem to have to do with you. Big firms advertise in the paper and, of course, thousands apply. What are you? Low man on the totem pole? Are you ignored when a fellow needs a junior executive, a foreman?

Mr. HEWITT. There are 50 offices and they are all considerably different. The ones which are the most used by employers probably don't receive more than 45 or 50 percent of the job openings in their States; that would be high. On the nationwide average, it is something more like a third. It is something we are trying to work at.

Mr. PATTEN. In my building I have two employment offices which are private. Those people seem to put more people to work than the public employment office. When I want somebody employed, I go to my private employment offices; I get results. I was not being facetious when I asked, "Can we abolish the U.S. Employment Service?"

You think it is worthwhile?

Mr. HEWITT. Yes.

JOB CORPS

Mr. ROYBAL. Mr. Chairman, I have just one other question, if we have time. You have a program called the Job Corps buying system.

Mr. QUINLAN. It has been our desire to move the Job Corps closer to the CETA financing. What we have been trying to do is have prime sponsors buy either residential or nonresidential spots in Job Corps centers. At the same time, we want to be able to provide additional resources to the Job Corps to improve the centers, to make them a more desirable place to live, to fix up the dorm areas, etc., using the quality training in the center and using the availability of the persons needing training plus the prime sponsors to pull the operation together.

Mr. ROYBAL. How much does it cost to operate the Job Corps buy-in system?

Mr. QUINLAN. On the average of from $5,000 to $5,500 per individual.

Mr. ROYBAL. About $5,500 per individual?

Mr. QUINLAN. That is correct.

Mr. ROYBAL. How many individuals are involved in that?

Mr. QUINLAN. Just a handful. It just got started when this committee provided additional funds for fiscal year 1977, so I am not sure the buy-in procedure will provide many subscribers.

I think the buy-in program is something we have some experience in relating the CETA prime sponsors to the Job Corps, but I am not sure it will be a long-term program.

Mr. ROYBAL. Isn't $5,500 for an individual rather high?

Mr. QUINLAN. I don't believe so, if that individual stays with the Job Corps. Per year, the Job Corps costs about $9,400. The program with Agriculture and Interior, the initial proposals have been $11,000 per position, per year.

Mr. ROYBAL. This is $5,500 in addition to that?

Mr. QUINLAN. No; this is buying a position for a person for the length of time required for training.

Mr. ROYBAL. Do I understand you correctly that the average cost is $9,500 but under this system it would be $5,500?

Mr. QUINLAN. It would be cheaper because we would be paying the limited training costs, so it is less expensive than in normal circumstances. That was done to provide a more attractive benefit for prime sponsors to utilize.

Mr. FLOOD. Thank you very much, gentlemen.

[NOTE.—The following questions were submitted by members of the subcommittee with the request that they be answered for the record.]

BY MR. CONTE

Question. What are the reasons for expansion and implementation of the work equity program?

Response. The work equity program concept directly addresses a high priority issue under the new administration; namely, how to provide adequate jobs and training opportunities for persons on income transfer programs who are able to work. A major test of the work equity program is being developed in the State of Minnesota, and it is expected that operations will be started in fiscal year 1977. In fiscal year 1978, sizable additional funding will be required for this project, both for project operations and for the research. In addition, several other States have submitted proposals which would involve testing variations of the basic concept. It is expected that one or more of these proposals will be funded in fiscal year 1978. Variations which may merit testing in separate projects include direct involvement of the private-for-profit sector in running public-type activities; the development of new markets under initial public sponsorship to generate additional jobs; saturation job creation vis-a-vis the total number of unemployed in an area; and different modes of administering the work requirements.

Question. What steps have been taken to strengthen CETA's program performance since the 1976 decision to emphasize performance rather than implementation?

Response. While it is true that the Department made an initial decision to emphasize implementation of the Comprehensive Employment and Training Act legislation over performance. I want to assure you that we did not ignore prime sponsor performance.

As you indicated, during 1976, several processes were developed for improving and monitoring performance by grantees. These new processes will be in addition to the regular onsite monitoring to evaluate performance. These processes include the development of program indicators, standardized grant development review guidelines, and a system of program assessment. In addition, we are continuing to emphasize effective planning and are providing assistance in this area as appropriate. Such assistance includes training through regional training institutes. We intend to continue to emphasize quality performance and in this respect we anticipate refining the systems and processes which have already been put in place in order to assure that there is, in fact, quality performance by all prime sponsors.

We are also considering a new intensive review system which will be designed to review performance on a regional basis.

Question. Has the SESA/CETA relationship produced any changes in the placement rate of trainees?

Response. We feel that the Comprehensive Employment and Training Act prime sponsor's relationship with the State employment security agencies is proving to be a very productive relationship for both parties. We are not in a position, however, to state one way or the other as to whether this relationship is resulting in any changes in the placement rate. Such a determination really cannot be made unless it was possible to isolate all of the other factors which have an effect upon the placement rate.

For example, you could have a significant increase in the placement rate as a result of the relationship but because of outside factors such as a declining economy, the net effect could be a reduction in the overall placement rate.

However, despite the difficulty of measuring the impact of the relationship, we are confident that it is and will continue to work for the benefit of the Comprehensive Employment and Training Act clientele.

Question. What are the results of the nine demonstration projects designed to test various SESA/CETA relationships through division responsibilities? Has any progress been made?

Response. The Department approved nine sites for negotiation of grants to implement model projects to demonstrate effective Comprehensive Employment and Training Act/Employment Service linkages in November 1976. To date, grants (totaling $1,031,039) for eight of the nine projects have been negotiated and signed. These projects are presently being implemented and will continue through December 1977.

A contract has been let to conduct an evaluation of the progress and problems involved in the implementation of these projects. The information gained will be utilized by the Employment and Training Administration to provide technical assistance to other prime sponsors in coordinating programs with local employment service deliverers and to supplement other sources of information in development of Comprehensive Employment and Training Act/Employment Service coordination policy. The final report of the contractor is due in February 1978.

Question. CETA has sponsored programs within the criminal justice system. What changes, if any, have you been aware of in the return rate of exoffenders who have received funding for job training?

Response. Except for some earlier research experiments initiated prior to the enactment of the Comprehensive Employment and Training Act and conducted under the auspices of the Experimental Manpower Laboratory at Draper, Ala., the Department has only one rigorous study which yields reliable data on this subject.

The only study is that of the LIFE (Living Insurance for the Exoffender) program in Baltimore designed specifically to measure the impact on recidivism of financial aid to high-risk offenders recently released from prison. Of the 432 men participating in the experiment between 1971 and 1974, one-fourth received both employment assistance and a stipend of $60 per week for 13 weeks; another one-fourth received only the financial assistance; still another one-fourth received only the job service, and the remaining one-fourth, the control group, received no assistance at all.

In summary form, the study indicates that "the number of men arrested for crimes of theft (as well as the returns to prison) can be reduced perceptibly by providing exinmates with a small weekly income, in amounts roughly equivalent to average unemployment compensation benefits, for a few months after their departure from prison."

The study disclosed three significant impacts with respect to recidivism.

First, financial aid reduced crimes of theft but not crimes of violence. During the first year after release, 22.2 percent of those receiving money assistance were arrested for theft crimes compared to 30.5 percent of those not receiving money assistance. That differential represents an effective reduction of 27 percent in the potential number of arrests for such crimes, attributable to the financial assistance. The rates were not statistically significant among the groups for rates of arrest for crimes of violence.

Second, financial aid deferred recidivism. The financial assistance terminated 13 weeks after release, but its impact included extending the time during which recipients avoided contacts with law enforcement authorities. For those without financial aid after release, the median week of arrest (for theft crimes) was the 27th week; for those who did receive financial aid, the median week of arrest was the 34th week.

Third, financial aid resulted in fewer convictions. Regardless of the nature of crimes with which they were charged, those who received financial aid were less likely to be convicted than those not receiving money assistance (26 percent versus 32 percent and were less likely to be returned to prison (17 percent versus 20 percent).

Finally, the difference in arrest rates of recipients and nonrecipients of financial assistance was established by the sixth month following release from prison; but the difference presisted for another 18 months with no more than a small change.

Since the completion of the Baltimore LIFE experiment, the Department has launched a larger-scale version of the same concept in the States of Georgia and Texas. The new project, denominated TARP (Transitional Aid Research Project) has expanded demographically to include women offenders, first offenders, and inmates with drug and alcohol abuse histories. The financial assistance

stipends are pegged to the average unemployment compensation payment in each State, and the size of the experimental and control groups is considerably larger. The TARP experiment will conclude at the end of fiscal year 1977.

Question. Under employment and training assistance the apprenticeship program will increase by almost 200 percent. Why then are you planning an administrative increase of only 13 positions and $892,000? Will this be adequate to handle the large program increase?

Response. The increase of 13 positions and $892,000 will be sufficient if Congress approves the 1977 supplemental, which requests 32 positions and $531,000 for expanded apprenticeship services under the President's economic stimulus program. Thus, we are requesting a total of 45 positions and $1,423,000 over the current funding level.

The considerable program dollar increase represents activities characterized as new initiatives in apprenticeship, and they represent new and innovative activities that by their nature are somewhat difficult to plan for precisely in terms of administrative needs and to some extent they are activities which will require phasing in over a period of time. Experience may prove this increase insufficient, but as the planned new initiatives become fully operational, it will become considerably easier to precisely determine staff needs.

Question. How do you plan to meet the need for better and more extensive dissemination of materials with the huge increase in the apprenticeship program?

Response. The Federal Committee on Apprenticeship has recommended the establishment in the Bureau of Apprenticeship and Training a Clearinghouse of Information on Apprenticeship. The Employment and Training Administration's Office of Policy, Evaluation, and Research has plans to fund the development of this clearinghouse and BAT will then staff and operate it. The functions of this clearinghouse will include collecting, documenting, cataloging, preparing synopsis, issuing periodic bulletins, and reproducing and distributing materials relative to successful innovative administrative and training practices, methods, techniques, research studies, evaluation studies, demonstration projects and other notable developments taking place in apprenticeship.

Question. You propose to improve the quality and quantity of the Employment Service. Will the $339,000 administrative increase be sufficient?

Response. The $339,000 administrative increase in fiscal year 1978 will be sufficient to improve the quality and quantity of the Employment Service activities. If experience proves this increase to be insufficient, additional resources will be requested as needed.

Question. Your request seems to indicate that veterans have easy access to informational material and its sources regarding possible help from the ES. Is this an accurate judgment or do you feel that veterans are not adequately informed about the existence of these beneficial programs?

Response. Veterans do have access to information about Employment Service assistance available to them. Such information is provided by the Department of Labor pamphlets and publications and Veterans' Administration booklets during preseparation briefings. However, there is a problem of the veteran remembering where to go for employment assistance when he needs it. We have just undertaken an extensive outreach and public information program which will focus on telling veterans, prospective employers, and the public in general about the kinds of programs available to veterans and where they should go for help. It will be handled on a nationwide basis using all public media, from television and radio advertising to billboards to newspaper and magazine releases. We feel that the need for keeping veterans informed is a continuing thing and we are trying to do just that.

Question. As a whole, how permanent are these title III jobs? What will prevent an individual from running into the same problem that they have with CETA, which is, being trained but then finding that there is no place for them to use their newly developed skills?

Response. In the coming months the Department of Labor will undertake a number of programmatic initiatives inteneded to provide for increased involvement on the part of the private sector in the hiring and training of veterans. The most visible of these will be the HIRE (Help through Industry Retraining and Employment) program. The purpose of the HIRE program will be to have the private sector, first hire veterans at the ongoing wages and give them on-the-job training within their place of business. The difference here is

that the veteran is hired first, receives wages and on-the-job training in an institutional environment and then looks for employment.

Question. In your opinion, would it be desirable to coordinate Veterans Cost of Instruction (VCIP) and title III veterans programs to, first educate, and then provide jobs within a cohesive network of placement information?

Response. I think that it is not only desirable, but being accomplished informally to a degree at this time. At least there is a high measure of cooperation. Local offices of the public employment service are knowledgeable of the educational assistance available to veterans at VCIP offices in local educational institutions. These employment service offices in their direct service and outreach activities are alert to the education and training needs of veterans and refer them or arrange for contact with outreach personnel from VCIP. Conversely, VCIP personnel from local educational institutions are just as aware of the employment service assistance available to veterans at employment service offices and advise and refer veterans for such assistance.

Question. If an effort is made to make all veterans aware of opportunities available to them do you foresee a reaction which will render Labor, HEW, and the VA incapable of providing services granted under law?

Response. An outreach effort to attract eligible veterans to programs funded by the Department of Labor would certainly increase the number of veterans to be served. However, at this time we do not anticipate that those numbers would be so great as to preclude these eligible veterans from services. Further, because of such anticipated initiatives as the substantial increase in public service employment, the HIRE program, and the disabled veterans outreach service, we feel confident that there will be ample opportunities for those eligible veterans who seek them.

Question. In 1974 Congress directed HEW, the Department of Labor, and the VA to work together to inform veterans of their G.I. bill opportunities and job opportunities. What has been done and how do you plan to make improvements in this joint effort?

Response: The Department, in consultation and cooperation with the Administrator of Veterans' Affairs and the Secretary of the Department of Health, Education, and Welfare, has initiated a variety of outreach and public information programs to offer maximum jobs and training opportunities to veterans. These services are being coordinated through the Interagency Jobs for Veterans Advisory Committee. To assit in this effort, an additional 32 State employment service staff were assigned to Veterans' Administration one-stop Veterans Assistance Centers. The Department has published three pamphlets designed to provide information to veterans and employers on veterans entitlement. They are. Out of the Service and Looking for a Job? Here's Help!; Veterans for Hire: Good Business; and Federal Contractor Job Listing.

We have also recently published a directive to the regional administrators announcing the implementation of a new veterans information and outreach campaign. The campaign will use public service announcements on radio and television, advertisements and articles in newspapers and magazines, billboards, placards, and other communications media to concentrate on: educating employers on their responsibilities under the mandatory job listing program; promoting a national job-a-thon for veterans and improving the image of veterans regarding their employability; educating veterans and eligible persons about their employment rights and benefits; and informing veterans, especially disabled veterans, of the employment opportunities available with the employment service.

Question. I am concerned about the effectiveness of the title II public service employment program. My office has received many complaints from people who have gotten training under title II and then been unable to continue their employment. The State and local governments, for one reason or another, will not hire a great number of the trainees. Would you comment on this problem and tell us what solutions you have to increase State and local followup responsibilities?

Response. The purpose of title II of the Comprehensive Employment and Training Act is to provide transitional employment to unemployed and underemployed persons in jobs providing needed public services.

While most public service trainees who have gained experience and skills in public service employment jobs would make excellent permanent employees, the tremendous increase in public service employment over the last few years has

made it difficult for all to be absorbed. In fact, each time one is absorbed, he or she will probably be replaced in a public service employment position by a person who will not be absorbed.

Local government revenues are shrinking in many places as a result of the downturn the economy has taken in recent years limiting the budgets at the local level and preventing any large scale transition effort.

Prime sponsors can alleviate the problem somewhat by:

1. Explaining clearly the nature of public service employment positions to applicants and their limited expectations of absorption to regular unsubsidized jobs.
2. Placing fixed duration of public service employment jobs.
3. Providing placement assistance throughout the period of employment and especially as the end of subsidized employment draws near. Encouragement should be given to participants to continue seeking unsubsidized employment and taking it if it becomes available.
4. Creating public service employment jobs such that experience and skill acquired will be transferable to private sector in the local labor market.

Question. Do you foresee any substantial changes to be made in CETA after September 30, 1978? If so, what are they?

Response. From the long-range standpoint, over the coming months we will assess the need for both substantive and technical amendments to CETA. We feel that the 1-year extension now being sought for CETA will provide us with additional time to carefully review the many recommendations to amend CETA that have been made, as well as develop our own proposals. While we are at this time proposing a 1-year extension of title VI of CETA, any future legislation that carries this program beyond fiscal year 1978 must contain mechanisms that will phase down the program as unemployment falls. We will inform Congress by May 15 of the outline of any such CETA legislation for fiscal year 1979 which we may wish to propose.

BY MR. MICHEL

Question. Is it true that current Labor Department policy restricts prime sponsors from using CETA title I funds to involve private industry in the job training process?

Reponse. No, it is not true. The OJT portion of the title I program requires the integral involvement of private industry in the training process. Further, for classroom training, we encourage private industry participation on the prime sponsor's planning council, thereby insuring private industry impact on the entire title I training process. Although, it should be noted that title I dollars are not to be used to pay wages of participants in the private sector.

Question. Is the Labor Department planning any steps or legislative recommendations that would bring about greater business involvement in the Title I program?

Response. We are seeking ways to simplify the OJT portion of the title I program. We are doing this presently, within the current law, by simplifying the CETA regulations wherever possible. We will also recommend that in the extension of the CETA act, the involvement of the private sector in all training, but especially OJT, be facilitated through simplification of program requirements.

Additionally, it is hoped that through our experience with programs like HIRE we will be able to bring about greater involvement of the business sector in title I programs.

Question. Almost half the enrollees under title I are involved in the so-called work experience program. Doesn't this work experience really involve simply placing people in jobs performing various and sundry tasks for local governing bodies?

Response. The purpose of work experience is to provide participants with experience with set working hours, receiving a regular pay check and generally the things that an employer expects of an employee. It also serves as a source of income earned. Work sites that provide work experience positions use the participants who fill their positions in a variety of ways. This would include such occupations as maintenance engineers, secretaries, and recreation aides.

Question. Is there any actual job training involved in work experience activities? If so, what types and to what extent?

Response. While the intent of work experience is not necessarily job training, but job experience, there is some such training involved in certain cases. This would be true especially in the case of secretaries, recreation aides, health aides, and teacher aides. The extent of the training depends upon the individuals involved.

Individuals may be enrolled in work experience programs while at the same time be enrolled in a training program, thereby providing a comprehensive approach to meeting the needs of the individuals.

Question. Why is public service employment (to the tune of some 87,800 jobs in fiscal year 1978) being funded under title I? I thought title I is supposed to emphasize training?

Response. Prime sponsors under the act may utilize title I funds to provide any type of program or service authorized under the act. This would include public service employment. It is up to each individual prime sponsor to determine the type of program or service for which to utilize available funds.

Where prime sponsors are using title I funds for public service employment, it is because they have determined that this is the most feasible program giving the economic conditions which exist in their areas.

It should be noted that this 87,800 level represents only 4 percent of the total number of participants estimated to be served under title I in fiscal year 1978. This level represents the estimated number of enrollees to enter an estimated 22,300 slots in fiscal year 1978. However, with the public service employment expansion for titles II and VI, it is assumed that the number of public service employment slots will decrease for title I programs.

Question. What does this category under title I entitled "other activities" involve, and what is the justification for it?

Response. "Other activities" includes special efforts by prime sponsors that do not fit readily into the standard employment and training reporting categories. Such activities may include, but are not limited to: (1) removal of artificial barriers to employment, (2) job restructuring, (3) revision or establishment of merit systems, and (4) development and implementation of affirmative action plans. "Other activities" may, in the long run, have a significant impact on improving employment opportunities for the clientele that CETA is designed to serve.

Question. Do "other activities" involve any actual job training?

Response. Given the nature of "other activities," it is unlikely that actual job training is involved. Rather, it represents staff time in planning and developmental efforts.

Question. In those activities under title I that do involve training, how is the type of training that is provided determined?

Response. Under title I of the Comprehensive Employment and Training Act, each local prime sponsor is responsible for determining the type of training that it will provide. Each prime sponsor has a planning council, which is intended to represent the key segments of the community that are effected by or impact on employment and training, including education, labor, business and the target population. The council serves to advise staff planners and reviews plans during their development. There are several factors which the prime sponsor must take into consideration, and describe in its grant application, in planning these training activities. An analysis of the needs of the area must include a description of the economic conditions and of the labor force of the area. The population groups most in need of services must also be described. The reasons for selecting specific training activities must then be described in relation to meeting target groups and labor market needs. Principal occupational and educational courses planned and duration of training for each are to be included in the description of the training activity, and these courses are required to be in skill shortage occupations for which there is reasonable expectation of employment.

By requiring that the prime sponsor describe its consideration of the factors listed above in its grant application, the Employment and Training Administration is attempting to assure that at least these are taken into consideration by the prime sponsor in designing training activities, in order that the training relates to occupations in which job openings are more likely to be available to the program participant upon completion of the activity.

Question. Does the on-the-job training category involve public jobs or private jobs?

Response. It is allowable to enter into on-the-job training agreements with both public and private agencies. In actual practice, most agreements with public and private nonprofit agencies involve public service employment or work experience. Most on-the-job training agreements are with private for profit employers.

Question. Is there much shifting around of people among the various categories under title I? Do they, in other words, move from classroom training to on-the-job training, etc.?

Response. It is possible for participants to move from one component such as classroom training to another such as on-the-job training. It is also possible for an individual to be enrolled in two such components at the same time, say classroom training in the morning and on-the-job training in the afternoon.

Whether or not this occurs would be dependent on what kinds of assistance the individual involved needs in order to obtain and retain appropriate employment.

Question. According to your latest figures, only 28 percent of the enrollees under title I were placed in or took jobs upon leaving the program. This figure has been gradually declining. Last year you told us it was 31 percent. What is the explanation for this?

Response. The correct figure for the number of enrollees in the title I program placed in jobs in fiscal year 1976 upon leaving the program is 31 percent rather than 28 percent as indicated in your question. This is less than 1 percentage point decline over fiscal year 1975. This reflects the continuance of a depressed economy during fiscal year 1976. However, termination in the "other positive status" increased by about 6 percentage points in fiscal year 1976 over fiscal year 1975. This increased the total positive termination status, which includes placement in jobs, from approximately 63 percent in fiscal year 1975 to 68 percent in fiscal year 1976. Other positive status includes individuals who terminated from the program and enrolled full-time in an academic or vocational school, entered a branch of the Armed Forces, enrolled in a manpower program not funded under CETA or enrolled in another CETA title and those who successfully completed training for whom entrance into unsubsidized employment is not a program objective such as acquiring a high school equivalency certificate or completing upgrading training.

Question. Only 6.4 percent of title I enrollees represent individuals receiving unemployment insurance. Why such a small number? Aren't the unemployment insurance offices referring beneficiaries to this program?

Response. Title I programs are aimed primarily at the structurally unemployed. Most individuals receiving unemployment compensation would not fall into the structurally unemployed category. Most have a strong attachment to the labor force and are temporarily unemployed due to economic conditions within their area.

Question. Last year we were told that there would be some results in 1976 from this longitudinal study which is seeking to determine what happens to CETA enrollees when they leave the program. Do we have some results, and if so, what do they show?

Response. We have started to receive initial followup data, but it is only for early dropouts and short-term participants. It still involves too small a sample to be able to yield a reliable picture, and there are technical prob'ems on adequate identification of "termination" dates. The initial indications are that, 3 months after leaving the program, the early terminees (from other than the youth work programs) tend to be employed at a significantly higher rate than they were 3 months before entering the program, but that as many as 25 percent are still or again unemployed.

A preliminary report on data from followup 18 months after entry, for participants enrolled January through June 1975, wi'l be available about May, and should provide the first meaningful indications of how both short and longer-term enrollees fare after leaving the program.

Question. Would you set out for us the criteria you are using to determine whether title VI public service jobs projects meet the requirements of the law that these jobs not duplicate jobs normally funded by local governing bodies?

Response. The proposed regulations for Title VI cite four basic requirements for projects, namely, that they:

(1) will be completed within a definable time period, not exceeding 1 year;
(2) will have a public service objective;
(3) will result in a specific product or accomplishment; and

(4) would otherwise not be done with the project and activities applicant's existing funds.

In addition, it is expected that prime sponsors give consideration to providing a substantial portion of project funds to nonprofit agencies.

Accordingly, the prime sponsor is directed away from maintenance of effort or substitution problems through the 1 year limit and operation of projects separate from governmental operations in nonprofit agencies. The regular maintenance of effort restrictions for title VI also apply to projects.

Question. A substantial expansion in the apprenticeship program is being proposed. What types of training will this involve? Will it be in the construction field, or will it concentrate mainly on other areas? I ask this question, because with the relatively high unemployment rate in the construction field, there certainly is a question whether we need any more people in that area, at least at this time.

Response. Plans call for implementation of the new initiatives in apprenticeship on a phased basis. The first phase of these initiatives is primarily an effort to expand apprenticeship opportunities in highly skilled occupations, and to promote apprenticeship in industries that have traditionally not utilized the apprenticeship concept to its potential. Areas of program emphasis are the health, auto repair, energy/petroleum/mining and government sectors of the economy. An expansion of apprenticeship into new areas will serve to increase skill opportunities for minorities, women, and veterans. The construction industry is advanced in its establishment of an administrative structure for training, and a high percentage of all registered apprentices is now in the construction industry. The construction industry is not targeted for these first phased efforts. The second phase of the new initiatives focuses efforts more directly at the unemployment problem. In areas experiencing high levels of unemployment, it is planned that program activities will be implemented to enable apprentices during periods of such unemployment to continue their skill development, their attachments to and knowledge about the trades they have entered.

Question. The Commissioner of the Immigration and Naturalization Service states that "at least 1 million illegal aliens are holding good jobs that pay well" and that probably another "2 or 3 million are holding lesser paying jobs." Has the Labor Department undertaken a survey in this regard, and are these figures generally accurate?

Reponse. The Department of Labor has not undertaken such a suvey, and we cannot comment on the accuracy of the figures. However, the Department did fund a survey of 793 apprehended illegal aliens which found that most of the respondents were unskilled or semiskilled workers employed in low-level jobs; their average hourly wage was $2.71; about a fifth appeared to have been paid less than the minimum wage; and 16 percent were union members.

The researchers suggest that the presence of illegal aliens causes displacement of low-skill legal resident workers and depresses labor standards. The researchers recommend that it be made unlawful for employers to hire illegal aliens.

Question. (If no survey has been undertaken.) Does the problem of illegal aliens concern you, and do you have any plans to try and ascertain its impact on the job market?

Response. The problem of illegal immigration is of great concern to the Department. We cannot attain a full employment policy without taking into account the supply and impact of illegal as well as legal immigration.

In addition to the research we already have funded, namely, an exploratory study of the characteristics and role of illegal aliens in the U.S. labor market based on interviews with 793 apprehended illegal aliens, we are about to support a project to examine the social and labor force characteristics of a population of nonapprehended illegal aliens in Los Angeles.

We also are interested in supporting new research, for example, to examine the employment demand for illegal aliens, and to determine the labor market impact of illegal aliens in the U.S. Southwest.

Question. The Immigration Service indicates that at least a million jobs could be opened up if we had legislation on the books making employment of illegal aliens illegal. Would you agree?

Response. Although we have no clearcut information on the number of jobs that would open up if legislation made the employment of illegal aliens illegal, there surely would be a substantial number of job openings.

We support the need for such legislation. Since the prime incentive for the movement of illegal alien workers is economic, one of the more effective ways to reduce that incentive is to make it illegal for U.S. employers to hire them.

Question. Do you know how many illegal aliens receive unemployment benefits?

Response. No. The application forms currently in use do not seek this information since it does not in any way affect an individual's rights to benefits under State laws as they now stand.

Question. I understand that in my State of Illinois, if illegal aliens are employed in the State, they are entitled under State law to unemployment benefits. In how many other States is this also the case?

Response. No State law currently provides for denying benefits to illegal aliens if they have amassed sufficient wage credits and are otherwise eligible. Of course, this situation will change by January 1, 1978, when all States, under the provisions of Public Law 94–566, will be required to deny benefits to such individuals.

Question. Apparently the Labor Department has determined that experience gained by an illegal alien will be accepted as part of the labor certification process in a subsequent visa application. Is this true, and if so, doesn't such a policy reward rather than restrict the practice of illegal alien employment?

Response. he phrasing of this question suggests that there may be some misunderstanding of the Department of Labor's legal authority under the immigration law, as well as the operations of the Department's labor certification process. The Department's authority under the law relates primarily to the admission of immigrant aliens into the United States for purposes of employment. To carry out this assignment, the Department is responsible for certifying that there are no sufficient resident U.S. workers available for the job offered to the alien, and that the wages and working conditions associated with the job will not adversely affect U.S. workers. The Department's responsibility thus relates primarily to the nature and legitimacy of the job offer, and not to the qualifications of the alien whom the employer may wish to hire if U.S. workers cannot be recruited to fill the job.

The immigration law does not give the Department of Labor any authority to penalize or apply sanctions to aliens who have been working illegally in the U.S. (or to employers who employ them). Actually, Congress just touched on this question itself last year, as part of the 1976 amendments to the Immigration and Nationality Act (passed in October 1976 and effective January 1977). In this legislation, the Congress mandated only one additional penalty to be applied against persons working illegally in the U.S. Under the provisions of this legislation, such persons must leave the U.S. before they can apply for an adjustment in their status from a nonimmigrant (usually visitor's) status to that of an immigrant alien.

Question. How many American citizens are receiving unemployment benefits because illegal aliens are holding jobs our citizens otherwise might fill?

Response. By the very nature of their unlawful activities, it is impossible to estimate, with any degree of accuracy, the number of jobs being filled by illegal aliens that could otherwise be filled by American citizens receiving unemployment benefits.

Question. What is the total dollar cost of such benefits?

Response. We don't have sufficient data to provide you with this information.

BY MR. ROYBAL

Question. You are running a program called the Community Service Employment for Older Americans. You indicate that it will provide 22,600 jobs at a unit cost of $4,009 per job.

How much of this $4,009 will go to the senior citizen?

Response. The figure of $4,009 is an estimate of the cost of each position. The estimate includes enrollee wages, benefits, administrative cost as well as enrollee support service like medical, and transportation services. No less than $3,408 goes directly to the benefit of the enrollee.

Question. What is the amount of overhead or administrative cost connected with this program?

Response. Program regulations require that administrative cost not exceed 15 percent. The program is currently operated by 5 national sponsors which have an overall administrative cost of less than 13 percent.

Question. What type of jobs do these older Americans do?

Response. They provide a wide variety of public services. Enrollees may be found working in such jobs as teacher's aides, home care aides, recreation aides, groundskeepers, nutrition aides, guards, and clerk typists.

Question. Are some of the participants in this program on Social Security?

Response. Yes, many of the participants receive Social Security. However, it should be understood that all participants upon entering the program are economically disadvantaged as determined by their family income.

Question. Don't they lose some of their Social Security benefits by participating in the program?

Response. In a few cases, participants have experienced reductions in their Social Security benefits because of the additional funds earned under the Senior Community Service Employment program. However, in order to avoid this situation the projects allow participants to take leave without pay. In this way they avoid earning amounts which result in reductions in their Social Security benefits. This, of course, is left up to the individual participant, so that he may decide if he wants to reduce the number of hours worked or have his Social Security reduced.

Question. Have you considered a pass-through so they don't lose benefits?

Response. We have not considered a pass-through procedure since the present one, that of leave-without-pay, has proven satisfactory. I might add we have had very few complaints on this matter.

Question. The Carter stimulus proposal will double the size of the present public service jobs program. How can we accommodate such a large increase in such a short period of time and still provide meaningful jobs?

Response. We share your concern about this problem. However, we have taken several steps already, designed to give prime sponsor enough lead time to develop meaningful jobs and to prepare for the large increase of new participants. Preliminary guidelines for implementing this expanded program have already been developed and transmitted to prime sponsors. We have conducted training for both our regional office and prime sponsor staff. If we assume that funds will become available around April 1, prime sponsors will have had close to two months to plan for the expanded program.

Further, we have implemented procedures which allow prime sponsors to stagger both the development of new meaningful positions and the enrollment of new participants. Current plans call for having 25 percent of the new participants on-board by April 30; 50 percent by May 31; 75 percent by June 30 and 100 percent by September 30, 1977. The grant arrangement which has been developed allows prime sponsors to develop projects throughout the entire six-month period. Therefore, the actual development of meaningful jobs will occur over almost an eight-month period.

Question. I have cosponsored a bill which would give employers a tax credit for hiring certain long term unemployed. This bill is similar to a law which gives a tax credit for hiring people who have participated in the work incentive program. Has such an idea been considered by the administration?

Response. The administration has not considered such an idea. According to a study of the WIN tax credit and the welfare employment tax credit, only 11 percent of the surveyed employers said that either credit was a requisite condition or a significant factor in their hiring decisions.

In 4 years, the number of WIN tax credits as a percent of total job entries ranged from 22 to 15 percent with 15 percent in the last 2 years of the period studied. Ninety-five percent of the interviewed employers who received the WIN tax credit said they would have hired the employees without the credit.

At the time of the study, the welfare tax credit was in effect for less than 2 years. It was used much less frequently than the WIN tax credit.

The Tax Reform Act of 1976 made changes in the provisions of both tax credits. For the WIN tax credit, the employer must repay the credit if the employee is dismissed before the end of the first 90 days rather than the previously required 12 months of employment. Also, the amount of the credit was increased. For the welfare tax credit, the last date of hire for which a credit can be claimed was extended from June 30, 1976 to December 31, 1979.

Certifications now can be issued by the WIN offices in addition to State and local welfare agencies.

We think no new tax credit issues should be considered until we have assessed the impact of the new provisions to determine if such intentions actually will result in employers hiring significant numbers of unemployed persons.

Question. Specifically what are we doing to stimulate job creation in the private sector?

Response. In the coming months the Department of Labor will undertake a number of programmatic initiatives intended to provide for increased involvement on the part of the private sector in federally supported employment and training efforts. The most visible of these new initiatives will be the HIRE (help through industry retraining and employment) program. The HIRE program, which will be launched in the very near future with funds available under CETA, has been designed to make private sector job and training opportunities available to unemployed disabled and Vietnam-era veterans through the Nation's major corporations. This program will be run by the Department from Washington, D.C., and will provide an estimated 60,000 to 80,000 job training opportunities by the end of fiscal year 1977 and an equivalent number in fiscal year 1978. In addition to the HIRE program, other Department of Labor initiatives directed to the private sector will include: The skill training improvement program (STIP), under which special grants will be made to CETA prime sponsors for projects oriented specifically to the private sector; the vocational exploration program (VEP) which will, under the sponsoring of the National Alliance of Businessmen and the Human Resources Development Institute, expose young people to the private sector jobs and careers found in their community; and efforts to strengthen and improve apprenticeship training programs in private industry.

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JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

For expenses of administering employment and training programs, [$69,774,000] *$91,487,000,* together with not to exceed [$30,887,000] *$33,814,000,* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund, and of which [$5,598,000] *$5,941,000* shall be for carrying into effect the provisions of 38 U.S.C. 2001-2003.

P.L. 93-203, the Comprehensive Employment and Training Act of 1973, authorization expires September 30, 1977. Additional authorizing legislation is being proposed. Extension of this Act has been transmitted to Congress, but no action has been taken to date.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Amounts Available for Obligation

	1977			1978 Estimate		
	Trust Fund	General Fund	Total	Trust Fund	General Fund	Total
Appropriation or Estimate	$30,887,000	$69,774,000	$100,661,000	$33,814,000	$91,487,000	$125,301,000
Proposed Supplemental for Pay Costs	+ 1,247,000	+ 2,051,000	+ 3,298,000	---	---	---
Proposed Program Supplemental	+ 201,000	+ 8,793,000	+ 8,994,000	---	---	---
Budget Authority, Total Amount Available for Obligations	32,335,000	80,618,000	112,953,000	33,814,000	91,487,000	125,301,000

PROGRAM ADMINISTRATION

Summary of Changes

	Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1977 Appropriation	1,098	$30,887,000	2,196	$69,774,000	3,294	$100,661,000
Proposed Supplemental for pay costs	---	+1,247,000	---	+2,051,000	---	+3,298,000
Proposed Program Supplemental	+12	+201,000	+525	+8,793,000	+537	+8,994,000
1977 Revised Estimate	1,110	32,335,000	2,721	80,618,000	3,831	112,953,000
1978 Estimate	1,120	33,814,000	2,754	91,487,000	3,874	125,301,000
Total Change	+10	+1,479,000	+33	+10,869,000	+43	+12,348,000

	Base						Change					
	Trust Fund		General Fund		Total Estimate		Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Mandatory Items:												
Increases:												
Net additional cost of within-grade promotions effective part year in 1977							--	+$164,000	--	+$287,000	--	+$451,000
Net cost of within-grade promotions becoming effective in 1978							--	+150,000	--	+257,000	--	+407,000
To provide for printing costs for the Dictionary of Occupational Titles							--	+150,000	--	---	--	+150,000
To provide for increased travel costs							--	---	--	+196,000	--	+196,000
To provide for increase in contributions to the Federal Employees' Compensation Funds							--	+33,000	--	+176,000	--	+209,000
To provide for increased rental of space costs							--	---	--	+1,047,000	--	+1,047,000
To provide full year funding of 50 new positions authorized in Fiscal Year 1977							--	---	--	+775,000	--	+775,000
To provide for increased personnel benefits costs							--	+40,000	--	+75,000	--	+115,000
To provide full year funding for the increase of 537 positions in 1977							--	+201,000	--	+8,732,000	--	+8,933,000
To provide full year costs for pay increase effective October 10, 1976 (P.L. 94-82)							--	+30,000	--	+64,000	--	+94,000
Subtotal, Increases							--	+768,000	--	+11,609,000	--	+12,377,000

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	Base						Change					
	Trust Fund		General Fund		Total Estimate		Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Decreases:												
To provide for a net reduction in administrative support services							--	-155,000	--	-495,000	--	-650,000
To provide for decrease in contractual services							--	-94,000	--	-751,000	--	-845,000
To provide for one less day of pay in 1978							--	-70,000	--	-149,000	--	-219,000
Subtotal, decreases							--	-319,000	--	-1,395,000	--	-1,714,000
Total, Mandatory Items							--	+649,000	--	+10,214,000	--	+10,863,000
Program Items:												
Increases:												
To provide for funding of 10 new positions for technical assistance to State agencies for unemployment compensation programs (page 33)	301	10,037,000	49	1,341,000	350	11,378,000	+10	+180,000	--	---	+10	+180,000
To provide funding of 20 new positions for technical assistance to prime sponsors for employment and training programs (page 46)	111	1,920,000	427	17,046,000	538	21,326,000	--	---	+20	+365,000	+20	+365,000
To provide funding of 13 new positions for apprenticeship and training services (page 25)	--	---	495	13,254,000	495	13,254,000	--	---	+13	+290,000	+13	+290,000
To provide funding for the Continuous Wage Benefit History Project (page 51)	--	---	--	---	--	---	--	+850,000	--	---	--	+850,000
Total, Program Items							+10	+1,030,000	+33	+655,000	+43	+1,685,000
Total Change							+10	+1,679,000	+33	+10,869,000	+43	+12,548,000

EMPLOYMENT AND TRAINING ADMINISTRATION PA-5

PROGRAM ADMINISTRATION

Explanation of Changes

Mandatory Items:

Increases:

Net additional costs of within-grade promotion costs effective part year in 1977, $451,000. This is included in the activities as follows: Planning, Evaluation and Research, $25,000; Comprehensive Employment Development, $163,000; Apprenticeship Services, $60,000; United States Employment Service, $98,000; Unemployment Insurance Service, $44,000; Investigation and Compliance, $6,000; Executive Direction and Management, $55,000.

Net additional costs of within-grade promotion costs becoming effective in 1978, $407,000. This is included in the activities as follows: Planning, Evaluation and Research, $23,000; Comprehensive Employment Development, $145,000; Apprenticeship Services, $52,000; United States Employment Service, $82,000; Unemployment Insurance Service, $46,000; Investigation and Compliance, $7,000; Executive Direction and Management, $52,000.

Increase costs to provide for printing costs for the Dictionary of Occupational Titles, $150,000. This is included in the United States Employment Service activity.

Increase costs to provide for travel, $196,000. This is included in the activities as follows: Planning, Evaluation and Research, $9,000; Comprehensive Employment Development, $81,000; Apprenticeship Services, $28,000; United States Employment Service, $25,000; Unemployment Insurance Service, $28,000; Investigation and Compliance, $5,000; Executive Direction and Management, $20,000.

Increase in contribution to Federal Employees' Compensation Fund, $209,000. This is included in the activities as follows: Planning, Evaluation and Research, $12,000; Comprehensive Employment Development, $97,000; Apprenticeship Services, $47,000; United States Employment Service, $14,000; Unemployment Insurance Service, $5,000; Executive Direction and Management, $34,000.

Increased costs of owned or leased space to be reimbursed to the General Services Administration, $1,047,000. This is included in the activities as follows: Planning, Evaluation and Research, $148,000; Comprehensive Employment Development, $404,000; Apprenticeship Services, $118,000; United States Employment Service, $7,000; Unemployment Insurance Service, $86,000; Investigation and Compliance, $76,000; Executive Direction and Management, $208,000.

Full year funding of 50 new positions authorized in Fiscal Year 1977, $775,000. This is included in the activities as follows: Comprehensive Employment Development, $445,000; Unemployment Insurance Service, $180,000; Executive Direction and Management, $150,000.

Increase costs to provide for increased personnel benefits costs, $115,000. This is included in the activities as follows: Planning, Evaluation and Research, $10,000; Comprehensive Employment Development, $41,000; Apprenticeship Services, $14,000; United States Employment Service, $18,000; Unemployment Insurance Service, $12,000; Investigation and Compliance, $2,000; Executive Direction and Management, $18,000.

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Full year funding for the increase of 537 positions in Fiscal Year 1977, $8,933,000. This is included in the activities as follows: Planning, Evaluation, and Research, $206,000; Comprehensive Employment Development, $6,755,000; Apprenticeship Services, $539,000; United States Employment Services, $166,000; Investigation and Compliance, $32,000; Executive Direction and Management, $1,235,000.

Net additional costs to provide full year funding of the October 1976 pay raise, $94,000. This is included in the activities as follows: Planning, Evaluation and Research, $4,000; Comprehensive Employment Development, $33,000; Apprenticeship Services, $12,000; United States Employment Service, $15,000; Unemployment Insurance Service, $10,000; Investigation and Compliance, $2,000; Executive Direction and Management, $18,000.

Decreases:

To provide for a reduction in administrative support services, $650,000. This is included in the activities as follows: Planning, Evaluation and Research, $64,000; Comprehensive Employment Development, $308,000; Apprenticeship, Services, $151,000; United States Employment Service, $191,000; Unemployment Insurance Service, $93,000; Investigation and Compliance, $22,000; Executive Direction and Management, $+179,000.

To provide for a decrease in contractual services, $845,000. This is included in the activities as follows: Planning, Evaluation and Research, $48,000; Comprehensive Employment Development, $403,000; Apprenticeship Services, $86,000; United States Employment Service, $5,000; Unemployment Insurance Service, $12,000; Investigation and Compliance, $10,000; Executive Direction and Management, $281,000.

One less day of pay in 1978 than in 1977, $219,000. This is included in the activities as follows: Planning, Evaluation and Research, $10,000; Comprehensive Employment Development, $80,000; Apprenticeship Services, $31,000; United States Employment Service, $40,000; Unemployment Insurance Service, $23,000; Investigation and Compliance, $4,000; Executive Direction and Management, $31,000.

Program Items:

Increases:

New Positions

Apprenticeship Services: An increase of 13 positions and $290,000 are requested to provide for expanded apprenticeship and training services.

Unemployment Insurance Service: An increase of 10 positions and $180,000 are requested to provide for technical assistance to the State Agencies for unemployment compensation programs.

Executive Direction and Management: An increase of 20 positions and $365,000 are requested to provide for technical assistance to the prime sponsors for employment and training programs.

Unemployment Insurance Service: An increase of $850,000 is requested to provide funding for the Continuous Wage Benefit History project.

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Planning, evaluation and research	172	$5,400,000	172	$5,715,000	--	$+315,000
2. Comprehensive employment development	1,607	44,158,000	1,607	51,531,000	--	+7,373,000
3. Apprenticeship service	495	13,254,000	508	14,146,000	+13	+892,000
4. U.S. employment service	603	15,530,000	603	15,869,000	--	+339,000
5. Unemployment insurance service	350	11,378,000	360	12,691,000	+10	+1,313,000
6. Investigation and compliance	66	1,907,000	66	2,001,000	--	+94,000
7. Executive direction and management	538	21,326,000	558	23,348,000	+20	+2,022,000
Total obligations by activity	3,831	112,953,000	3,874	125,301,000	+43	+12,348,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
Total number of permanent positions..	3,831	3,874	+43
Positions other than permanent.....	48	48	---
Average number of all employees.....	3,402	3,708	+306
Personnel Compensation:			
Permanent positions.....	$74,219,000	$81,231,000	$+7,012,000
Positions other than permanent..	774,000	774,000	---
Other personnel compensation....	676,000	676,000	---
11 Total personnel compensation....	75,669,000	82,681,000	$+7,012,000
12 Personnel benefits.....	6,896,000	7,881,000	+ 985,000
21 Travel and transportation of persons.....	6,432,000	7,758,000	+1,326,000
22 Transportation of things.....	243,000	278,000	+ 35,000
23 Rent, communications, and utilities.....	2,434,000	3,237,000	+ 803,000
Standard Level User Charges	5,036,000	6,083,000	+1,047,000
24 Printing and reproduction.....	1,188,000	1,486,000	+ 298,000
25 Other services.....	13,218,000	13,459,000	+ 241,000
Service of other agencies..	657,000	657,000	---
26 Supplies and materials.....	378,000	541,000	+ 163,000
31 Equipment.....	802,000	1,240,000	+ 438,000
Total, obligations by object.....	112,953,000	125,301,000	+12,348,000
Working Capital Fund items included above.....	(10,419,000)	(10,432,000)	(+13,000)

Action on Congressional
Recommendations

No specific actions recommended.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
Comprehensive Employment and Training Act of 1973, as amended.....	Indefinite	$64,999,000	1/	$74,388,000
National Apprenticeship Act of 1937.....	Indefinite	13,254,000	Indefinite	14,146,000
Trade Expansion Act of 1962..... Trade Act of 1974.....	Indefinite	1,080,000	Indefinite	1,457,000
Veterans' Employment and Readjustment Act of 1972, as amended.....	Indefinite	5,824,000	Indefinite	5,941,000
Civil Rights Act of 1964.....	Indefinite	1,261,000	Indefinite	1,283,000
Immigration and Nationality Act.....	Indefinite	1,087,000	Indefinite	1,080,000
Wagner-Peyser Act of 1933, as amended.....	Indefinite	13,731,000	Indefinite	14,066,000
Social Security Act of 1935, as amended.....	Indefinite	9,757,000	Indefinite	10,980,000
Emergency Jobs and Unemployment Assistance Act of 1974 and Emergency Unemployment Compensation Act of 1974.....	Indefinite	1,960,000	Indefinite	1,960,000

1/ Authorization expires September 30, 1977; extension legislation is proposed.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	64,603,000	60,696,000	60,696,000	60,696,000
1970	73,721,000	48,639,000	73,721,000	72,930,000
1971	81,493,000	79,990,000	79,990,000	79,725,000
1972	88,459,000	62,152,000	88,359,000	88,359,000
1973	89,289,000	90,266,500	90,266,500	90,266,500
1974	98,528,000	98,528,000	98,528,000	98,528,000
1975	95,428,000	96,924,000	95,924,000	95,674,000
1976	98,773,000	98,967,000	98,967,000	98,967,000
Transition Quarter	24,395,000	24,948,000	24,948,000	24,948,000
1977	100,867,000	100,661,000	101,261,000	100,661,000
Pay Cost Supplemental Pending	3,298,000			
Proposed Program Supplemental	8,994,000			
1978	125,301,000			

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Activity 1. Planning, Evaluation and Research (1977, $5,400,000, Pos. 172; 1978, $5,715,000, Pos. 172)

Narrative Description of Program

This activity, authorized by the Comprehensive Employment and Training Act (CETA) of 1973, as amended, provides for the principal planning, policy development, program and legislative analysis, evaluation, research and development and labor market information staff capability in the Employment and Training Administration. The staff develops new concepts and program approaches devoted to major policy issues; provides leadership in strategic and program planning and review; coordinates the Employment and Training Administration legislative program; administers a program of staff and contract evaluation studies; plans and administers external research and development projects and coordinates research within components of the Employment and Training Administration and other agencies with responsibilities in this field; plans, edits, coordinates, prepares substantive analysis for and supervises publication of the annual Employment and Training Report of the President; conducts a comprehensive system of labor market information on a national, State, local, and other appropriate basis; and implements a National Occupational Information Service.

In 1976, as the Comprehensive Employment and Training Act emphasis continued to shift from implementation to strengthening program performance, research and development programs focused on further development of new project initiatives and concentrated on monitoring and implementing new operational research, pilots, and model demonstrations concerned with local level delivery systems, supportive services and problems of groups with severe labor force difficulties.

Work continued on improving the overall effectiveness of employment service activities. Research in the unemployment insurance area focused on the effects of benefit levels and their duration on recipients and potential policy and program implications. Research and development efforts concentrated on studying and refining large scale multi-state experiments in full operational context and reviewing preliminary experience for general applications. These projects were aimed at reducing criminal recidivism; providing supported work environments for addicts and alcoholics; and improving job search and mobility assistance to unemployed workers. The program continued to concentrate on broader long-term social and economic issues and problems, including support of the national longitudinal surveys of labor force behavior, discrimination in employment labor market analyses, illegal immigrant problems and the quality of working life. Special emphasis was given to implementation of a model network for transmission of research and development findings to local operating levels.

The evaluation staff gave principal priority to the development of the long-term evaluation of decentralized programs under the Comprehensive Employment and Training Act. Most notably, it launched the Continuous Longitudinal Manpower Survey, which is already providing detailed data on the characteristics and preprogram employment and earnings experience of a national sample of enrollees in the decentralized programs. The staff also developed a design for a Job Corps evaluation, initiated a pilot study of the impact of the Employment Service, and completed special field studies of (a) the new Regional Training Centers through which the Employment and Training Administration is providing staff training for prime sponsors under the Comprehensive Employment and

Training Act, and (b) the patterns and problems in the relationships between local prime sponsors and State Employment Security agencies.

The planning and policy analysis staff engaged in extensive analysis of economic conditions and their potential effects on the Employment and Training Administration programs. Attention was focused on the development of programmatic contingencies to accomodate various economic scenarios.

Legislative service on a wide range of employment and training legislation culminated in the enactment by Congress of: the Emergency Jobs Programs Extension Act; Unemployment Compensation Amendments; Veterans' Education and Employment Assistance Act; Amendment to the Public Works and Economic Development Act; and vocational education amendments to provide numerous administrative and policymaking linkages between CETA and vocational education programs.

Emphasis was placed on improvement of the overall management of the labor market information system; increased monitoring of regional and State programs, and annual onsite reviews; technical assistance and training for both producers and users of labor market information; establishing core product requirements; and the development of techniques for analyzing and using labor market information.

Other activities included assisting States, through the National Occupational Information Service grants programs, in the development of systems to provide occupational information to young persons in the process of career exploration and decisionmaking.

In the Transition Quarter, research staff concentrated on monitoring and reviewing new fiscal year 1976 projects to assure smooth transition to full operational status along with continuing administration of ongoing research and development activities. Special priority was placed on planning and development of several major new large-scale demonstrations, including the Work Equity Demonstration scheduled to start early in fiscal year 1977. The evaluation staff carried forward activities initiated in 1976. During the quarter, work was started on evaluating the progress and problems in the administration of the worker adjustment assistance provisions under the Trade Act of 1974.

During the Transition Quarter, legislation testimony was prepared for Employment and Training Administration witnesses for use in Washington and various regional cities during Congressional hearings on the administration of the United States Employment Service and oversight hearings on the Comprehensive Employment and Training Act (CETA). The planning and policy analysis staff concentrated on drafting a series of position papers for inclusion in the interim strategic planning process. The National Occupational Information Service funded State Occupational Information Service in Washington, Michigan, Minnesota, and Colorado. The labor market information programs and services were maintained at the fiscal year 1976 level.

In 1977, the research and development program staff is continuing to monitor and test the viability and applicability of large scale multistate operational demonstrations of new institutional arrangements and techniques developed to provide solutions to special employment problems. Projects include supported work, income maintenance for ex-prisoners, employment services for minority professional women and interarea job search and relocation assistance. The research and development program provides for identification of operational problems in local employment and training programs and delivery systems and initiating research responsive to these needs. Areas of staff concentration include local program organization and management, appropriate units for area-wide planning, involvement of the private sector in employment and training programs, establishment of a national registry of CETA personnel, assessment

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of the effectiveness of the USES job information service, and testing the job banks system for job search and relocation purposes.

With the onslaught of new and expanded employment and training programs to increase jobs and expand training opportunities in 1977, it will become necessary to expand the current research and development programs in order to determine the most effective methods of improving the Nation's employment and training programs and to evaluate their costs in relationship to their effectiveness.

A major new thrust of the research and development program is a large scale work equity demonstration that would convert various welfare benefits into guaranteed work or training. Special attention is also being given to the development of a series of concept papers highlighting the employment problems and needs of Hispanic groups, development of a strategy for youth transition into work, research emphasis on the employment problems of older workers, and the training needs of American Indians.

Staff efforts will continue to emphasize research on general economic and social issues at the macro level including labor force behavior, studies of immigration and illegals, discrimination and occupational licensing, and alternative forms of public sector employment. Efforts will also continue to focus on expanding utilization and dissemination of research and development findings to local level program users through newly developed systems of regional linkages.

Program staff continues to monitor and follow up on the operation of the Manpower Institutional Grant Centers (MIG), which are engaged in the training of local CETA program practitioners and administrators; carry out the Small Grants program which has developed some of the Nation's most outstanding employment and training experts; and produce the statutory required President's Employment and Training report.

The evaluation staff is engaged primarily in evaluations of the decentralized programs conducted by State and local governments under the Comprehensive Employment and Training Act. Through tracking of a national sample of participants in such programs, it will provide the first data on participants' initial post-program employment and earnings experience this year. Other major activities in progress are an evaluation of the Job Corps' economic impact on its participants and a pilot evaluation of the Employment Service system to provide the methodology and guidance necessary for a comprehensive economic evaluation of that system. The evalution staff is also undertaking to expand several types of staff activities, principally: (a) development of prime sponsors' methods under the Comprehensive Employment and Training Act, by which they may evaluate their own activities and develop more knowledgeable and effective management of such activities, and (b) provide special attention to efforts for gaining more effective awareness and utilization of the findings of completed evaluation studies.

The new economic stimulus employment and training programs, and the new efforts directed to particularly needy groups, will be accompanied by specific evaluation activities to assess their efficacy. Such evaluation will be necessary to enable knowledgeable modification and improvement of such programs to guide future resource allocation to the more effective approaches.

In 1977, the planning and policy analysis staff will devote substantial resources to an indepth analysis of major issues facing ETA over the next two years as a first effort toward strategic planning. Legislative efforts will be directed toward securing extension of the Comprehensive Employment and Training Act (CETA).

Labor market information staff efforts will concentrate on the improvement and expansion of the computer-assisted labor market analysis system; further developmental work on labor supply estimating methods for States and local areas, and a generalized occupational information program to meet the needs of all users is currently in progress; further identification of training needs of both the

producers (States) and users of labor market information and improved capability to provide technical assistance, and increase the development and utilization of labor market information. The National Occupational Information Service will continue to expand and improve the systems being developed in States.

In 1978, research and development staff resources will be directed at continuing review, monitoring, technical guidance, elaboration, and implementation of ongoing projects and the development of a number of major new initiatives. A major research and development experimental activity scheduled for large scale expansion and implementation this year is the Work Equity Program which will substitute training and employment for income transfer payments through the UI program, and other similar benefit programs. Another major experiment will be to determine if improving the work test in income transfer programs will facilitate employment for recipients. Staff will continue to focus on developing new models and prototypes directed at the employment problems of special groups, improving CETA program performance, strengthening the operation of employment and unemployment insurance services, increasing the effectiveness of the Nation's apprenticeship system and addressing major economic and social issues including intensive analysis of the National Longitudinal Surveys.

Staff attention will be given to such ongoing projects as Supported Work, job placement techniques for minority professionals, job search and relocation and income maintenance to newly released prisoners. Special emphasis will be on transitioning the earlier experimental work in these areas into full operational contexts and/or legislative proposals. Work will continue on the monitoring and reviewing the Manpower Institutional Grant program (MIG), the administration of the Small Grants program, and preparation of the annual Employment and Training Report of the President.

Utilization activities in 1978 will stress further refinement and implementation of regional linkages and continue production of research and development materials geared to local operational use.

Evaluation staff will concentrate on carrying forward the major evaluations of the decentralized programs under the Comprehensive Employment and Training Act, the Job Corps and the Employment Service. It will also be conducting studies of selected other program activities, determined in part by study findings in 1977 and by new needs emerging from issues and initiatives arising in 1977. Expanded attention is also planned for efforts to guide prime sponsors on methods for conducting and using evaluation as part of their responsibilities for effective management of the programs they conduct under the Comprehsnsive Employment and Training Act.

The policy and planning staff will extend the strategic planning process beyond the 2-year period initiated in 1977 and institutionalize the procedure. Legislative refinements of Employment and Training Administration legislation and programs may include, changes in the relationship between income maintenance/replacement programs and employment/training programs; updating legislation of the Employment Service; new or modified employment/training programs to respond more effectively to changes in the business cycle; and measures to deal with youth employment.

Labor market information staff work will place increased emphasis on the training of new and journeyman labor market analysts to improve the quality as well as quantity of labor market information; identification of new core requirements; integration of administrative data into the ongoing labor market analysis computer system; and improvement of population and labor supply estimating models.

The National Occupational Information Service staff will be working with expanded activities in 8 to 12 additional States.

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Changes for 1978

Mandatory changes amount to	+$315,000
Program changes amount to	NONE
Positions	NONE

Mandatory changes include increases for within-grade promotion costs, $48,000; travel costs, $9,000; the Federal Employees' Compensation fund, $12,000; owned or leased space, $148,000; personnel benefits costs, $10,000; full-year costs for increased pay, $4,000; full-year funding for the increase of 16 positions in 1977, $206,000; and a decrease of $64,000 for administrative support services; $48,000 for contractual services; and $10,000 for one less day of pay in 1978.

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Activity 2. Comprehensive Employment Development (1977, $44,158,000, Pos. 1,607; 1978, $51,531,000, Pos. 1,607)

Narrative Description of Program

The national office staff develops the overall program policies, objectives and strategies necessary for the operation of work and training programs authorized under titles I, II, III, IV, and VI of the Comprehensive Employment and Training Act (CETA) of 1973, as amended. These activities include the development and promulgation of rules, regulations and standards for carrying out employment and training programs by State and local governments serving as prime sponsors; designing and providing planning guidance and program techniques and materials to enhance the capability of prime sponsors to operate their programs; and assessing program performance on a nationwide basis. The staff administers programs involving work and training opportunities which can most appropriately be accomplished at the national level. These include major employment and training programs which Congress has deemed appropriate to be directed from the national level for special client groups, such as provided for under sections 302 and 303 of the act (Migrant and Seasonal Farmworkers programs and other Native Americans Programs).

The national office staff also provides leadership, overall direction and guidance for the administration of the Job Corps and related educational and vocational training for disadvantaged youth through the overall development of program policies, objectives and strategies necessary for the operation of education and training programs authorized under Title IV of the Comprehensive Employment and Training Act (CETA) of 1973. These activities include the development and dissemination of rules, regulations and standards necessary for carrying out programs of vocational training, education, counseling, and other support services for low income, disadvantaged youth.

In 1976, proposed revisions to the 1975 rules and regulations for titles I and II were developed and published in the Federal Register on April 9, 1976. After extensive comments received from prime sponsors, public interest groups, Congressional offices, unions, State vocational education agencies, other Federal Departments, and the general public, final regulations were published in the Federal Register on June 25, 1976.

In 1976, there was a shift in CETA from an emphasis on program implementation to an emphasis on the improvement of program performance. The first year and a half of operations under CETA was heavily influenced by difficulties associated with the first year of a new program and by the economic downturn in 1974-75. With the initial problems of program implementation resolved, the staff shifted its attention to the improvement of prime sponsors' program performance during fiscal year 1976. The national office, along with the regional offices, undertook several initiatives designed to aid prime sponsors in their planning and operation of effective programs under CETA. Significant among these initiatives were the development of projects to demonstrate program coordination activities between CETA and State Employment Security Agencies (SESAs), Job Corps and the Community Economic Development Program; the development of technical assistance and training materials for prime sponsors; the design of prime sponsor performance assessment criteria; and the development of grant review guidelines.

During fiscal year 1976, emphasis was placed on enhancing the relationship between the Employment Service and CETA prime sponsors in local communities. A technical assistance guide was published and distributed to all prime sponsors and SESA's to assist them in becoming working partners. This Guide details the assistance available through the SESA's, and describes which services can be provided without reimbursement from the prime sponsor and which services will be treated on an "added cost" basis. In addition, instructions were issued to all SESA's encouraging them to aggressively seek coordination in local employment and training programs by establishing effective working relationships, by making their capabilities known and by offering their principal product, free placement services, to every prime sponsor. In further support of the program coordination, ETA is currently in the process of funding nine demonstration projects to test various SESA/CETA relationships through divisions of responsibilities according to

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functions performed. A total of nine projects have been accepted for funding, contingent upon grant negotiations with regional offices. The projects are in the following locations: Vermont Balance of State, Atlantic County, New Jersey, Baltimore Consortium, Memphis-Shelby County Consortium, Rockford Consortium, Cleveland Area Consortium, Dallas County Consortium, City/County Denver, and Alameda County. The funding process is expected to be completed in calendar year 1976 with the projects operating through fiscal year 1977.

In order to encourage better cooperation, and thereby linkages, between prime sponsors and Job Corps, a coordination model was developed and brought to the attention of program operators in fiscal year 1976. The model, called the Job Corps Buy-In-System, established procedures for prime sponsors to buy training slots in Job Corps Centers. It is anticipated that a cooperative relationship between CETA prime sponsors and Job Corps Centers will achieve the integrated delivery of manpower services mandated by the Comprehensive Employment and Training Act.

In 1976, the Departments of Labor, Commerce, and Housing and Urban Development funded a joint Community Economic Development Program which is a research and demonstration effort designed to test various approaches for combining public and private efforts as a common support for economic improvement and the creation of additional jobs for disadvantaged and moderate income groups. Ten cities, with characteristics common to many communities, have been funded to conduct the projects during 1977 and have agreed to document the experiences and make the results available to other communities. The dissemination of this information will provide technical assistance guidance to many communities with similar problems. The 10 cities have outlined a variety of improvements that include the creation of economic development commissions, loan and bond programs to raise capital, industrial parks, neighborhood commercial revitalization ideas, and innovative ways of training and placing local residents in jobs. The projects are in the following locations: Kansas City, Missouri; Dayton, Ohio; Baltimore, Maryland; Pittsburgh, Pennsylvania; Philadelphia, Pennsylvania; Bridgeport, Connecticut; Buffalo, New York; Albuquerque, New Mexico; Oakland, California; and Chicago, Illinois.

A work-group approach was adopted for the development of technical assistance and training materials for prime sponsors. Seven functional areas were identified as the focus for the priority technical assistance and training (TAT) efforts: data management, subgrant management, review and assessment, planning, advisory councils, equal employment opportunity, and labor market information. To obtain the broadest range of expertise in the seven areas, each work group included representatives from national and regional ETA offices, and from prime sponsor staffs, representing various geographic and organizational profiles. This approach produced a unique joint Federal, State and local effort in developing guidance materials. The combined efforts produced a variety of materials that were then disseminated nationwide.

A standard performance assessment criteria was established. Assessment instruments were established during fiscal year 1976 for measuring performance of prime sponsors under CETA titles I and II prior to the designation of fiscal year 1977 prime sponsors. The review addressed six substantive areas of program performance: grant management, financial reporting, management information systems, adherence to regional office directives, performance indicators and advisory councils. Based on results of the prime sponsor assessments, corrective action plans were formulated and jointly implemented by regional offices and prime sponsors.

A work group composed of national and regional office staff was established to design guidelines to assist regional offices in the review of fiscal year 1977 CETA title I grant applications. The review guidelines represent an integral part of the Department's overall fiscal year 1976 strategy for improving program performance. This constitutes a first step in efforts to provide national program guidelines as well as to determine the feasibility of program performance standards. The guidelines were developed after analyzing categorical program performance

data and CETA data through December 31, 1975, and were intended to ensure that benchmarks for key performance indicators would be built into the review of all fiscal year 1977 CETA grant applications. The guidelines represent an attempt to rationalize program levels based on observed experience to date and to insure nationwide program integrity despite local cost differences among individual prime sponsors.

Program models designed to link employment and training programs with various points within the criminal justice system were developed and made available to prime sponsors. The major thrust in 1976 was to encourage CETA prime sponsors to use their CETA funds to serve offenders and to provide prime sponsor's staff with the necessary training and technical assistance to implement the offender programs. To further the offender effort, the Department has undertaken the following initiatives: a contract with the American Bar Association to provide technical assistance for prime sponsors; 20 demonstration projects involving pre-trial intervention; pre-release vocational counseling and post-release job placement and followup; and a national demonstration of the concept of supported work.

In fiscal year 1976, Job Corps moved to more closely relate the Job Corps program with other employment and training programs administered under CETA. The staff developed and implemented a strategy to provide linkages between Job Corps and CETA's Title I, II, and III. This linkage strategy provides for coordination of activities in the areas of education, program materials, curricula, purchase of training slots by prime sponsors, recruitment and placement. The development of a CETA linkage strategy included the groundwork for enabling CETA prime sponsors to purchase training and supportive services from Job Corps centers, and joint (local-Federal) development of new Job Corps centers.

In an effort to upgrade the vocational training programs at Job Corps centers, an analysis was initiated to review all the Job Corps vocational training programs focusing on the cost-effectiveness and placement potential of the various vocational curricula. Additionally, nationwide training was conducted for vocational instructors in clerical, automotive, welding, health occupations, and culinary arts.

Management of the program was emphasized through the development of a center performance measurement system. This management tool ranks the operation of Job Corps centers, on a quarterly basis, using six key program indicators, and sets national standards for center performance.

Participation of women in the program was increased in fiscal year 1976 to 28.7 percent from 25.4 percent. This increase was achieved through the increase of coeducational centers.

During fiscal year 1976, the implementation of both the Migrant and Indian employment and training programs required the national staff to develop and execute an extensive training program for prime sponsors throughout the country. Staff effort related to training and technical assistance was carried out by means of 68 conferences and workshops covering such areas as interpretation of the regulations, application procedures, proper use of forms, financial management and grant negotiations.

In the Transition Quarter, the staff continued working toward the objectives of fiscal year 1976.

In 1977, national office staff will continue their efforts to increase prime sponsor capability in terms of planning, operating and evaluating effective employment and training programs. Continuing assessments of program performance on a nationwide basis in 1977, as well as the experience of the 1976 program year, will indicate areas in which revisions or clarifications of program regulations are needed as well as areas in which national office operational guidance is required. It is anticipated that these efforts will focus on continuing areas of concern as well as the quality of services provided, grant administration, placement of participants in unsubsidized employment and community participation in the planning process. As in 1975 and 1976, there will be scheduled onsite reviews of prime

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sponsors to examine specific aspects of the CETA program. In addition, information obtained from the standard performance assessments conducted during the second half of 1976 will be used to determine and prioritize areas warranting policy or operational guidance.

In 1977, the staff will continue the 1976 initiatives to aid prime sponsors in coordinating their programs with other employment and training related agencies in the community. The CETA/ES demonstration projects will operate during 1977 along with the Community Economic Development Program demonstration projects.

Employment and Training Administration will continue to develop and implement program strategies designed to serve economically disadvantaged youth. This will involve the redesign of existing programs currently serving youth as well as the design of innovative program models. Models will also be developed to encourage the involvement of the private sector in employment and training programs under CETA. Special emphasis will continue on developing the skills of regional office staff in providing the technical assistance and training required by prime sponsor and subgrantee staff who operate local programs. National office staff will also provide regional office and prime sponsor staff with guidance and onsite technical assistance as needed. In addition, ETA will solicit specific examples of innovative programming from prime sponsors. These examples will in turn be compiled into technical assistance materials for distribution to all prime sponsors to aid them in program planning, operations and service delivery.

In 1977, Job Corps will increase its capacity by 10 percent to achieve a congressional mandate to expand Job Corps enrollment. The slot increase from 20,700 to 22,700 enrollees will be largely accomplished through the expanded utilization of existing centers. However, an additional mechanism for expanding Job Corps enrollment will be the development of jointly-funded and developed youth training centers with local prime sponsors. Concurrent with the expansion strategy, the training opportunities for women will be increased to 33 percent of the total Job Corps.

Specific technical assistance needs of the 60 Job Corps centers will be identified and selected for priority focus in fiscal year 1977 through national office staff participation in onsite reviews and assessments of center program performance. As reviews identify problem areas, technical assistance will be provided, with focus primarily on increasing center capability to plan and operate effective educational and vocational training programs.

Efforts will be focused on updating the basic education programs, bilingual programs and residential living. Also, three major studies will be undertaken: (1) analysis of center living conditions with standards of living conditions developed and a long-range plan for the improvement of the quality of life; (2) three one-year experimental allowance and payment projects at selected centers; and, (3) a pilot study of an amended home leave policy.

During fiscal year 1977, heavy emphasis will be placed on the assessment and improvement of national program performance. As reviews identify problem areas, technical assistance will be provided to aid in improving Indians, farmworkers, and national training program performance. Attention will be focused on improving services for women, persons of limited English-speaking ability and older workers.

The following chart displays the national office/grant contract workload for fiscal years 1976 and 1977:

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CETA CONTRACT/GRANT NATIONAL OFFICE WORKLOAD

TITLE	FISCAL YEAR 1976 ACTUAL	FISCAL YEAR 1977 ESTIMATE
Title I	0	0
Title II	0	0
Title III	405	600*
Title IV	53	56
Title VI	0	0
TOTAL	458	TOTAL 716

*Note: Includes possible 180 contracts for the New Apprenticeship Initiatives for the Bureau of Apprenticeship and Training, the HIRE Program, and the Older Worker program.

In 1977, a number of new employment program initiatives as well as major expansion of some existing programs will be initiated as part of the President's economic stimulus package. These proposals will affect programs administered by the Employment and Training Administration (ETA) under CETA including Title I (operations by State and local government prime sponors), Titles II and VI (Public Service Employment (PSE)), Title III (Indians, Migrants, Youth, Apprenticeship and Veterans) and Title IV (Job Corps). The effect of these initiatives will significantly increase ETA's staff responsibilities.

In 1978, ETA will continue to build a comprehensive employment and training system through refinement of program regulations, grant review and approval systems, and new or continued legislative initiatives. The CETA program performance indicators developed in 1977 will be used in fiscal year 1978 in combination with the performance assessment criteria to review prime sponsor plans and assess accomplishments in a continuing effort to improve nationwide program quality. Operational support will be provided through technical assistance and training delivery by national and regional offices in service delivery and program management area.

The Job Corps national office staff will continue to formulate and provide planning guidance and program techniques to enhance the capability of centers to operate their programs and will continue to assess program performance against established overall goals and objectives on a nationwide basis.

In 1978, efforts will continue to increase the enrollment of women through increasing the number of coeducational centers and a study will be made to identify how center operations can be improved to better meet the needs of female enrollees.

A study of center living conditions, initiated in 1977, will result in a plan for improving corpsmember environment on a long-range basis. Job Corps will implement and fund first priority recommendations from this study, including such actions as upgrading facilities, improving safety and health conditions, and emphasizing counseling.

Following its CETA linkages strategy, the Job Corps will actively pursue its efforts to develop and maintain jointly-funded and designed programs with local CETA prime sponsors.

During fiscal year 1978, specific actions to enhance the efficiency of the Migrant and Indian programs will include more intensive technical assistance to program sponsors and provide for closer coordination of employment and training efforts with economic developments. Closer coordination between these programs and the programs carried out by CETA Title I prime sponsors will be emphasized.

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Changes for 1978

Mandatory changes amount to .....+$7,373,000

Program changes amount to ..... NONE
Positions ..... NONE

Mandatory changes include increases for within-grade promotion costs, $308,000; travel costs, $81,000; owned or leased space, $404,000; contribution to Federal Employees' Compensation Fund, $97,000; funding for 28 new positions in fiscal year 1977, $445,000; increased personnel benefits costs, $41,000; full-year costs for increased pay, $33,000; full-year funding for the increase of 399 positions in 1977, $6,755,000; and decreases of $308,000 for administrative program support; $403,000 for contractual services; and $80,000 for one less day of pay in 1978.

Activity 3. Apprenticeship Services (1977, $13,254,000, Pos. 495; 1978, $14,146,000, Pos. 508)

Narrative Description of Program

To develop and expand the Nation's skilled work force through apprenticeship is the expressed intent of the National Apprenticeship Act (Public Law 75-308, August 1937). As conceived by the Act, the government's role is one of promotion, with decision authority, and responsibility for the conduct of training vested in the private sector. Apprenticeship is a system of voluntary affiliations of labor, management, and government with training programs that meet sound fundamentals of training and other standards of the Secretary of Labor including equality of opportunity and afforded recognition through registration.

The apprenticeship services staff carries out the Act through a program by which private enterprise is provided technical assistance and advisory services in developing, installing, and administering apprenticeship and allied industrial training. The work is performed by direct contact with employers, employer associations, and unions at the community, State, and national levels. Effective training methods and apprenticeship standards are published and the activities coordinated with those of other public and private agencies concerned with skill resource development.

Despite specialization, the Nation's need for highly skilled workers has not diminished. Craftworkers form the core group that continue to be relied upon by industry to meet a changing technology of production and product, for quality of goods and services, and for stability in the work force. In many industries, apprenticeship serves as the prime source for supervisory personnel, the starting point for new entrepreneurs, and the bridge for youth from school to a lifelong profitable career.

In 1976, the total number of apprentices receiving training in registered programs was 366,000 including 59,300 minorities. Accessions totaled 74,000 with minorities representing 17.5 percent of the new apprentices. About 41 percent of all apprentices were veterans. Federal apprenticeship staff developed and installed 2,100 new apprenticeship programs, primarily with small employers, and 335 other industrial training programs providing skill improvement opportunities for about 21,000 workers. Assistance was given Apprenticeship Outreach contractors and performance was monitored in these minority recruitment programs in over 100 cities. About 4,000 of the larger programs in the federally serviced workload were reviewed for compliance with 29 CFR 30.

In the Transition Quarter, an additional 17,500 apprentices entered registered programs. Little change was experienced in minority and veteran participation rates. An additional 380 new apprenticeship programs were developed and installed with 40 other new skill improvement programs. Assistance was given in training State apprenticeship agency staffs in the State and National Apprenticeship System through a series of field conferences with the objective of an improved nationwide apprenticeship data system.

In 1977, an estimated 360,000 apprentices will receive training in registered programs including 61,000 minorities. Approximately 40 percent of the total will be veterans. The federally serviced workload will provide training for 240,000 apprentices including 42,000 minorities. Of an estimated 65,000 new registrations in the Federal workload, 18 percent will be minorities. With widespread distribution and use of the video tape production prepared in the prior year to promote apprenticeship for women, a modest gain in participation rates for women will be obtained to approximately 2 percent of the total in training. This is double the rate for the prior year. In support of this effort, the basic equal employment opportunity in apprenticeship regulations, 29 CFR 30, will be amended to encourage voluntary action by program sponsors. The amendments will be based

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on recommendations of the Federal Committee on Apprenticeship (FCA) and are expected to be published by the fourth quarter of the year. In addition, the objectives of Outreach programs monitored by apprenticeship staff in 105 cities will be expanded to include women.

The number of new apprenticeship programs developed and installed will rise with an estimated 3,200 new programs in operation by the end of the year. Apprentice registrations in the combined Federal and State workloads will increase, reversing the trend of prior years, to an estimated 91,000. These gains reflect in part the first effect of new initiatives undertaken to expand and improve apprenticeship in industries where it is not now strongly represented. These initiatives in brief are:

1. To make more effective the Federal-State partnership in apprenticeship, to strengthen the State administrative role, to bring about more uniformity in requirements and administrative practices, and to provide the framework for future development of additional State apprenticeship agencies. The first step in this initiative has been taken with the establishment of a coordinating committee with the National Association of State and Territorial Apprenticeship Directors (NASTAD). Based upon recommendations of the Federal Committee on Apprenticeship and NASTAD, the basic standards for recognition and registration of apprenticeship programs and of State agencies to function for Federal purposes, the regulations Title 29 CFR part 29, will be published by close of the third quarter.

2. To establish at the local level a mechanism to provide program support of administrative nature to small employer program sponsors and potential program sponsors. In 10 pilot cities, Community Apprenticeship Councils will be formed for contracted services in securing employer participation across industry lines, in developing training standards, providing recordkeeping services, arranging related instruction, and other administrative details. Community Apprenticeship Councils will be operative in the 10 pilot or demonstration locations by the end of the year.

3. To engage in selected industry campaigns, utilizing through contract arrangements employed staff of national and multiregional trade and professional associations to develop new apprenticeships among their affiliate local units. Primary targets in this initiative are the health and medical care field, automotive services, energy related industries, State and local government, and others where the potential for expansion of apprenticeship into new occupations is favorable. The first such national contract will be executed in the second quarter and operable nationwide in the next fiscal year with an estimated annual enrollment of 8,000 to 10,000 new apprentices. Two additional national contracts will be arranged in the third quarter with one or more additional contracts by the end of the year. A model plan for apprenticeship in local government will be developed and published for use by apprenticeship staff in the next fiscal year.

4. The fourth initiative being undertaken in the current year is for action to step-up Federal Government participation and use of apprenticeship in all appropriate installations. The intent is that the Federal Government will take a leadership role in expanding its current roster of apprenticeship programs providing training for some 9,000 registered civilian apprentices to more than double that number in the next fiscal year. Thrust for this initiative will be sought through issuance of a Presidential Memorandum or Order before close of the current year and a step-up in direct consultations by apprenticeship staff with Federal agencies.

In a number of metropolitan areas experiencing high levels of unemployment, a program will be implemented in 1977 to enable apprentices during periods of such unemployment to continue their skill development, their attachments to and knowledge about the trades they have entered. A similar effort will be undertaken for workers at the journeyman level to use slack periods for training to prevent skill erosion, maintain their attachment to their trades, and afford industry some protection for their training investment in such workers. To the extent

practicable, existing community facilities will be used for instruction and training. Useful community services will be performed as a part of such training. Subsistence payments and a vouchering or certification system with groups would be made a part of each demonstration project design.

Another proposed program will be to provide financial incentives to be paid specifically to apprenticeship program sponsors under a simplified grant or contract procedure to establish new registered apprenticeship programs and to make maximum use of apprenticeship openings in both new and existing programs. It assumes a willingness to shift a part of normal private training cost to public funding. It will require controls to prevent displacement of currently employed workers and to prevent adverse impact upon already skilled and available unemployed workers.

A school linkage project will provide enrollment of youth in work orientation and pre-apprenticeship during early secondary school years with "hands-on" instruction in manipulative skills, directed or vestibule work exposure and job trials in summer months, part-time pre-apprenticeship employment in the senior year, and subsequent preferential entry into apprenticeship.

Continued expansion of apprenticeship training for military personnel has been realized in fiscal 1977 with the U.S. Army program expanding from the original Engineers School to include the Quartermasters School, Signal School, Transportation and Aberdeen Proving Center. In development by the end of the year will be the Army Missiles and Munitions School. Preliminary work and basic agreements will be reached by the end of the year to expand the U.S. Navy program to include Navy Seabees. Other major private national and multistate programs developed during the year include Owens-Illinois, Anchor Hocking, and Thatcher Glass in the glass and kindred products industry, the National Automobile Dealers Association, Burlington Northern Railroad Communications Department, American Culinary Federation, National Machine Tool Builders Association, Asbestos Workers International, and others.

Preliminary steps will be taken by the end of the year for the establishment of a central clearinghouse for the collection, editing, publicationss, and distribution of information on successful training practices and techniques used in private and public apprenticeship systems. Staff support were provided for five meetings of the Federal Committee on Apprenticeship during the year.

In 1978, apprenticeship services will be extensively engaged in the implementation of the new initiatives begun in the prior year and in actions to improve the quality of training afforded in existing programs. With modest improvement in general economic conditions anticipated, sponsors will be encouraged to fill existing apprenticeship openings without diminishing emphasis upon equal opportunities for women and minorities. Approximately 440,000 apprentices will be in training during the year including more than 80,000 minorities and women. The expansion of apprenticeship, both in existing programs and into new fields, will result in new registrations nearing or exceeding 128,000 for the year.

An evaluation of the early operating experience in the 10 pilot cities Community Apprenticeship Council projects will be made and plans developed, and this broad-based approach extended to an additional 25 of the 65 cities originally proposed.

The city/local government model to be largely based on the Richmond, Virginia, project with modification from experience in Anchorage and Baltimore, will be prepared in detail form and distributed to Federal and State apprenticeship staff. With minimal staff training, this model will be the promotional tool to be used for development of systematic training and apprenticeship with 40 or more other city governments during the year.

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Affiliate local units from organizations to be reached in the selected national industry campaigns number in the thousands. For example, there are about 21,000 dealer members of the National Automobile Dealers Association and more than 7,000 hospital members of the American Hospital Association. An operating method will be developed to provide service to these and other multistate organizations to be reached in this initiative through national and regional locations by servicing through community council participation, and through greater reliance on staff of State apprenticeship agencies.

Assistance will be provided to the States in preparing documentation and conforming to requirements for Federal recognition as registration authorities under the newly adopted 29 CFR 29. Advice on legislative and administrative procedure changes, when needed, will be given. Approvals and/or time extensions will be granted by mid-year for most, if not all, of the 29 State agencies. Additional support for this activity will be secured by contract arrangements with NASTAD and will include preliminary work to establish additional State agencies and training of State agency operating staffs. In ancillary activities, State apprenticeship agencies will be provided assistance in modification of State Equal Opportunity in Apprenticeship Plans to reflect increased emphasis upon women in apprenticeship.

A step-up in apprenticeship standards review services will be required with a number of new occupations, particularly in the health and medical care field, being certified as apprenticeable. The clearinghouse for apprenticeship information will become fully operational by the end of the year. National apprenticeship standards in the Army Health Services Command will be obtained and four others in the private sector. Growth is planned in civilian apprenticeship in Federal installation with enrolled apprentices increasing about 60 percent.

Changes for 1978

Mandatory changes amount to	+$602,000
Program changes amount to	+$290,000
Positions	+13

Mandatory changes include increases for within-grade promotion costs, $112,000; travel costs, $28,000; owned or leased space, $118,000; contribution to Federal Employees' Compensation, $47,000; increased personnel benefits costs, $14,000; full-year costs for increased pay, $12,000; full-year funding for the increase of 32 positions in 1977, $539,000; and decreases of $151,000 for administrative program support; $86,000 for contractual services; and $31,000 for one less day of pay in 1978.

A program change of $290,000 provides for 13 additional positions in 1978 for the expansion of apprenticeship opportunities in highly skilled occupations and for the promotion of apprenticeship in industries now lacking this type of training. The new Apprenticeship Initiative program falls into four major components: (1) establishment of Community Action Councils for promotion and development of apprenticeship programs in the non-construction trades to be located in 10 pilot cities with possible expansion to 65 cities; (2) promotion and expansion of apprenticeship programs in the Federal agencies; (3) expansion of apprenticeship programs with selected national industries who are in a growth period of employment; and (4) a State/Federal partnership program to achieve compatible rules and procedures of national apprenticeship concepts and standards.

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Activity 4. U.S. Employment Service (1977, $15,530,000, Pos. 603; 1978, $15,869,000, Pos. 603)

Narrative Description of Program

The United States Employment Service (USES), hereinafter referred to as the Employment Service, was authorized by the Wagner-Peyser Act in 1933 to promote and develop a national system of employment offices for men, women and youth who are legally qualified to engage in gainful occupations; to provide employment counseling services for handicapped persons; to maintain veteran services devoted to securing employment for veterans; and to assist in establishing and maintaining systems of public employment offices in the States and political subdivisions in which there shall be located a veterans employment service. (The responsibilities of the Veterans Employment Service were broadened in the Vietnam-era Veterans' Readjustment Assistance Acts of 1972 and 1974, the Emergency Jobs and Unemployment Assistance Act of 1974, P.L. 93-567, and the Veterans Education and Employment Assistance Act of 1976, P.L. 94-502.) In addition, the Employment Service administers a program under the Immigration and Nationality Act related to the admission or non-admission of alien workers into the United States, depending on tests of availability and adverse affect on United States workers.

In 1976, the Employment Service operations were conditioned by the continuing high level of unemployment. Many of the incentives tools and techniques put into use in fiscal year 1975 to assist State agencies in reducing unemployment and speeding re-employment of displaced workers were continued. Based on economic and employment outlook, the U.S. Employment Service established seven operational objectives for fiscal year 1976 for the State employment services: (1) improved quantity and quality of placements; (2) broadened quantity, range and diversity of employer job orders; (3) improved efficiency in filling openings; (4) implemented newly-tested approaches for improving employer and inter-area recruitment services; (5) expanded services to Comprehensive Employment and Training Act prime sponsors; (6) continued emphasis on providing counseling services to veterans and handicapped workers; and (7) provided placement and interstate recruitment services to agricultural employers.

The Employment Service set up a comprehensive work plan in support of these objectives. The State employment service administrators were encouraged to continue to improve the organization and management of the public employment service in central, area and local offices with the goal of increasing staff productivity. Comprehensive efforts were made to determine the major strengths and weaknesses of current management systems and tools. The ultimate purpose of this effort was to provide administrators at all levels with more precise, long range employment service goals and objectives and with management tools needed to measure progress in achieving those goals and objectives.

The Plan of Service guidelines, used by each State employment service as a basis for outlining their programs and operating plans for the following year, were refined during 1976 to reflect national employment and training policies, management decisions, resource levels and legislative mandates. Plans of Service established annual State accountability in terms of output levels expected and the deployment of resources to achieve those levels. The self-appraisal system, used by State and local office managers to assess performance against plans and to take corrective actions, was improved to reflect changes in State Plans of Service, program emphasis, and reporting systems. Criteria and guidelines were developed and issued to assist State administrators to identify beneficial locations for local office sites and to help improve services to applicants and employers through better facilities layout, appearance and efficiency.

Further refinements and improvements were made in the performance-oriented Resource Allocation Formula (RAF) used for allocating grants funds to States. Particular attention was given to the effect on performance of variable labor market conditions. Staff participated in developing a validation system for determining the accuracy of the placement data used in the Resource Allocation Formula (RAF) and in applying the system in validating placement data in the 51

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State agencies covered by the RAF. A standardized system was developed for conducting onsite evaluations of State employment service operations and activities. Technical assistance was provided to regional offices and State agency staffs in conducting onsite reviews of the organization, management and performance of employment service operations in selected States.

Employment service programs were monitored during the year to insure that veterans received priority services. Veterans Employment Service field staff conducted 6,803 monitoring and evaluation visits to local employment service offices, called on 4,868 mandatory job listing employers, and monitored and reviewed program operating plans of Comprehensive Employment and Training Act (CETA) prime sponsors for veteran participation. Proposed regulations were published for comment which implemented legislative requirements for provision of services to veterans through the Federal-State employment service system. The regulations include indicators of compliance by which veterans service performance of State agencies will be measured. Programs were initiated during the year to provide special assistance to veterans, particularly young, minority, and disabled veterans. These programs emphasize outreach and public information efforts intended to result in activities which can be replicated nationwide.

Program efforts were intensified to assure that migrants and seasonal farmworkers received employment services that were qualitatively and quantitatively equivalent to services provided to other Employment Service clients, as required by the Judge Richey Court Order (NAACP vs. Brennan). Indicators to be used in evaluating the degree of compliance with the Court Order were developed, field tested and issued to all State employment services. Also, comprehensive guidelines and interpretations of the Court Order were distributed to State agencies. Intensive training and technical assistance was provided to Federal regional offices and State agency staffs.

Special efforts were made to furnish guidance and direction to State employment services concerning their responsibilities with respect to implementing the Comprehensive Employment and Training Act at the local level. State administrators were encouraged to cooperate and participate with State and local CETA prime sponsors in linking resources of both activities to better serve the needs of the unemployed and underemployed.

In fiscal year 1976, the expansion of the Job Bank Openings Summary (JBOS) was accomplished in terms of both coverage and distribution. JBOS is a monthly report which summarizes data on job opportunities listed with the Employment Service by occupation and area. Coverage was expanded from an average of 140 Job Bank areas in fiscal year 1975 to more than 170 in fiscal year 1976. At the same time, distribution was expanded from about 500 to 5,500 recipients.

Work on the development of the Fourth Edition of the Dictionary of Occupational Titles was substantially completed in fiscal year 1976. The new edition, which will replace the one published in 1965, updates occupational materials in the Dictionary, removes obsolete definitions, revises others due to technological changes, adds new definitions and eliminates reference to sex in all definitions. Technical assistance and direction was provided by the Employment Service to ten State field centers in developing and using the basic occupational analysis tools and materials needed to accomplish the changes.

The revalidation of twelve (12) Specific Aptitude Test Batteries (SATBs) on minority groups was completed. Additional work was accomplished toward developing new SATBs for occupations in which large numbers of placements are made. Work was almost completed on the development of a Spanish edition of the General Aptitude Test Battery, suitable for nationwide use.

Selected provisions of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 were implemented by the State employment services. This act requires the employment service to assess the need for training individuals who have exhausted regular and extended UI benefits and are receiving Federal supplemental benefit payments.

The Job Service Improvement Program (JSIP) was introduced in 30 States. PA-29
Intensive program action plans and agreements were developed and implemented in coordination with eight regional offices.

In the Transition Quarter, the Employment Service continued its efforts in support of the seven operational objectives for 1976, with several programs being initiated and expanded to enhance the placement capability of State agencies. Notable in this regard were: the expansion of the Job Service Improvement Program to eight additional States; the implementation of a nationwide ES counselor training program; and additional support to State agencies for their summer program of youth counseling and placement.

In 1977, the average annual unemployment rate is expected to continue between seven and eight percent and the number of people expected to register with the employment service will remain above 12 million. Federal policy direction will continue to emphasize strengthened employer services and job solicitation activities on behalf of unemployed workers in order to improve the quality and quantity of placements and to increase the number of job openings obtained from employers so that applicants will have better employment alternatives. All agencies will be provided technical assistance to increase placement productivity per staff member in fiscal year 1977 by an average of six percent.

The Department initiated an intensive research effort in 1975 to redefine the role and objectives of the public employment service system in the next decade. One focus of this effort involves increased contacts with employment service users and other groups to assure full and widespread public participation in setting Employment Service goals and objectives for the future. This effort also involves the initiation of a concerted and comprehensive research program with other Departmental components to analyze the functions and operations of the public employment service system.

The research program embraces the development and implementation of both short-run and long-term research strategies. It seeks answers to such questions and issues as what should be the optimal role, mission, functions of the employment service, how to set performance standards and how to measure the effectiveness of the system in relation to its costs. As part of this program, a detailed study of the employment service system, in terms of its net impact on the economy and society as a whole will provide data for an objective determination of cost and benefits of the system. This study will begin to yield useful planning information in 1977.

The United States Employment Service has undertaken to refine and strengthen the process, initiated several years earlier, of developing and improving a management-by-objectives system for the State employment services which incorporates a performance incentive. The elements of this system are: planning through submission of a State Plan of Service; an improved resource allocation formula based on past performance, adjusted for the effects of labor market conditions; and regular monitoring to measure end-results and fund usage.

Refinements will be made to existing evaluation instruments, including self-appraisal and other in-depth evaluation techniques and instruments. State evaluations are being scheduled through regional office staffs, which involves designating and training staff to conduct such evaluations. Work is also continuing on the development of performance standards for State and local ES inputs and outputs of service. These standards will replace such measures as national average performance ratios, thus providing more adequate and equitable basis for comparisons of State and local employment service achievements.

Work is continuing on consolidating data and reporting systems. There will be an extensive effort to improve the quality of data in the State Employment Security Cost Accounting and Time Distribution System. This effort includes the development of training packages for State Employment Security Agencies staff and research into more accurate and less costly methods of administering the systems.

PA-30 The current effort to reduce paperwork in the State Employment Security System is continuing. The Employment Security Automated Reporting System (ESARS) is being redesigned. Data processing is being simplified. The volume of reports will be reduced while increasing the amount and ease with which needed information can be obtained. The cost of data input will be reviewed. A consolidated application form (for ES applicants and UI claimants) will be tested and evaluated in connection with the Employment Security Automation Project (ESAP).

Plans for implementation of computerized job matching in up to 20 sites are being reviewed and, depending on preparation and adequacy, approval and funding will be provided for two real-time and 12 batch or overnight matching sites. A monitoring and evaluation system for reviewing approved sites has been developed and will be implemented. Technical assistance to the pilot States will be furnished at all stages of the implementation of automated job matching systems. Experimentation and development of additional modules to increase the efficiency and placement effectiveness of job matching systems will continue.

Special attention will be given to studying and experimenting with a variety of organizational configurations for local ES offices in varying sizes. Assistance will be provided in locating and furnishing local offices to maximize the cost effectiveness of providing job services. States are to be assisted in developing internal capability for training in both the managerial area and in major operating functions, partly through the use of Employment and Training Administration's regional training institutes.

Technical assistance will be furnished to the States that implemented Job Service Improvement Programs in 1975 and 1976 to aid in the improved delivery of services to employers. Four additional States initiating programs in 1977 will also be given requisite assistance. Training programs on employer relations techniques will be designed and conducted for State agencies staffs to upgrade their skills in this essential activity. To strengthen and increase the effectiveness of the mandatory listing program as a means of broadening employer utilization of the ES, training will also be conducted in program operations. This effort will be supplemented by frequent evaluations and monitoring at State and local levels. Efforts will be made in 1977 to restore, to the pre-recession 1973-74 levels, the number of job openings listed with the employment service without sacrificing the quality of openings received in terms of job duration and occupational mix.

Increased emphasis will be given to the Job Information Service (JIS), which is a facility within a local employment security office where an applicant may obtain general and specific job related information on an essentially self-service basis. A model JIS plan is being developed. The principles evolved will be adapted for application to installations throughout the public employment service system.

The Employment Service will continue its efforts to make sure services are provided to migrants and seasonal farmworkers at the same level that services are provided others. Staff will monitor State agency performance in providing equal access to services for migrants and seasonal farmworkers.

The Employment Service will continue to encourage State agencies to provide special services to minorities, the economically disadvantaged, older workers, youth, ex-offenders, women, and workers displaced by U.S. trade policies. These efforts will include encouragement of States to plan for adequate counseling services, particularly to meet the needs of veterans, youth, handicapped and minorities.

Veterans will be given top priority in employment and training programs in 1977 as required by law and regulations. Special outreach and public information programs will be designed and implemented for segments of the veteran population which experience severe unemployment problems--the disabled, young, and minority veterans. Legislatively mandated veterans' performance standards, published in 1976, will be studied and refined as needed.

The Employment Service will continue to administer programs and activities under legislation and administrative policy other than the Wagner-Peyser Act which are supportive of its labor exchange mission. These include fact finding with respect to possible adverse effect on American workers in granting alien certifications under the Immigration and Nationality Act and certifying workers who may be adversely affected by trade policy and determining their eligibility for benefits under the Trade Act of 1974. Revised regulations and a handbook on operating instructions for the Immigration Labor Certification program will be provided in 1977.

Work will continue on improving linkages between Comprehensive Employment and Training Act prime sponsors and State employment services. This will include urging State Employment Service Agencies to undertake positive efforts to seek involvement in CETA at all levels; increasing efforts to improve and upgrade ES operations in order to be responsive to CETA needs; and conducting experimental and demonstration projects to test the workability of functional linkages. Legislatively mandated monitoring of CETA programs by veterans employment representatives will be implemented.

In fiscal year 1977, funds will be provided to establish a series of outreach units, to be staffed in large part by disabled veterans, to identify other disabled veterans in need of employability assistance and to guide them to special programs and services available to them or to appropriate job opportunities. The program is authorized by title III of CETA.

This program will help disabled veterans locate jobs. The Department plans to hire about 2,500 veterans to set up "outreach units" in the 100 largest cities. These outreach units will be situated in the local offices of the various State Job Service agencies. This new outreach effort will be particularly important in view of the Department's intent to give veterans top priority for public service employment opportunities under CETA and private sector jobs under the new Help Through Industry Retraining and Employment (HIRE) program. The new initiative will include three components: (1) use of the HIRE program to relieve unemployment among veterans; (2) development/funding of approximately 2,500 Public Service Employment (PSE) slots in State employment service agencies with the slots filled primarily by veterans who would assist in job development for Vietnam-era veterans; and (3) provision of veterans preference for young Vietnam-era veterans.

The new and Fourth Edition of the Dictionary of Occupational Titles will be published. A series of train-the-trainer sessions of regional and State staffs in the use of the new dictionary is planned.

In 1978, State employment service agencies will again be directed to improve the quality and quantity of placements. Federal staff will develop and coordinate the implementation of revised procedures to accommodate additional employment service registrants resulting from expanded unemployment insurance coverage and increased interest in labor force participation among women, youth, and older workers. A major effort will be made to achieve better integration of services with CETA. This effort will include better coordination of planning and grant approval at the regional, State and local levels; revisions to published regulations where appropriate; and dissemination of results of ES-CETA demonstration projects.

Current efforts at improving employer services and increasing the number of permanent openings will be consolidated. State agencies will be assisted in maximizing the benefits to be obtained through continued expansion of local Job Service Improvement committees and a better trained and better organized employer relations program.

Computerized job matching through the integrated Employment Security Automation Project will continue at the 1977 level. Emphasis will continue to be on cost-efficient batch systems. No new real-time matching sites will be implemented until an evaluation of experience to date justifies their use. Emphasis will

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continue on using the computer as a tool to aid placement and labor market information services to the applicant, the employer, and the community as a whole.

Veterans priority will be carefully monitored in all States at all levels with special emphasis on areas performing below published standards. A review of automated job service matching system will be conducted to ensure that veterans preference is observed in referral to jobs procedures to enable veterans to be placed in quality jobs in accordance with the published standards.

Employment Service staff will work with other Employment and Training Administration's staff to develop a coordinated effort to ensure that recipients of unemployment insurance payments and those completing training or rehabilitation who are available for work are provided job services in order to reduce the cost of extending these services. At the same time, State agencies will be assisted in developing job-finding assistance workshops and other guidance tools to be offered to unemployed skilled workers with special attention to those whose previous occupations are characterized by permanent over-supply.

State agencies will be encouraged to provide additional services to youth by providing job and career information and job placement services directly to youth to or through secondary schools. The objective is to enable young people to obtain part-time and summer employment, to establish cooperative rational full-time school-work programs; and to acquaint students with occupational requirements--particularly educational qualifications for jobs--in order to assist their vocational choices and to motivate continued study to obtain better jobs later.

Training courses and materials will be provided to agency staff through ETA regional training institutes. These courses will reemphasize basics in order to provide faster, better service for all employer job openings received, better selection of referrals, more accurate reporting, and better organized employer relations efforts.

Efforts at reducing paperwork in local offices will continue. A review will be made of application-taking and order-taking procedures in connection with the development of performance standards in order to minimize the per unit costs consistent with a quality referral process.

Changes for 1978

Mandatory changes amount to	+$339,000
Program changes amount to	NONE
Positions	NONE

Mandatory changes include increases for within-grade promotion costs, $180,000; the Dictionary of Occupational Titles, $150,000; travel costs, $25,000; the Federal Employees' Compensation Fund, $14,000; owned or leased space, $7,000; increased personnel benefits cost, $18,000; full-year cost for increased pay $15,000; full-year funding for the increase of 10 positions in 1977, $166,000; and decreases of $191,000 for administrative program support; $5,000 for contractual services; and $40,000 for one less day of pay in 1978.

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Activity 5. Unemployment Insurance Service (1977, $11,378,000, Pos. 350; 1978, $12,691,000, Pos. 360)

Narrative Description of Program

In the Federal-State unemployment insurance system, the Federal staff (UIS) provides the necessary leadership for the effective overall administration of the program. UIS is responsible for promoting efficient and effective methods of program administration and for financing related administrative costs. The staff provides guidance and direction for improving the management and quality of program administration with particular emphasis on timely issuance of payments and appeals decisions; and oversees and monitors the performance of States, acting as agents for the Secretary of Labor, under permanent and temporary Federal unemployment assistance programs. Such programs include paying benefits to ex-Federal employees and ex-servicemen; extended benefits to the long-term unemployed; allowances and assistance to workers who are unemployed because of trade agreements and natural disasters; and special assistance to unemployed workers who perform services which are not covered by any State or Federal law. UIS staff also provides technical assistance to ensure an effective administration of the allowance payment delivery systems under the CETA program. In addition, the UIS provides the necessary leadership required for improving the overall program at the national level by developing proposals for Federal legislation, and at the State level, by recommending improvements in individual State laws. The UIS has responsibility for ensuring that State unemployment compensation laws and practices conform with the requirements of Federal law which are either conditions for certifying the State for credit against the Federal unemployment tax, or for eligibility for administrative grants.

In 1976, the extremely heavy claims workload experienced by the State employment security agencies (SESAs) began to level off and it was possible to place program emphasis on the need for improving the efficiency and effectiveness of program administration. The UIS directed a major effort to improve the SESA's record for benefit payment promptness and accuracy; to making greater utilization of better and more sophisticated automation processes; and for expanding and making more effective the detection and recovery of improper benefit payments. The development and issuance of a Secretary's Standard for the prompt payment of benefits was a major accomplishment in the establishment of performance standards for use in the assessment of program quality and in the budget process.

In line with the development of performance standards, studies in 17 SESAs were completed for measuring and establishing criteria in three key benefit activities and the appeals activity.

In accordance with the Secretary's objectives, Federal staff negotiated with and provided technical assistance to 12 SESAs for developing employment security automation plans. The automated prototype employer tax accounting system was implemented and became operational in three SESAs during fiscal year 1976. The accomplishments in 1976 with respect to automation have involved both national and regional office technical assistance.

The development of a model cross-match system to detect benefit overpayments was completed by the Federal staff and implemented in five SESAs. Federal staff provided technical assistance to several SESAs to improve their fraud prevention and detection operations. Federal staff also conducted a national conference for SESA personnel on benefit payment control to give emphasis and to help strengthen this function in all the SESAs. In response to the need for reestablishing sound quality claims processes and for ensuring the propriety of benefit payment, Federal staff developed a new improved eligibility review program.

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The training program for SESA staff continued with the emphasis being directed toward the development of in-house expertise for quality improvement of the UI Program. Training of SESA executive staff in management and supervisory techniques was conducted. Training was also provided for UI management analysts and technicians. In addition, Federal staff conducted training for SESA field auditors and appeals referees.

During fiscal year 1976, some improvement was accomplished in timeliness of payment under the Trade Act of 1974. To assist in realizing further improvement in timeliness, as well as to ascertain SESA adherence to regulations and procedures, monitoring guides were developed and a field test of the guide conducted. Federal staff also developed and issued monitoring guidelines relating to CETA payments.

Cost model restudies were completed in 14 SESAs. Six additional restudies were begun in the second half of the year, as well as another half dozen "partial" restudies. These covered less than the total SESAs operation. Plans provide for a full restudy of all activity by each SESA, at least once every three years. We also anticipate 12-15 "partial" restudies each year, giving approximately 30 SESAs performing some Cost Model study work each year.

In addition to providing technical assistance to SESAs on cost model activities and onsite monitoring of each study, national office staff presented two training courses in work measurement for new SESAs staff. Regional office Federal staff held seminars for SESAs representatives to discuss cost model problems and advanced techniques. Budgeting allocations for fiscal year 1977 were developed from cost model data.

The UIS was heavily involved in developing and providing a wide range of materials and data to support passage of a comprehensive UI bill. Staff work included drafting legislative testimony for Department officials; drafting legislative language for consideration by the Congress; analyzing the feasibility and impact of congressionally initiated UI proposals; and estimating costs of alternative congressional proposals.

In the area of UI research, a major effort undertaken in 1976 was to reestablish longitudinal data banks utilizing the wealth of data resulting from the administration of the unemployment compensation system, supplemented with important information such as family income from a selected sample of unemployment insurance claimants. Another major area of activity was to define researchable issues and to provide research results with respect to these issues in anticipation of questions which will be raised by the National Commission on Unemployment Compensation. In addition, 13 research studies (in-house and contracted) covering seven important program issues were completed, and three new research contracts were executed to study various aspects of the UI program.

In the Transition Quarter, declining workloads made it possible to continue to place program emphasis on improving the efficiency and effectiveness of program administration. The UIS continued its effort for improving the SESAs' record for benefit payment promptness and accuracy; for making greater utilization of more sophisticated automation processes; and for expanding and making more effective the detection and recovery of improper benefit payments. In line with the development of performance standards, an analysis of the data gathered in the 17 SESAs during fiscal year 1976 was completed. Development of a new field audit policy was initiated which will include systems logic and design for computerized selection of employers to be audited. Completion of the new audit process is expected during fiscal year 1978.

Federal staff continued to provide technical assistance to several SESAs to improve their fraud prevention and detection operations. As part of this activity, a monitoring guide for Federal staff use was developed and tested.

Training was provided to all SESAs on the new eligibility review program developed in fiscal year 1976. The program and training were developed in response to the need for reestablishing sound quality claims processes and for ensuring the propriety of benefit payments. PA-35

Efforts were continued to improve the timeliness of payment under the Trade Act of 1974. Following development of the monitoring guidelines in fiscal year 1976, a total of 14 onsite evaluations of SESA local and central office operations were conducted by national and regional office personnel.

In the transition quarter, the UIS brought to completion the legislative program that began with hearings before the newly created Unemployment Compensation Subcommittee of the House Ways and Means Committee and the Senate Finance Committee in July 1975 resulting in the enactment of the new UI law which expands coverage extensively, and provides for increased benefit financing, P.L. 94-566.

In 1977, the UIS has focused its efforts upon five major areas of activity: (1) to continue to improve the quality of operations--primarily eligibility determinations and time lapse--which was begun in fiscal year 1976; (2) to continue the effort to increase the efficiency of the UI program by the expanded use of automation systems as a part of the Employment Security Automation Plan; (3) to assist the States in the effective implementation of P.L. 94-566; (4) to focus UI research toward studies which identify program issues and weaknesses, thereby leading to improved program content; and (5) to encourage benefit financing studies in order to determine and support State legislation required to restore sound benefit financing.

Work will continue on the performance standards project. The original study document is being revised to incorporate the tax activity. Studies by Federal staff will be conducted in an additional 20 SESAs. Analysis of the 17 SESAs study data will be made and performance standards criteria established in the key program area. This will include republishing a Secretary's Standard for the prompt payment of benefits with revised criteria.

Continued efforts by Federal staff on approving and implementing additional employment security automation projects will result in 13 SESAs going operational and approximately 17 other SESAs submitting plans. The prototype automated tax system will be implemented in 10 SESAs during fiscal year 1977.

A new field audit policy will be developed which will include necessary systems logic and design for computerized selection of employers for audit. A model system is planned for completion, including necessary documentation for export to SESAs.

Training for regional staff in the use of the benefit payment control monitoring guide was conducted in October 1976. Federal staff will be involved in monitoring 10 SESAs per quarter. Additional emphasis and technical assistance will be given to SESAs in the cross-match system. It is expected that 22 SESAs will implement the new system during fiscal year 1977.

Developmental work on a model program for recovering benefit overpayments will be undertaken. Continuing their efforts for improving the quality of claims processing, Federal staff will develop a monitoring guide for assessing each SESAs eligibility review program. Special studies will be conducted to determine more effective and efficient methods of assessing claimants eligibility for benefits.

Federal staff continued to monitor and review SESAs performance in the area of nonmonetary determinations and appeals stressing both quality and timely issuance of decisions in accordance with the Secretary's Standard. A minimum of six SESAs surveys will be conducted and at least five regional and bi-regional training sessions for appeals referees will be presented.

PA-36 Federally sponsored training of SESA staff will be conducted in the areas of benefit payment control, supervisory field auditing, benefit appeals functions, performance standards study techniques, UI management analysis, executive management and supervisory concepts. All training will be geared toward improving quality of performance.

Staff emphasis on achieving program performance, particularly in timeliness of payments under the Trade Act of 1974, will continue through fiscal year 1977.

The cost model restudy program is being continued with an expected completion of 30 full and partial restudies. National and regional office staff will monitor and provide technical assistance. Basic and seminar training sessions have been conducted and will continue throughout the year.

Public Law 94-566 extended the Special Unemployment Assistance (SUA) program for another year. It will now expire June 30, 1978. Federal staff will need to revise procedures, forms, and monitoring guidelines to reflect the changes contained in the new law. Modification of the Secretary's SUA agreement with each State will also be required.

A revised allowance payment guide for CETA prime sponsors will be developed. Staff will continue to monitor payment operations by conducting onsite reviews of selected SESAs and CETA prime sponsors.

Research efforts during the year will be directed toward addressing many of the issues which the National Commission on Unemployment Compensation will consider. As part of this effort, 15 in-depth/comprehensive papers, describing the major issues confronting the unemployment insurance program, will be developed for the Commission's consideration. Time will be devoted to monitoring the SESAs included in the Longitudinal Data Bank; to evaluating the programs and issues arising in these SESAs; and to using the data collected for research and other purposes. New SESAs will be selected to participate in the program. A standardized manual will be prepared and issued to insure uniformity in data collection methods and in definitions of variables. New contracts executed for research will be directed to: (1) development of methods and measurements to identify types of unemployment experienced by UI claimants; (2) development of methods and measurements to measure the full length of unemployment of UI claimants vs. claims series duration; (3) the impact of the benefit formula on the duration of unemployment of UI claimants; (4) an evaluation of unemployment experience by claimants under the Special Unemployment Assistance Program; and (5) effects on claimants of a Maximum Weekly Benefit Amount Standard.

In 1978, work on program performance standards and performance improvement in SESAs will be continued. The performance standards study approach will be formalized as an ongoing quality activity. SESAs will be required to complete an annual study and Federal staff will conduct studies in approximately one-third of the SESAs each year as a validation process. Development of Secretary's Standards concerning performance will be a major activity. More effective systems for processing claims will be implemented including sophisticated automated systems for on-line benefit payment in nine SESAs.

Installation of the prototype employer tax accounting system in 10 additional SESAs will involve extensive Federal technical assistance. The model field audit system will be tested in three SESAs and exported to interested SESAs after necessary revisions.

Federal staff will have finalized the model benefit overpayment collection program and will be involved in developing a resource handbook. Technical assistance will be given to SESAs in implementing the new collection program.

UIS will continue to emphasize the need for quality performance and timely issuance of decisions in the area of nonmonetary determinations and appeals. Onsite evaluations of SESAs will be continued and referee training scheduled as needed.

Federally sponsored training for supervisors in the area of automation and its effects on employee moral will be conducted. Training will be given to SESA staff in the new field audit policy and employer audit identification system. Greater emphasis will be placed on providing management analysis and supervisory training to SESA staff.

Implementation of an improved benefit rights interview program will commence in fiscal year 1978. The program will include methods to be used in indoctrinating claimants as to their rights and responsibilities when they first file their claims for UI benefits.

In 1978, Federal staff will be working with SESAs in closing out the Special Unemployment Assistance program which will expire June 30, 1978, and in helping SESAs in the transition from this program to permanent coverage that resulted from the Unemployment Compensation Amendments of 1976, P.L. 94-566.

Federal staff will continue to monitor performance and provide technical assistance to SESAs in the administration of all Federal unemployment insurance programs covering Federal military and Federal civilian workers. Monitoring of the allowance payment delivery systems of CETA prime sponsors will be continued. Technical assistance and training in these important areas will be provided where needed.

The cost model restudy schedule, training, seminar and other technical assistance activities will be maintained. The first completed direct support activity study will be available and will be used in assisting the national office to better determine the resource requirements for these activities.

The work of the study commission will be fully underway with an interim report required by statute no later than March 31, 1978. The Commission's mandate will include the study of, but not limited to, 12 specified areas. UIS will provide support and perform such functions for the Commission as may be required by the Federal Advisory Committee Act. In addition, UIS will work closely with the SESAs in producing individual State information as required by the Commission.

National and regional benefit financing/cost estimating seminars for SESAs and regional staff members, for new technicians, and advanced sessions for more experienced technicians will be conducted. Additional assistance will be given to selected States having especially difficult benefit financing problems. Use of the cost estimating/benefit financing econometric simulation computer models by several of the States will result in a heavy demand for Federal staff assistance. Considerable staff time will be required for this effort and for the refining and further development of the models in actuarial and economic analysis.

Changes for 1978

Mandatory changes amount to	+$283,000
Program changes amount to	+$1,030,000
Positions	+10

Mandatory changes include increases for within-grade promotion costs, $90,000; travel costs, $28,000; Federal Employees' Compensation Fund, $5,000; owned or leased space, $86,000; funding for 12 new positions authorized in fiscal year 1977, $180,000; increased personnel benefits costs, $12,000; full-year cost for increased pay, $10,000; and decreases of $93,000 for administrative program support; $12,000 for contractual services; and $23,000 for one less day of pay in 1978.

Program changes provide for an increase of $180,000 and 10 positions for additional technical assistance to the State employment security agencies for administering their unemployment compensation programs, with the emphasis being on fraud control and general quality control, and $850,000 for the Continuous Wage Benefit History project, which is designed to create a nationwide Unemployment Insurance data bank.

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The Secretary's Standard for Fraud and Overpayment Detection requires that "a State law include provisions for such methods of administration as are, within reason, calculated (1) to detect benefits paid through error by the agency or through willful misrepresentation or error by the claimant or others, and (2) to deter claimants from obtaining benefits through willful misrepresentation." For a State to meet this requirement, it must investigate a sufficient proportion of claims to test the effectiveness of the agency's procedures for the prevention of improper payments.

The additional staff efforts will be directed towards overseeing the payment of unemployment benefits to minimize overpayment and fraud. Guidelines will be developed to improve upon previous performance when the stress was primarily on making payments. Concentration will be directed to full performance of monitoring and assessment functions and more attention to benefit payment control. The increased staff effort will also concentrate on full program improvement and streamlining of operations to provide prompt payment.

The Continuous Wage and Benefit History (CWBH) a project to create a nationwide Unemployment Insurance data bank, will consist of longitudinal wage and benefit history data, together with selected personal and economic characteristic information, of a sample of insured workers and claimants of unemployment compensation.

Among the most critical problems in the operation of unemployment insurance program has been the lack of information on the covered workers and the claimants themselves, information essential for operational, policy, and legislative purposes at Federal and State levels. The CWBH data bank will provide a permanent accumulation of individual worker and claimant data on sample basis through longitudinal studies. This will include personal and economic characteristic of persons filing UI claims. It will help economists make early warning on where unemployment is developing -- both occupationally and geographically; and, it will make it possible to answer any number of other critical questions related to UI.

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Activity 6. Investigation and Compliance (1977, $1,907,000, Pos. 66; 1978, $2,001,000, Pos. 66)

Narrative Description of Program

The Office of Investigation and Compliance provides policy leadership and guidance in the conduct of special inquiries and reviews for the Assistant Secretary for Employment and Training and also conducts such reviews. It also provides leadership and coordination to all activities relating to audits of Employment and Training Administration programs; provides policy, procedural guidelines and technical assistance to national office and field staffs to insure that the Employment and Training Administration carries out a broad range of Departmental responsibilities under Federal laws (such as the Comprehensive Employment and Training Act of 1973, as amended, and Title VI of the Civil Rights Act of 1964), regulations and orders promoting equal employment opportunities; and monitors and promotes the implementation of a unified program of affirmative action to foster increased use of minority owned enterprises. Of critical importance are actions taken in accordance with the Employment and Training Administration's Equal Employment Opportunity Work Plan to insure compliance with applicable Federal laws and regulations prohibiting discrimination.

In 1976, the Division of Special Review staff conducted onsite reviews of three offices in each of 11 States to determine compliance with the provision of services to migrant and seasonal farmworkers under the Judge Richey Court Order of 1973. This task utilized over 4,000 staff-hours, and included professional staff from the national and regional offices in both onsite reviews and report writing. An additional review required under the Court Order concerned one State Employment Security Agency and involved 2,400 staff-hours.

Twenty-eight investigations were completed on questionable activities within the Comprehensive Employment and Training Activities program, with particular emphasis on Migrant and Indian program allegations. These allegations included: nepotism, political favoritism, wage rate violations, maintenance of effort, fraud and gross mismanagement. Each investigation involved 80 to 160 staff-hours.

The Division of Equal Employment Opportunity staff made progress in establishing an acceptable State Employment Security Agencies/Comprehensive Employment and Training Activities (staff/client) EEO compliance reporting system. Two Minority Business programs (one for Employment and Training Administration and one for Employment and Training Administration grantees) were launched. Compliance monitoring reviews were made to selected regional offices, SESA and CETA programs. General Equal Employment Opportunity and Affirmative Action training was provided to national, regional, State and CETA staffs. A Mission and Function Statement for State EEO Officers was prepared and sent to the States for adoption. Activities in connection with the International Women's Year were conducted. Contacts with community-based national organizations were established. A transfer was made of compliance responsibility for equal opportunity in State agency and local government staffing to the Division of Equal Employment Opportunity.

In the Transition Quarter, staff of the Division of Equal Employment Opportunity, in cooperation with the Department of Justice, developed a computerized EEO information system for use by State EEO compliance officers to aid in complaint investigations and compliance reviews. The system, Program for EEO Evaluation Reports (PEER), was tested and approved during this period. The Compliance Officer's Handbook was revised and reissued.

In 1977, by virtue of the 1976 increase in investigative workload demands, the Division of Special Review staff anticipates involvement in the investigation and review of problems arising from the CETA program. The level of Special Review activity varies considerably from year to year. The staff will primarily respond to critical problems in the operation of the Employment and Training

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programs. A predicted workload of 30 investigations for 1977 will require maximum utilization of the present division staff, particularly in light of the serious nature of allegations involved in the Migrant and Indian programs.

The Division of Equal Employment Opportunity concentrated on compliance monitoring of regional offices, State agency and CETA prime sponsor EEO operations; streamlining of EEO technical assistance guides and tools; improvements in the Minority Business program; perfection of EEO reporting system; training national, regional, State Employment Security agencies and CETA staffs on EEO and affirmative action; and maintenance of contacts with community-based national organizations. The ETA Manual chapter(s) on Equal Employment Opportunity will be revised to provide standards and techniques for monitoring EEO performance and to develop standards for regional offices where they are needed. The ETA Manual will also provide guidance on technical assistance, training methods and techniques, and a model EEO training package. An EEO Reference Handbook that will contain reference data on legislation, names of EEO contacts, definitions, where to obtain posters and publications, will be developed. Regulations on State staffing are to be revised and reissued. New Department of Justice regulations, "Coordination of Enforcement of Nondiscrimination in Federally Assisted Programs," will impose additional reporting and other requirements on the Division of Equal Employment Opportunity.

In 1977, a number of new employment program initiatives are to be established and the expansion of some existing employment and training programs. Active Federal presence to insure corrective action will be required and expected. This change will necessitate greater oversight by Federal staff to insure compliance with the regulations as mandated by congressional legislations and executive orders. The Equal Employment Opportunity staff and the special Review staff in conjunction with the Program staff will assure that the State Employment Security Agencies (SESAs) and the prime sponsors maintain a program of equal opportunity for applicants and staff in both grantee and subgrantee organizations.

In 1978, the increased audit program pertaining to national contracts projected for 1978 will require maximum utilization of staff efforts by the Division of Special Review. The investigative response will far exceed that of any prior year. In 1976 and 1977, plans were formulated to arrange for audits of 100% of the national programs contracts, which number over 600. This will occur early in fiscal year 1978. The staff will be investigating fraud, gross mismanagement and illegal or improper expenditure of Employment and Training Administration's funds.

The Division of Equal Employment Opportunity plans to increase the use by its grantees and contractors of Minority Banking and Business Enterprises. Full participation of females and members of minority groups on Comprehensive Employment and Training Act and State Employment Security Agencies (SESA) staffs at all organizational levels will also be encouraged. Intensive training of EEO and other staff in monitoring CETA and SESA EEO performance will be a major area of focus.

Regulations setting forth a comprehensive ETA policy on EEO and Affirmative Action Plans (AAP) for State Employment Security Agencies will be developed. The regulations will include EEO and AAP standards for the SESA's. The Division of Equal Employment Opportunity will continue working with the Solicitor's Office to update existing regulations, such as Title 29 of the Code of Federal Regulations Part 31 concerning Civil Rights.

Changes for 1978

Mandatory changes amount to	+$94,000
Program changes amount to	NONE
Positions	NONE

Mandatory changes include increases for within-grades promotion costs, $13,000; travel costs, $5,000; owned or leased space, $76,000; increased personnel benefit costs, $2,000; full-year costs for increased pay, $2,000; full-year funding for the increase of 2 positions, $32,000; and decreases of $22,000 for administrative program support; $10,000 for contractual services; and $4,000 for one less day of pay in 1978.

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Activity 7. Executive Direction and Management (1977, $21,326,000, Pos. 538; 1978, $23,348,000, Pos. 558)

Narrative Description of Program

This activity provides for the preparation and dissemination of information on employment and training programs; the development, maintenance and operation of financial and management information systems for all employment and training programs; budgetary, fiscal management, audit, personnel and administrative services for the Employment and Training Administration; and the overall executive direction, supervision and coordination of the operation of employment and training programs. Authorization for this activity is provided in the Comprehensive Employment and Training Act of 1973, (CETA) the Wagner-Peyser Act and the Social Security Act.

In 1976, there were major improvements in four areas of operations:

(1) Management systems, including the Operational Planning and Control System (OPCS), the Management by Objectives processes (MBO), the Annual Work Plan cycle (AWP) and management data systems were consolidated and integrated into an Operational Planning and Review System (OPRS). An OPRS Manual was prepared.

(2) The Employment and Training Administration staffing was the subject of parallel studies. A classification study was completed and necessary personnel actions and reorganizations were achieved as a result. Several of the Phase I recommendations of the comprehensive management study on the processes and staffing of ETA (conducted during fiscal year 1975) were implemented.

(3) Cash management within the Employment and Training Administration was improved through the issuance of Field Memoranda on cash management practices. Training and technical assistance field visits were made to regional offices, prime sponsors and State agencies. All eligible recipients were converted to letter-of-credit payment from Treasury check advances.

(4) The State Employment Security Agency Cost Accounting/Time Distribution System was revised on the basis of recommendations made by an ad hoc committee of system users, including State agency and regional officials. The recommendations of the committee were incorporated into the System's programs during the year, tested and distributed to State Employment Security Agencies (SESAs). Fiscal instructions detailing the operation of the revised system were published.

A Career Opportunity Program (COP) was revised and implemented in 1976 by the Employment and Training Administration (ETA). This program provides a means for nonprofessional employees to be selected and trained for entry-level professional positions. Also an Upward Mobility Program Agreement was negotiated by ETA with the Civil Service Commission. Implementation is projected for 1977.

A comprehensive position management and classification survey was conducted of major ETA organizational components. This identified and resolved a large number of classification problems stemming from reorganization and program decentralization.

In the Transition Quarter, the basic objectives which were established for fiscal year 1976 were continued.

(1) The procedures of the Operational Planning and Review System (OPRS) were used in the planning cycle for fiscal year 1977 operations. The State Management component of the system began and important parts of it were tested.

(2) Phase II of the comprehensive management study on the processes and staffing of the Employment and Training Administration began. This phase extends the methods employed in the Phase I study of ETA regional offices to national office functions.

(3) Seminars were conducted in each regional office for State administrators and system personnel to acquaint them with the changes in the State Employment Security Agencies (SESA) Cost Accounting/Time Distribution System for fiscal year 1977 in advance of installation.

A Cooperative Education Program with three predominately minority colleges was established. Implementation through a positive recruitment program will be completed in 1977. Also an Executive Development Program was developed. The program will be implemented in fiscal year 1977. This involves a comprehensive program approach including planning, classification, staffing, and development of key staff.

In 1977, work will continue on several of the areas emphasized in fiscal year 1976 and will also focus on improvements to additional areas of operation.

The Operational Planning and Review System's (OPRS) review procedures will be implemented, analyzed, and modified as necessary to simplify and sharpen its operation. Also, the testing of the staff management portion of the system will be completed, and the final staff management processes will be instituted.

The comprehensive management study processes and staffing will be completed, and the recommendations of Phase I will be implemented. A multi-faceted effort to improve staff performance will be instituted. Systems for staff skills and performance improvement will be developed and implemented, as will a system for personnel management evaluation, i.e., the promotion and evaluation of management practices in EEO, labor management relations, position management and classification, recruitment and placement, and incentive awards and testing. A system for position management, to assure appropriate organization and job design and employee utilization will be developed and implemented in the national and regional offices.

The improvements to the State Employment Security Cost Accounting/Time Distribution System as recommended by the ad hoc committee will be completed by including current system procedures in the ETA accounting manual, by revising various reports to improve the CETA interface, by monitoring the States testing alternatives to continuous time reporting, by improving Federal interface reports, by following up on late reporting States, by instituting time distribution validation, and by conducting training for national office, regional office, and State staff who maintain and depend on the System's information.

Emphasis will shift beyond cash management to more sophisticated fiscal resource management procedures. Improved techniques for the allocation of non-personal service and administrative staff and technical resources to State agencies will be devised. Procedures for more informed distribution and control of CETA and SESA discretionary funds will be instituted and a comprehensive financial operation handbook for the national and regional offices will be developed.

A multi-year improvement program for the Regional Automation System will be planned and early phases will be implemented. The phased upgrading will include the provision of output formating to regional offices, the establishment of interactive remote processing inputs and, finally, a distributed data base matrix of computers which will link regional operational data bases to large scale socio-demographic-economic data bases and to State agency data bases and all three to national office computers.

The management analysis program will be expanded and intensified. The development of a standard review instrument for CETA and SESA programs will be coordinated, based on findings of Phase II of the management study, and a staff requirements system will be developed and maintained. The SESA self-appraisal system will be reviewed, and the paperwork involved in the recruitment, placement, travel, and provision of services in the Job Corps will be reviewed and simplified.

The Employment and Training Administration will implement the projects and programs begun in 1976; it will complete the pilot implementation, which is Phase III, of the management study; will implement the Upward Mobility Program

Agreement, which was negotiated with the Civil Service Commission; will implement through a positive recruitment program, the Cooperative Education Program established with three predominately minority colleges; and will implement a comprehensive Executive Development Program after required prior approvals are secured.

There will be developed and implemented a system for staff skills improvement. This will include conducting an inventory and analysis of present skills, establishing a process for projecting future skill needs, developing a plan to meet these needs, and establishing a system for maintaining and improving this process.

A personnel management evaluation system for ETA national and regional offices will be developed. This system will promote and evaluate management practices in the areas of Equal Employment Opportunity, labor-management relations, position management and classification, recruitment and placement, incentive awards and training. Implementation within the ETA national office and regional offices will begin in late 1977.

The Employment and Training Administration will also develop and implement a position management system for the national and regional offices. The system is designed to assure appropriate organizational design, job design and employee utilization. Special Affirmative Action Plans are being developed to train women in the management information systems area.

Three major new programs are being proposed in fiscal year 1977 for the Employment and Training Administration as part of the President's economic stimulus program. They are the Youth, Help through Industry Retraining and Employment (HIRE), and the Skill Training Improvement Program (STIP) programs. Also as part of this stimulus program, the President has proposed expansion in four of the existing employment and training programs: (1) the Public Service Employment program (Title II); (2) the Indian/Migrant program; (3) the Job Corps program; and (4) the Public Service Employment program (Title VI).

In 1977, the focus for the Comprehensive Employment and Training Activities has moved to regularizing of operations. The Operational Planning and Control System (OPCS) which has been replaced by the Operational Planning and Review System (OPRS), allows for bottoms up planning within the Federal organization as well as the prime sponsor and employment security organizations. It represents a further refinement to the process of Employment and Training Administration management of its program reponsibilities. It integrates the OPCS with the Annual Work Plan (AWP) into a unified system for planning ETA accomplishments for a given year, allocating resources, and regularly assessing performance. It also has partially integrated the Technical Assistance and Training plan into a comprehensive system.

The regions and national office staff developed annual work plans for fiscal year 1977 as part of the OPRS. These plans were developed within overall ETA goals and objectives. The plans are divided into specific goals which have beginning and ending dates as well as output measures. The bottoms-up planning of the prime sponsors and employment security agencies are geared to regular quarterly reviews. Beyond this ongoing management review, the regions will spend more time on monitoring activities. For the prime sponsors, this will again be geared to an assessment of their operations which will point out the shortcomings as well as the achievements. The assessment instrument for fiscal year 1977 will improve on the previous years. This assessment will be one of the major instrument in discussions with the elected officials.

ETA will continue to move toward more standards of performance for the State Employment Security Agencies. The Unemployment Insurance program (UI) has standards for the major program indicators. The employment service program has initiated standards for the veterans program. In addition, work is continuing in other areas to develop regulations which will more concretely specify what is expected. This will allow Federal and State staff to more adequately determine what has to be done to improve performance, thus making the Federal-State partner-

ship a true effort to become more efficient. Quarterly reviews will jointly be required by regional and national executive staff to identify trends and problems that need to be addressed on a uniform basis.

As part of the CETA thrust, a large portion of the activity will be devoted to insuring that CETA prime sponsors are spending CETA funds in accordance with Federal law and regulations. Regular onsite monitoring has been scheduled by each of the Area Operations offices. An intensive review of each individual prime sponsor will be conducted by the Federal representative. This review will follow the checklist format contained in the CETA monitoring handbook to be certain that all prime sponsors are fulfilling their obligations. This review will give both ETA and the prime sponsors a picture of how well they have complied with the regulations and what needs to be corrected or improved upon to conform to the requirements. Since the actual format is to lengthy to be completed on one visit, it will require a series of visits. The results of this review will provide the necessary documentation to make the annual assessment referred to above.

A major portion of the UI program will be directed towards overseeing the payment of unemployment benefits by States to minimize overpayment and fraud and to help the States administer the complex Federal extended benefit programs. The national office staff will develop the framework to improve upon previous performance when the stress was primarily on making payments. Program letters will be prepared which will stress quality operations. Special efforts will be made by UI staff to work out local arrangements with the employment service to identify individuals who are not moving from the unemployment rolls. UI interviews will set-up dates to review claimants who are scheduled to go back to work from layoffs, who are not tied to the labor market, and others who could benefit from more intensive efforts. UI regional staff will work closely with the States to insure implementation of this shift to insure quality. They will work with State and local office staff to sort out what has to be done locally. Also, to the extent that it becomes necessary, State staff will be trained in setting up registers and in insuring that unnecessary or fraudulent claims are not made. The emphasis on extended payments will be primarily to clarify what has to be done.

The Administrative and Management Service support function has lagged during the initial years of CETA. Plans for 1977 are to upgrade the assistance provided to CETA prime sponsors in the A&MS area. Regions will stress the cash management problems. Progress was made in limiting draw downs to minimum requirements. Additional efforts in this area should result in interest savings. Another area that has not received full assistance necessary has been in the contracts area. It is planned to devote efforts to improving this area. Preliminary courses through the regional training centers will be followed up by individual staff assistance.

In 1978, the UI effort toward improvement of efficiency began in fiscal year 1977, will be expanded from a concentration on fraud and overpayment to a full program improvement. This continuing thrust will stress full performance of benefit payment and control as well as a more effective monitoring and assessment effort. Implementation of the time lapse standards and revisions which will occur in 1977 will serve as the basis to establish a point of departure in identifying what actions need to be taken. After the initial identification process, efforts will be undertaken to validate State time lapse reporting and review corrective action plans. Technical assistance will be rendered to streamline operations to provide prompt payment. These efforts will apply equally to the State and Federal Unemployment Compensation programs.

Staff efforts in fiscal year 1977 to improve the effectiveness of program monitoring will be continued in 1978. This will include reviews of various aspects of the UI program, the new economic initiatives programs and the expansion programs.

There will be additional emphasis in the A&MS activity. The review of financial operations and the delivery of technical assistance and training will be

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the two major areas stressed. A financial operations handbook, developed in 1977 for the national and regional offices use, will be ready for release early in Fiscal Year 1978. This handbook will be the basis for making improvements in our financial system at the local level. The CETA financial problems, in particular, will be addressed and corrective actions will be developed. Currently, each prime sponsor operates its system with little indepth review of what interface is necessary or desirable. The TAT activity, which was scheduled for improvement in fiscal year 1977, will reach a sufficient level in 1978 to meet the needs of CETA prime sponsors. The spectrum of technical assistance provided will be expanded beyond contracts and financial needs to encompass many of the identified needs of the prime sponsors.

Changes for 1978

Mandatory changes amount to	+$1,657,000
Program changes amount to	+$ 365,000
Positions	+20

Mandatory changes include increases for within-grade promotion costs, $107,000; travel costs, $20,000; Federal Employees' Compensation Fund, $34,000; owned or leased space, $208,000; funding for 10 new positions authorized in 1977, $150,000; increased personnel benefits costs, $18,000; full year cost for increased pay, $18,000; and administration program support costs, $179,000; full-year funding for the increase of 78 positions in 1977, $1,235,000; and decreases of $281,000 for contractual services; and $31,000 for one less day of pay in 1978.

Program change of $365,000 provides funding for 20 additional Federal positions in 1978. The additional positions will increase staff efforts to CETA prime sponsors in the administration and management activities. The increased staff will provide additional technical assistance to prime sponsors in program development, labor market analysis, management information system, financial management, and program evaluation areas. Plans are to upgrade the assistance provided to CETA sponsors. The staff will assist grantees in developing records that will uniformly conform to generally accepted standards and principles which will allow for more efficient flow of data and provide the necessary information required for the monitoring and control of program activities. Currently, each prime sponsor operates its system with little indepth review of what interface is necessary or desirable.

Also, the additional staff resource will devote a large portion of their time to ensure that CETA prime sponsors are spending CETA funds in accordance with Federal law and regulations. Regular onsite monitoring and intensive reviews of each individual prime sponsor will be conducted.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Distribution of Field Staff

Supervising Offices	1977			1978		
	Professional	Clerical	Total	Professional	Clerical	Total
Boston, Mass.	99	61	160	101	61	162
New York, N.Y.	171	98	269	175	98	273
Philadelphia, Pa.	161	88	249	164	88	252
Atlanta, Ga.	176	117	293	180	117	297
Chicago, Ill.	270	155	425	275	155	430
Dallas, Texas	155	79	234	158	79	237
Kansas City, Mo.	88	63	151	90	63	153
Denver, Colorado	78	49	127	80	49	129
San Francisco, Calif. .	149	98	247	153	98	251
Seattle, Washington ...	81	41	122	82	41	123
Veterans Employment Service (all States)	156	52	208	156	52	208
Total Field Staff	1,584	901	2,485	1,614	901	2,515

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

List of New Positions Requested

	Number	Grade	Annual Salary
Activity 3. Apprenticeship Services			
Departmental			
Special Assistant	1	GS-15	$33,789
Apprenticeship and Training Representative	5	GS-13	121,540
Program Analyst	1	GS-12	20,442
Budget Analyst	1	GS-12	20,442
Secretary	2	GS-7	23,046
Secretary	2	GS-5	18,606
Clerk-Steno	1	GS-4	8,316
Sub-total, activity	13		246,181
Activity 5. Unemployment Insurance Service			
Field Offices			
UI Program Specialist	10	GS-9	140,970
Sub-total, activity	10		140,970
Activity 7. Executive Direction and Management			
Field Offices			
Manpower Development Specialist	20	GS-9	281,940
Sub-total, activity	20		281,940
Total new positions	43		669,091

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PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Planning, Evaluation and Research (Authorizing Legislation - Comprehensive Employment and Training Act of 1973, as amended)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
172	$5,400,000	Indefinite	172	$5,715,000

Purpose: This activity provides for the principal planning, policy development, program analysis, evaluation and research and development staff capability in the Employment and Training Administration. The staff develops new concepts, program approaches and policy initiatives, and conducts a continuing program of analytic studies devoted to major policy issues; provides leadership in program planning and review; administers a program of contract and staff evaluation studies; plans and administers external research and development projects and a small internal research program; coordinates research on manpower within the Employment and Training Administration and other agencies with responsibilities in this field; and edits coordinates and contributes to the preparation of the annual Employment and Training Report of the President.

Explanation: Federal funds provide salaries and expenses for the Office of Policy, Planning, Evaluation and Research.

Accomplishments in 1977: The research and development staff will continue to monitor and test the viability and applicability of large scale multi-state operational demonstrations for solutions to special employment problems. The program will assist in identifying operational problems in local employment and training programs and delivery systems and initiating research responsive to these needs. Special attention will be given to the development of a series of concept papers highlighting the employment problems and needs of the Hispanic groups, older workers and the American Indians.

The evaluation staff will concentrate on evaluating the decentralized programs conducted by State and local governments under CETA. Through the tracking of a national sample of participants, data will be provided on participants' post-program employment and earning experiences.

The planning and policy staff will devote, as a first effort toward strategic planning, substantial resources to an indepth analysis of major issues facing ETA over the next two years. Legislative efforts was also directed toward securing extension of the Comprehensive Employment and Training Act (CETA).

Objectives for 1978: The research and development staff resources will be directed towards continued review, monitoring, and technical guidance, and towards the development of many new major initiatives. A major research and development experimental activity, scheduled for large scale expansion in 1978, is the Work Equity Program which will substitute training and employment for income transfer payments through UI and other benefits programs.

The evaluation staff will concentrate on carrying forward the major evaluations of the decentralized programs under the Comprehensive Employment and Training Act, and the Employment Service. The Planning and Policy staff will also extend the strategic planning process beyond the two-year period and will institutionalize the procedure.

Labor Market Information staff will work to place increased emphasis on the training of new and journeyman labor market analysts to improve the quality as well as the quantity of labor market information.

PA-50 EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Comprehensive Employment Development (Authorizing Legislation -- Comprehensive Employment and Training Act of 1973, as amended, Wagner-Peyser Act of 1933)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
1,607	$44,158,000		1,607	$51,531,000

Purpose: The national staff develops the overall program policies, objectives and strategies of the Comprehensive Employment and Training Act and administers programs involving work and training opportunities which can most appropriately be accomplished at the national level. The regional staff provides technical assistance in the form of strategic and operational planning, program component design, grant administration techniques and performance review.

Explanation: Federal and unemployment trust funds provide salaries and expenses for national and regional staff in the Office of Comprehensive Employment Development programs.

Accomplishments in 1977: The national office staff will continue their efforts to increase prime sponsor capability in planning, operating and evaluating effective employment and training programs. Assessments will be performed to indicate areas in which revisions or clarification of program regulations are necessary and national office operational guidance is required. Standard performance assessments conducted during the second half of 1976 will be used to determine and prioritize areas warranting policy or operational guidance. Heavy emphasis will also be placed on the assessment and improvement of national program performance. As reviews identify problem areas, technical assistance will be provided to aid in improving Indians, farmworkers, and national training program performance.

In 1977, a number of new employment program initiatives as well as major expansion of some existing programs will be initiated as part of the President's economic stimulus package. These proposals will affect programs administered by the Employment and Training Administration (ETA) under CETA including Title I (operations by State and local government prime sponsors), Title II and VI (Public Service Employment (PSE)), Title III (Indians, Migrants, Youth, Apprenticeship and Veterans) and Title IV (Job Corps). The effect of these initiatives will significantly increase ETA's staff responsibilities.

Objectives for 1978: ETA will continue to build a comprehensive employment and training system through refinement of program regulations, grant review and approval systems, and new or continued legislative initiatives. Operational support will be provided through technical assistance and training delivery by national and regional offices in service delivery and program management areas.

The Job Corps national office staff will continue to formulate and provide planning guidance and program techniques to enhance the capability of centers to operate their programs and to assess program performance against established overall goals and objectives on a nationwide basis.

Specific actions to enhance the efficiency of the Migrant and Indian programs will include more intensive technical assistance to program sponsors and providing for closer coordination of employment and training efforts with economic developments. Closer coordination between these programs and the programs carried out by CETA, Title I prime sponsors will be emphasized.

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Apprenticeship Services (Authorizing Legislation -- National Apprenticeship Act)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
495	$13,254,000		508	$14,146,000

Purpose: The National Apprenticeship Act (Public Law 75-308 dated August, 1937) was enacted to promote labor standards safeguarding the welfare of apprentices and to encourage the development of apprenticeship systems for the training of craftsmen. The apprenticeship service staff carries out the intent of the Act through a program by which private enterprise is provided technical assistance and advisory services in developing, installing and administering apprenticeship and allied industrial training.

Explanation: Federal funds provide salaries and expenses for the national and regional office staff.

Accomplishments in 1977: During fiscal year 1977, an estimated 360,000 apprentices will receive training in registered programs including 61,000 minorities. Approximately 40 percent of the total will be veterans. Of the estimated 65,000 new registrants, 18 percent will be minorities.

Apprentice registrations in the Combined Federal and State workloads will increase to an estimated 91,000. These gains reflect in part the first effect of new initiatives undertaken to expand and improve apprenticeship in industries where it is not now strongly represented. These initiatives are: to establish at the local level a mechanism to provide program support of administrative nature to small employer program sponsors and potential program sponsors; to engage in selected industry campaigns, utilizing through contract arrangements employed staff of national and multiregional trade and professional associations to develop new apprenticeships among their affiliated local units; and to step-up Federal Government participation and use of apprenticeship in all appropriate installations.

Also, in a number of metropolitan areas experiencing high levels of unemployment, a program will be implemented in 1977 to enable apprentices during periods of such unemployment to continue their skill development, their attachments to and knowledge about the trades they have entered. To provide financial incentives to be paid specifically to apprenticeship program sponsors under a simplified grant or contract procedure, a program will be proposed to establish new registered apprenticeship programs and to make maximum use of apprenticeship openings in both new and existing programs.

Objectives for 1978: Apprenticeship services staff will be extensively engaged in the implementation of the new initiatives begun in the prior year and in actions to improve the quality of training affor ed in existing programs. With modest improvement in general economic conditions anticipated, sponsors will be encouraged to fill existing apprenticeship openings without diminishing emphasis upon equal opportunities for women and minorities.

Assistance will be provided to the States in preparing documentation and conforming to requirements for Federal recognition as registration authorities under the newly adopted 29 CFR 29. State apprenticeship agencies will be provided assistance in the modification of the State Equal Opportunity in Apprenticeship Plans to reflect increased emphasis upon women in apprenticeship.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: U.S. Employment Service (Authorization Legislation--Wagner Peyser Act, Veterans' Employment and Readjustment Act of 1972, as amended, Immigration and Nationality Act)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
603	$15,530,000		603	$15,869,000

Purpose: The U.S. Employment Service develops, maintains and promotes a nationwide Federal-State Employment Service which provides employment assistance to individuals; and provides employers and workers with job development, placement and supportive services.

Explanation: Federal and unemployment trust funds provide salaries and expenses for national and regional staff in the U.S. Employment Service.

Accomplishments in 1977: Federal policy direction will continue to emphasize strengthened employer services and job solicitation activities on behalf of unemployed workers in order to increase the number of job openings obtained from employers so that applicants will have better employment alternatives.

A program strategy was initiated in 1977 which focused on defining the role of the Employment Service as a public service and improving the management system. Objectives and goals emphasized improving employer services and securing more job openings to help speed the employment of jobless workers; making services more accessible to employers and workers in rural areas; and extending needed special services to veterans.

Technical Assistance will be furnished to the 30 States that implemented the Job Service Improvement Programs in 1975-6 to aid in the improved delivery of services to employers. Training programs on employer relations techniques will be designed and conducted for State agencies staffs. This effort will be supplemented by frequent evaluations and monitoring at State and local levels.

In fiscal year 1977, a new program will be developed to establish a series of outreach units, to be staffed in large part by disabled veterans, to identify other disabled veterans in need of employability assistance and to guide them to special programs and services, available to them or to appropriate job opportunities. The program is a part of the President's economic stimulus package. This program will help disabled veterans locate jobs. The Department plans to hire about 2,500 veterans to set up "outreach units" in the 100 largest cities.

Objectives for 1978: Federal staff will develop and coordinate the implementation of revised procedures to accommodate additional employment service registrants resulting from expanded unemployment insurance coverage and increased interest in labor force participation among women, youth, and older workers. A major effort will be to achieve better integration of services to CETA.

Veterans priority will be carefully monitored in all States at all levels with special emphasis on areas performing below published standards. A review of the automated job service matching systems will be conducted to ensure that veterans preference is observed in referrals to jobs procedures to enable veterans to be placed in quality jobs in accordance with the published standards.

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Unemployment Insurance Service (Authorizing Legislation — Social Security Act, as amended, Trade Expansion Act of 1962, Trade Act of 1974, and title 5, chapter 85 of the United States Code, as amended)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
350	$11,378,000		360	$12,691,000

Purpose: This activity provides for leadership and technical assistance to all States in the development and administration of their unemployment insurance laws and for program and operations research data; establishes policies for determining the amounts to be granted to each State for administration of its unemployment insurance laws; supervises performance of State agencies as agents for payment to individuals; and determines the basic operating procedures and standards for States in controlling claims for benefits and for extending benefits as provided under Title II of Public Law 91-373, under the Special Unemployment Assistance Program and under the Federal Supplemental Benefits program.

Explanation: Unemployment trust funds provide salaries and expenses for the national and regional office staff in the Unemployment Insurance Service.

Accomplishments in 1977: The Unemployment Insurance Service has focused its efforts upon five major areas of activity: to continue to improve the quality of operations--primarily eligibility determinations and time lapse--which began in fiscal year 1976; to continue the effort to increase the efficiency of the UI program by the expanded use of automation systems as a part of the Employment Security Automation Plan; to assist the States in the effective implementation of P.L. 94-566 "The Unemployment Compensation Amendments of 1976"; to focus UI research toward studies which identify program issues and weaknesses, thereby leading to improve program content; and to encourage benefit financing studies in order to determine and support State legislation required to restore sound benefit financing.

New contracts executed for research will be directed to: development of methods and measurements to identify types of unemployment experienced by UI claimants; development of methods and measurements to measure the full length of unemployment of UI claimants vs. claims series duration; the impact of the benefit formula on the duration of unemployment of UI claimants; an evaluation of unemployment experience by claimants under the Special Unemployment Assistance Program; and the effects on claimants of a maximum Weekly Benefit Amount Standard.

Objectives for 1978: Work on program performance standards and performance in SESAs will be continued. The performance standards study approach will be formalized as an ongoing quality activity. The State employment security agencies (SESAs) will be required to complete an annual study and Federal staff will conduct studies in approximately one-third of the SESAs each year as a validation process. Development of the Secretary's Standards will be a major activity.

Implementation of an improved benefit rights interview program will commence in fiscal year 1978. The program will include methods to be used in indoctrinating claimants as to their rights and responsibilities when they first file their claims for UI benefits.

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Investigation and Compliance (Authorizing Legislation -- Comprehensive Employment and Training Act of 1973, as amended, and Civil Rights Act of 1964)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
66	$1,907,000		66	$2,001,000

Purpose: This activity provides for special inquiries and reviews of the Assistant Secretary for Employment and Training; provides leadership and coordination to all activities relating to audits of the Employment and Training Administration programs; provides policy, procedural guidelines and technical assistance to national office and field staffs to insure that the Employment and Training Administration carries out a broad range of Departmental responsibilities under Federal laws, regulations and orders promoting equal employment opportunities; and monitors and promotes the implementation of a unified program of affirmative action to foster increased use of minority owned enterprise.

Explanation: Federal and unemployment trust funds provide salaries and expenses for the Employment and Training Administration's Office of Equal Employment Opportunity and regional Equal Employment components and Special Review staffs.

Accomplishments in 1977: The staff will primarily responded to critical problems in the operation of the Employment and Training Programs. A workload of 30 investigations for 1977 will require maximum utilization of the Special Review staff, particularly in light of the serious nature of allegations involved in the Migrant and Indian programs.

The Division of Equal Employment Opportunity concentrated on compliance monitoring of regional office, State agency and CETA prime sponsor EEO operations; streamlining of EEO technical assistance guides and tools; improvements in the minority business program; perfection of EEO reporting system; training national, regional, State and prime sponsor staffs on EEO affirmative action; and maintenance of contracts with community-based national organizations.

In 1977, a number of new employment program initiatives are to be established and the expansion of some existing employment and training programs. Active Federal presence to insure corrective action will be required and expected. This change will necessitate greater oversight by Federal staff to insure compliance with the regulations as mandated by congressional legislations and executive orders.

Objectives for 1978: The increased audit program pertaining to national contracts projected for 1978 will require maximum utilization of staff efforts by the Division of Special Review. The staff will be investigating fraud, gross mismanagement and illegal or improper expenditure of Employment and Training Administration funds.

The Division of Equal Employment Opportunity plans to increase the use of its grantees and contractors of Minority Banking and Business Enterprises, train EEO and other staff in monitoring CETA and state agency EEO performance; develop a comprehensive ETA policy on EEO Affirmative Action Plans (AAP) for State Employment Security Agencies; and continue working with the Solicitors Office for update of existing regulations.

EMPLOYMENT AND TRAINING ADMINISTRATION PA-55

PROGRAM ADMINISTRATION

Program Purpose and Accomplishments

Activity: Executive Direction and Management (Authorizing Legislation -- Comprehensive Employment and Training Act of 1973, as amended, Wagner-Peyser Act as amended, and Social Security Act, as amended)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
538	$21,326,000		558	$23,348,000

Purpose: This activity provides for the preparation and dissemination of information on employment and training programs; the development, maintentance and operation of financial and management information systems for all employment and training programs; budgetary, fiscal management, audit, personnel and administrative services for the Employment and Training Administration; and the overall executive direction, supervision and coordination of the operation of employment and training programs.

Explanation: Federal and unemployment trust funds provide salaries and expenses for the Administrator, the Deputy Administrator, Regional Administrators and their staff, and the Offices of Information, Management and Administrative Systems and Financial and Management Information Systems.

Accomplishments in 1977: The Operational Planning and Review System's (OPRS) review procedures will be implemented, analyzed, and modified as necessary to simplify and sharpen its operation. Also, the testing of the staff management portion of the system will be completed, and the final staff management process will be instituted.

The regions and national office staff developed annual work plans for fiscal year 1977 as part of the OPRS. These plans developed within overall Employment and Training Administration goals and objectives were divided into specific goals with beginning and ending dates as well as output measures.

A major portion of the regional office staff resources will be directed towards overseeing the payment of unemployment benefits by States to minimize overpayment and fraud and to help the States administer the complex Federal extended benefit programs. The national office staff will develop the framework to improve upon previous performance when the stress was primarily on making payments. Program letters will be prepared which will stress quality operations.

Three major new programs are being proposed in fiscal year 1977 for the Employment and Training Administration as part of the President's economic stimulus program. Also as part of this stimulus program, the President has proposed expansion in four of the existing employment and training programs.

Objectives for 1978: Efforts towards improvement of efficiency that began in fiscal year 1977 will be expanded from a concentration on fraud and overpayment to a full year improvement. Staff efforts will continue to improve the effectiveness of program monitoring.

There will be additional emphasis in the Administrative and Management activity. The review of financial operations and the delivery of technical assistance and training will be the two major areas stressed.

EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

For expenses necessary to carry into effect the Comprehensive Employment and Training Act of 1973, as amended, and sections 326 and 328 of the Trade Expansion Act of 1962 (19 U.S.C. 1951 and 1961) and sections 236, 237, and 238 of the Trade Act of 1974, (19 U.S.C. 2101) [$3,311,830,000] $4,563,030,000, without regard to the limitation of Section 4(e), 1/ plus reimbursements, to remain available until September 30, [1978] *1979: Provided,* That this appropriation shall be available for the purchase and hire of passenger motor vehicles, and for construction, alteration, and repair of buildings and other facilities and for the purchase of real property for training centers as authorized by the Comprehensive Employment and Training Act of 1973, as amended (29 U.S.C. 801 et. seq.).

Note: Additional authorizing legislation forwarded to Congress. No action has been taken by Congress to date.

Explanation of Language Change

1/ The requested exemption from section 4(e) assures that the funds requested are not in violation of the 20 percent ceiling limitation placed on title III and title IV funds by this section.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or estimate	$3,311,830,000	$4,563,030,000
1977 Proposed supplemental.....	1,622,000,000	---
Comparative transfer to:		
Bureau of Labor Statistics.....	-3,900,000	---
Subtotal, Budget Authority	4,929,930,000	4,563,030,000
Unobligated balance, start of year..	100,009,000	---
Total amount available for obligations	5,029,939,000	4,563,030,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Summary of Changes

	Amount
1977 Appropriation	$3,311,830,000
1977 Proposed Supplemental	1,622,000,000
Comparative transfer to: Bureau of Labor Statistics for Current Population Survey...	-3,900,000
1977 Revised Estimate	4,929,930,000
Unobligated balance from prior year	100,009,000
1977 Available for obligation	5,029,939,000
1978 Estimate	4,563,030,000
Total Change	-466,909,000

	Base Amount	Change Amount
Mandatory Items:		
Increases:		
To provide for an increase in Title II funds to maintain the same 100,000 public service employment jobs in FY 1978 as provided in FY 1977	---	+306,000,000
To maintain the same FY 1977 Job Corps enrollment level of 30,000 in FY 1978	---	+ 69,900,000
Total Increases	---	+375,900,000
Decreases:		
Non-recurring unobligated balance made available in 1978 from 1977 as follows:		
State and Local Programs $-58,445,000		
(Title I) (-55,556,000)		
(Title II) (- 2,889,000)		
National Programs (Title III) -41,564,000	---	-100,009,000
Total, Mandatory Items	---	+275,891,000

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	Base Amount	Change Amount
Program Items:		
Increases:		
To provide for an increase of 25,000 temporary public service employment jobs in title II (page 29).	524,000,000	+186,000,000
To provide for an increase reflecting the proportionate levels authorized under the Comprehensive Employment and Training Act for Migrant/Farmworkers ($12,000,000) and Indian ($9,600,000) Programs (page 40)	113,760,000	+ 21,600,000
To provide necessary funding to continue new program approaches started in FY 1977 toward meeting the employment-related needs of the Migrant/Farmworkers (page 40)...	16,000,000	+ 20,000,000
To provide financial assistance to continue new programmatic initiatives started in FY 1977 and directed to the chronic economic and employment-related problems of Indians and other native Americans (page 40).....	14,000,000	+ 17,000,000
To provide funds to continue a series of outreach units established in FY 1977 to identify disabled veterans in need of employability assistance (page 40)	10,000,000	+ 13,000,000
To provide for a 14,000 enrollment increase in the Job Corps (page 40)	274,100,000	+143,100,000
To provide for an increase in the apprenticeship program to continue the new initiatives started in FY 1977 (page 40)	20,000,000	+ 39,000,000
To provide for an increase in evaluation activities (page 40)...	3,300,000	+ 2,500,000
Total, Increases		+442,200,000
Decreases:		
To provide for a reduction in the Summer Youth Employment Program pending a review at a later date of the projected level of summer youth unemployment for the summer of calendar year 1978 (page 42)	595,000,000	-595,000,000
Total, Program Items		-152,800,000

	Base Amount	Change Amount
Financing Items:		
Decreases:		
Reflects exclusion of funding for the FY 1978 Youth program included in the FY 1977 supplemental request	1,000,000,000	-500,000,000
Reflects exclusion of funding for the FY 1978 Skill Training Improvement Program (STIP) included in the FY 1977 supplemental request.....	250,000,000	- 50,000,000
Reflects exclusion of funding for the FY 1978 Help through Industry Retraining and Employment (HIRE) program included in the FY 1977 supplemental request	120,000,000	- 40,000,000
Total, Financing Items		-590,000,000
Total Change		-466,909,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Explanation of Changes

Mandatory Items:

Increases:

Full year funding of the 100,000 public service employment jobs in title II reached at the end of Fiscal Year 1977, $306,000,000.

Full year funding of the 30,000 Job Corps enrollment level reached at the end of Fiscal Year 1977, $69,900,000. This increase is to the National Program activity.

Decreases:

Non-recurring unobligated balance of $100,009,000 made available in 1977 from the Transition Quarter. This is included in the activities as follows: State and Local Programs, $58,445,000; National Programs, $41,564,000.

Program Items:

Increases:

State and Local Programs: An increase of $186,000,000 for an additional 25,000 public service employment jobs in title II.

National Programs: An increase of $21,600,000 is requested to provide for the levels authorized under Section 302(g) and Section 303(b)(2) of title III for Indian and Migrant/Farmworker programs.

National Programs: An increase of $20,000,000 in title III to continue new program approaches started in FY 1977 toward meeting the employment-related needs of the Migrant/Farmworkers.

National Programs: An increase of $17,000,000 in title III to continue new programmatic initiatives started in FY 1977 and directed to the chronic economic and employment-related problems of Indians and other native Americans.

National Programs: An increase of $13,000,000 in title III to continue a series of outreach units established in FY 1977 to identify disabled veterans in need of employability assistance.

National Programs: An increase of $143,100,000 in the funding of Job Corps, title IV, to provide a 14,000 enrollment increase.

National Programs: An increase of $39,000,000 in title III to continue new initiatives started in FY 1977 in the apprenticeship program.

National Programs: An increase of $2,500,000 in title III for evaluation activities.

Decreases:

Summer Youth Employment Program: A reduction of $595,000,000 pending a review at a later date of the projected level of summer youth unemployment for the summer of calendar year 1978.

Financing Items:

Decreases:

National Programs: Reflects exclusion of funding for the FY 1978 Youth program of $500,000,000; Skill Training Improvement Program, $50,000,000; and Help through Industry Retraining and Employment program, $40,000,000. Because of the availability of carryover funding from FY 1977, the decreased requests do not indicate decreased program levels. In FY 1978 the Youth program will increase from 72,000 to 154,000 slots, the Skill Training Improvement Program will be maintained at the 58,000 slot level, and the HIRE program will increase from 60,000 to 92,000 slots.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Obligations by Activity

	1977 Amount	1978 Estimate Amount	Change 1977/1978 Amount
1. State and local programs...	$2,462,445,000	$2,896,000,000	$+433,555,000
(Title I)	(1,935,556,000)	(1,880,000,000)	(- 55,556,000)
(Title II)	(526,889,000)	(1,016,000,000)	(+489,111,000)
2. National programs:			
(a) National training programs.....	1,972,494,000	1,667,030,000	-305,464,000
(Title III).....	(1,698,394,000)	(1,179,930,000)	(-518,464,000)
(Title IV)	(274,100,000)	(487,100,000)	(+213,000,000)
3. Summer youth employment program (Title III)	595,000,000	---	-595,000,000
Total obligations by activity..	5,029,939,000	4,563,030,000	-466,909,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAININC ASSISTANCE

Obligations by Object

		1977	1978	Change 1977/1978
Total number of permanent positions.....		1,197	1,188	- 9
Positions other than permanent.....		306	297	- 9
Average number of all employees.....		1,705	1,701	- 4
Personnel Compensation:				
	Permanent positions.....$	16,442,000 $	16,381,000 $	-61,000
	Positions other than permanent.....	3,469,000	3,389,000	-80,000
	Other personnel compensation.....	850,000	840,000	-10,000
11	Total personnel compensation.....	20,761,000	20,610,000	-151,000
12	Personnel benefits.....	2,088,000	2,076,000	- 12,000
21	Travel and transportation of persons.	623,000	613,000	- 10,000
22	Transportation of things.....	677,000	722,000	+45,000
23	Rent, communications, and utilities..	1,821,000	1,816,000	-5,000
24	Printing and reproduction.....	29,000	25,000	-4,000
25	Other services.....	16,300,000	18,800,000	+2,500,000
	Services of other agencies.....	10,619,000	8,392,000	-2,227,000
26	Supplies and materials.....	11,359,000	11,044,000	-315,000
31	Equipment.....	1,067,000	1,382,000	+315,000
32	Lands and structures.....	334,000	559,000	+225,000
41	Grants, subsidies, and contributions.	4,964,261,000	4,496,991,000	-467,270,000
Total, obligations by object.....		5,029,939,000	4,563,030,000	-466,909,000

Note: Permanent positions shown above are Department of Agriculture and Department of Interior positions. These positions are funded through the Job Corps.

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Action on Congressional
Recommendations

No specific actions recommended.

EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
Comprehensive Employment and Training Act of 1973, as amended 1/	Indefinite	$4,933,830,000	1/	$4,563,030,000

1/ Additional authorizing legislation has been proposed for 1978.

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EMPLOYMENT AND TRAINING

EMPLOYMENT AND TRAINING ASSISTANCE

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	413,088,000	399,992,000	409,992,000	407,492,000
1970	1,536,615,000	670,815,000	1,586,615,000	1,451,215,000
1971	1,614,497,000	1,605,297,000	1,676,497,000	1,622,997,000
1972	1,661,396,000	843,799,000	1,813,396,000	1,682,066,000
1973	1,549,416,000	1,549,416,000	1,549,416,000	1,549,416,000
1974	1,798,584,000	2,048,584,000	2,546,584,000	2,265,584,000
1975	2,457,100,000	2,908,050,000 1/	2,777,450,000 1/	2,852,450,000 1/
1976	2,922,820,000	2,916,820,000	2,922,820,000	2,916,820,000
Transition Quarter	599,000,000	597,500,000	599,000,000	597,500,000
1977	2,394,330,000	3,311,831,000	3,311,830,000	3,311,830,000
1977 Proposed Supplemental	1,622,000,000			
1978	4,563,030,000			

1/ Excludes $15,300,000 transferred to the Community Services Administration.

EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Summary of Obligations by Title

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate	Change 1977/1978
State and Local Programs	2,306,908,000	492,648,000	2,462,445,000	2,896,000,000	+433,555,000
Title I	1,527,823,000	395,130,000	1,935,556,000	1,880,000,000	- 55,556,000
State Allocation	1,261,893,000	289,877,000	1,535,630,000	1,504,000,000	- 31,630,000
Other	265,930,000	105,253,000	399,926,000	376,000,000	- 23,926,000
(Consortia)	(37,772,000)	(9,426,000)	(45,300,000)	(45,000,000)	(---)
(Voc. Trng. Svcs.)	(76,633,000)	(19,411,000)	(94,726,000)	(94,000,000)	(- 726,000)
(Flexible State Activity)	(63,222,000)	(13,723,000)	(77,271,000)	(75,200,000)	(- 2,071,000)
(Sec. Discret. Fund)	(86,373,000)	(62,663,000)	(182,329,000)	(161,800,000)	(- 21,129,000)
Title II (Public Service Employment Programs)	479,085,000	97,518,000	526,889,000	1,016,000,000	+489,111,000
National Programs	366,151,000	112,479,000	1,972,494,000	1,667,030,000	-305,464,000
Title III	231,850,000	67,254,000	1,698,394,000	1,179,930,000	-518,464,000
Migrants/Farmworkers	71,734,000	6,950,000	92,236,000	111,200,000	+ 19,164,000
Indians	50,812,000	12,859,000	65,366,000	91,160,000	+ 25,794,000
Veterans Programs	---	---	10,000,000	23,000,000	+ 13,000,000
Youth Programs	---	---	1,000,000,000	500,000,000	-500,000,000
STIP	---	---	250,000,000	200,000,000	- 50,000,000
HIRE	---	---	120,000,000 2/	80,000,000	- 40,000,000
Other National Programs	65,143,000	33,639,000	111,292,000	129,720,000	+ 18,408,000
Program Support	44,161,000	13,806,000	49,700,000	44,870,000	- 4,830,000
(Tech. Assist. & Trng.)	(13,071,000)	(6,408,000)	(19,751,000)	(15,010,000)	(- 4,941,000)
(Labor Market Info.)	(14,850,000)	(2,012,000)	(13,449,000)	(11,060,000)	(- 2,389,000)
(Research & Devel.,& Eval.)	(16,240,000)	(5,386,000)	(16,300,000)	(18,800,000)	(+ 2,500,000)
Title IV Job Corps	134,301,000 1/	45,225,000 1/	274,100,000 1/	487,100,000 1/	+213,000,000
Summer Youth Employment Program - Title III	572,895,000	22,927,000	595,200,000	---	-595,000,000
Total	2,945,954,000	628,054,000	5,029,939,000	4,563,030,000	-466,909,000

1/Excludes reimbursements of $529,000 in Fiscal Year 1976; $206,000 in the Transition Quarter and estimates of $530,000 in Fiscal Year 1977 and Fiscal Year 1978.
2/Excludes $3,900,000 to be transferred to the Bureau of Labor Statistics in Fiscal Year 1978.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Title I Prime Sponsor Obligations by Approach

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Classroom training	$ 505,349,000	$106,594,000	$ 614,746,000	$602,352,000
On-the-job training	140,375,000	32,301,000	170,763,000	167,320,000
Public service employment	154,412,000	38,761,000	187,839,000	184,052,000
Work experience	589,574,000	142,125,000	717,203,000	702,744,000
Other activities	14,037,000	3,230,000	17,076,000	16,732,000
Total	1,403,747,000	323,011,000	1,707,627,000	1,673,200,000

Note: 1977 and 1978 obligations by approach are based on prior year experience. Final determination of obligations by approach will be the result of individual prime sponsor decisions.

Public Service Employment Obligations

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Employment and Training Assistance Appropriation				
Currently Available	$479,085,000	$97,548,000	$402,889,000	$ ---
Pending Request	---	---	124,000,000	1,016,000,000
Temporary Employment Assistance Appropriation				
Currently Available	1,810,382,000	997,092,000	20,136,000	---
Pending Request	---	---	3,179,000,000	4,855,000,000
Total	2,289,467,000	1,094,640,000	3,726,025,000	5,871,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Other Nationally Funded Programs

	1976 Actual	Transition Quarter Actual	1977 Estimate	1978 Estimate
Consortia Incentives	$ 37,702,000	$ 9,426,000	$ 45,000,000	$ 45,000,000
Rural CEPS	7,209,000	1,802,000	9,000,000	9,000,000
Prime Sponsor Hold Harmless	62,927,000	15,412,000	5,000,000	19,000,000
Trade Act Activities	3,666,000	1,643,000	4,000,000	3,500,000
Evaluation of CETA Decentralized Program	---	---	5,000,000	5,000,000
Departmental Audits of CETA Prime Sponsors	497,000	1,203,000	4,000,000	3,342,000
Offender Programs	6,971,000	---	5,000,000	---
Supported Employment Program	5,000,000	3,000,000	5,000,000	---
Special Summer Youth Program	---	33,738,000	---	---
Veterans Outreach	935,000	441,000	1,500,000	---
New York ES System	900,000	---	1,000,000	---
Departmental R.D. & E Funds	45,000	105,000	158,000	158,000
Judge Richey Review Commission	950,000	250,000	200,000	---
New Apprenticeship Initiatives	---	---	39,000,000	59,000,000
Job Service Improvement Program	---	---	500,000	---
Occupational Tests	---	---	150,000	---
Occupational Analysis Work Traits	---	---	200,000	---
Job Search Information	---	---	100,000	---
Counseling for CETA Prime Sponsors	---	---	120,000	---
Minority Skilled Training	27,159,000	9,418,000	38,063,000	38,063,000
Community Based Organizations	5,030,000	2,977,000	5,850,000	5,850,000
Promotions and Development	10,403,000	3,183,000	21,887,000	22,887,000
Occupational Information Service	2,601,000	1,925,000	3,300,000	---
School to Work Program	---	---	3,000,000	---
Economic Development Demonstration Projects	---	---	1,500,000	---
Special Emphasis Program (Bonding and Planning Grants)	108,000	---	700,000	700,000
Employment and Work Demonstration Projects	---	---	5,000,000	---
Current Population Survey	4,300,000	950,000	*	---
Alaska Pipeline	1,600,000	---	---	---
Selected Population Segments	3,928,000	12,724,000	---	---
Program for Persons of Limited English Speaking Ability	2,343,000	2,657,000	---	---
Job Corps Projects	268,000	3,906,000	---	---
Emergency Weather and Fuel Crisis	---	---	10,000,000	---
Employment Security Automation Plan	---	---	3,000,000	14,300,000
National Commission on Unemployment Compensation	---	---	8,793,000	680,000
National Commission on Employment and Unemployment Statistics	---	---	1,500,000	---
Secretary's Discretionary Resources	---	---	111,700,000	110,020,000
Other Commitments	4,676,000	966,000	---	---
Total	189,218,000	105,726,000	339,221,000	336,500,000
(Title III)	(65,143,000)	(33,539,000)	(111,292,000)	(129,700,000)
(Title I)	(124,075,000)	(72,369,000)	(227,929,000)	(206,800,000)

*Excludes $3,900,000 to be transferred to the Bureau of Labor Statistics in Fiscal Year 1978.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Descriptions of Other Nationally Funded Programs

Consortia Incentives: These funds are utilized to encourage consortia of local governments to act as prime sponsors.

Rural CEPs: These funds are used to fund four rural concentrated employment programs located in the States of Kentucky, Minnesota, Montana and Wisconsin.

Prime Sponsor Hold Harmless: These funds are used to maintain title I prime sponsor allocations to equal at least 90 percent of their previous Fiscal Year allocation.

Trade Act Activities: Financing is provided for training, relocation, and related services for workers who are adversely affected by national foreign trade policies. Funds are allocated to State employment security agencies through Department of Labor regional offices upon approval of their funding applications (which must assure coordination of training activities with the local prime sponsor).

Evaluation of CETA Decentralized Program: This item provides for the funding of the Continuous Longitudinal Manpower Survey which provides for the long-term tracking of a national sample of CETA program participants.

Departmental Audits of CETA Prime Sponsors: Provides necessary funds for contracted audit services of CETA prime sponsors.

Offender Programs: Assists criminal offenders to gain suitable employment and adjustment to work and living outside of the correctional institutional environment. The programs attempt to link employment and training programs with various intervention points in the criminal justice system. For example, individuals who are pre-trial detainees, probationers, inmates, parolees, residents of halfway houses, and ex-convicts who have completed their sentences are all eligible for this program.

Supported Employment Program: These are pilot programs which provide transitional work support to regularize the work status of severely disadvantaged persons such as addicts, alcoholics, and ex-offenders. To provide an alternative to welfare or idleness for these persons, the programs develop new kinds of needed public service activities adapted to skill and employability levels of the participants.

Special Summer Youth Program: These discretionary funds were allocated in June 1976 to provide 60,000 additional summer jobs for youth in 45 of the larger cities with unemployment of 9 percent or more.

Veterans Outreach: This program provides employment and training services for veterans and supplements veterans outreach programs funded by the Grants to States appropriation.

New York ES System: These funds provide for technical ADP support in a job matching system which will increase the capability of prime sponsors to serve applicants and employers.

Departmental RD&E Funds: These are funds utilized at the Departmental level for research, development and evaluation projects relating to employment and training programs.

Judge Richey Review Commission: These are funds used by the Commission established under the Judge Richey Court Order to review the quality and quantity of State ES Agency services to migrants and seasonal farmworkers.

New Apprenticeship Initiatives: The Department has moved to promote apprenticeship programs in new industries and greatly increase the amount of funds being spent on apprenticeship programs. Apprenticeship, a proven training success in construction, will be expanded to health, energy-related and governmental employment. Apprenticeship expansion into new areas will also serve to increase skill opportunities for minorities and women.

The new initiatives include:

1) An improved network of State apprenticeship councils, Federal-State Councils and Federal-State partnership.
2) Promotion of Apprenticeship in Occupations and Industries using National Contracts.
3) Expansion of Apprenticeship in Federal Agencies.
4) Grants to establish Community Apprenticeship Councils to set standards, arrange instructions, work with small businesses, trade associations, etc.

The apprenticeship programs will expand from a base of $19,000,000 to $39,000,000, serving 8,600 individuals, in Fiscal Year 1977 and $59,000,000, serving 17,200 individuals, in Fiscal Year 1978. The expanded program will allow apprentices to continue skill development during periods of unemployment. A similar program would be undertaken for workers at the journeyman level to use any slack period for training to prevent skill erosion, maintain their attachment to their trades, and afford industry some protection for their training investment in such workers. A school linkage project would provide enrollment of youth in work orientation and preapprenticeship during early secondary school years. The school linkage projects would provide manipulative skills, directed or vestibule work exposure and job trails in summer months, part-time preapprenticeship employment in the senior year, and subsequent preferential entry into apprenticeship.

Job Service Improvement Program: Provides funding to assist the State Job Service Agencies, their local offices and employer committees in developing and maintaining working relationship with State and local prime sponsors.

Occupational Tests: Provides funding for the training of prime sponsors relating to the introduction of the Nonreading Aptitude Test Battery and the new Spanish language edition of the General Aptitude Test Battery.

Occupational Analysis Work Traits: Provides training to select groups on the State and local level, who are concerned with occupational preparation on the new approaches and changes incorporated into the classification

structure and definitions of the updated edition of the Dictionary of Occupational Titles.

Job Search Information: Provides training to prime sponsors in the use of the Job Bank Frequently Listed Openings Report.

Counseling for CETA Prime Sponsors: Provides for the improvement of counseling services to prime sponsors.

Minority Group Skill Training Programs: These are longstanding programs of demonstrated effectiveness. Most of these projects, all of which are administered from the national office, were set up in the late 1960's under the Manpower Development and Training Act. They are now being continued under CETA. Included in this category are Apprenticeship Outreach Programs and National On-the-Job Training Programs.

Apprenticeship Outreach Programs operate in over 100 cities across the Nation. At the local level, these projects assist young persons, primarily minorities, to qualify for and gain entry into industry-sponsored apprenticeship programs. Major program sponsors include R-T-P, Inc. (27 local projects), the National Urban League (37 local projects), and the Human Resources Development Institute - AFL-CIO (22 local projects).

Although most Apprenticeship Outreach projects focus on making placements in the building construction trades, the United Auto Workers (UAW) and the International Association of Fire Fighters (IAFF) operate projects to recruit and place young persons into their respective occupational areas. The UAW operates local projects in 25 States. The IAFF conducts local projects in 7 cities. In addition, about 17 projects are sponsored by locally based organizations.

In Fiscal Year 1976, the Apprenticeship Outreach Program was redirected to include the placement of women in nontraditional jobs, including those in the construction industry. In view of the downturn in construction activities and employment, program sponsors have also been encouraged to serve their clients by developing job opportunities in all industries.

National On-the-Job Training Programs provide classroom training and OJT for unemployed and underemployed persons, with emphasis on providing opportunities for minorities, veterans and economically disadvantaged persons. Most of the training is conducted for skilled trades and occupations such as the skilled construction trades, metal working trades, tool and die making, and other occupational areas where sound, well-paying job opportunities can be developed. In implementing these programs, the Department of Labor has entered into program funding agreements with organizations capable of exerting influence or control on a nationwide basis over the employment and training policies of major industries and occupational areas. Such organizations include national and international labor unions and major trade associations. The programs these organizations sponsor are, in most cases, nationwide or multi-regional in scope.

Community-Based Organizations: The Department of Labor provides financial support to the national headquarters offices of three community-based organizations: Jobs for Progress (SER); the National Urban League (NUL); and Opportunities Industrialization Centers (OIC). These organizations are thereby able to maintain a cadre of highly qualified professional staff to provide technical assistance and training to their local affiliates. As

a group, these local affiliates form a major block of service deliverers operating under CETA title I prime sponsors.

Promotion and Development: Promotion and development programs under this activity are intended to foster understanding, acceptance, and involvement with regard to Federal manpower policies and programs and to gain the participation of labor and management in employment and training programs. There are two major efforts underway - those conducted by the National Alliance of Businessmen (NAB) and the Human Resources Development Institute (HRDI) of the AFL-CIO. The National Alliance of Businessmen works with the business community at all levels to promote the involvement of private sector firms and establishments in employment and training. The Human Resources Development Institute promotes involvement on the part of labor organizations at all levels. Program funding agreements are negotiated and awarded to these and other selected organizations.

Occupational Information Service: Grants are made to States to develop or improve systems which provide occupational information designed to help individuals, especially youth, make career choices. Information provided through the systems will include topics such as job duties; legal, educational, and training requirements for entry; current employment; job outlook; and earnings and fringe benefits.

School to Work Program: These are pilot programs to provide school-age youth with a more fluid transition from school-to-work. The programs, which may include such activities as orientation, work experience, and vocational training, are developed along industry lines.

Economic Development Program: The purpose of this program is to encourage and strengthen a local government's efforts to coordinate the public and private actions necessary to undertake strong, effective economic development activities in local communities. The overall objective is to maintain existing employment opportunities and/or produce new jobs for city residents, including economically disadvantaged, and low and moderate income residents. One key emphasis of the program is its focus on coordinating existing Federal programs (CETA, HUD's Community Development Block Grant Program and various programs of the Economic Development Administration in Commerce), which together represent an important resource and potential for attacking economic development problems.

Employment and Work Demonstration Projects: Employable individuals receiving benefits under the Aid to Families with Dependent Children, Food Stamps, General Assistance, or UI claimants who have exhausted entitlement to regular and extended UI benefits are the target population for these projects. Projects will test combinations of uniform work requirements, wages, job creation, community work projects, and transition to private employment. One major project will test diversion of employable individuals to a manpower/employment program without their becoming welfare, or other income transfer program recipients. Comparative costs, operational feasibility, client response and public reaction will be measured.

Special Emphasis Program (Bonding and Planning Grants): This program provides fidelity bonding to persons who cannot obtain suitable employment because they have police, credit, or other histories which prevent their being covered by the usual commercial bonds.

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Current Population Survey: Undertakes current population surveys of households to determine statistics for use in the formula allocation of CETA funds as stipulated by legislation. The funding for this program will be transferred and included in the Bureau of Labor Statistics appropriation in Fiscal Year 1978.

Alaska Pipeline: This activity provides additional resources to the State of Alaska to meet the increased need for employment training services resulting from the impact caused by construction of the Alaska Pipeline. Classroom and on-the-job training were provided to persons to fill pipeline jobs. Rural residents also received transportation and other supportive services. Alaska Natives received high priority in the programs because of their high unemployment and low skill levels.

Selected Population Segments: Provides additional services to special segments of the population. These groups represent persons who have special disadvantages in the labor market and are in particular need of employment and training services. These groups include women reentering the job market, handicapped persons, and unemployed rural residents.

Programs for Persons of Limited English-Speaking Ability: Supplementary grants are awarded to selected prime sponsors which enable them to augment services for persons of limited English-speaking ability.

Job Corps Projects: Additional discretionary funds provided to the Job Corps to maintain the Fiscal Year 1976 operating level.

Emergency Weather and Fuel Crisis: Funds were made available as a result of the energy and weather crisis to the six hardest hit states to hire workers for emergency programs such as snow removal, ice reduction in harbors and seaways, fuel transportation, emergency repairs, winterization of houses, etc. The emergency allocations to the states, augmenting whatever the operators of CETA programs set aside themselves, are: New York, $3.3 million; New Jersey, $1.5 million; Pennsylvania, $2.0 million; Ohio, $1.8 million; Maryland, $617,000; Virginia, $744,000.

Employment Security Automation Plan: Funds would provide for the installation of an additional eight real-time sites and an additional four batch-matching sites, as well as increased system support. These funds will not be obligated until an evaluation has been made.

National Commission on Unemployment Compensation: Provides funding for this Commission established under P. L. 94-566, to study and examine the present unemployment compensation programs in order to assess the long-range needs of the programs, and to develop alternatives and recommendations for program improvements. The Commission, to be comprised of 13 members, will be limited to approximately a 2-year period to complete its work.

National Commission on Employment and Unemployment Statistics: Provides funding for this Commission, established under P. L. 94-444, to examine the procedures, concepts, and methodology involved in employment and unemployment statistics and suggest ways and means of improving them. The Commission, to be comprised of nine members, will be limited to approximately an 18-month period, after appointment of members, to complete its work.

Secretary's Discretionary Resources: Provides funds to the Secretary for needed flexibility to respond to various emergency situations and to mount additional program initiatives to complement the already established CETA activities.

Other Commitments: Covers the funding of other small projects.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Activity 1. State and Local Programs (1977, $2,462,445,000, 1978, $2,896,000,000)

Narrative Description of Program

This activity provides Federal financial assistance to qualified State and local governmental units called prime sponsors and to Indian tribes who design and operate comprehensive employment and training assistance programs as authorized by titles I and II of the Comprehensive Employment and Training Act of 1973, as amended.

Programs and services authorized under title I can include institutional and on-the-job training, work experience, vocational education, job placement services and transitional public service employment.

Eighty percent of the total funds appropriated for title I is allocated to eligible prime sponsors in accordance with the following formula:

* 50 percent is distributed based on the sponsor's proportionate share of funds allocated in the previous fiscal year.

* 37.5 percent is distributed on the basis of the number of unemployed in the sponsor's area compared with the total number of unemployed in all prime sponsor jurisdictions.

* 12.5 percent is distributed based on the proportion of adults in low-income families residing in prime sponsor's area.

The remaining twenty percent of title I funds is used as follows:

* 5 percent for grants to Governors for vocational training services.

* Not more than 5 percent to encourage consortia of local governments to act as prime sponsors.

* 4 percent for flexible State activities.

* The remainder for the discretionary use of the Secretary of Labor.

Title II of the Act authorizes programs of transitional public service employment and training in areas which have a rate of unemployment of 6.5 percent or more for three consecutive months.

Eighty percent of the total funds appropriated for title II is allocated to prime sponsors qualified under title I in accordance with the number of unemployed residing in areas of substantial unemployment within their jurisdiction compared to the number of unemployed residing in all such areas. The remaining twenty percent of the title II funds is distributed by the Secretary at his discretion, taking into account the severity of unemployment within eligible areas.

In 1976, 431 States and local units of government received grants to carry out programs under titles I and II of the Act.

These 431 prime sponsors included:

62 cities
175 counties

140 consortia
50 balance-of-State sponsors
4 rural CEP's.

A total of $1,527,823,000 was obligated under title I. Of this amount, $2,245,000 was unobligated funds available from 1975. That portion allocated to and obligated by prime sponsors was $1,403,784,000. The remaining $124,075,000 was obligated for consortia and discretionary activities. Pages 15-21 reflect amounts obligated and a description of activities funded for consortia and discretionary.

The following table shows the enrollee levels and years of service for prime sponsor title I programs in Fiscal Year 1976:

Program Activity	Enrollees	Years of Service
Classroom Training	587,900	141,400
On-the-Job Training	177,100	37,400
Public Service Employement	73,700	21,000
Work Experience	967,100	200,300
Other Activities	128,800	15,400
Total	1,934,600	415,500

Included in the program approach described as "Other Activities" are such activities as the removal of artificial barriers to employment, job restructuring, revision or establishment of merit systems, and development and implementation of affirmative action plans.

Although the number of enrollees in each of the activities under title I of CETA increased substantially in Fiscal Year 1976 over Fiscal Year 1975 due to larger numbers of persons being served in the program, the proportion of enrollees in work experience programs as shown in the following table declined from 54 percent in FY 1975 to 50 percent in FY 1976, while the proportion in classroom and on-the-job training increased from 35 to 39 percent.

Program Activity	Cumulative Enrollment	
	FY 1975	FY 1976
TOTAL	100%	100%
Classroom Training	28	30
On-the-Job Training	7	9
Public Service Employment	3	4
Work Experience	54	50
Services to Clients 1/	--	--
Other Activities	8	7

1/ Less than 1 percent

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Cumulative termination data for title I participants for Fiscal Years 1975 and 1976 are shown below:

Title I Termination Data

Type	FY 1975	FY 1976
All terminations	100.0	100.0
Positive	62.7	68.0
Placements	31.8	31.0
Direct	(11.3)	(9.1)
Indirect	(15.3)	(16.2)
Self	(5.2)	(5.7)
Other Positive Placements	30.9	37.0
Non-Positive	37.3	32.0

Direct placements include individuals placed in unsubsidized employment after receiving only intake, assessment and/or job referral services under the Act. Indirect placments include persons placed in unsubsidized employment after participating in training, employment or supportive services. Self placements include those individuals who found jobs through their own efforts. Other positive terminations include participants who have not been placed in unsubsidized employment, but who are engaged in other activities which increase employability. These four categories constitute positive terminations. Non-positive terminations include those who have terminated the program for various other reasons. The 5 percent increase in positive terminations between FY 1975 and 1976 was due to the increase in the category "Other positive placements" which stood at 37 percent in FY 1976 as compared with 31 percent in FY 1975. This indicates that compared to FY 1975 a greater percentage of participants entered the military, returned to school, or transferred to another CETA title at the time of their termination from a title I program activity.

In FY 1976, a total of $479,085,000 was obligated for title II public service employment programs. Of this amount, $79,272,000 was unobligated funds available from 1975. These funds along with $2.8 billion appropriated under the Temporary Employment Assistance account in FY 1976 were used by prime sponsors to continue a nationwide program of 310,000 public service employment jobs.

Prime sponsors have the authority under both titles II and VI to use available funds for other than public service employment, but have done so only in a limited way. In FY 1976, 96 percent of title II participants and 84 percent of title VI participants were placed in public service employment. The majority of the remaining participants were enrolled in work experience positions. These work experience positions generally resembled public service employment in that they involved fulltime work on special public projects. However, these work experience positions typically pay considerably less than public service employment positions and are designed for persons who require some sort of work experience prior to entering or reentering unsubsidized employment.

The characteristics of title II and title VI participants in Fiscal Year 1976 were generally similar to those of Fiscal Year 1975 and are as follows:

	Title II	Title VI
. percent economically disadvantaged	47	44
. percent male	64	65
. percent 21 or younger	22	22
. percent 45 or older	14	14
. percent handicapped	3	3
. percent on public assistance	9	8
. percent less than high school education	26	26
. percent Black	27	23
. percent American Indian	1	2
. percent Spanish American	12	10
. percent veterans	22	21

Approximately 76 percent of title II and 61 percent of title VI participants terminated with a positive status from the program. This represents an increase over 1975 positive termination levels. However, the growth in positive terminations was due primarily to the transfer of participants between public service employment programs under the separate titles. The increase in the "other positive status" also reduces the percentage which placements are of total terminees. Subtracting the "other positive status" from the total of all terminees and recomputing placement rates clearly shows that prime sponsors were more successful in Fiscal Year 1976 in placing participants than they were in Fiscal Year 1975. The following table provides cumulative termination data for titles II and VI:

Titles II and VI Termination Data

	Title II		Title VI	
	FY 1976	FY 1975	FY 1976	FY 1975
All terminations	100.0	100.0	100.0	100.0
Positive	75.8	54.3	61.4	45.6
Placements	17.2	23.4	26.8	29.0
Direct	(0.7)	(1.4)	(1.3)	(1.0)
Indirect	(11.2)	(13.7)	(15.3)	(12.0)
Self	(5.3)	(8.3)	(10.2)	(16.0)
Other Positive Placements	58.6	30.9	34.6	16.6
Non-Positive	24.2	45.7	38.6	54.4

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In Fiscal Year 1976, there was a reduction in the number of participants under 22 years of age and an increase in participants completing 12 years or more of schooling. The following table provides social-economic characteristics of persons enrolled in CETA title I during FY 1975 and FY 1976 and also compares them with those of participants in former categorical programs:

Comparison of Enrollee Characteristics
Between 1976, 1975 and Categorical Programs

Characteristics	Title I 1976	Title I 1975	Categorical Program 1/
Total	100.0	100.0	100.0
Sex:			
Male	54.1	54.4	57.7
Female	45.9	45.6	42.3
Age:			
Under 22	56.7	61.7	63.1
22-44	36.5	32.2	30.6
45 and over	6.8	6.1	6.3
Education:			
8 and under	11.9	13.3	15.1
9-11	42.9	47.6	51.1
12 and over	45.2	39.1	33.8
Economically disadvantaged	75.7	77.3	86.7
Race:			
White 3/	55.3	54.6	54.9
Black	37.1	38.5	37.0
American Indian	1.4 4/	1.3 4/	3.5
Other	6.2	5.6	4.6
Spanish-speaking	14.0	12.5	15.4
Limited English-speaking ablity	5.1 4/	4.1 4/	2/
Veterans:			
Special Vietnam-Era	3.6	5.2	15.3
Other	4.5	4.4	--

1/ Data on categorical programs are for Fiscal Year 1974, the final year of their operation.
2/ Information not available.
3/ Includes Spanish-speaking Americans.
4/ Special programs for Indians and those with limited English-speaking ability are also part of Title II of CETA.

In the Transition Quarter, $395,100,000 was obligated under title I and $97,548,000 was obligated under title II. Of the total $492,648,000 obligated, $1,086,000 was carry-over funds from Fiscal Year 1976. That portion allocated to and obligated by prime sponsors under title I was $323,011,000. The remaining $72,089,000 was obligated for consortia and discretionary activities. Pages 15 - 21 reflect amounts obligated and a description of activities funded for consortia and discretionary.

In 1977, 446 State and local units of government have received grants to carry out programs under Titles I and II of the Act.

These 446 prime sponsors include:

67 cities
180 counties
140 consortia
51 balance-of-State sponsors
4 statewide consortia
4 rural CEPs.

A total of $1,935,556,000 is available for obligation under Title I. Of this amount, $55,556,000 is unobligated funds available from 1976 and the Transition Quarter. That portion available to prime sponsors is $1,707,627,000. The remaining $227,929,000 is for consortia and discretionary activities, including $21,129,000 of unobligated Transition Quarter funds. Pages 15-21 reflect amounts and a description of activities to be funded from consortia and discretionary funds.

The following table represents an estimated distribution, based on 1976 actual data, of enrollee levels and years of service which will be provided to prime sponsors under title I in Fiscal Year 1977. However, the final determination will be the result of individual prime sponsor decisions.

Program Activity	Estimated Enrollees	Estimated Years of Service
Classroom Training	708,900	150,400
On-the-Job Training	202,900	39,800
Public Service Employment	80,800	22,300
Work Experience	950,800	213,000
Other Activities	139,600	16,300
Total	2,083,000	441,800

In 1977, as part of the economic recovery package, the title II public service employment program will be expanded by 50,000 jobs from its present level of 50,000 jobs to 100,000 jobs. The title VI public service employment program will also be expanded in FY 1977 by 240,000 jobs from its present level of 260,000 jobs to 500,000 jobs. The two titles combined will, therefore, be expanded by 290,000 jobs from the present level of 310,000 jobs to 600,000 jobs by the end of FY 1977. Funds for the public service employment program under titles II and VI for FY 1977 will be derived from the following sources:

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	1976 Funds	1977 Funds	Total
Employment and Training Assistance Appropriation-Title II:			
Currently Available	$2,889,000	$400,000,000	$402,889,000
Pending Supplemental	---	124,000,000	124,000,000
Total Title II	$2,889,000	$524,000,000	$526,889,000
Temporary Employment Assistance Appropriation - Title VI:			
Currently Available	20,136,000	---	20,136,000
Pending Supplemental	---	3,179,000,000	3,179,000,000
Total Title VI	20,136,000	3,179,000,000	3,199,136,000
Grand Total	$23,025,000	$3,703,000,000	$3,726,025,000

The title II program is expected to expand by 35,000 jobs to a total of 85,000 jobs by June 30, 1977, and to expand by the remaining 15,000 jobs for a total of 100,000 jobs by September 30, 1977. The estimated annual unit cost per job for the expanded program is $8,300 and includes $7,656 for enrollee wages and benefits and $644 for administration. A pending FY 1977 supplemental request of $124,000,000 will provide for the additional 50,000 jobs.

In 1978, a total of $1,880,000,000 is being requested for the continuation of title I activities and $1,016,000,000 for title II activities for a total request of $2,896,000,000. That portion to be allocated directly to prime sponsors under title I is $1,673,200,000, the same amount of new budget authority as in Fiscal Year 1977. The remaining $206,800,000 is for consortia and discretionary activities. Pages 15 - 21 reflect amounts and a description of activities to be funded from consortia and discretionary funds.

The following table represents an estimated distribution, based on 1976 actual data, of enrollee levels and years of service which will be provided by prime sponsors under title I in Fiscal Year 1978. However, the final determination will be the result of individual prime sponsor decisions.

Program Activity	Estimated Enrollees	Estimated Years of Service
Classroom Training	708,500	150,400
On-the-Job Training	216,000	39,800
Public Service Employment	87,800	22,300
Work Experience	1,011,500	213,000
Other Activities	154,500	16,300
Total	2,178,300	441,800

In 1978, a total of $1,016,000,000 is requested for title II public service employment. Of this amount, $830,000,000 will provide for the continuation of the 100,000 job level reached at the end of FY 1977. The remaining $186,000,000 will provide for a further expansion of 25,000 jobs for a total of 125,000 jobs to be funded under title II in FY 1978. The title VI public service employment program will also be expanded in FY 1978 by 100,000 jobs from its FY 1977 level of 500,000 jobs to a total of 600,000 jobs. The two titles combined will, therefore, be expanded by 125,000 jobs from the FY 1977 level of 600,000 jobs to 725,000 jobs by the end of FY 1978. Funds requested for the public service employment program in FY 1978 total $5,871,000,000 and include $1,016,000,000 for title II included in this request and $4,855,000,000 for title VI included in the request for Temporary Employment Assistance.

The title II program is expected to expand to 125,000 jobs by December 31, 1977. The estimated annual unit cost per job for the FY 1978 title II program is estimated at $8,300 and includes $7,656 for enrollee wages and benefits and $644 for administration.

Changes for 1978

Mandatory changes amount to .....$+247,555,000

Program changes amount to .....$+186,000,000

The mandatory changes include a decrease for a non-recurring unobligated balance of $58,445,000 made available in 1977 from the Transitional Quarter. Of this amount, $55,556,000 is title I funds and $2,889,000 is title II funds.

The mandatory changes also include an increase of $306,000,000 for title II to maintain the same 100,000 public service employment jobs in FY 1978 as provided in FY 1977 at an annual unit cost of $8,300 per job. The increase is computed as follows:

	FY 1977	FY 1978 Requirements	FY 1978 Increase
50,000 base jobs	$400,000,000	$415,000,000	$+15,000,000
50,000 new jobs	124,000,000	415,000,000	+291,000,000
Total	$524,000,000	$830,000,000	+306,000,000

The program increase of $186,000,000 is to provide for an increase of 25,000 title II public service employment jobs in FY 1978 at an annual unit cost of $8,300 per job. The increase is computed as follows:

25,000 jobs at $8,300 unit cost	= $207 million
Less estimated 10% lapse	= -21
Total requirements	= $186 million

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Activity 2. National Programs (1977, $1,972,494,000; 1978, $1,667,030,000)

Narrative Description of Program

This activity covers those programs and support activities which are administered by the Federal government on the national level, as authorized under titles III and IV of the Comprehensive Employment and Training Act of 1973, as amended, Section 236, 237 and 238 of the Trade Act of 1974, and Section 326 and 328 of the Trade Expansion Act of 1962.

National training programs provide services directly toward meeting the needs of the labor force which can be served most appropriately through employment and training programs accomplished at the national level. These programs provide additional services, of the type authorized under titles I and II, for special segments of the population such as criminal offenders, persons of limited English-speaking ability, Indians, migrants and seasonal farmworkers, and, through the Job Corps, severely disadvantaged youth. Agreements to provide employment and training services to these groups are entered into with organizations operating on a nationwide, multiregion, or State basis, and with Federal agencies.

This activity also provides program support, including technical assistance and training, for Federal, State and local personnel involved in the planning and administration of employment and training programs; for a comprehensive system to develop labor market information; and for research and development, and evaluation.

In 1976, new obligational authority of $358,960,000 and $7,191,000 of unobligated 1975 funds were obligated for national training programs.

The migrant and seasonal farmworker program received funds totaling $71,734,000. In allotting more than 85 percent of the available funds in 1976 for use within States, an administratively determined distribution formula was used which is based on the number of hired farmworkers in each State. Once the allotment for each State is established, funding applications are solicited from units of State and local governments and public and private nonprofit organizations. Program grants are then awarded on a competive basis. The remaining available resources were retained at the national level for special emphasis programs in such areas as housing, emergency assistance and pilot programs.

In program year 1976 (January 1, 1976 through December 31, 1976), 86 grants were awarded or renewed. It is estimated that about 245,000 persons will have been served during the program year with close to 15,200 participating in classroom training, 6,000 in on-the-job training, 3,000 in work experience projects, and the remainder (about 220,800) participating in other employment and training related services and activities, including emergency food vouchers, emergency medical services, family counseling, day care, tutoring, etc. Of the 245,000 individuals served in program year 1976, it is estimated that about 16,000 entered employment 118,000 received supportive services, entered the Armed Forces, entered school full-time, or entered another employment and training program; 6,000 left the programs under other circumstances and 105,000 were still receiving services at the close of the program year. The aggregate characteristics of persons who have participated thus far in the program year are as follows: 57.9 percent are male; 47.9 percent are 21 years old or younger; 15.7 percent are 45 years old or older; and 88.0 percent have less than a 12th grade education.

Direct financial assistance is provided to Indian tribes, bands or groups to enable them to serve Native Americans with comprehensive training and employment.

The program serving Indians and other Native Americans were funded in 1976 by a total of $50,812,000. These funds were distributed according to an administratively determined formula which allocates 25 percent of the funds on the basis of Indian and Native American unemployment and 75 percent on the basis of the number of low-income families in a specific geographic area; no geographic area receives less than 90 percent of the amount received in the previous fiscal year. Program

grants are then awarded on a selected basis to organizations which are primarily governing bodies of Indian or Native American tribes.

In Fiscal Year 1976, 145 program grantees served more than 39,300 individuals. Of these, about 7,400 participated in classroom training, 2,400 in on-the-job training, 3,400 in public service employment, 20,500 in work experience, and 5,600 in other activities. Many individuals participated in more than one activity. Of the more than 39,300 persons served, about 8,900 entered employment; 10,700 entered the Armed Forces, entered school full-time, or entered another employment or training program; and 9,000 left the programs under other circumstances. The aggregate characteristics of these participants were as follows: 51.9 percent were male; 44.8 percent were 21 years old or younger; 8.9 percent were 45 years old or older; 53.2 percent had less than a 12th grade education; 89 percent were economically disadvantaged; 9 percent were veterans; and 71 percent came from the ranks of the unemployed and underemployed.

The other national programs fund availability in Fiscal Year 1976 totaled $65,143,000, which included $299,000 in 1975 carryover funds. Pages 15-21 reflect amounts obligated and a description of activities funded.

The Job Corps continued to provide economically disadvantaged youth with a comprehensive program, including residential living, basic education, vocational training, medical support, and job placement, among other services. These services are provided nationwide under the authority of the Department of Labor through 60 residential training centers and a network of recruitment, supportive service, and placement organizations in each State. The centers, which are located in 31 States and the Commonwealth of Puerto Rico, include: 27 civilian conservation centers operated by the Departments of Agriculture and the Interior in national parks and forests, and on other public lands; 31 centers operated under contract with business firms, nonprofit organizations, State and local government agencies; and two centers for advanced training operated by unions. Twenty-four of the centers are located in or near large urban areas.

The Job Corps received $175,000,000 of new obligational authority in Fiscal Year 1976. A reduction of $35,047,000 in that new obligational authority was internally made as a compensating adjustment for a like sum utilized in financing Job Corps contracts the previous fiscal year. Unobligated 1975 funds of $1,587,000 and additional funds of $10,800,000 were used to maintain the program at its operating level of approximately 20,700 enrollees. For 1976, new enrollments totaled 44,000, with total terminations of about 43,000. Of the 31,500 enrollees available for placement, 91.8 percent were placed as follows: 19,900 entered employment; 7,300 entered school; and 1,800 entered the Armed Forces.

In its effort to more closely relate the Job Corps with other employment and training programs administered under CETA, the Job Corps developed and implemented a strategy to provide linkages between Job Corps and CETA titles I, II, and III. This linkage strategy provides for coordination of activities in the areas of education, program materials, curricula, purchase of training slots by prime sponsors, recruitment and placement. The development of a CETA linkage strategy included the goundwork for enabling the CETA prime sponsors to purchase training and supportive services from Job Corps centers, joint (local-Federal) development of new Job Corps centers, and provision of training and child care services on a nonresidential basis to Work Incentives program clientele.

In FY 1976, Job Corps moved to upgrade the vocational training programs at Job Corps centers. An analysis was initiated to review all of the Job Corps vocational training programs, focusing on the cost-effectiveness and placement potential of the various vocational curricula. This analysis is being used to cull out or reduce those less effective programs. In addition to the analysis, nationwide training was conducted for vocational instructors in the areas of clerical, welding, automotive, health occupations and culinary arts.

Management of the program was emphasized through the development of a center performance measurement system. This management tool ranks the operation of Job

Corps centers, on a quarterly basis, using six key program indicators, and sets national standards for center performance.

Participation in the program by women was increased in FY 1976 from 28.7 percent. This increase is mostly attributable to the increased number of coeducational centers. Ten centers were modified to become coeducational bringing the total of coed centers to 22. These centers now provide both men and women training in non-traditional as well as traditional vocational areas. Additionally, union participation in the Job Corps was increased to a total of about 3,540 training slots from 3,150. This increase included the expansion of training program opportunities for women in the construction trades.

In 1976, $44,161,000 was obligated, including $5,304,000 of unobligated Fiscal Year 1975 carryover funds for program support activities: $13,071,000 for technical assistance and training; $14,850,000 for labor market information; and $16,240,000 for research and development, and evaluation.

As planned, each Regional Training Center was operational by the end of 1976, serving as the primary technical assistance and training delivery mechanism. A clearinghouse was established to provide Federal, State and local organizations with technical assistance and training materials and maximize the utilization of the Employment and Training Administration sponsored materials.

During Fiscal Year 1976, research and development projects focused on strengthening local prime sponsor and employment service delivery systems through pilots and models such as Job Search and Relocation Assistance, and impact assessments of mandatory registration, the Annual Worker Plan, and selection and counseling procedures. Other projects sought answers to longer-term economic and social issues on unemployment insurance exhaustees; migrants, and illegal aliens; transitional work support; economic forecasting of employment and training requirements and labor force behavior.

Thirteen research institutional grantees are fully operational and are engaged in the training of staff specialists for local employment and training programs. The Small Grants program provides for training support of research specialists required at national, regional, State and local levels in the employment and training field.

The evaluation program in 1976 provided the first detailed data on characteristics of a national sample of enrollees in the decentralized programs under the Comprehensive Employment and Training Act, as part of the long-term overall evaluation of such programs. A design was developed for an evaluation of the short-term economic impact of the Job Corps on its participants. Also initiated was a pilot study of the impact of the employment service's labor exchange activities. The principal evaluation completed during the year was a long-term study of 40,000 participants in training programs in 1969-71, which found that trainees increased their earnings after training substantially more than did a comparable group of workers who did not receive training.

The labor market information program continued its emphasis on improving the administration and management of the labor market information system through identification and specification of a core of essential information items, monitoring, review and evaluation of each State agency's labor market reports and products, and the development of standardized analysis techniques for local labor market information analysts and users.

An inventory of Source of Labor Market Information was prepared and disseminated throughout the Federal-State system of labor market analysts and users and to all local prime sponsors.

A Labor Market Analysis Handbook will be completed in mid-1977. Work was initiated on the development of a computer-assisted labor market analysis system which is designed: to provide labor force information to meet analytic and reporting requirements, meet national allocation needs, and provide for regional manipulation of the data base to meet regional management needs for labor force data.

In the Transition Quarter, $112,479,000 was obligated, including $2,502,000 in carry-over funds as follows: $6,950,000 for the migrant/farmworker program; $12,859,000 for the Indian program; $33,639,000 for other national training programs; $45,225,000 for the Job Corps; $6,408,000 for technical assistance and training; $2,012,000 for labor market information; and $5,386,000 for research and development, and evaluation.

In 1977, and continuing in Fiscal Year 1978, this activity includes the training program aspect of the Administration's economic recovery package which will provide both expanded and new efforts to combat unemployment through developing job skills. These efforts involve not only general measures to improve skill training but also special measures targeted to special groups such as veterans, youth, migrants and Indians. In these target groups, the disproportionate numbers of unemployed must be addressed by carefully tailored programs to develop marketable skills where none presently exist and encourage private industry to hire members of these groups where few are presently being hired. Without increased emphasis on these groups, their situation may continue to deteriorate even as the economy improves.

In 1977, $1,972,494,000 is expected to be available for obligation. This amount includes $432,930,000 included in the 1977 appropriation, $1,498,000,000 included in a pending 1977 supplemental budget request and part of the economic recovery package, and $41,564,000 of unobligated Transitional Quarter funds available in Fiscal Year 1977.

The basic migrant and seasonal farmworker program will be funded by a total of $76,036,000, including $12,836,000 in carry-over funds. In program year 1977 (January 1, 1977 through December 31, 1977), about 86 grants will be awarded or renewed. It is anticipated that about 245,000 individuals will be served during this period, including persons whose enrollment in the program was carried over from program year 1976.

In September 1976, the Department, at the direction of Congress, refunded all High School Equivalency Program/College Assistance Migrant Program (HEP/CAMP) programs for the period September 1, 1976 to August 31, 1977 (18 grants; approximately $5.7 million). The Congress further directed that the Department of Health, Education and Welfare develop reports to "examine the purposes, administration and effectiveness of the program (HEP/CAMP) and shall determine if and to what extent each of these such programs shall be administered by OE..." This report is to be completed by April 12, 1977. The Department of Labor has no plans for the HEP/CAMPs beyond August 1977, other than to assist HEW as necessary.

The basic programs serving Indians and other Native Americans will be funded in 1977 by a total of $51,366,000, including $806,000 in carry-over funds. Approximately 156 grants will be awarded or renewed, serving more than 38,000 new participants.

The other national programs fund availability in Fiscal Year 1977 totals $111,292,000 exclusive of $3,900,000 for the Current Population Survey which is to be transferred to the Bureau of Labor Statistics in Fiscal Year 1978 and $8,600,000 utilized for the Job Corp's program in Fiscal Year 1977. The total, therefore, includes $70,700,000 included in the 1977 appropriation, $20,000,000 included in a pending 1977 supplemental request for expansion of the apprenticeship program, and $20,592,000 for unobligated Transitional Quarter funds available in Fiscal Year 1977. Pages15-21 reflect amounts and a description of activities funded.

In Fiscal Year 1977, the Job Corps will increase its capacity by 10 percent to achieve a congressional mandate to expand Job Corps enrollment. To support the increase in capacity to 22,700 from 20,700 enrollees by the end of Fiscal Year 1977, $206,100,000 will be available for the Job Corps program, $197,500,000 appropriated in 1977 and $8,600,000 from discretionary funds. As part of the economic recovery package the Job Corps will be further expanded to a total of 30,000 enrollees by the end of Fiscal Year 1977. To support this expansion an additional $68,000,000

has been included in a pending 1977 supplemental budget request. The $68,000,000 supplemental request plus the $206,100,000 of funds already available will provide the Job Corps with a total Fiscal Year 1977 funding level of $274,100,000. Cost per enrollment is estimated at $9,400 in 1977.

The Job Corps enrollment increase will be accomplished through the expanded utilization of existing centers and increasing the number of centers. The phasing-in of the increased capacity to 22,700 will commence in February 1977, and will be completed by the end of Fiscal Year 1977. The expansion to the 30,000 enrollment capacity is expected to commence in April 1977, and be completed by the end of Fiscal Year 1977.

An additional mechanism for expanding Job Corps enrollment may result from the development of jointly-funded youth training centers with local prime sponsors. As an outgrowth of the CETA linkage strategy, Job Corps and local prime sponsors will work together to design and establish Job Corps-type centers. Also, Job Corps staff is preparing a technical assistance guide for prime sponsors to use in developing the Job Corps-type centers.

Concurrent with the expansion strategy, the training opportunities for women will be increased. In addition, the Job Corps will work with the Work Incentive Program (WIN) to provide training and child care services to additional WIN participants.

The development of five model vocational curricula will be finalized and issued to all Job Corps centers. These model packages will also be available for use by other CETA program operators. Additional program improvements will be emphasized in Fiscal Year 1977 in the areas of basic education, General Educational Development (GED), bilingual programs and residential living.

The Job Corps will conduct three one-year experimental enrollee payment projects at selected center sites. The purpose of the projects is to determine how payment of certain benefits while in training, rather than after separation from Job Corps, will affect participants' morale, motivation, length-of-stay and post-program results. Additionally, the Job Corps will undertake a pilot study of an amended home leave policy. The purpose of the pilot is to reduce the high loss rate of corpmembers during the first 30-45 days, by permitting leave to alleviate home-sickness.

The new programs, authorized under title III, that are to be implemented in Fiscal Year 1977 as part of the economic recovery package are described in the following paragraphs. Funds for these programs are included in a pending Fiscal Year 1977 supplemental budget request for the Employment and Training Assistance appropriation.

Migrant - New Initiatives

A total of $16,000,000 will be used to develop new programs toward meeting the training and employment related needs of migrant farmworkers. It is anticipated that the new initiatives will include activities related to: residential training for migrants to improve basic learning and job skills; training in conjunction with rural economic development programs; and training in connection with the rehabilitation and weatherization of farm labor housing. By the end of Fiscal Year 1977, 4,000 enrollment opportunities will be funded at an estimated annual unit cost of $4,000 per enrollment opportunity.

Indians - New Initiatives

A total of $14,000,000 will be used to develop new programs to improve the economic and employment opportunities of Indians and other Native Americans. In this regard, the Department of Labor will solicit proposals from tribal organizations, government units, and private nonprofit organizations with special expertise. It is anticipated that the new approaches reflected in these proposals will be closely related to existing and planned efforts to enhance the infrastructure of Indian

reservations and other Native American communities, such as employment and training activities geared to road building, industrial parks development and management, irrigation projects, and housing development and management. By the end of Fiscal Year 1977, 3,500 enrollment opportunities will be funded at an estimated annual unit cost of $4,000 per enrollment opportunity.

Help Through Industry Retraining and Employment (HIRE)

A total of $120,000,000 will be used to fund this new program which is designed to induce major corporations to hire and train Vietnam-era veterans. Under the HIRE program corporations will be encouraged to make private sector job opportunities and training available to Vietnam-era veterans.

HIRE will initially focus on disabled Vietnam-era veterans and then reach out to include all Vietnam-era veterans.

To compensate the participating firms for the extraordinary costs incurred by hiring and training individuals who would not normally qualify for employment or who have suffered lengthy periods of employment, the government would pay a variable amount per person hired for each day of employment.

In order to insure that the HIRE program creates new jobs, the Department of Labor will require, as a condition of Federal assistance, that the employment of targeted group members must not result in the displacement of presently employed workers, workers laid off, or workers on strike.

Veterans Program

A total of $10,000,000 will be used to establish outreach units staffed by about 2,500 disabled Vietnam-era veterans within the State Job Service agencies in the 100 largest cities, with at least one unit within each State. These veterans will work as paraprofessionals in temporary, Federally funded positions at an estimated annual unit cost of $8,300 per job. They will concentrate on identifying disabled veterans in need of job services and bringing them into the mainstream of the labor market, helping them to avail themselves of the programs and services to which they are entitled, including special consideration for public service employment jobs and the HIRE program.

Youth Program

A total of $1,000,000,000 will be used to fund new programs which will focus on meeting the needs of young employed, underemployed or low income persons between the ages of 16 and 21. The program will be carried out generally by existing CETA prime sponsors. The programs will encourage innovations in training in basic education, and in preparing for transition from school to work.

In addition to programs operated by prime sponsors, a program will be established in the Department of Labor to train and employ urban and rural youth in conservation centers where work activity is primarily diverted to conservation, development, or management of public national resources and recreational areas. The program may be operated through interagency agreements with the Departments of Agriculture and Interior. The operational relationships between the Department of Labor and the Departments of the Interior and Agriculture would be similar to the present operation of the Job Corps Civilian Conservation Centers under the Job Corps program. Enrollment in the program by the end of Fiscal Year 1977 will be 72,000 increasing to 154,000 by the end of Fiscal Year 1978. The unit cost per enrollment is estimated at $6,500.

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Skill Training Improvement Program (STIP)

A total of $250,000,000 will be used to improve the level and quality of skilled training programs.

A major problem in any training program is assuring that the investment of resources in training will pay dividends in the form of job-ready workers. New skills are in demand everyday, and a strong private sector participation is imperative. To strengthen training programs, the Department of Labor will focus more of its efforts to meet industry needs for specific skills and to expand private sector participation in the design and operation of employment and training programs. To accomplish these efforts, a Skill Training Improvement Program, authorized under title III of CETA will be administered by and through prime sponsors. Full involvement of the private sector will be one of the major characteristics of this program. By the end of Fiscal Year 1977, 58,000 enrollment opportunities will be funded at an estimated annual unit cost of $4,300 per enrollment opportunity.

In 1977, program support activities will be funded by a total of $49,700,000 including $7,330,000 of unobligated funds from the Transition Quarter as follows: $19,951,000 for technical assistance and training; $13,449,000 for labor market information; and $16,300,000 for research and development, and evaluation.

Technical assistance and training funds at the regional level will primarily support Regional Training Center operations including training course development. The clearinghouse will be expanded to encompass all program-related materials. To further develop and maintain the clearinghouse during 1977, assistance will be provided to classify materials and transmit them directly to computer files to increase user accessibility and help each regional office organize regional resource centers for use by Federal, State, and local staff. A National Training Center will be established in 1977, designed as the mechanism of overall coordination and direction for the national office to carry out staff training activities.

The research and development emphasis in 1977 will give highest priority to (a) improving the management and processes of manpower training programs, supportive service systems, and the overall institutional arrangements through which employment and training services are delivered; and, (b) overcoming economic and social related employment problems in special target groups.

To strengthen management of local employment and training programs, a number of new initiatives include: a nationwide study of effective prime sponsor management systems, a nationwide study of the effectiveness of State Manpower Services Council operations, involvement of prime sponsors with private sector employers, and identification of new management information needs for planning, program monitoring, resource allocation, productivity measurement, and performance evaluation of employment service activities. The Job Search and Relocation Assistance Pilot project is continuing to test relocation strategies utilizing the Job Bank system. Problems of the extent and nature of flexible and part-time work hours in industry are receiving concentrated study.

Emphasis will continue on studies of broad, longer-term economic and social trends, particularly as related to special target groups and include studies on: the provision of guaranteed work or training as an alternative to income transfer programs; migration, immigration and illegal alien trends, settling-out problems of migrant farmworkers; supported employment, income maintenance for newly released prisoners; discrimination and occupational licensing and special attention to the employment problems of Hispanic groups; and the effects of changes in the level of economic activity on special groups.

The evalutaion program in 1977 is concentrating on evaluation of the decentralized employment and training programs. The long-term tracking of a national sample of program participants, through the Continuous Longitudinal Manpower Survey, will this year provide the first data on initial post-program employment and earnings experience of such participants in different types of program. The eval-

uation of the Job Corps' economic impact on its participants will develop data on pre-program and in-program experience of a national sample of participants and data for a comparable period on a comparison group. The pilot evaluation, and methodological development for a national evaluation of the employment service will be completed and an evaluation of labor market experience of participants in migrant/seasonal farmworker programs will be completed.

Development projects initiated in 1976 will continue to be directed toward meeting local labor market information needs. The Labor Market Analysis Handbook will be completed and issued to all labor market analysts including a program of implementation. A training curriculum will be developed and actual training implemented during the year, directed primarily at labor market analysts and system user groups, such as local prime sponsor planners.

In 1978, $1,667,030,000 is being requested for national training programs, which is $305,464,000 less than that available in Fiscal Year 1977.

A total of $75,200,000 is being requested for the base migrant and seasonal farmworker programs, an increase in new obligational authority of $12,000,000 in accordance with Section 303(b)(2) of title III.

With the additional funding, the programs will serve about 290,000 individuals during Fiscal Year 1978. The Department will continue to focus efforts on enhancing the effectiveness of program operations. Specific actions to be taken will include more intensive technical assistance to program sponsors and providing for closer coordination between these programs and other Department of Labor programs, including those carried out by CETA prime sponsors.

The requested amount of the basic Indian programs is $60,160,000, an increase in new obligational authority of $9,600,000. This increase is in accordance with Section 302(g).

The basic program objective is to assist Indian and other Native American prime sponsors to improve their employment and training program management capability. It is anticipated that over 50,000 Indians and other Native Americans will be served by these programs during Fiscal Year 1978.

The other national programs request for Fiscal Year 1977 is $129,700,000 a net increase of $18,408,000 in fund availability from 1977. The net increase includes $39,000,000 for further expansion of the apprenticeship program and a decrease of $20,592,000 for a non-recurring unobligated balance made available in 1977 from the Transitional Quarter. Pages 15-21 reflect amounts obligated and a description of activities funded.

The Job Corps request for Fiscal Year 1978 is $487,100,000 and increase of $213,000,000 over the 1977 level. The increase includes $69,900,000 of additional funds needed to maintain the 30,000 enrollment level achieved at the end of Fiscal Year 1977 and $143,100,000 to expand the program by an additional 14,000 enrollments for a total of 44,000 enrollments in Fiscal Year 1978. Unit cost per enrollment is estimated at $10,000 in Fiscal Year 1978.

In addition to the expanded enrollment level, the Job Corps will continue to increase the enrollment of women and work towards making more centers coeducational. The Job Corps will initiate a study to identify how present center operations, such as recruitment, counseling and placement, can be improved or refined to better meet the needs of female enrollees. Concurrently, the Job Corps will study the particular training needs of potential female enrollees and determine how the program can be utilized to best fulfill their needs.

A study, initiated in 1977, of center living conditions will result in a plan for improving the corpsmembers environment on a long-range basis. During 1978, Job Corps will implement and fund first-priority recommendations from this study, including such actions as upgrading facilities, improving safety and health conditions, and emphasizing counseling.

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Following its CETA linkage stragegy, the Job Corps will actively pursue its effort to develop and maintain jointly-funded and designed programs with local CETA prime sponsors.

The new programs implemented in Fiscal Year 1977 as part of the economic recovery package will remain the same or increase in Fiscal Year 1978. The Fiscal Year 1978 request for these programs of $870,000,000 is $540,000,000 less than the $1,410,000,000 Fiscal Year 1977 level and is a result of forward funding the programs. The 1978 levels as compared to the 1977 levels for these programs are reflected in the following table.

(Enrollments actual; dollars in thousands)

	FY 1977		FY 1978		Change	
Program	End of Year Enrollment	Amount	End of Year Enrollment	Amount	End of Year Enrollment	Amount
Migrants	4,000	$16,000	8,000	$36,000	+4,000	+$20,000
Indians	3,500	14,000	7,000	31,000	+3,500	+17,000
HIRE	60,000	120,000	92,000	80,000	+32,000	-40,000
Veterans	2,500	10,000	2,500	23,000	--	+13,000
Youth	72,000	1,000,000	154,000	500,000	+82,000	-500,000
STIP	58,000	250,000	58,000	200,000	---	-50,000
Total	200,000	$1,410,000	321,500	$870,000	+121,500	$-540,000

The Fiscal Year 1977 requested amount for the youth, STIP and HIRE programs provides for the funding of these programs through the end of Fiscal Year 1978. The Fiscal Year 1978 request for these same programs provides for the continued funding of these program at the Fiscal Year 1978 enrollment level through the first 6 months of Fiscal Year 1979.

The Fiscal Year 1978 request for the Migrants, Indian and Veterans programs provides for the total Fiscal Year 1978 requirements for these programs and the continued funding of these programs at the Fiscal Year 1978 enrollment levels through the first 6 months of Fiscal Year 1979.

In 1978, $44,870,000 is being requested for program support activities a net decrease of $4,830,000 over the 1977 level of $49,700,000. The net decrease includes a $2,500,000 increase for evaluation programs less a non-recurring unobligated balance of $7,330,000 available in 1977 from the Transition Quarter. The $44,870,000 includes $15,010,000 for technical assistance and training; $11,060,000 for labor market information; and $18,800,000 for research, development, and evaluation.

Regional Training Centers will continue to be a primary resource for technical assistance and training services in the field. The clearinghouse services will be improved through the development, in two or three regions, of a prototype automated information retrieval system. The National Training Center is expected to be fully operational in Fiscal Year 1978, providing support to each national office component in the training area.

Research and development plans for 1978 will focus on several large-scale high-priority economic and social issues which include: an initiative to substitute training and employment for income transfer payments by converting welfare grants and unemployment insurance payments into wages for new jobs; an experiment to determine whether improving the effectiveness of the work test in various income transfer programs might facilitate securing jobs for unemployment recipients; joint job development and job placement models and prototypes for the

difficult to employ; model development and programmatic formats for youth through community counsel and employment service operations; and the effectiveness of work -education programs.

Continued research and development emphasis will be placed on improving the performance of prime sponsor programs, employment and unemployment insurance services through improved planning and local management mechanisms, coordination of training programs with other related programs, and alternatives to present allocation formulas.

Research will emphasize a reexamination of the apprenticehsip system and ways that more apprenticeship opportunities can be developed in industry with attention to health services and government sectors. Earlier efforts with special target groups, such as supported work, minority job placement techniques, job search and relocation and income maintenance, will continue. Based on gradual economic growth and a moderation in unemployment levels through 1978, research planning for this period will give less attention to countercyclical measures and more to structural problems. Research will focus on the need for new training and retraining requirements resulting from structural change, mobility, relocation and economic development studies that are most likely to reduce the impact of structural change and other related legislative proposals.

The evaluation program in 1978 will carry forward several major long-term evaluations. The Continuous Longitudinal Manpower Survey of a national sample of participants in the decentralized programs will be providing the first intermediate data (18 months after enrollment) on employment and earning experience of participants in different types of programs.

The evalutaion of the Job Corps' short-term economic impact on participants will be completed. The comprehensive evaluation of the employment service should be launched on the basis of findings and guidance of the pilot evaluation findings being developed in 1977.

The $2,500,000 increase for evaluation will be used to evaluate the effectiveness of the new title III programs implemented in Fiscal Year 1977 as part of economic recovery package.

In addition to maintaining the current labor market information effort for 1978, within the employment security system, new activities will be launched to refine the existing system. Training efforts will focus on manpower planners and the use of labor market information in the planning process. Two of the significant gaps in the current system are estimates on current and future labor supply. To fill these gaps, a methodology will be developed for use by analysts to update State and area labor supply information. The need for detailed occupational supply estimates will be fully examined. Work on total supply methods will be integrated with work previously completed in order to have available an efficient and economical method for use by analysts in estimating detailed State and area occupational supply information.

The Computer-Assisted Labor Market Analysis System will be operational and efforts will be devoted to improvements and enhancements. The system is designed to be expandable to include more data for the geographic elements in the data base.

Changes for 1978

Mandatory changes amount to ..... +$28,336,000

Financing changes amount to ..... -$590,000,000

Program changes amount to ..... +$256,200,000

The mandatory changes include a decrease for a non-recurring unobligated balance of $41,564,000 made available in 1977 from the Transitional Quarter.

ETA-40 The mandatory changes also include an increase of $69,900,000 for the Job Corps to maintain the 30,000 enrollment level achieved at the end of Fiscal Year 1977 in Fiscal Year 1978 at an annual estimated unit cost of $10,000 per enrollment. The increase is as follows:

	FY 1977	FY 1978	FY 1978 Increase
Enrollee cost for 30,000 Enrollments	$236,100,000	$300,000,000	+$63,900,000
Related Capitol and Renovation Costs	38,000,000	44,000,000	+6,000,000
	$274,100,000	$344,000,000	+$69,900,000

The financing change of $590,000,000 reflects the exclusion of funding for the Fiscal Year 1978 Youth program ($500,000,000), the Skill Training Improvement Program ($50,000,000) and the Help through Industry Program ($40,000,000) included in the Fiscal Year 1977 supplemental.

The program increase of $256,200,000 is for the following programs:

— $143,100,000 is to provide for a 14,000 enrollment increase in the Job Corps from the Fiscal Year 1977 enrollment level of 30,000 to 44,000 in Fiscal Year 1978. The enrollment level builds to 44,000 by March 31, 1978. Unit cost per enrollee is estimated at $10,000 in Fiscal Year 1978. The increase includes $109,100,000 for enrollee cost and $34,000,000 for capitol and renovation cost relating to the new enrollees.

— $39,000,000 for other national programs is for a further expansion of the apprenticeship program initiated in Fiscal Year 1977.

— $21,600,000 is to provide for the levels authorized under Section 302(g) and Section 303(b)(2) of title III for the basic Migrant/Farmworker ($12,000,000) and Indian ($9,600,000) programs.

— $20,000,000 is to provide necessary funding to continue and to expand by 4,000 enrollments the new program approaches started in Fiscal Year 1977 toward meeting the employment related needs of Migrant/Farmworkers.

— $17,000,000 is to provide necessary funding to continue and to expand by 3,500 enrollments the new program initiatives started in Fiscal Year 1977 and directed to the chronic economic and employment-related problems of Indians and other Native Americans.

— $13,000,000 is to continue the outreach units established in Fiscal Year 1977 to identify disabled veterans in need of employability assistance.

— $2,500,000 is to provide for an increase in evaluation activities to evaluate the effectiveness of the new programs initiated in Fiscal Year 1977.

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Activity 3. Summer Youth Employment Program (1977, $595,000,000;
1978, -0-)**

Narrative Description of Program

The Summer Youth Employment Program provides jobs for economically disadvantaged youth aged 14 to 21 during the summer months. The program is authorized under Title III-A, Section 304(a)(3) of the Comprehensive Employment and Training Act of 1973, as amended.

In 1976, a total of $528,420,000 was allocated to State and local prime sponsors and Indian organizations to provide approximately 888,100 job opportunities. The fund allocation was based on a formula of the Act that takes into account unemployment in each area receiving funds, the proverty population, and the previous year funding level. As of June 30, 1976, $572,895,000 has been obligated, including $505,492,000 related to the 1976 summer program and $67,403,000 related to the 1975 summer program.

As in past years, participants were placed in a number of agencies, including schools, libraries, community service organizations and private nonprofit agencies. Examples of some of the participants' positions include: nurses aide, teacher aide, cashier, surveyor, typist, graphic artist, nutrition aide, and counselor. Some enrollees were placed with local public universities where they participated in a variety of research and other educational projects related to their interests.

Characteristics of the program participants based on preliminary data are as follows:

* 54 percent male;
* 46 percent female;
* 28 percent age 14 to 15;
* 35 percent age 16 to 17;
* 37 percent age 18 to 21;
* 16 percent 8th grade and under;
* 67 percent 9th to 11th grade;
* 17 percent 12th grade;
* 96 percent economically disadvantaged;
* 15 percent on public assistance;
* 27 percent receive AFDC;
* 43 percent white;
* 49 percent black;
* 2 percent American Indians;
* 6 percent other;
* 2 percent handicapped;
* 13 percent Spanish American.

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In the Transition Quarter, $22,927,000, the remaining portion of the 1976 summer allocation, was obligated.

In 1977, $595,000,000 of new obligational authority is available for the summer youth employment program. This will support approximately 1,000,000 9-week part-time summer jobs at a minimum wage of $2.30 per hour.

In 1978, a supplemental budget request will be formally submitted as soon as data on the projected level of summer youth unemployment and other relevant economic factors become available.

The preliminary estimate for the 1978 summer program is $595 million, the same level as in FY 1977, which would provide approximately 1,000,000 jobs.

Changes for 1978

Mandatory changes amount to ..... NONE

Program changes amount to .....$-595,000,000**

**Supplemental budget request for the 1978 Summer Youth Employment Program will be transmitted at a later date.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Program Purpose and Accomplishments

Activity: State and Local Programs (Authorizing Legislation--Comprehensive Employment and Training Act of 1973, as amended, Titles I and II.)

1977	Authorization	1978 Budget Estimate
$2,462,445,000	Indefinite	$2,896,000,000

Purpose: State and local programs cover financial assistance provided to State and local prime sponsors and Indian Tribes under Titles I and II of the Comprehensive Employment and Training Act of 1973 to enable them to provide comprehensive employment and training services and programs of transitional public service employment.

Explanation: Federal funds are provided for State and local programs and are allocated to State and local prime sponsors on the basis of plans and programs developed by the sponsors and approved by the Employment and Training Administration.

Eighty percent of the total funds appropriated for title I is allocated to eligible prime sponsors in accordance with the following formula:

* 50 percent is distributed based on the sponsor's proportionate share of funds allocated in the previous fiscal year.

* 37.5 percent is distributed on the basis of the number of unemployed in the sponsor's area compared with the total number of unemployed in all prime sponsor jurisdictions.

* 12.5 percent is distributed based on the proportion of adults in low-income families residing in prime sponsor's area.

The remaining twenty percent of title I funds is used as follows:

* 5 percent is available for grants to Governors for vocational training services.

* Not more than 5 percent is available to encourage consortia of local governments to act as prime sponsors.

* 4 percent is for flexible State activities.

* The remainder is for the discretionary use of the Secretary of Labor.

Eighty percent of Title II funds are allocated on the basis of the number of unemployed in the areas of substantial unemployment compared to the number residing in all areas. The remainder may be distributed by the Secretary of Labor at his discretion.

Accomplishments in 1977: In 1977, 446 States and local units of governments have received grants to carry out programs under titles I and II of the Act.

A total of $1,935,556,000, including $55,556,000 in unobligated funds is available for obligation under title I. That portion available to prime sponsors is $1,707,627,000, which will provide an estimated 441,800 years of service. The remaining $227,929,000 is for consortia and discretionary activities.

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A total of $526,889,000 which includes $524,000,000 in new obligational authority and $2,889,000 in prior year funds is available for title II. This will provide for the continuation of 50,000 public service jobs and allow for an expansion of 50,000 additional jobs, making 100,000 public service jobs available under title II by the end of Fiscal Year 1977. Together with the $3,179,000,000 requested under the Temporary Employment Assistance appropriation, providing 500,000 public service jobs by the end of Fiscal Year 1977, a total of 600,000 public service jobs will be funded.

Objectives for 1978: In 1978, a total of $1,880,000,000 is requested for title I activities. That portion available to prime sponsors is $1,673,200,000 which will provide an estimated 441,800 years of service. The remaining $206,800,000 is for consortia and discretionary activities.

A total of $1,016,000,000 is requested for title II activities. This will fully fund the 100,000 public service jobs reached at the end of Fiscal Year 1977 and allow for 25,000 additional public service jobs during the first quarter of Fiscal Year 1978. Together with the $4,855,000,000 requested under the Temporary Employment assistance appropriation, providing 600,000 public service jobs in Fiscal Year 1978, a total of 725,000 public service jobs will be funded.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Program Purpose and Accomplishments

Activity: National Programs (Authorizing Legislation-Titles III-A and IV of the Comprehensive Employment and Training Act of 1973, as amended; Sections 236, 237 and 238 of the Trade Act of 1974; and Sections 326 and 328 of the Trade Expansion Act of 1962.

1977	Authorization	1978 Budget Estimate
$1,972,494,000	Indefinite	$1,667,030,000

Purpose: This activity provides for additional employment and training assistance to special segments of the population. Among groups served are Indians, migrant and seasonal farmworkers, persons of limited English-speaking ability, criminal offenders, and, through the Job Corps, severely disadvantaged youth in a residential setting. This activity also provides for technical assistance and training for Federal, State, and local personnel involved in the planning and administration of employment and training programs; for a comprehensive system to develop labor market information; and for research and development and evaluation.

Explanation: Federal funds are directed through grants and contractual agreements with industrial, educational and State organizations, and with Federal agencies to special segments of the population to provide additional employment and training services, as authorized under titles I and II of the Comprehensive Employment and Training Act and under the Trade Act, as determined by the Employment and Training Administration. Under title III of CETA, the Secretary must reserve an amount not less than five percent for migrant and seasonal farmworker programs, and an amount not less than four percent for Indian programs of the base amount available to the prime sponsors under title I. In addition, Federal funds provide, through grants, contractual and in-house services for research and development, and evaluation projects as determined by the Employment and Training Administration; through grants, regional allocation, in-house services, and interdepartmental transfers for labor market information; and through in-house and contractual services for technical assistance and training.

Accomplishments in 1977: Approximately $1,930,930,000 of new obligational authority and $41,564,000 of unobligated 1976 carry-over are available for national training programs.

The migrant and seasonal farmworker program, with a total of $92,036,000 available for 1977, will provide services such as on-the-job training, counseling, and job development to approximately 249,000 individuals. Included in the $92,036,000 availability is $16,000,000 to develop new programs toward meeting the training and employment related needs of migrant farmworkers. Under the new initiatives, enrollment will increase by 4,000 at an estimated annual unit cost of $4,000 per enrollment opportunity.

The Indian program, with a total availability of $65,366,000 will provide a complete array of employment and training services to approximately 43,500 Indians and Native Americans. Included in the total availability is $14,000,000 to develop new programs to improve the economic and employment opportunities of Indians and other native Americans. Under the new programs, 3,500 enrollment opportunities will be funded at an estimated annual unit cost of $4,000 per enrollment opportunity.

A total of $10,000,000 will be used to establish outreach units staffed by about 2,500 disabled Vietnam-era veterans within the State Job Service agencies in the 100 largest cities, with at least one unit within each State. These veterans will work as paraprofessional in temporary, Federally funded positions at an estimated annual unit cost of $8,300 per job. They will concentrate on identifying disabled veterans in need of job services and bringing them into the mainstream of the labor

market, help them to avail themselves of the programs and services to which they are entitled, including special consideration for public service employment for public service employment jobs and the HIRE program.

A total of $1,000,000,000 will be used to fund new programs which will focus on meeting the needs of young unemployed, underemployed or low income persons between the ages of 16 and 21. The program will be carried out generally by existing CETA prime sponsors. The program will encourage innovations in training, in basic education, and in preparing for transition from school to work. In addition, a program will be established to train and employ urban and rural youth in conservation centers. The program may be operated through interagency agreements with the Departments of Agriculture and Interior. Enrollment in the program by the end of Fiscal Year 1977 will be 72,000. The unit cost per enrollment is estimated at $6,500.

A total of $250,000 will be used to improve the level and quality of skill training programs. By the end of Fiscal Year 1977, 58,000 enrollment opportunities will be funded at an estimated annual unit cost of $4,300 per enrollment opportunity.

A total of $120,000,000 will used to fund a new program designed to induce major corporations to hire and train Vietnam-era veterans. Under the Help through Industry Retraining and Employment (HIRE) program, corporations will be encouraged to make private sector job opportunities and training available to Vietnam-era veterans. Enrollment in the program by the end of Fiscal Year 1977 will be 60,000.

A total of $111,292,000 for other national training programs will provide employment and training services to special emphasis groups through activities such as minority group skilled training, offender programs, SER, OIC, Urban League, trade adjustment assistance and to school-age youth through a series of new pilot School-to-Work Programs. Included in the total of $111,292,000 is $19,000,000 for the apprenticeship program. An increase of $20,000,000 for a total of $39,000,000 will be used to expand the apprenticeship program to provide skill development during periods of unemployment and will serve approximately 8,600 individuals.

Research and development emphasis will give highest priority to improving the management and processes of training programs, supportive services systems, and the overall institutional arrangements through which employment and training services are delivered; and overcoming economic and social related employment problems of special target groups. The evaluation program will concentrate on evaluation of the decentralized employment and training programs. The labor market information program will continue to investigate the needs of local prime sponsors and other data users.

A National Training Center is to be established in 1977, designed as the mechanism of overall coordination and direction for the national office to carry out staff training activities.

Program support fund availability in 1977, including 1976 carry-in, by activity is as follows: $16,300,000 for research, development and evaluation; $13,449,000 for labor market information; and $19,951,000 for technical assistance and training.

The Job Corps, with a fund availability of $274,100,000, will expand the program to a level providing 30,000 years of service. The estimated annual unit cost per enrollment of the expanded program is $9,400.

Objectives for 1978: The estimate for 1978 provides for $1,667,030,000 of new obligational authority.

A total of $111,200,000 is requested for the migrant and seasonal farmworker program, a net increase of $19,164,000 over the 1977 level. Of the total increase, $12,000,000 reflects the proportionate level authorized under CETA; $20,000,000 reflects continuation of the new program approaches started in FY 1977; and a decrease of $12,836,000 represents 1976 carry-over funds in FY 1977 not available

in FY 1978.

A total of $91,160,000 is requested for the Indian program, a net increase of $25,794,000 over the 1977 level. Of the total increase $9,600,000 reflects the proportionate level authorized under CETA; $17,000,000 reflects continuation of the new programmatic initiatives started in FY 1977; and a decrease of $806,000 represents 1976 carry-over funds in 1977 not available in FY 1978.

Requested for the Veterans program is $23,000,000 an increase of $13,000,000 to continue the outreach units established in FY 1977 to identify disabled veterans in need of employability assistance.

The program levels for the Youth programs, Skill Training Improvement Program and the HIRE program will remain the same or increase in FY 1978. The funds requested for these programs are less than in FY 1977 as a result of forward funding of these programs. The Youth program enrollment will increase from 72,000 to 154,000; the Skill Training Improvement Program enrollment opportunities will remain at 58,000; and the HIRE program will increase from 60,000 to 92,000 enrollments.

A total of $129,700,000 is requested for other national training programs. Included in this amount is an increase of $39,000,000 for the apprenticeship program to continue skill development during periods of unemployment and will serve an additional 8,600 individuals.

The program support activities will remain at the 1977 level, with the exception of a $2,500,000 increase for evaluation, as follows: $15,010,000 for technical assistance and training; $11,060,000 for labor market information; and $18,800,000 for research, development and evaluation.

The Job Corps request is $487,100,000, an increase of $213,000,000 over the FY 1977 level. Enrollment will expand from 30,000 in FY 1977 to 44,000 in FY 1978, an increase of 14,000 enrollments.

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EMPLOYMENT AND TRAINING ADMINISTRATION

EMPLOYMENT AND TRAINING ASSISTANCE

Program Purpose and Accomplishments

Activity: Summer Youth Employment Program (Authorizing Legislation -- Comprehensive Employment and Training Act of 1973, as amended, Title III-A, Section 304(a)(3))

1977	Authorization	1978 Estimate
$595,000,000	Indefinite	---

Purpose: This activity provides jobs for economically disadvantaged youth age 14 to 21 during the summer months.

Explanation: Federal funds are allocated to State and local prime sponsors and Indian organizations to conduct Summer Youth Employment Programs. Funds for the program are allocated based on a formula of the Act that takes into account unemployment in each area receiving funds, the poverty population, and the previous year funding.

Accomplishments in 1977: The 1977 appropriation of $595,000,000 for the summer youth employment program will provide an estimated 1,000,000 jobs.

Objectives for 1978: A supplemental will be formally submitted at a later date as soon as data on the projected level of summer youth unemployment and other relevant economic factors become available.

The preliminary estimate for the 1978 summer program is $595,000,000, the same level as in FY 1977, which would provide 1,000,000 jobs.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

To carry out title IX of the Older Americans Act, as amended, [$90,600,000] *$22,650,000.*

CSEOA-2

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or Estimate.....	$90,600,000	$22,650,000
Unobligated balance, start of year.....	251,000	---
Total, amounts available for obligations.	90,851,000	22,650,000

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Summary of Changes

	Amount
1977 Enacted Appropriation.....	$ 90,600,000
Unobligated balance from prior year.....	251,000
1977 Revised Estimate.....	90,851,000
1978 Estimate.....	22,650,000
Total Change.....	-68,201,000

Mandatory Items:

Decrease:	
Non-recurring unobligated balance made available in 1977 from 1976...	-251,000
Total, Mandatory Items.....	-251,000

Financing Items:

Decreases:	
Reflects exclusion of nine months funding of the FY 1978 program included in the FY 1977 appropriation.....	-67,950,000
Total, Financing Items.....	-67,950,000
Total Change.....	-68,201,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Explanation of Changes

Mandatory Item:

Decrease:

Non - recurring unobligated balance of $251,000 made available in 1977 from 1976.

Financing Item:

Decrease:

Sufficient resources were provided in FY 1977 to fund nine months of the FY 1978 program. Therefore, funding is only needed for an additional three months.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Obligations by Activity

	1977	1978 Estimate	Change 1977/1978
1. Older Americans community services employment	$90,851,000	$22,650,000	$-68,201,000
Total obligations by activity	90,851,000	22,650,000	-68,201,000

Obligations by Object

	1977	1978 Estimate	Change 1977/1978
41 Grants, subsidies, and contributions	$90,851,000	$22,650,000	$-68,201,000
Total, obligations by object	90,851,000	22,650,000	-68,201,000

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Action on Congressional
Recommendations

No specific actions recommended.

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EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
Title IX of the Older Americans Comprehensive Service Amendments of 1973, as amended	$150,000,000	$90,600,000	$200,000,000	$22,650,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1974	$ ---	$10,000,000	$10,000,000	$10,000,000
1975	---	12,000,000	12,000,000	12,000,000
1976	---	85,900,000	85,900,000	85,900,000
Transition Quarter	---	---	---	---
1977	---	90,600,000	90,600,000	90,600,000
1978	22,650,000			

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Activity 1. Older Americans Community Services Employment (1977, $90,851,000; 1978, $22,650,000)

Narrative Description of Program

This activity provides Federal grants to national organizations and States to subsidize the employment of low-income persons, aged 55 and above, in part-time community service jobs. Program participants may work in a wide variety of activities, such as day care centers, schools, hospitals, senior citizens centers, and beautification, conservation and restoration projects.

Beginning in 1973, consistent with the move to decentralization, the Department initiated efforts to decentralize the National Mainstream program. At the same time, Congress enacted legislation establishing the Senior Community Service Employment Program (SCSEP) in the form of Title IX of the Older Americans Comprehensive Service Amendments of 1973, using Operation Mainstream as a model.

SCSEP projects currently operate in every State and Territory and in the District of Columbia and the Commonwealth of Puerto Rico. The great majority of these projects are now being sponsored by five national-level organizations: Green Thumb, Inc. (an arm of the National Farmers Union); the National Council on the Aging; the National Council of Senior Citizens; the National Retired Teachers Association - American Association of Retired Persons; and the U.S. Forest Service. Combined, these five organizations sponsor all SCSEP projects in 47 States; Washington, D.C.; and Puerto Rico. In the 3 States and 4 Territories not covered by these organizations (Alaska, Delaware, Hawaii, American Samoa, Guam, the Trust Territory of the Pacific Islands and the Virgin Islands), SCSEP projects are being sponsored by the State and Territorial governments.

In 1976, Congress added an additional $30 million under the continuing resolution for Fiscal Year 1976. This $30 million, together with the $12 million unobligated balance available from the 1975 appropriation, provided 12,400 jobs at an annual unit cost of $3,387 per job through June 30, 1976.

In the Transition Quarter, 15,000 jobs were funded at a unit cost of $3,727 per job. Title IX funds totaling $55,900,000 were appropriated under Public Law 94-266 in April 1976 to fund the program from July 1, 1976 through June 30, 1977.

In 1977, a 15,000 job level at a unit cost of $3,727 will be maintained for a nine-month period through June 30, 1977 from funds appropriated in 1976. In fiscal year 1977, $90,600,000 was appropriated to support a level of 22,600 jobs at a unit cost of $4,009 for the remaining 3 months of fiscal year 1977 and the first 9 months of fiscal year 1978. During this period, $75,300,000 to support 18,800 jobs is to be allocated to national sponsoring organizations and $15,300,000 to support 3,800 jobs is to be allocated to the States according to the formula in the law.

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Cooperation and coordination between the national sponsors and the State governments (i.e., the State agencies on aging) will be necessary to avoid duplicative or competitive project activities. The Department of Labor will advise the national sponsoring organizations to communicate formally with the governments of those States in which they will be operating SCSEP projects during the 12-month period beginning July 1, 1977. In this regard, the national sponsors will provide to the State agency on aging a copy of its written plan for activities in the State. This plan will identify separately: (1) the existing local projects that are planned for continuation and (2) any new local projects which the sponsor intends to implement. With respect to proposed new projects, the State agencies on aging are invited to make written recommendations to the national sponsors regarding these plans with particular attention to the locations in the States where the new projects are most needed. The national sponsors have been instructed to give full and careful consideration to the recommendations of the State agencies on aging in selecting sites for the new projects.

In 1978, a 22,600 job level will be maintained at a unit cost of $4,009. In addition to the 9 months of fiscal year 1978 funded from the 1977 appropriation, $22,650,000 is being requested for the 3-month period beginning July 1, 1978 through September 30, 1978. This will have the effect of shifting the program funding cycle to coincide with the fiscal year.

Changes for 1978

Mandatory changes amount to.....-$ 251,000

Financing changes amount to.....-$67,950,000

Program changes amount to..... NONE

The mandatory change represents a non-recurring unobligated balance made available in fiscal year 1977 from the Transition Quarter.

The financing decrease reflects the provision of nine months of fiscal year 1978 funding in the fiscal year 1977 appropriation.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Program Purpose and Accomplishments

Activity: Older Americans Community Services Employment (Title IX of the Older Americans Act, as amended)

1977 Amount	Authorization	1978 Budget Estimate
$90,600,000	Definite	$22,650,000

Purpose: This activity provides part-time work opportunities in community service activities for unemployed low-income persons aged 55 and over with poor employment prospects.

Explanation: Agreements are entered into with public or private nonprofit agencies or organizations, agencies of a State government or a political subdivision of a State (having elected or duly appointed governing officials) or a combination of such political subdivisions, or tribal organizations in order to further the purposes and goals of the program.

Accomplishments in 1977: A 15,000 job level at a unit cost of $3,727 will be maintained for a nine-month period through June 30, 1977 from funds appropriated in 1976. For the remaining three months of fiscal year 1977, a 22,600 job level will be provided at a unit cost of $4,009 through an appropriation of $90,600,000.

Objectives for 1978: A 22,600 job level will be maintained at an annual unit cost of $4,009 through fiscal year 1978. The first nine months were funded from the 1977 appropriation and the last three months are to be funded from the $22,650,000 being requested for fiscal year 1978. Funding for only three additional months will have the effect of shifting the program funding cycle to a fiscal year basis.

EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

For financial assistance as authorized by Title VI of the Comprehensive Employment and Training Act of 1973, as amended [$3,179,000,000] $4,855,000,000 to remain available until September 30, 1979.

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EMLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or estimate.....	$3,179,000,000	$4,855,000,000
Unobligated balance, start of year.....	20,136,000	---
Total, amounts available for obligation.....	3,199,136,000	4,855,000,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Summary of Changes

	Amount
1977 Proposed supplemental	$3,179,000,000
Unobligated balance, start of year	20,136,000
1977 Available for obligation	3,199,136,000
1978 Estimate	4,855,000,000
Total Change	1,655,864,000

	Base Amount	Change Amount
Mandatory Items:		
Decreases:		
Non-recurring unobligated balance made available in 1977 from the Transition Quarter		-20,136,000
Program Items:		
Increases:		
To provide financing for 260,000 temporary public service employment jobs funded from title VI from 10/1/77 through 9/30/78 (page 10).	1,509,000,000	+524,000,000
To provide financing for the FY 1977 expansion of 240,000 temporary public service employment jobs from 4/1/78 through 3/31/79 (page 10)	1,670,000,000	+322,000,000
To provide financing for 100,000 additional temporary public service employment jobs from 10/1/77 through 9/30/78 (pages 10 and 11)		+830,000,000
Total, Program Items		+1,676,000,000
Total Change		+1,655,864,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Explanation of Changes

Mandatory Items:

Decreases:

Non-recurring unobligated balance of $20,136,000 made available in 1977 from the Transition Quarter.

Program Items:

Increases:

An increase of $524,000,000 to continue the financing of 260,000 temporary public service employment jobs from 10/1/77 through 9/30/78.

An increase of $322,000,000 to continue the financing of the FY 1977 expansion of 240,000 temporary public service employment jobs from 4/1/78 through 3/31/79.

An increase of $830,000,000 to finance an additional 100,000 temporary public service employment jobs at a unit cost of $8,300 per job from 10/1/77 through 9/30/78.

EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Obligations by Activity

	1977	1978 Estimate	Change 1977/1978
1. Temporary employment assistance.....	$3,199,136,000	$4,855,000,000	$+1,655,864,000

Obligations by Object

	1977	1978 Estimate	Change 1977/1978
41 Grants, subsidies, and contributions.....	$3,199,136,000	$4,855,000,000	$+1,655,864,000
Total, obligations by object..	3,199,136,000	4,855,000,000	+1,655,864,000

TEA-6

Action on Congressional
Recommendations

No specific actions recommended.

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EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Legislation	1977		1978	
	Authorized	Estimate	Authorized	Estimate
Comprehensive Employment and Training Act of 1973, as amended	Indefinite	$3,179,000,000	1/	$4,855,000,000

1/ New authorizing legislation being proposed.

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EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Appropriations History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1975	$1,000,000,000	$875,000,000	$875,000,000	$875,000,000
1976	1,700,000,000	2,825,000,000	2,825,000,000	2,825,000,000
Transition Quarter	---	---	---	---
1977 Proposed Supplemental	3,179,000,000			
1978	4,855,000,000			

EMPLOYMENT AND TRAINING ADMINISTRATION TEA-9

TEMPORARY EMPLOYMENT ASSISTANCE

Activity. Temporary Employment Assistance (1977, $3,199,136,000; 1978, $4,855,000,000)

Narrative Description of Program

This activity provides for a temporary program of public service employment as authorized under title VI of the Comprehensive Employment and Training Act of 1973, as amended.

During Fiscal year 1975, $875,000,000 was appropriated under authority contained in title VI of the Comprehensive Employment and Training Act of 1973, as amended, and $400,000,000 was appropriated under authority contained in title II of the Comprehensive Employment and Training Act of 1973, as amended, for a total of $1,275,000,000. Approximately 310,000 public service employment jobs were funded by April 1975.

In 1976, the continuing resolution for Fiscal Year 1976 appropriated an additional $1,625,000,000 for title VI funds for the continuation of approximately 260,000 title VI authorized public service employment jobs. The Fiscal Year 1976 appropriation also provided $400,000,000 for the continuation of 50,000 title II authorized public service employment jobs under the Comprehensive Manpower Assistance appropriation. These funds allowed prime sponsors to maintain, on a national basis, a level of 310,000 public service jobs through June 30, 1976.

In the absence of an authorization for title VI which expired on June 30, 1975, $1,200,000,000 of supplemental funds were appropriated in April 1976, under title II authority, to provide for the continuation of the 260,000 temporary public service employment jobs which were previously funded under title VI authority from July 1976 through January 1977. A total of $1,810,382,000 was obligated, including $2,719,000 of unobligated 1975 funds.

In the Transition Quarter, $1,017,337,000 of unobligated 1976 funds was available. Of that amount, $997,092,000 was obligated.

In 1977, the Emergency Jobs Programs Extension Act of 1976 (P.L. 94-444), enacted on October 1, 1976, extended the title VI program through the end of Fiscal Year 1977. No additional funds were appropriated to carry out this mandate; however, the continuing resolution for Fiscal Year 1977 (P.L. 94-473) provided for the continuation of the 260,000 jobs.

The pending supplemental request of $3,179,000,000 will continue through the end of Fiscal Year 1977, on a national basis, the 260,000 temporary public service employment jobs and expand to a level of 500,000 jobs by the end of Fiscal Year 1977 at a unit cost of $8,300.

Of the total request of $3,179,000,000, a total of $1,509,000,000 is needed to continue the 260,000 jobs through September 30, 1977. A total of $1,384,000,000 has already been made available under the funding authority of the continuing resolution for Fiscal Year 1977 (P.L. 94-473). On December 17, 1976, $1,364,000,000 of the total funds were allocated to State and local prime sponsors. As required by the Emergency Jobs Programs Extension Act of 1976, 2 percent, or $27,680,000 of the total funds, was allocated to Indian Tribes.

The additional $125,000,000 is to alleviate or prevent layoffs in those prime sponsor areas which did not receive adequate funding under the continuing resolution to maintain June 30, 1976 enrollments through September 30, 1977.

The funds requested in the FY 1977 supplemental are being spent in accordance with the provisions of the Extension Act which requires sponsors to first use their funds to sustain the June 30, 1976 enrollment level, and that any funds not needed to sustain the June 30 level be utilized for employment in public service

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projects as provided in the law. These projects are not to exceed twelve months in duration. Therefore, adequate budget authority was requested in FY 1977 to finance these projects starting in the last half of 1977 and continuing the projects for twelve months.

The Act also requires all persons in projects and at least 50 percent of the individuals filling vacancies after June 30, 1976 be limited to long-term unemployed persons or AFDC recipients who have low household income.

In addition to maintaining the 260,000 jobs, the FY 1977 request proposes to expand the number of jobs by 55,000 per month during the third quarter of Fiscal Year 1977 and 25,000 jobs per month during the fourth quarter for a total increase of 240,000 new jobs at a unit cost of $8,300. By the end of Fiscal Year 1977, 500,000 new jobs will be available. The $1,670,000,000 requested for the 240,000 new jobs is sufficient to fund these jobs into Fiscal Year 1978.

Under title II of CETA, 100,000 public service jobs are proposed for Fiscal Year 1977 and 125,000 jobs are proposed for 1978. The total number of Federally-funded public service jobs will be raised from the present level of 310,000 to 600,000 by the end of Fiscal Year 1977, and to 725,000 during Fiscal Year 1978.

The new jobs will be in repair and renovation programs, conservation, rehabilitation of blighted urban and rural areas, parks and recreation programs, hospitals, institutions and energy conservation activities.

Prime sponsors will also be urged to increase voluntarily the enrollment of Vietnam-era veterans in expanding their public service employment programs. To this end, there will be a national enrollment goal that 35 percent of all new public service employment jobs under the expanded program will be filled by veterans.

In 1978, $4,855,000,000 is being requested to continue the 500,000 temporary public service employment jobs and expand to a level of 600,000 jobs during the first quarter of Fiscal Year 1978 at a unit cost of $8,300.

Under title II of CETA, 125,000 public service jobs are proposed. The total number of Federally-funded public service jobs will be raised from 600,000 in Fiscal Year 1977 to 725,000 during Fiscal Year 1978.

Changes for 1978

Mandatory changes amount to ..... -$20,136,000

Program changes amount to .....+$1,676,000,000

Mandatory changes represent a decrease of $20,136,000 for a non-recurring unobligated balance made available in 1977 from the Transition Quarter.

The program changes include increases totaling $1,676,000,000 to maintain the same 500,000 public service employment jobs in Fiscal Year 1978 as provided in Fiscal Year 1977 at an annual unit cost of $8,300 per job and to expand by an additional 100,000 jobs during the first quarter of Fiscal Year 1978. The increases are as follows:

	FY 1977	FY 1978 Requirements	FY 1978 Increase
260,000 base jobs funded from 10/1/77 through 9/30/78	$1,509,000,000	$2,033,000,000	$+524,000,000
240,000 base jobs started in FY 1977 funded from 4/1/78 through 3/31/79	1,670,000,000	1,992,000,000	+322,000,000

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	FY 1977	FY 1978 Requirements	FY 1978 Increase
100,000 new jobs funded from 10/1/77 through 9/30/78	---	830,000,000	+830,000,000
Total	3,179,000,000	4,855,000,000	+1,676,000,000

TEA-12

EMPLOYMENT AND TRAINING ADMINISTRATION

TEMPORARY EMPLOYMENT ASSISTANCE

Program Purpose and Accomplishments

Activity: Temporary Employment Assistance (Authorizing Legislation -- Comprehensive Employment and Training Act of 1973, as amended, Title VI)

1977	Authorization	1978 Estimate
$3,199,136,000	Indefinite	$4,855,000,000

Purpose: This activity provides for a temporary program of public service employment.

Explanation: Federal funds are allocated by formula of the Act to State and local prime sponsors and Indian organizations.

Accomplishments in 1977: The Emergency Jobs Programs Extension Act of 1976 (P.L. 94-444), enacted on October 1, 1976, extended the title VI program through the end of Fiscal Year 1977. No additional funds were appropriated to carry out this mandate; however, the continuing resolution for Fiscal Year 1977 (P.L. 94-473) provided for the continuation of the 260,000 jobs.

The pending supplemental request of $3,179,000,000 will continue through the end of Fiscal Year 1977, on a national basis, the 260,000 temporary public service employment jobs and expand to a level of 500,000 jobs by the end of Fiscal Year 1977 at a unit cost of $8,300.

Prime sponsors will also be urged to increase voluntarily the enrollment of Vietnam-era veterans in expanding their public service employment programs. To this end, there will be a national enrollment goal that 35 percent of all new public service employment jobs under the expanded program will be filled by veterans.

Objectives for 1978: The 1978 request of $4,855,000,000 will continue the funding of 500,000 temporary public service employment jobs and expand to a level of 600,000 jobs during the first quarter of Fiscal Year 1978 at a unit cost of $8,300.

THURSDAY, FEBRUARY 24, 1977.

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES AND FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

WITNESSES

LAWRENCE E. WEATHERFORD, JR., ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE
WILLIAM B. LEWIS, ADMINISTRATOR, U.S. EMPLOYMENT SERVICE
ALBERT J. ANGEBRANNDT, ADMINISTRATOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
MARVIN M. FOOKS, DIRECTOR, OFFICE OF TRADE ADJUSTMENT ASSISTANCE
DAVID O. WILLIAMS, DEPUTY ADMINISTRATOR, U.S. EMPLOYMENT SERVICE
C. THOMSON ROSS, COMPTROLLER FOR EMPLOYMENT AND TRAINING
LOUIS A. HOUFF, DIRECTOR, PROGRAM SUPPORT STAFF, UNEMPLOYMENT INSURANCE SERVICE
JOHN F. SHINE, BUDGET OFFICER, OFFICE OF ADMINISTRATION AND MANAGEMENT
ROBERT O. DESLONGCHAMPS, ASSOCIATE COMPTROLLER FOR THE DEPARTMENT
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET
SANDRA T. KING, BUDGET ANALYST
FRANK YEAGER, DIRECTOR, OFFICE OF AUDIT AND INVESTIGATIONS

Mr. FLOOD. The committee will be in order.

This morning we have the Department of Labor.

We have the Employment and Training Administration, grants to States for Unemployment Insurance and Employment Services, and Federal unemployment benefits and allowances.

The presentation will be made by Lawrence E. Weatherford, Jr., Administrator of the Unemployment Insurance Service.

Your biographical sketch, Mr. Weatherford, will be placed in the record at this point.

[The biographical sketch follows:]

In May 1974, Mr. Weatherford was appointed to his current position of Administrator for Unemployment Insurance in the Employment and Training Administration.

Prior to that Mr. Weatherford was the Assistant Regional Manpower Administrator for Administration and Management in the Atlanta Manpower Regional Office. He was the Assistant Regional Manpower Administrator for Unemployment Insurance Service from November 1962 until March 1972. He joined the staff of the Atlanta regional office as a Social Administration advisor in November 1958. He was with the Georgia Department of Labor prior to that.

Mr. Weatherford was born on December 24, 1930, in Watkinsville, Georgia. He received his degree from the University of Georgia in 1954. He is married and has three daughters.

He is a veteran and a Mason. He is a member of the Christian Church.

Mr. FLOOD. You have a prepared statement. How do you want to handle this?

Mr. WEATHERFORD. Mr. Chairman, with your permission, I would propose to summarize the statement and then go to questions, if that is satisfactory with you, sir.

Mr. FLOOD. Well, suppose we insert your statement in the record at this point.

[The statement follows:]

Mr. Chairman and members of the committee, I am pleased to be here today to present the fiscal year 1978 budget requests for grants to States for unemployment insurance and employment services and for Federal unemployment benefits and allowances.

The requests are based on the assumption that the total unemployment rate will average 6.5 percent and that the insured unemployment rate will average 3.8 percent. Based on these economic assumptions, the Administration is proposing an extension of the Federal supplemental benefits program. State agencies will pay approximately $12.0 billion in benefits to 9.6 million people under Federal and State regular and extended benefit programs during fiscal year 1978 and the expected volume of unemployment claims under all programs will average 3.4 million per week.

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

The budget request for grants to States for unemployment insurance and employment services for fiscal year 1978 provides an availability of $1,566,100,000 which is an increase of $14,300,000 over the 1977 availability of $1,551,800,000. employment services for fiscal year 1978 provides availability of $1,566,100,000 These funds finance the administrative costs of unemployment insurance and employment service activities in the State employment security agencies, and are comprised of $1,512,500,000 in trust funds and $53,600,000 in general funds.

The State employment service activities in fiscal year 1978 will require $637,100,000: $53,600,000 from general revenue funds and $583,500,000 from trust funds. General revenue financing is required to comply with title IX of the Social Security Act, as amended, which limits employment service use of Federal Unemployment Tax Act revenues. Since fiscal year 1973, the employment service has been financed 85 percent from trust funds and 15 percent from general revenue funds based on the ratio of covered employment to total employment. The recently enacted unemployment compensation amendments extend coverage to over 9 million new jobs beginning January 1, 1978, changing a ratio of covered employment to total employment to 97 percent covered and 3 percent uncovered. However, since the increased coverage provisions will not be in effect for the entire fiscal year, the budget request reflects an interim funding ratio of 92 percent trust funds and 8 percent general revenue funds for fiscal year 1978.

Mandatory changes for employment service activities total $72,100,000 and consist of increases of $66,000,000 for annualization of State salary and benefit costs, and $6,100,000 for increased costs of rent, communications and supplies.

Although the State employment service agencies will be operating in an improved economic climate, the number of people expected to register with the employment service will remain above 12 million. Consequently, the State agencies again will be urged to strengthen employer services and job solicitation activities in order to increase the number and diversification of job openings obtained from employers so that the placement of applicants will be increased. It is anticipated that through such efforts the State agencies will be able to obtain and list approximately 7.9 million nonagricultural job openings and make 4.8 million nonagrictultural and .5 million agricultural placements. Veterans will continue to receive top priority for all employment services, with not less than $70 million used specifically for services to veterans.

Current efforts aimed at the eventual computerization of job matching activities will be continued if, as anticipated, the evaluations of the projects started in 1976 and 1977 indicate that the realized benefits justify the cost.

Major emphasis will continue on batch or overnight matching systems with installations planned for 10 additional sites toward the end of the year.

The administration of Unemployment Insurance activities continues to be funded solely from the Unemployment Trust Fund and will require $754,600,000 in 1978.

Mandatory changes total $66,300,000 and include increases of $44,400,000 for annualization of State salary and personnel benefit costs, $7,300,000 for increased costs of rent, communications and supplies, and $14,600,000 for increased employer tax account and employee wage record workloads resulting from normal growth of the covered workforce and the number of subject employers as well as expanded coverage provided by the Unemployment Compensation Amendments of 1976.

Program changes reflect a net decrease of $8,700,000 and consist of decreases resulting from anticipated savings of $3,800,000 due to increased automation of unemployment insurance tax and benefit operations and $16,500,000 due to the implementation of cost model time factors reducing the unjustified differences among States in the costs of performing the same tasks. These decreases are partially offset by the reinvestment of $11,600,000 to provide for the implementation of an eligibility review program for unemployment insurance claimants.

The Contingency Fund requirements for 1978 are $174,400,000. This is a reduction of $115,400,000 from the amount available in 1977 and reflects mandatory decreases of $30,800,000 due to the lower anticipated costs of Statewide salary compensation plan changes projected for 1978 and $84,600,000 due to lower anticipated unemployment insurance workloads.

FEDERAL UNEMPLOYMENT BENEFIT AND ALLOWANCES

The budget request for Federal Unemployment Benefits and Allowances provides an availability of $1,500,000,000, which is a decrease of $250,000,000 from the revised 1977 availability of $1,750,000,000. It consists of an appropriation request of $1,200,000,000, advances of $250,000,000 from the Advances to the Unemployment Trust Fund and Other Funds account and a reimbursement from the U.S. Postal Service of $50,000,000.

The Federal Unemployment Benefits and Allowances account in the past has financed unemployment compensation to former Federal personnel; trade adjustment assistance allowances to individuals adversely affected by foreign trade agreements; and special unemployment assistance to other eligible unemployed individuals. Due to the recent passage of the Emergency Jobs Program Extension Act of 1976 and the Unemployment Compensation Amendments of 1976 authorizing Federal reimbursements for certain unemployment benefits paid, this account will also provide for reimbursements to States for unemployment benefits paid on the basis of public service employment and for unemployment benefits paid during a transitional period to workers newly covered under the provisions of the Unemployment Compensation Amendments of 1976.

The activity entitled, Payments to Former Federal Personnel, includes payments to Federal employees, payments to ex-postal service employees and payments to ex-servicemen. The estimated costs of benefits that will be paid to former Federal personnel during fiscal year 1978 will amount to $760,000,000, a decrease of $100,000,000 from the revised 1977 estimate of $860,000,000.

The request contains $240,000,000 for the payment of allowances to workers covered under the Trade Act of 1974 which provides for readjustment allowances to workers who are adversely affected by foreign trade agreements. This is the same amount as the revised 1977 estimate.

For Unemployment Assistance and Payments under Other Federal Unemployment Programs, the request contains $500,000,000, a decrease of $150,000,000 from the revised 1977 estimate of $650,000,000. This activity provides for the payment of special unemployment assistance, for the reimbursement to States for unemployment benefits paid on the basis of public service employment, and for reimbursement to States for unemployment benefits paid during a transitional period to workers newly covered under the provisions of the Unemployment Compensation Amendments of 1976. Under present law, the special unemployment assistance program expires June 30, 1978, and no individual is entitled to any compensation with respect to an initial claim for assistance made after December 31, 1977. However, most of the individuals currently covered

under the special unemployment assistance program will have, effective January 1, 1978, coverage under the State programs, and under the transitional provisions contained in the Unemployment Compensation Amendments of 1976, they should experience no cessation of benefits should they become or continue to be unemployed.

We believe these budget requests contain sufficient funds to finance the projected benefits and workloads under current economic assumptions, and that the amounts requested should enable the State agencies to process the workloads in a timely and efficient manner.

This concludes my statement, Mr. Chairman. I will be glad to answer any questions you, or Members of the Committee, may have.

Mr. WEATHERFORD. Thank you, Mr. Chairman.

EMPLOYMENT SERVICE

Mr. Chairman, if I could summarize some of the highlights in the budget, it provides for a continuation of the 30,000 staff year level in the Employment Service that was in the fiscal year 1977 budget.

As I indicated, the expected average rate of unemployment will decline during 1978 from this year to a level of 6½ percent.

The budget incorporates an improved productivity in the processing of unemployment insurance claims through improved processing and automation.

A part of the savings that would be realized from those improvements are proposed for reinvestment in improving the quality control aspects of the unemployment insurance program.

It also includes resources to implement Public Law 94–566, which was enacted last year by the Congress, extending coverage to about 9 million-plus workers not previously covered.

Mr. Chairman, the mandatory increases for personnel services and nonpersonnel services are approximately offset by lower unemployment anticipated workloads, so that the request has only a $14 million increase.

CHANGE IN FUNDING

Mr. Chairman, I would like to point out that there is a change proposed in the trust funding for the Public Employment Service under title IX of the Social Security Act. Since 1973 the Employment Service budget has been funded 85 percent from trust funds, 15 percent from general revenue.

With coverage extended to the additional 9 million workers under the Public Law 94–566, we now cover, or will cover during a part of 1978, 97 percent of all workers in the country.

We, therefore, propose to move in the direction of funding the Employment Service on a 97-percent trust fund basis. However, since the coverage for fiscal year 1978 will not take effect until January 1, the 1978 request that we have before you now, sir, provides for a 92-percent trust funding of the Employment Service and 8 percent from general revenue.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Mr. Chairman, the other part of the budget, the Federal unemployment benefits and allowances account, our request is for $1.5 billion.

This is made up of $1.2 billion in the appropriation request, $250 million in advances from the advances to the unemployment trust fund and other funds account, and a $50 million reimbursement for benefits paid to postal employees.

This account, Mr. Chairman, as you know, covers the payments to former Federal employees and ex-servicemen. It also covers the trade program and the special unemployment assistance program. There is a transition provision in Public Law 94–566, from the current temporary program into permanent coverage. This account provides for that transition cost. There is also a newly enacted provision whereby the cost of paying benefits to public service employees who subsequently lose their jobs would be paid for out of general revenue. That amount is also included, sir.

Mr. Chairman, that concludes my summary. I would like to take this opportunity to introduce the other members of our staff who are here with me.

Mr. FLOOD. Yes.

Mr. WEATHERFORD. There is Mr. Bob Deslongchamps, the associate comptroller for the Department; Mr. Charles Pugh, whom I know you have seen a lot of, he is budget officer for the Department; Mr. Al Angebranndt is administrator for the administration and management of ETA; Mr. Burt Lewis, administrator for the employment service, ETA; Mr. Tom Ross, comptroller for ETA and Mrs. Sandra King, who is a budget analyst with ETA.

Thank you very much.

STAFF REDUCTIONS

Mr. FLOOD. Now, you are proposing to fund 5,500 fewer man-years in 1978 in the "Unemployment insurance" budget activity.

Why are you going to fund fewer man-years?

Mr. WEATHERFORD. Mr. Chairman, as you are aware, the budget for the unemployment insurance program, which is where the bulk of this reduction takes place, is based on the anticipated number of claims to be processed.

Our estimate indicates a drop from 7.4 percent to 6.5 percent in total unemployment, and a similar reduction in the insured rate. We expect that the number of claims to be processed will drop by the amount that it requires for the 5,000 people.

UNEMPLOYMENT RATE

Mr. FLOOD. Well, what rate of unemployment did you use when you compiled the budget request?

Mr. WEATHERFORD. We used a 3.8 insured rate and 6.5 total rate.

REDUCTION FOR INCREASED PRODUCTIVITY

Mr. FLOOD. Explain that decrease here, $16.5 million in the "Unemployment insurance" activity.

You say that is due to what you call productivity savings. What is that all about?

Mr. WEATHERFORD. Mr. Chairman, you have heard us on several occasions before talk about our cost model where we measure the cost of doing individual activities in each of the States.

When we pull all of that together we have certain States whose cost of doing business, processing claims, is higher than other States. We have embarked on a project to identify those high cost areas and to work with those States to reduce them. We believe that over the next 18 months that we can improve the processing in State operations.

Mr. FLOOD. Your phrase is productivity savings.

Mr. WEATHERFORD. Yes, sir, in other words, by improved processing we can reduce the number of people that it takes to process a claim, thereby saving that amount of money.

ELIGIBILITY REVIEW

Mr. FLOOD. You have an increase here of $11.6 million now in the "unemployment insurance" activity. Let me quote this:

For the nationwide implementation of an eligibility review program for unemployment insurance claimants.

What does that mean?

Mr. WEATHERFORD. Mr. Chairman, the unemployment insurance program operates through what we call an eligibility interview process. The determination of eligibility is based on interviews between our staff and the claimants to determine whether they are meeting the requirements of the law or not.

During the past 2 years, with the claim loads at the level they have been, some of the quality control in these parts of the program have slipped and we are proposing to reinvest a part of these savings to improve that process, to do a better job, a more complete job, and to do more of it.

Mr. FLOOD. That's a good answer. It's just this marvelous terminology.

EMPLOYMENT SERVICE AUTOMATION

Now, you mentioned this in your earlier remarks, but what is the current status of the automated system for processing unemployment insurance workloads?

Suppose you bring us up to date on that and also tell us how much you plan to spend on that in 1978.

Mr. WEATHERFORD. As you know, Mr. Chairman, we are moving ahead on what began as a 5-year project to provide terminals in the local offices for both the Employment Service and unemployment insurance activities. We started out in fiscal 1976 with pilot States and during fiscal 1977 we are expanding that now to around 17 States as far as the unemployment insurance program goes, and 23 States for the Employment Service.

We had in the 1977 appropriation $10.9 million for the unemployment insurance automation project and we are proposing the same level for fiscal year 1978.

Mr. FLOOD. How much do you plan to spend in 1978?

Mr. Ross. For unemployment insurance projects, $10.9 million.

Mr. WEATHERFORD. The total, including Employment Service activities, is $25.9 million.

UNEMPLOYMENT BENEFITS PAID

Mr. FLOOD. How much money in total was spent from all sources for unemployment compensation in fiscal 1976?

Mr. Ross. For ETA?

Mr. FLOOD. All sources, unemployment compensation—do you have a figure on that?

Mr. WEATHERFORD. Are you talking about benefits paid to individuals in this project?

Mr. FLOOD. Yes, for all sources.

Mr. PUGH. Approximately $18.2 billion, Mr. Chairman.

Mr. FLOOD. How much of that was Federal money?

Mr. WEATHERFORD. $1.9 billion, sir.

Mr. FLOOD. What are your estimates for 1977 and 1978?

Mr. WEATHERFORD. For 1977 the total amount is $14.8 billion, of which $1.8 billion is Federal, and for fiscal year 1978, a total of $12 billion in payments of which $1.5 billion would be in Federal.

TAX COLLECTIONS

Mr. FLOOD. What about the tax collections from employers, how much was collected in fiscal 1976?

Mrs. KING. $6.4 billion.

OTHER EMPLOYMENT SERVICE DUTIES

Mr. FLOOD. Besides its regular functions, what other duties must the employment service perform? I am talking about food stamps, the WIN program, and things like that. Suppose you spell out some of that for us. What else do they do?

Mr. WEATHERFORD. Mr. Chairman, the State employment security agencies, in addition to UI, pay benefits under a number of Federal programs, including trade readjustment allowances, and payments under the temporary special unemployment program, and the WIN program. We don't have an involvement with the food stamp program, sir, but we do with the disaster relief program. We also have the Federal employee and ex-servicemen programs.

Mr. Ross. The Employment Service, in addition to the basic Employment Service activities, does provide services, referrals to training and employment for WIN enrollees. It does an eligibility review and certification for food stamp recipients.

Mr. FLOOD. But there is a food stamp certification.

Mr. LEWIS. Yes, sir. On referral from the welfare agencies.

EMPLOYMENT SERVICE AND CETA

Mr. FLOOD. Now, how is the relationship between the Employment Service and the CETA prime sponsors? Is that relationship getting any better?

Mr. LEWIS. We believe it is, Mr. Chairman.

About 6,500 staff years we estimate are going to the Employment Service and CETA sponsors through formal agreements and financial agreements. There are a lot of other relationships in the form of non-financial agreements and other informal relationships.

While the legislation that authorizes CETA does permit some duplication we are concerned about, we believe we are on the right track by trying to reduce that through several forums.

We have some experimental projects we have recently funded to try to encourage linkages of those two institutions.

We have gotten the State agencies to offer free placement services to CETA sponsored clientele; that is, those ready for job placement.

We believe the expansion in public service employment will provide further opportunity for us to link those two organizations administratively. Already the Unemployment Insurance Service and Employment Service staffs and WIN staffs are creating pools of eligibles for contemplated expansion in public service employment, so they will be ready to refer to CETA sponsors as soon as there is action on the request. So we are optimistic, but there are still problems.

PERFORMANCE EVALUATION

Mr. FLOOD. How do you evaluate the performance of a state agency? What is your rule or what is your yardstick?

Mr. LEWIS. It's different for the Employment Service than UI. The whole Employment Service monitoring system, oversimplified, rests upon this kind of a premise.

State agency central offices monitoring their own local offices, with a self-appraisal system, regional offices of the U.S. Department of Labor then monitoring the State agency appraisal system, and go into local offices themselves. Then there are a limited number of comprehensive reviews wherein teams of ETA regional and national staff will go in and go through a management review.

The criteria used are numerous and different depending upon what type of assessment is going on.

EMPLOYMENT SERVICE FUND ALLOCATION

Mr. FLOOD. How do you allocate the funds among the States for the Employment Service? In other words, what kind of formula do you have to do that?

Mr. LEWIS. At the present we use what is called the resource allocation formula, which formerly was called the balanced placement formula. Roughly 60 percent of the appropriation is allocated through that formula.

In its present form it essentially is weighted about 60-percent quantitative factors, about 40-percent qualitative factors and essentially rewards the States for placement performance, that is, placements per staff year, or productivity measures.

Also it has certain policy weights for certain applicant groups served such as veterans, youth, and minorities.

Since only 60-percent of the appropriation is allocated through that formula, and we have also incorporated as time has gone on certain

refinements, such as adjustments for the difficulty of making placements, based on some research we have conducted, and adjustments for the number of unemployed and things of that nature. The actual impact of the formula is not as great as it might seem, and has, in effect, been reduced a little bit over the years.

EMPLOYER RELATIONS

Mr. FLOOD. What steps has the Employment Service taken to improve relations with the employers, and to provide them with better service?

Mr. LEWIS. We have emphasized that a great deal over the last several years. Essentially the approaches divide into these parts: We have always had a basic employer service program. We have attempted to resurrect that and that is a simple visitation program by Employer Services representatives. With work groups of State staff and our staff here, they have come up with a whole new handbook and training design for State agency staff.

On the innovative side, we have gone to the establishment of local employer committees, and now State employer committees, and as a matter of fact, the employer representatives on those committees on their own have suggested that there should be a national ad hoc committee. That is being formed under the leadership of Mr. Miller of Sharon Steel of your State, and we are having our first meeting on March 16 of that national committee.

There are about 4,000 different employer representatives on those local committees and this effort is now in about 38 States. Essentially what happens in those committees is that employers and local office staff sit down together and employers, in effect, say, "Look, here's how you have been serving us, good or bad; here are the changes we think you need to make in the office in order for you to provide better service to us." Then the staff works up a plan based on those recommendations, and makes changes.

Mr. FLOOD. Mr. Natcher?

JOB INFORMATION SERVICE

Mr. NATCHER. What is the Job Information Service and how widely used is it?

Mr. LEWIS. JIS, sir, in an oversimplified definition, is a method whereby we make available to walk-in applicants in the office, information on the kinds of hiring that is going on locally, and at what pay scales, and things of that sort.

It can vary from being as simple as a hard copy posting on bulletin boards in a very small office to the actual use of viewers and microfilm type media.

There are about 1,000 installations at this point that would meet our very simplest definition.

VETERANS EMPLOYMENT SERVICES

Mr. NATCHER. You say you are going to spend $70 million on veterans employment services in 1978.

Mr. LEWIS. Yes, sir. That would be a minimum estimate.

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

Mr. LEWIS. We have, I think, changed our methodology somewhat, so somebody will have to help me.

Mr. ROSS. We essentially have used historical data on how much it costs to place people and then have projected the number of veterans that will be placed or provided other kinds of services, counselled or tested, and then have this extrapolated to the $70 million figure.

WORK TEST

Mr. NATCHER. How does the Employment Service administer the work test to those people drawing unemployment benefits to determine if they are really attempting and trying to get a job?

How do you go about this?

Mr. WEATHERFORD. Mr. Natcher, there are two sides to this one, and I would like to answer for the Unemployment Insurance.

Mr. NATCHER. Go ahead.

Mr. WEATHERFORD. Quite often the same individual does both jobs, but by and large, the responsibility falls to Unemployment Insurance to determine whether that individual is doing what is reasonably expected to find a job. That includes an active search for work. Not all of the jobs are listed with the Employment Service, and consequently we go through the eligibility interview process whereby we sit down and ask the individual where they went to find work, and determine whether that is a reasonable search.

In addition to that, about half of the Unemployment Insurance claimants in the country are referred to the Employment Service for registration, for formal taking of a registration card. It's at that point that the Employment Service does the work test.

Mr. LEWIS. At that point, sir, the referral and placement mechanism for Unemployment Insurance claimants would be similar to that of any other applicant once the application is taken. They are either walk-in or they are called in and referred to available openings for which they may qualify.

Last year, fiscal 1976, a little over 30 percent of the new applicants and renewals in the Employment Service were Unemployment Insurance claimants. It's just a little under 4.7 million. Just a little under 21 percent of all of the people being placed were claimants.

STATE DENIAL OF BENEFITS

Mr. NATCHER. Do the States ever cut off unemployment benefits to people who refuse to look for a job?

Mr. WEATHERFORD. Yes, sir. While the reporting system does not break out the number of people disqualified for refusing to seek work from individuals disqualified for other nonseparation issues, such as refusing to accept a suitable work offer, I do have figures on all nonseparation issues combined.

This would be not only the ones that refuse to look for work, but also those that refuse to accept work, those that are unable to work or not available for work, those types of things. In fiscal 1976 the State agencies denied benefits to 2 million individuals in the country.

FRAUD AND ABUSE

Mr. NATCHER. How much fraud and abuse is there in the unemployment insurance system in this country? Is it widespread, as widespread as some people are led to believe?

Mr. WEATHERFORD. Mr. Natcher, we don't think so. We do know that there are a significant number of overpayments in the system. Our records, for the most recent period we have, indicate that during fiscal year 1976 overpayments out of the system amounted to just over $100 million. Now that includes fraudulent overpayments as well as administrative overpayments, and out of that $100 million the State agencies recapture about half of that.

So when you talk about fiscal year 1976, if we lost about $50 million out of that $100 million compared to $17 or $18 billion, the percentage is mighty small, sir.

Now, Mr. Natcher, if I could just say this also. That's the ones we know about, the ones where people that report improper payments. There certainly would have to be some others we don't know about.

One of our techniques we do use is what we call a cross-match. It is after the fact when a claimant has reported and drawn benefits, maybe 6 months later the employers submit their wages for those periods. We match up those two things for the same period of time. And we find a number of claimants who have reported no earnings, but actually worked, and that constitutes one of our most effective detection techniques in the program.

UNEMPLOYMENT DATA

Mr. NATCHER. Tell us, if you will, briefly though, how do the State employment security agencies go about collecting local and area unemployment data? Just briefly, how does this happen, how does this take place?

Mr. ANGEBRANNDT. Essentially they take local data from their claimants, such as how many UI claims they have. They also take readings from employers on how many people are employed, and changes in their work forces over a period of time. From those two basic elements and census data and past patterns they build up a general pattern of unemployment for that area. But the base data is on how many claimants you have and your general reports of employment by employers in a period of time.

Mr. NATCHER. Thank you.

Mr. WEATHERFORD. Mr. Natcher, there is a formula that the Bureau of Labor Statistics manages and for which they provide the guidelines and technical assistance, whereby we do have comparable data between areas.

Mr. ANGEBRANNDT. It's a rather extensive method.

Mr. FLOOD. Mr. Early?

UNEMPLOYMENT STATISTICS

Mr. EARLY. Thank you, Mr. Chairman.

What about the case of a gentleman who applies, collects all of his unemployment, and his time runs out. While he is collecting that unemployment he is listed as unemployed, including the week he col-

lects his last check. The next week he doesn't come back because there is nothing for him. How do you people list him? What type of statistic does he become, an employed?

Mr. WEATHERFORD. Mr. Early, we don't list him. As far as the insured rates go, we use counts of claimants. He would not be a statistic.

Mr. EARLY. He wouldn't be a statistic as unemployed, even though he is?

Mr. WEATHERFORD. He would be in total unemployment. In the household survey, for example, he would be unemployed. Any individual that is looking for work, able to work, is unemployed by definition in the household survey. But when he is off of our rolls and exhausted his benefits, since we don't know whether he is in the labor force or still looking for work, we don't try to count him.

Mr. EARLY. The Bureau of Statistics uses your lists to determine the number of unemployed?

Mr. WEATHERFORD. Only as the base, sir. The household surveys of BLS are not based on our data, but based on a separate, household survey.

Mr. Ross. BLS conducts a program called the current population survey, actually conducted for them by the Bureau of the Census, in which they do a sample survey of a certain number of households nationally, and they use the data to construct a State total unemployment figure.

That figure is then broken up into local jurisdictions through the process that Mr. Angebranndt explained.

Mr. EARLY. I had the Bureau of Labor Statistics tell me yesterday that Massachusetts unemployment in December was 5 percent. And they are basing it on your statistics, and that is how we are being declared for eligibility for revenue sharing and eligibility for public works projects, and I don't think it's accurate.

Mr. Ross. I think we have to go back and talk to the people from the Bureau of Labor Statistics and find out what they told you. It's my understanding that the unemployment rate for Massachusetts is constructed based upon the current population survey conducted by the Bureau of the Census for BLS. But we could find that out and get it for the record.

Mr. EARLY. Would you, please?

[The information follows:]

UNEMPLOYMENT RATE FOR MASSACHUSETTS

The 5.9 figure is the rate for total estimated unemployment for Massachusetts for December 1976, adjusted by the Bureau of Census current population survey benchmark from 1975, and adjusted by the 70-step method or handbook method which uses insured unemployed during the survey week, the week of the 12th of a month, as one of several data bases. An estimate for unemployment insurance exhaustees is also included.

The average annual rate of total unemployment for 1976 after adjustment for the State of Massachusetts was 9.5 percent.

Monthly local areas estimates for total unemployment are used in determining eligibility for projects under the Public Works and Economic Development Act. Eligibility for employment and training revenue sharing, under the Comprehensive Employment and Training Act of 1974, is determined by total unemployment rates for prime sponsor areas, as computed by the States using BLS methodology.

ELIGIBILITY FOR UI PAYMENTS

Mr. EARLY. I watched a TV documentary last week, sir, it was in California, and it showed a fellow who planted a crop and he couldn't hire any workers to collect the crop. The TV then switched to your office in that particular region and it showed long lines of people getting unemployment. And they were interviewed and they were asked what they were doing there, and they identified it as "getting free money."

Would you comment on that?

Mr. WEATHERFORD. Yes, sir. You said California. I didn't see the documentary.

Mr. EARLY. Yes.

Mr. WEATHERFORD. We had a situation in Florida that is volatile at this time, and that is the reason I asked about that.

Mr. EARLY. I thought it was California.

Mr. WEATHERFORD. It may have been, sir. I would not know how to comment on that because I know that the people that come to draw benefits have to meet certain criteria. Number 1, they must have worked to earn wage credits, and No. 2, they must have been separated from their job through no fault of their own.

Mr. EARLY. The employer was standing outside the door passing out sheets of paper for people to work. And they weren't coming to work because they were going in and getting "free money," as they identified it.

Mr. Ross. I think there are two points to make, one of which is that, as Mr. Weatherford said, this has been a situation we are more familiar with in Florida, and down there we have had a lot of people that have filed claims for unemployment insurance but haven't necessarily received any benefits. Because of the verification and validation of their claims, they have not proved eligible.

Second, we do have some statistics for last week or the week before last in which we had 3,500 orders submitted from growers to the Employment Service and we filled 3,200 of those job orders through people that we referred from the Employment Service which we think is a very high percentage of job orders filled for that time period.

CERTIFICATION OF APPLICANTS

Mr. EARLY. They interviewed several of these people and several were illiterate. They sign their applications with an X.

How do you process that type of thing?

Mr. WEATHERFORD. Those signatures, it varies from State to State, but the signatures are witnessed by the individuals in the office there, to certify that this individual did X.

We don't deny benefits, Mr. Early, because someone can't write.

Mr. EARLY. No, but there are rules and regulations, how do you check on 35 X's?

Mr. WEATHERFORD. You can't.

Mr. EARLY. You can check on Joseph Early, or you can check on another name. My question is, how do you check on "X" signature, to see if there is fraud?

Mr. WEATHERFORD. We use, for the purpose of checking, not only the name but the social security number. As I indicated to Mr. Natcher a while ago, that is the basis by which we have wages reported, cross matched against benefits. But there is no way that you can check the signature of an illiterate claimant, that I know of, other than through the claims-taker that witnesses that signature, then certifies later, should there be a question of a claim.

Mr. EARLY. So, you don't know how accurate your $100 million figure for fraud is?

Mr. WEATHERFORD. No, sir, Mr. Early. I believe I said that is the amount that we detected.

Mr. EARLY. That's right, so it could run into a billion dollars.

Mr. WEATHERFORD. I guess so.

Mr. EARLY. What are you doing to identify it?

Mr. WEATHERFORD. Two things. As we have indicated in this request here, we are diverting some of our resources over to establishing a more effective eligibility review program, whereby we determine that the claimants are looking for work.

The second thing is we are putting in a cross-match to detect overpayments. Now, this is detection and not prevention. The first part of it is prevention.

Mr. Early, we are concerned about it, very much so, and State administrators are very concerned about it. As we went through the last 2 years with as many as a million individuals losing their jobs in 1 week and walking into our office, we have had some loss, as I said to the chairman a while ago, in our quality control. However, we have been actively trying to restore that for the last 12 to 15 months.

EMPLOYMENT INCENTIVES

Mr. EARLY. Have you done any studies on any type of incentive type of programs to give to the States for reducing unemployment? You know, as far as we give, the Federal Government seems to be going the wrong way, we give inducements to be inefficient, we give inducements to get on the social roll, one way or another we give inducements to get unemployed.

Have we said to any of the States your employment is this as of December, you reduce the unemployment and we will compensate you at least an equal amount. Has there been any studies done on that?

Mr. WEATHERFORD. I don't know of any, sir. There may have been. There has been a lot of research on the disincentive aspect of income maintenance. I think our response to this one has been the approach that we have discussed with the committee through economics stimulus. There is a lot of money moving throughout the country to try to stimulate the economy. The bottom line on reducing unemployment is having jobs to refer the workers to.

I don't take the position that workers generally would prefer to draw benefits as opposed to work. I don't believe that is so. But there are some that you have to have——

Mr. EARLY. Are you sure it's false?

Mr. WEATHERFORD. No, sir. I am saying my opinion.

Mr. EARLY. You are not sure it's true and you are not sure it's false?

Mr. WEATHERFORD. That's right. But as Mr. Lewis talked about, the job test or work test requires having jobs to refer people to.

FRAUD PENALTIES

Mr. EARLY. What is the most serious charge we have brought against anyone that has been employed and collected unemployment at the same time?

Mr. WEATHERFORD. Imprisonment.

Mr. EARLY. We have done that? In how many cases have we done that?

Mr. WEATHERFORD. Yes, sir, we have done that. I don't have the precise statistic, but I will see if I can get it.

Mr. EARLY. Would you supply it for the record?

Mr. WEATHERFORD. Yes, sir.

Mr. EARLY. Also supply for the record of that type of fraud how much repayment feature has there been.

Mr. WEATHERFORD. Yes, sir.

Mr. EARLY. Thank you, Mr. Chairman.

[The information follows:]

EARNINGS MISREPRESENTATION

When the State employment security agency detects a case of working while collecting unemployment benefits, the claimant is subject to an administrative penalty and/or criminal prosecution. The majority of cases of willful misrepresentation established by the State agencies involve failure to report earnings while claiming unemployment benefits.

During fiscal year 1976, the State agencies established 103,306 fraud cases. During this same period 9,952 cases were recommended for criminal prosecution and the States obtained 6,432 convictions. The usual criminal penalty is a fine and or imprisonment. However, we do not have any data on how many individuals convicted of willful misrepresentation were actually incarcerated.

The data we maintain on fraudulent overpayments and recoveries of such overpayments is not broken down to identify those for which there was a criminal conviction. However, during fiscal year 1976, the States established approximately $32 million in fraudulent overpayments and during that same period recovered in excess of $13 million in fraudulent overpayments.

MONITORING THE EMPLOYMENT SERVICE

Mr. FLOOD. How do you monitor the State employment security agencies so you can make sure they are getting the job done?

Mr. WEATHERFORD. As Mr. Lewis outlined, our monitoring system, our regional offices you are familiar with, Mr. Chairman, carry much of the responsibility in our agency for monitoring the work of the States.

We also have a management information system whereby we quarterly review the performance of the States through our reports and Mr. Edwards, who is our administrator for field operations, visits regions quarterly to go over these management statistics, picking out the problem cases for further evaluation of the individual State.

Mr. FLOOD. How many people do you have assigned full time to this monitoring operation?

Mr. Ross. Well, we have approximately in the regional offices 150 people working on unemployment insurance activities and we have another approximately 200 who work with the Employment Service in the States.

Mr. FLOOD. Some people don't think you do a very good job on this monitoring of the State agencies and their local offices. What can you do to improve this monitoring and oversight operation?

Mr. WEATHERFORD. Mr. Chairman, we could expand our individual onsight monitoring visits in the State. However, we have taken some what we think to be rather positive steps.

You are familiar with the relationship that exists between the Federal Government and the States in this particular system and we have taken the position over the past several years of trying to improve the technical assistance from the Federal Government to the States.

It's easy to say, Mr. Chairman, something is wrong. It's tough to go out there and help them fix it. That is the approach we have been trying to use rather than going broadside.

EMPLOYMENT SERVICE BUDGET

Mr. FLOOD. You are proposing essentially a level budget for the Employment Service in 1978, is that right?

Mr. LEWIS. That is right, Mr. Chairman.

Mr. FLOOD. Are the States satisfied with that?

Mr. LEWIS. Well, I guess any institution is capable of using more public funds, but we believe that through some ambitious productivity goals that we have set together with the States, and with that staffing level, we can provide a little bit more service than we did last year.

COMPUTERIZED JOB MATCHING

Mr. FLOOD. How much are you planning to spend on the computerized job matching for the Employment Service in 1978?

Mr. LEWIS. About $15 million.

Mr. FLOOD. And what is the source of that money?

Mr. ROSS. That is all grants money.

We also have $14.3 million in the CETA plan we discussed yesterday with you.

Mr. FLOOD. How much are you spending for the computer operation in the current fiscal year?

Mr. ROSS. That same level of grants money. The 1978 level is a continuation of the 1977 level.

Mr. FLOOD. What is the status of this computerized matching, this job matching operation?

Mr. LEWIS. So far I believe we have funded about 21 or 22 installations. These have largely been funded since, or in the latter part of 1976, and in the transition quarter, and a few so far this fiscal year.

We would expect a number of those to become operational in the next couple of months.

Mr. FLOOD. Next couple of months?

Mr. LEWIS. Yes. That is, actually get into the operating phase. There is quite a leadtime required from the time a State is informed

that its proposal is accepted and they receive funds, and the time they can actually get staff training and get any necessary hardware and get going.

CONTINGENCY FUND REDUCTION

Mr. FLOOD. Why are you reducing your contingency fund in 1978? Is that realistic?

Mr. WEATHERFORD. Yes, sir, Mr. Chairman. As I indicated on the staff year question, we anticipate fewer claims to process in 1978. As you know, we budget based on a 2.1 million average each week and we handle the workload above that out of the contingency fund. That workload will be down in fiscal 1978, and we have asked only for the amount it takes to process those.

EFFECT OF WEATHER ON UNEMPLOYMENT

Mr. FLOOD. Now what effect has this very severe weather this winter had on the local unemployment insurance offices?

Mr. WEATHERFORD. Mr. Chairman, when the freeze first hit we heard some significant numbers used. Our best estimate is that somewhere in the neighborhood of 1.8 million individuals that lost their jobs due to severe weather and natural gas shortages.

But it was a temporary layoff and our latest report for the week of February 18, would indicate slightly less than 300,000 workers now who are unemployed as a result of the weather.

Mr. FLOOD. What effect did it have upon the local offices?

Mr. WEATHERFORD. We had, in certain areas of the country, an increase in the workloads.

Mr. FLOOD. Did you?

Mr. WEATHERFORD. Yes, sir, we did. Those claims that were filed due to layoffs certainly had to be taken care of.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

APPROPRIATION LANGUAGE

Mr. FLOOD. On the Federal unemployment benefits and allowances account you are proposing an addition to your appropriation language, for some reason. Take a look at that. It's on page 1. It's footnote 2 on page 1 of the justifications.

What is the reason for the language?

Mr. WEATHERFORD. Mr. Chairman, Public Law 94–566 extended coverage last year to the State and local workers throughout the country, to some farmworkers and some domestic workers, and included in that law is a provision whereby the Federal Government will pick up a part of the cost of paying those benefits through a transition period. It is optional to the State, Mr. Chairman. If the State agrees to extend coverage as of January 1, 1978, then we will pay the portion of the cost based on uncovered employment prior to that date, from that date till July 1, 1978.

Mr. FLOOD. You see, we always get gun shy on language.

Mr. WEATHERFORD. I understand.

ADVANCES ACCOUNT

Mr. FLOOD. What is the current balance remaining in the advances to the unemployment trust fund account? How much do you have left in that account?

Mr. ROSS. We have $1.8 billion.

Mrs. KING. That would be at the start of the fiscal year 1978. We currently have slightly under $4.3 billion.

STATE LOANS

Mr. FLOOD. How many States have had to borrow funds from the Federal unemployment account in the unemployment trust fund in order to pay the regular State unemployment benefits?

Mr. WEATHERFORD. Currently, Mr. Chairman, we have 22 States with outstanding loans. The State of Florida did borrow last year, but paid it back the next month.

Mr. FLOOD. What is the amount outstanding on the State loans currently?

Mr. WEATHERFORD. It is $3.8 billion.

Mr. FLOOD. Will you place in the record a list of the States and the amounts that they have borrowed?

Mr. WEATHERFORD. Yes, sir.

[The information follows:]

Loans to States from the Federal unemployment account

State	*Amount in millions*
Alabama	$35.6
Arkansas	23.0
Connecticut	398.1
Delaware	25.0
District of Columbia	43.4
Hawaii	22.5
Illinois	594.2
Maine	14.9
Maryland	38.6
Massachusetts	265.0
Michigan	571.0
Minnesota	127.0
Montana	5.7
Nevada	7.6
New Jersey	533.5
New York	29.3
Oregon	18.5
Pennsylvania	677.4
Puerto Rico	67.0
Rhode Island	65.8
Vermont	41.2
Washington	149.4
Total	3,753.7

NOTE.—The Virgin Islands has received general revenue loans through February 1977 totaling $9,005,000.

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EXTENSION OF FSB

Mr. FLOOD. How much will it cost to extend the FSB program, the Federal supplemental benefits, for 1 year?

Mr. WEATHERFORD. Mr. Chairman, the bill that the administration sent forward would increase the cost in fiscal year 1977 by $500 million and $400 million in fiscal year 1978.

Mr. FLOOD. Do you have the money to handle this, or will you have to get an appropriation?

Mr. WEATHERFORD. We have the amount.

UNEMPLOYMENT FOR PSE JOBHOLDERS

Mr. FLOOD. Is the Federal Government going to reimburse the States for unemployment benefits paid to former public service jobs employees under CETA?

Mr. WEATHERFORD. Yes, sir.

Mr. FLOOD. How much is that going to cost this year, and how much is it going to cost next year?

Mr. WEATHERFORD. I believe $50 million in fiscal year 1978.

Mrs. KING. And the same amount in 1977.

SPECIAL UNEMPLOYMENT ASSISTANCE

Mr. FLOOD. What is the status of that special unemployment assistance program for workers who are not covered by State law?

Mr. WEATHERFORD. Mr. Chairman, coverage has been extended to most of those workers under the Public Law 94–566. They will continue to be paid benefits throughout this calendar year under the SUA program. Beginning January 1, 1978, in those States that agree to come into the program, these people would continue to be paid benefits under permanent State programs. Public Law 94–566 encourages this by providing Federal reimbursement to the States for benefits paid, during a transitional period, to newly covered workers. This reimbursement will come from SUA.

Mr. FLOOD. When does that program expire?

Mr. WEATHERFORD. The last payment under the SUA program would be made June 30, 1978.

UNEMPLOYMENT BENEFICIARIES

Mr. FLOOD. Now, how many people currently are receiving unemployment compensation of all types?

Mrs. KING. Slightly over 5.5 million.

Mr. FLOOD. How does that compare with a year ago? Don't you have that handy?

Mrs. KING. I do not have the year ago handy.

Mr. FLOOD. Put that in the record.

[The information follows:]

PERSONS RECEIVING UNEMPLOYMENT COMPENSATION

The total number of persons receiving unemployment compensation of all types for the week of February 24, 1976, was 6.2 million.

LONG-TERM UNEMPLOYED

Mr. FLOOD. What proportion of the unemployed are unemployed 15 weeks or longer, the so-called long-term unemployed, what proportion?

Mr. WEATHERFORD. I would like to furnish that for the record. I don't have it with me.

Mr. FLOOD. All right.

[The information follows:]

PROPORTION UNEMPLOYED LONG TERM

As of January 1977, 32 percent of the unemployed individuals in the country have been unemployed 15 weeks or longer.

TRADE ACT

Mr. FLOOD. How many people are currently receiving benefits under the Trade Act of 1974?

Mr. HOUFF. The estimate for 1977 is 90,000.

Mr. WEATHERFORD. Our current level—we will have to get for you, Mr. Chairman.

[The information follows:]

CURRENT BENEFIT DATA ON TRADE ACT

During the month of November 1976, the most recent month for which reports from all States have been received, 9,694 persons received first payments and a total of 221,726 weeks of benefits were compensated under provisions of the Trade Act of 1974.

Mr. FLOOD. How many additional people will be receiving those benefits in fiscal 1978?

Mrs. KING. For fiscal year 1978 we anticipate 84,000 individuals.

Mr. FLOOD. How long can people receive benefits under this Trade Act?

Mr. WEATHERFORD. For 78 weeks, which is the maximum, Mr. Chairman. Only workers of a certain age, and certain workers in training can go that far.

Mr. FLOOD. Mr. Natcher?

Mr. NATCHER. No questions, Mr. Chairman.

Mr. FLOOD. Thank you very much.

Mr. WEATHERFORD. Thank you, sir.

[NOTE.—The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

MR. CONTE

Question. In regards to the job matching systems referred to in your opening statement, what are the batch or overnight systems being planned?

Response. Batch matching systems are designed to search computerized files of applicants and job orders and select the most probable matches of workers and jobs. This computerized activity generally takes place at night and supplies a local employment service office with a printed listing of the probable matches. Employment interviewers then begin selecting applicants and employers to call to arrange for referrals. These batch matching systems are planned for installation in the intermediate standard metropolitan statistical areas.

Question. A cut of $84.6 million is proposed for your contingency fund because of lower unemployment insurance workloads. Because this is such a large de-

crease, I would like to know exactly how much of a drop you expect in your workload.

Response. The rate of insured unemployment for fiscal year 1978 is expected to be 3.8 percent, while the resources for fiscal year 1977 are based on an insured unemployment rate of 5 percent. The average weekly insured unemployment claims volume for fiscal year 1978 is expected to be 3.4 million while the resources for fiscal year 1977 are based on a 4.5 million weekly claims volume.

Question. Many States have exhausted their unemployment compensation funds. How many, and which ones are relying on Federal reimbursement to fulfill their unemployment compensation obligations?

Response. As of February 24, 1977, there were 22 States whose unemployment trust funds collected from subject employers specifically for the purpose of paying State unemployment insurance benefits have become exhausted. All of these States have applied for and received repayable advances from the Federal Unemployment account under title XII, section 1201(a)(1) of the Social Security Act. We anticipate that 2 more States will request repayable advances by March 1, 1977, for a total of 24 by that date. I would like to stress that these are "repayable advances" and should not be construed as "reimbursements."

The 22 States currently in a borrowing situation are as follows:

Alabama	Maryland	Oregon
Arkansas	Massachusetts	Pennsylvania
Connecticut	Michigan	Puerto Rico
Delaware	Minnesota	Rhode Island
District of Columbia	Montana	Vermont
Hawaii	Nevada	Washington
Illinois	New Jersey	
Maine	New York	

We anticipate that the States of Florida and Ohio will be added by March 1, 1977.

In addition, the Virgin Islands has been receiving repayable general revenue advances directly from the advances to the unemployment trust fund and other funds appropriation. The Virgin Islands is expected to enter the Federal-State unemployment insurance system before the end of fiscal year 1977, as authorized by Public Law 94–566.

Question. Do you foresee any possibility that States will become solvent in paying these benefits without Federal funds, and what is the amount of Federal reimbursement to State unemployment coffers?

Response. The total amount advanced from the Federal unemployment account to temporarily assist those States whose unemployment trust funds have become insolvent was $3.8 billion as of February 24, 1977. States have been reexamining their tax rate schedules and with the enactment of Public Law 94–566 in 1976, the minimum wage base in States will increase to $6,000 in 1978. These factors combined with continuing State actions to strengthen funding plus expected improving economic conditions will help the States back to a self-sufficient basis. We do not expect early repayment but the system should become self-sufficient in the mid to late 1980's.

Question. Your justification state that the program changes allow for a decrease of $20.3 million because of upgraded efficiency measures. Because of this savings you would like to reallocate $11.6 million of these funds to provide an "eligibility review program" to investigate abuse and fraud. What areas will this program be engaged in that are not already under the jurisdiction of Labor's Departmental Management and/or the Inspector General's office?

Response. The eligibility review program is but one of the State agencies' efforts to minimize error, fraud and abuse in unemployment benefit payments. However, it differs from any other State agency efforts in that it focuses on the prevention of improper payments rather than on the detection of such payments.

In contrast, departmental management audit activities relating to fraud and abuse are focused toward the detection of improper State agency use of Federal funds rather than the validity of individual unemployment claims.

Question. In light of the $3.8 million savings made because of increased automation in unemployment insurance tax and benefit operations are you finding the investment for automation cost effective?

If you have insufficient data to make a judgment and if there is a question about the cost effectiveness of automation why continue to expand it until the operation proves itself?

Response. Automation is not new to the unemployment insurance program in the State agencies as such efforts were begun over 30 years ago. The evolvement of computers has enhanced those early efforts. The advancements in technology have multiplied the processing speeds by many times while at the same time reducing the corresponding costs by many times. The automated systems have been updated on a continuing basis to take advantage of that emerging technology. With the exception of the Massachusetts and New Jersey agencies the automation efforts were limited to the central office of unemployment insurance operations in the States until recent years. The gains in productivity have been generally limited to central office operations. For example, the average time for processing a workers wage record item has been reduced from in excess of 1 minute to less than one-half minute.

The more recent advancements in data communications and termial capabilities have made it possible to provide automated techniques to local—field—offices now as well. The increased automation now being planned and used represents but a further utilization of the more recent technological advancements of the computer industry evaluations of automated local office unemployment insurance operations now are being made. Preliminary evaluations, however, show substantial reductions in routine clerical and recordkeeping activities. For example, an inquiry into computer maintained records under a manual process requires in excess of 13 minutes per inquiry. Under a terminal operation the time required is about 1 minute. Of even greater importance than the the processing time requirements is the improvement in service provided to the public. The time to respond to a claimant inquiry has been reduced from days by the mail approach to a minute or less. Most claimant problems or questions now are resolved promptly on the first contact with the office rather than call them back sometime later.

Application of advancements in automated techniques to unemployment insurance operations is a must. If automation of unemployment insurance operations had not occurred over the past several years it would have been almost physically impossible to have met the demands of the recent heavy unemployment workloads with former manual approaches.

Question. Under Employment Services, how will the increased emphasis on better program integration with CETA, women's and youth programs and older workers programs affect potential cuts—in funds—brought about by a lower unemployment rate?

Response. Better program integration is directed to avoiding duplication in delivery of services to client groups and to making maximum use of available resources. These are objectives to which management must give attention even if funds are reduced because of a lower rate of unemployment. The budget request for employment services does not propose any resource reductions resulting from the anticipated lower unemployment rate.

Question. In attempting to better integrate your program with CETA, where will you focus changes?

Response. Although the CETA legislation calls for coordination between CETA and ES, there is no requirement that a CETA prime sponsor utilize the services of the Employment Service. The focus of the ETA approach has been to take administrative action which in cumulative impact is designed to influence the CETA local option in favor of coordination. Some of the actions taken include:

Issued a CETA/State Employment Security Agency (SESA) Technical Assistance Guide to assist local planners in coordinating programs.

Issued CETA/SESA Accounting System Guide to assist SEAS's in accommodating their accounting system to CETA needs.

Instructed SESA's to provide direct placement services to CETA prime sponsors at no cost.

Required CETA prime sponsors to justify nonutilization of free SESA placement services.

Required CETA prime sponsors to list Public Service Employment (PSE) jobs with the Employment Service for 48 hours for the purpose of allowing the referral of veterans.

Made changes in CETA performance indicators designed to discourage prime sponsors from emphasizing a duplicative direct placement activity.

Funded several projects designed to demonstrate a variety of CETA/SESA linkage arrangements that clarify roles in a coordinated local delivery system.

The current focus of efforts to link CETA and SESA program is to continue with this approach, concurrently reviewing the results to determine whether legislative change is necessary.

The proposed expansion of title VI PSE places a priority on coordination because the bulk of the target population is in the UI/ES/WIN system, all a part of the SESA. ETA is giving special emphasis to encouraging CETA prime sponsors and State Employment Security Agencies to enter into nonfinancial agreements which would expedite the proposed PSE expansion. The ability of CETA and ES to coordinate in this effort will be a critical market test of the current CETA legislative provisions for CETA/SESA coordination.

Question. What measures will be taken in fiscal year 1978 to strengthen relations with employers for the job service improvement program, and what is the cost?

Response. At the end of fiscal year 1977 the U.S. Employment Service expects to have the job service improvement program (JSIP) operating in 42 State employment security agencies (SESA's) and 225 different local job service offices involving over 4,500 different employers. In fiscal year 1978, the operation of JSIP will be expanded to include the remaining 12 State employment security agencies and an additional 200 local job service offices, involving more than 3,000 new employers, at an estimated cost of $3 million.

Question. By decreasing the number of agricultural placements will you attempt to place migrant workers in nonagricultural jobs?

Response. Migrant workers are offered the same full range of employment services as nonmigrant workers. The worker's preference as to the type of job he is interested in and the availability of such openings are the determining factors in the placement of migrants in nonagricultural jobs. With the growth of mechanization in the agricultural industry in recent years, an increasing number of migrant workers have been placed in nonagricultural jobs. It is expected that this trend will continue.

Question. Under the payments to former Federal personnel activity what does the $19.6 million figure represent in individual benefit increases? Is it an annualization hike?

Response. The $19.6 million figure results from the increase in the average weekly benefit amount expected to be paid to former Federal personnel in fiscal year 1978—$84 per week in 1978 versus approximately $82 per week in 1977.

Question. Specifically, how do you determine whether a former employee has lost his job as a result of Foreign Trade Acts?

Response. The certification issued by ILAB identifies the employer, his location, and the type of employment determined adversely affected by foreign imports. In addition, the certification specifies the date, impact date, on which foreign imports began causing layoffs from the employer identified in the certification. Individuals make application for allowances and employability services with the State employment security agencies. The State agency makes a determination of eligibility based upon the worker's statement, the employer's response, and the applicable certification. If the individual's separation from employment caused under the applicable certification is for lack of work the State agency will determine that the separation was due to foreign imports.

Question. In reference to the mandatory decrease of $150 million, can you tell me what is the number of weeks for which compensation will be paid and how many weeks this will be cut in fiscal year 1978?

Response. The $150 million represents a net decrease for fiscal year 1978 in the amount of Federal unemployment benefits to be paid from activity 3, unemployment assistance and payments under other Federal unemployment programs. It is comprised of a decrease of $272.2 million resulting from 3.7 million fewer weeks compensated which is partially offset by an increase of $122.2 million for higher average weekly benefit amounts to be paid.

In fiscal year 1978, we estimate this activity will pay $500 million in benefits, which will provide 6.8 million weeks of compensation.

Question. The possibility has been raised that an extension of time for unemployment benefits might be a good idea. It seems that this could take away incentive to seek employment. What are your thoughts on the subject?

Response. In spite of allegations that have repeatedly been made, there is no definitive empirical or theoretical evidence to support the view that unemployment compensation creates work disincentive. There are many factors that determine the unemployed workers' job search behavior; and, the preference of

leisure activities is only one of numerous possible outcomes arising from the receipt of unemployment benefits.

It must be emphasized that extending the maximum benefit duration does not mean that every beneficiary will be receiving this maximum. In the 42 variable duration States, beneficiaries can receive UI payments for periods far less than the State maximum of the usual 26 weeks for regular benefits and an additional 26 weeks for extended benefits. As UI benefit duration is geared to the degree of a claimant's attachment to the labor force, as evidenced by weeks worked or base period earnings, it is mainly people with strong labor force attachment who would benefit from long-term benefits. For this kind of worker, the importance of job search factors, other than the reduced cost of leisure activities due to unemployment payment, dominates their labor market decision. Therefore, it is highly improbable that mere extension of unemployment benefit duration creates work disincentive. Providing financial resources in the form of UI benefits in order for the workers to maintain a minimal standard of living while searching for "suitable" employment is the basic objective of unemployment insurance; and, extending the benefit duration is in conformity with the objective without increasing disincentive.

Question. As you know, this winter has been a cold one for the eastern two-thirds of the nation. How has this affected the unemployment rate, and do you foresee a significant number of these cold weather layoffs becoming permanent? What is the long term effect of this winter's gas shortage in terms of unemployment?

Response. The abnormal winter weather conditions impacting much of the Nation substantially affected the economy and work force, though the impact on production and unemployment may be relatively short term. At its peak (early February) we estimated that 1.8 million workers were temporarily idled by adverse weather and related fuel shortages. Portions of the Northeast, Southeast, and Midwest were the areas primarily affected, with Ohio, Pennsylvania, New York, New Jersey, Indiana, and Kentucky the hardest hit in terms of layoffs.

At the same time, there were an uncounted number of workers on short weeks. The January unemployment rate of 7.3 percent (seasonally adjusted) showed a disproportionately large number of persons working short weeks because of weather factors. However, because the BLS survey was taken during the second week in January it did not fully reflect the weather/energy crisis which accelerated during the latter part of January and peaked in early February, prior to the February BLS survey week (i.e., second week in February).

The 1.8 million estimate secured through our daily surveys of State employment security agencies, reflected both weather and energy shortage factors, and included layoffs, directly and indirectly attributed to these factors. Similar Department of Commerce estimates reflect only unemployment attributed to natural gas shortages. The Commerce estimates peaked at 1.2 million. Both Labor and Commerce estimates are now below 300,000 (as of February 24), with Ohio, continuing to comprise a substantial portion of both sets of estimates.

Since early February we have noted substantial recalls of workers and expect that most of the remainder will be back to work shortly. The only major exceptions are those States and plants where the fuel situation remains critical. It may be early spring before some of the workers in such plants return to their jobs. While national production has been severely affected in the first 2 months of this year, we believe that much of the lost production should be made up in the months ahead. Some of the lost wages should be made up at the same time. However, in some areas spot shortages of natural gas could persist into summer, particularly in areas where gas suppliers must rebuild their storage reserves for the next winter heating season. These situations could result in spells of unemployment or reduced work hours.

MR. ROYBAL

Question. I note that your budget requests are based on an unemployment rate of 6.5 percent and an insured unemployment rate of 3.8 percent. Last month, unemployment was 7.3 percent and February's rate is expected to be higher because of weather-related layoffs. Do you still believe that your assumptions are valid, given the cold winter we have had?

Response. We believe the assumptions we have used for fiscal year 1978 are valid. We feel the increased unemployment currently experienced to be of short duration and will have no carryover into next year.

Question. If we had a 7-percent unemployment rate and 4.2-percent insured unemployment rate, what would your needs be?

Response. The benefits would cost $12,343,000 with administrative cost of $910,200,000.

Question. Each year you come before the committee to ask for additional funds from the Congress for the job placement service you run. Can you give us some statistics—over the last 3 years—which show how well this service is operating.

Response. The total number of individuals placed by the Employment Service under all fund sources were:

Total individuals placed:

Fiscal year 1974	3,334,000
Fiscal year 1975	3,138,000
Fiscal year 1976	3,367,000

In fiscal year 1976, despite an unemployment rate of 7.5 percent, the Employment Service placed more people in jobs than in any of the previous 5 years. However, Employment Service performance in fiscal year 1975 was adversely affected by the recession.

Question. With unemployment expected to be down, why do you believe that 12 million people—the same as last year—will register with the Employment Service?

Response. The decrease in unemployment is not sufficiently significant to make a substantial change in the number of persons registered. As job opportunities increased as a result of job-creating programs and other measures initiated by the Congress to stimulate the economy, the Employment Service is likely to be used by more persons. Some will be persons who are entering the labor force for the first time. Others will be persons who left the labor force because of the lack of jobs and who reenter because of increased job opportunities.

Question. Last year you told us about an experiment using a computer which would help workers find a job in a whole region such as New England, rather than just in their home towns. You said the use of this computer would help speed placements. Can you report on how this experiment turned out?

Response. We believe the reference is to the Job Search and Relocation Assistance Pilot Program in Region IV. The project is for 3 years and was initiated in April 1976 to assist Employment Services applicants in selected offices in Region IV to locate out-of-area employment. Job search and relocation grants are provided. The pilot program uses the Job Bank Opening Summary and JOB–FLO. Both are techniques for summarizing job bank openings around the country and are intended to help applicants locate jobs.

Total enrollment through January 20, 1977, has been 651 applicants. Of these applicants, 132 were given job search grants and 63 actually found jobs in other areas and were given relocation grants.

Question. How many States have had to borrow from the U.S. Government to meet their unemployment compensation needs?

Response. As of February 24, 1977, there were 22 States borrowing from the Federal Unemployment Account and two more are anticipated during March.

Question. We will be raising the base on which employers pay unemployment tax from $4,200 to $6,000. Will this enable most of the States to pay back what they have borrowed?

Response. The States have been reexamining their tax rate schedules and the increase in the minimum wage base to $6,000 in 1978. These factors combined with continuing State actions to strengthen funding plus expected improving economic conditions will bring the States back to a self-sufficient basis. We do not expect early repayment but the system should become selfsufficient in the mid-to-late 1980's.

MR. MICHEL

Question. According to an interagency agreement the Department of Labor has with the Department of Agriculture, Labor is responsible for implementing work registration requirements for food stamp recipients and referring these people to jobs. According to the Labor Department's latest report there were

1,335,380 job referrals by the Employment Service offices through the transition quarter, but only 468,070 job placements. How do you explain the difference? Did the people turn down the jobs?

Response. The employers did not hire all the referrals. Also employers request more referrals from Employment Service than they have openings so that they may have a wide choice of applicants. Too, employers receive applicants from other sources such as newspaper advertisements.

Question. What percentage of unemployment benefit recipients are registered with the Employment Service?

Response. During fiscal year 1976, excluding the transitional quarter, 10,719,000 new claims were reported to State programs with sufficient wage credits to make the claimant monetarily eligible, while Employment Service registered 4,132,000 persons identified as monetarily eligible claimants, or 39 percent of all such State claimants.

Question. How many job referrals of such recipients have there been in the past year?

Response. It is not known how many referrals of Unemployment Insurance recipients were made during fiscal year 1976, including the transitional quarter (or excluding it) but about 2,100,000 recipients (separate individuals) were referred to jobs. Each person is referred twice, on the average.

Question. How many actual job placements of such recipients have there been?

Response. A total of 886,000 individuals who were receiving unemployment benefits were placed in jobs during the 15-month period, July 1, 1975 to September 30, 1976.

Question. Does the Employment Service make any effort to seek out jobs for unemployment recipients, or does it simply limit its referrals to jobs listed with the Employment Service?

Response. Placement emphasis is provided to recipients of unemployment benefits through policy directives to the SESAs and through the allocation of resources. The resource allocation formula puts a premium on placing UI claimants by giving special credit for such placements. If an appropriate job opening is not on file, job development may occur. Job development is the process of soliciting an employer's order for a specific applicant for whom the local office has no suitable opening currently on file. Job development is a specialized and selective process. It is generally used for applicants:

(*a*) Who have outstanding or unusual training or experience.

(*b*) Who are hard to place because few orders are received for the kinds of work they can do.

(*c*) Whose potentialities are most likely to interest specific employers.

If job development is not indicated, or if job development is unsuccessful, the applicant is asked to check with the Employment Service periodically. Subsequently, as new job openings are received, a file search to fill those openings may disclose a job suitable for the applicant who would then be contacted for referral to it. In addition, there is an unemployment insurance eligibility review program which requires periodic reinterviews for UI claimints without firm job attachments.

Question. Only 6.4 percent of CETA Title I enrollees represent individuals receiving unemployment benefits. Are the Employment Service offices being lax in referring such individuals to these training programs?

Response. We believe the continuing effort to strengthen linkages between the local offices of the State employment services and the prime sponsors will improve the referral to training services. In addition, the local offices of State unemployment insurance services and State employment services have been instructed to reinterview recipients of unemployment benefits to determine those who are in need of reemployment assistance and training. Those who are will be referred to the Employment Service for placement or supportive service, including training (CETA funded or otherwise). We believe this effort will also help strengthen referral to CETA training slots.

Question. How is the computerized job matching system coming along? Is it being used to any extent yet?

Response. The computerized job matching system, known as the Job Service Matching System (JSMS), is being implemented on a nationwide basis. Currently 22 States have been approved for implementation activities. Since this effort began in September 1976, none of the recently funded matching sites are yet operational. Portland, Oregon and Corpus Christi, Texas are experimental

sites which are operational with the systems which are being exported nationally. A generalization of time required to become operational would be from 18 to 24 months. However, some of the smaller installations are expected to begin limited operations by the end of April 1977. Some difficulties have been experienced in a few areas, such as the time required for procurement and delivery of equipment. However, no major problems have been encountered.

Question. The Employment Service offices will essentially be responsible for referring people to the newly expanded public service jobs. Would you provide for the record the memoranda which have been sent to the Employment Service offices telling them how to implement the program?

Response. Attached are following basic Department of Labor documents sent to Employment Service offices telling them how to implement expansion of title VI for public service employment:

Unemployment Insurance Program Letter No. 7–77
Field Memorandum No. 75–77
Field Memorandum No. 124–77
Field Memorandum No. 132–77
Field Memorandum No. 136–77
General Administration Letter No. 11–77
General Administration Letter No. 11–77, Change 1

[Clerk's note: copies of the documents referred to above are in the committee's files.]

Question. Will the Employment Service offices be referring all eligible people to these jobs, or only those for whom it may deem these jobs as being suitable?

Response. The Employment Service will select from its established pool of applicants only those meeting the eligibility requirements for public service employment and whose qualifications meet the job specifications prescribed by the prime sponsors.

It should be emphasized, that prime sponsors have the primary responsibility for project development and for identification and selection of eligible participants.

Question. Will special emphasis be given to placing unemployment benefit recipients or AFDC recipients in these jobs, or will greater emphasis be given those not receiving such government benefits?

Response. The law (Public Law 94–444, H.R. 12987) indicates that 50 percent of all vacancies under title VI for public service employment shall be filled by individuals meeting a family income test and who are essentially long-term unemployed whether or not they had received unemployment insurance benefits.

Consequently, with respect to this group, the emphasis by law relates to the length of unemployment rather than the receipt of benefits.

JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

For payments during the current fiscal year of benefits and allowances to unemployed Federal employees and ex-servicemen, as authorized by title 5, chapter 85 of the United States Code, *as amended,* [1/] of trade adjustment benefit payments and allowances, as provided by law (19 U.S.C. 1941-1944 and 1952; part I, subchapter B, chapter 2, title II of the Trade Act of 1974), and of unemployment assistance as authorized by title II of the Emergency Jobs and Unemployment Assistance Act of 1974, as amended, *and for reimbursements as authorized by Section 121 of P.L. 94-566,* [2/] [$860,000,000] *$1,200,000,000,* together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15 of the current year: *Provided,* That, in addition, there shall be transferred from the Postal Service Fund to this appropriation such sums as the Secretary of Labor determines to be the cost of benefits for ex-Postal Service employees: *Provided further,* That amounts received during the current fiscal year from the Postal Service or recovered from the States pursuant to 5 U.S.C. 8505(d) shall be available for such payments during the year.

Explanation of Language Change

1/ Reference to title 5, chapter 85 of the United States Code is updated by the addition of "as amended" to reflect amendments contained in the Unemployment Compensation Amendments of 1976, Public Law 94-566.

2/ Reference to Section 121 of Public Law 94-566 is added to provide for the Federal reimbursement for benefits paid to newly covered workers during a transition period from this appropriation.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or Estimate.....	$860,000,000	$1,200,000,000
Offsetting Collections from:		
Advances to the Unemployment Trust Fund and Other Funds.....	840,000,000	250,000,000
U.S. Postal Service.....	50,000,000	50,000,000
Total Amount Available for Obligation....	1,750,000,000	1,500,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Summary of Changes

1977 Appropriation	$860,000,000
Offsetting Collections from:	
Advances to the Unemployment Trust Fund and Other Funds	840,000,000
U.S. Postal Service	50,000,000
1977 Revised Estimate	1,750,000,000
1978 Estimated Appropriation	1,200,000,000
Offsetting Collections from:	
Advances to the Unemployment Trust Fund and Other Funds	250,000,000
U.S. Postal Service	50,000,000
1978 Estimate	1,500,000,000
Total Change	-250,000,000

Mandatory Items:

Increases:

To provide for an increase in the average weekly benefit amount to be paid	+158,900,000

Decreases:

To provide for a decrease in the number of weeks of compensation to be paid	-408,900,000
Total Change	-250,000,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Explanation of Changes

Mandatory Items

Increases

Increase due to the higher average weekly benefit amount to be paid, $158,900,000. This is included in the activities as follows: Payments to former Federal personnel, $19,600,000; Trade adjustment assistance, $17,100,000; Unemployment assistance and payments under other Federal unemployment programs, $122,200,000.

Decreases

Reduction in the number of weeks of compensation to be paid, $-408,900,000. This is included in the activities as follows: Payments to former Federal personnel, $-119,600,000; Trade adjustment assistance, $-17,100,000; Unemployment assistance and payments under other Federal unemployment programs, $-272,200,000.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Obligations by Activity

	1977	1978 Estimate	Change 1977/1978
1. Payments to former Federal personnel.....	$860,000,000	$760,000,000	$-100,000,000
2. Trade adjustment assistance..	240,000,000	240,000,000	---
3. Unemployment assistance and payments under other Federal unemployment programs.....	650,000,000	500,000,000	-150,000,000
Total, obligations by activity...	1,750,000,000	1,500,000,000	-250,000,000

Obligations by Object

	1977	1978 Estimate	Change 1977/1978
13. Benefits for former personnel.....	860,000,000	760,000,000	-100,000,000
41. Grants, subsidies and contributions.....	890,000,000	740,000,000	-150,000,000
Total, obligations by object.....	1,750,000,000	1,500,000,000	-250,000,000

Action on Congressional
Recommendations

No specific actions recommended.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Authorizing Legislation

Legislation	FY 1977 Authorized	FY 1977 Estimate	FY 1978 Authorized	FY 1978 Estimate
Title 5, Chapter 85 of the United States Code, as amended	Indefinite	$860,000,000	Indefinite	$760,000,000
The Trade Expansion Act of 1962 (19 U.S.C. 1941-1944 and 1952)	Indefinite	240,000,000	Indefinite	240,000,000
Part I, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974 (P.L. 93-618)				
Title II of the Emergency Jobs and Unemployment Assistance Act of 1974, as amended (P.L. 93-567)	Indefinite	650,000,000	Indefinite	150,000,000
Section 121 of the Unemployment Compensation Amendments of 1976 (P.L. 94-566)	---	---	Indefinite	350,000,000

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EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$149,500,000	$149,500,000	$149,500,000	$149,500,000
1970	187,930,000	187,930,000	187,930,000	187,930,000
1971	317,455,000	317,080,000	317,080,000	317,080,000
1972	856,600,000	856,600,000	856,600,000	856,600,000
1973	475,000,000	475,000,000	475,000,000	475,000,000
1974	365,000,000	365,000,000	365,000,000	365,000,000
1975	2,365,000,000	2,365,000,000	2,365,000,000	2,365,000,000
1976	410,000,000	410,000,000	410,000,000	410,000,000
Transition Quarter	95,000,000	95,000,000	95,000,000	95,000,000
1977	860,000,000	860,000,000	860,000,000	860,000,000
1978	1,200,000,000			

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Activity 1. Payments to Former Federal Personnel (1977, $860,000,000; 1978, $760,000,000)

Narrative Description of Program

This activity provides for the payment of unemployment compensation for former Federal personnel under Title 5, Chapter 85, of the United States Code, as amended. The claims of unemployed former Federal personnel are processed and paid by State unemployment insurance agencies on the same basis as claims of other unemployed workers whose employment is covered under the State unemployment compensation law. Federal funds are allocated to the States which act as agents for the Federal government. Such funds are provided to the States under the "Letter of Credit" system based on monthly estimates made by the States. Funds utilized for benefit payments made to ex-Postal Service employees during the year are reimbursed by the U.S. Postal Service.

Estimates of weeks compensated take into account Federal employment levels, civilian and military separations, State average insured unemployment rates, historical trends, economic forecasts and other factors. The weekly benefit amount for unemployed former Federal personnel is obtained by applying their rates of pay to the benefit formulas in State unemployment insurance laws. For the nation as a whole, weekly benefit payments are expected to average $84.00 in fiscal year 1978.

Changes for 1978

Mandatory changes amount to..... $-100,000,000

Program changes amount to..... NONE

Mandatory changes include an increase of $19,600,000 due to the higher weekly benefit amounts to be paid to former Federal personnel, and a decrease of $119,600,000 due to a reduction in the number of weeks of compensation to be paid, for a total net decrease of $100,000,000.

Although unemployment is projected to average 6.5 percent during fiscal year 1978, it is difficult to predict the degree to which the unemployment level will affect former Federal personnel. Therefore, to the extent that this appropriation and reimbursements from the Postal Service are inadequate to meet actual unemployment compensation payments for former Federal personnel, the appropriation provides that general revenue advances from the Advances to the Unemployment Trust Fund and Other Funds account may be available for this purpose. It is projected that $150,000,000 advances will be needed in fiscal year 1978.

Program Statistics

	Weeks Compensated	Average Weekly Benefit Amount	Benefits Paid
1976	11,995,800	$77.00	$923,600,000
Transition Quarter	2,720,000	77.95	212,000,000
1977	10,453,000	82.00	860,000,000
1978	9,032,000	84.00	760,000,000

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Activity 2. Trade Adjustment Assistance (1977, $240,000,000; 1978, $240,000,000)

Narrative Description of Program

This activity provides for weekly adjustment benefit payments and allowances under certain conditions to workers partially or totally separated from firms which make products affected by foreign trade agreements under the Trade Expansion Act of 1962 and the Trade Act of 1974. These acts also provide for relocating workers in other localities, training expenses to prepare for new occupations and State and Federal administrative costs. In addition, the Trade Act of 1974 authorizes job search allowances to assist affected workers in securing new employment. Relocation, job search and training expenses are financed by the Employment and Training Assistance budget. State administrative costs are included in the Grants to States appropriation request. Federal administrative costs are included in the budgets of each organization performing trade adjustment activities: the Employment and Training Administration (Program Administration), Departmental Management and the Bureau of Labor Statistics.

Federal funds are allocated to the States which act as agents for the Federal government. Such funds are provided to the States under the "Letter of Credit" system based on monthly estimates made by the States.

The Trade Act of 1974, which was enacted January 3, 1975, became effective as of April 3, 1975. From April 1975 through September 1976, 1,134 petitions for trade adjustment allowances and employability services, covering nearly 430,000 workers, were filed with the Department. Of these, an estimated 160,000 workers, covered by 434 petitions, were certified as eligible for benefits and approximately 69,000 of these "certified" workers actually applied for and received allowances and job assistance. The types of firms in which workers have most often been certified include those in the apparel industry, leather shoe manufacture, electrical and electronic machinery and equipment, primary metals (mostly stainless steel) and the auto industry. Although requests for assistance have been heaviest in Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, and Pennsylvania, benefits have been paid to unemployed workers in 38 States, the District of Columbia and Puerto Rico.

Changes for 1978

Mandatory changes amount to..... $0

Program changes amount to..... NONE

Mandatory changes include a decrease of $17,100,000 due to a reduction in the number of weeks of trade adjustment allowances to be paid eligible individuals which is totally offset by an increase of $17,100,000 due to an increase in the average weekly allowance. If the estimates provided under this activity are insufficient to meet the costs of trade adjustment allowances, the appropriation provides that general revenue advances from the Advances to the Unemployment Trust Fund and Other Funds account may be available for this purpose. However, it is projected that no advances will be needed in fiscal year 1978.

Program Statistics

	Weeks Compensated	Average Weekly Allowance	Benefits Paid
1976	1,733,800	$48.40	$83,900,000
Transition Quarter	1,222,000	58.10	71,000,000
1977	3,254,000	74.00	240,000,000
1978	3,038,000	79.00	240,000,000

Activity 3. Unemployment Assistance and Payments Under Other Federal Unemployment Programs (1977, $650,000,000; 1978, $500,000,000)

Narrative Description of Program

This activity provides for the payment of special unemployment assistance to unemployed individuals who qualify and are not otherwise eligible under any other Federal or State unemployment compensation program, but who are affected by adverse economic conditions, and for the reimbursement to States for unemployment benefits paid on the basis of public service employment, as authorized by title II of the Emergency Jobs and Unemployment Assistance Act of 1974, as amended. In addition these funds are available, to the extent necessary, to provide for reimbursement to States for unemployment benefits paid during a transitional period to workers newly covered under the provisions of the Unemployment Compensation Amendments of 1976.

Under present law special unemployment assistance, which authorizes up to 39 weeks of unemployment compensation to an individual, is payable through June 30, 1978. However, no individual is entitled to any compensation with respect to an initial claim for assistance made after December 31, 1977. Claims are processed and paid by State unemployment insurance agencies on the same basis as claims of other unemployed workers whose employment is covered under the State unemployment compensation law. Federal funds are allocated to the States which act as agents for the Federal government. Such funds are provided to the States under the "Letter of Credit" system based on monthly estimates made by the States.

To provide for an orderly transition for individuals currently covered under the temporary special assistance program to coverage under the permanent State programs, the Unemployment Compensation Amendments of 1976 encourages States to immediately provide benefits beginning January 1, 1978, to newly covered individuals by providing for Federal reimbursement of benefits paid during a transitional period to newly covered workers. The Federal reimbursement will include the costs of benefits paid based on previously uncovered employment prior to January 1, 1978, and until July 1, 1978, the cost of benefits paid based on newly covered employment during the first six months of 1978. Such funds will be provided to the States under the "Letter of Credit" system based on monthly estimates.

The recently enacted Emergency Jobs Program Extension Act of 1976 amends the Emergency Jobs and Unemployment Assistance Act of 1974 and provides for the reimbursement of States for unemployment benefits paid on the basis of public service employment. The cost of these benefits was previously met out of Employment and Training Assistance appropriation funds. Funds will be provided to the States under the "Letter of Credit" system based on monthly estimates made by the States and may be used solely for the purpose of paying unemployment compensation.

Changes for 1978

Mandatory changes amount to..... $-150,000,000

Program changes amount to..... NONE

Mandatory changes include a decrease of $272,200,000 due to a reduction in the number of weeks of compensation to be paid, and an increase of $122,200,000 due to the higher average weekly benefit amounts to be paid, for a total net mandatory decrease of $150,000,000.

Since the Department has little or no experience under these programs upon which to base estimates, actual amounts may vary substantially. For this reason the appropriation is authorized to be advanced such sums as may be necessary from the Advances to the Unemployment Trust Fund and Other Funds appropriation. It is projected that $100,000,000 in advances will be needed in fiscal year 1978.

Program Statistics

	Weeks Compensated	Average Weekly Benefit Amount	Benefits Paid
1976	16,786,100	$54.20	$909,400,000
Transition Quarter	6,719,000	55.05	370,000,000
1977	10,498,000	62.00	650,000,000
1978	6,797,000	74.00	500,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Program Purpose and Accomplishments

Activity: Payments to Former Federal Personnel (Authorizing Legislation - Title 5, Chapter 85 of the United States Code, as amended)

1977	Authorization	1978 Budget Estimate
$860,000,000	Indefinite	$760,000,000

Purpose: This activity provides for the payment of unemployment compensation to former Federal personnel.

Explanation: The States act as agents for the Federal government for the payment of benefits. These benefits consist of one hundred percent Federal funds which are allocated to the States. The costs of benefits for ex-Postal Service employees are reimbursed to this account by the U.S. Postal Service. State administrative costs of these benefits are included in the Grants to States appropriation request.

Accomplishments in 1977: It is estimated that 10,453,000 weeks of compensation at an average weekly benefit amount of $82.00, totaling $860,000,000 will be paid. Through December 31, 1976, an estimated $212,000,000 had been expended which provided an estimated 2,577,000 weeks of compensation for former Federal personnel.

Objectives for 1978: It is estimated that 9,032,000 weeks of compensation at an average weekly benefit amount of $84.00, totaling $760,000,000 will be paid to former Federal personnel. These estimates include projections that $150,000,000 in general revenue advances from the Advances to the Unemployment Trust Fund and Other Funds account will be needed in fiscal year 1978 for this activity.

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EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Program Purpose and Accomplishments

Activity: Trade Adjustment Assistance (Authorizing Legislation - The Trade Expansion Act of 1962 and part 1, subchapter B, chapter 2, Title II of the Trade Act of 1974)

1977	Authorization	1978 Budget Estimate
$240,000,000	Indefinite	$240,000,000

Purpose: This activity provides for weekly adjustment benefits payments and allowances under certain conditions to workers partially or totally separated from firms which make products affected by foreign trade agreements.

Explanation: Allowances consist of one hundred percent Federal funds which are allocated to the States. State administrative costs of these allowances are included in the Grants to States appropriation request.

Accomplishments in 1977: It is estimated that 3,254,000 weeks of allowances will be paid to 90,000 unemployed or underemployed workers totaling $240,000,000. Through December 31, 1976, an estimated $45,200,000 had been expended which provided an estimated 613,000 weeks of allowances for unemployed or underemployed workers.

Objectives for 1978: It is estimated that 3,038,000 weeks of allowances will be paid to 84,000 unemployed or underemployed workers totaling $240,000,000. If the amount provided is insufficient to meet the costs of this activity, general revenue advances from the Advances to the Unemployment Trust Fund and Other Funds account may be available for this purpose. However, it is not expected that advances will be required in fiscal year 1978 for this activity.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

Program Purpose and Accomplishments

Activity: Unemployment Assistance and Payments Under Other Federal Unemployment Programs (Authorizing Legislation - Title II of the Emergency Jobs and Unemployment Assistance Act of 1974, as amended; and Section 121 of the Unemployment Compensation Amendments of 1976)

1977	Authorization	1978 Budget Estimate
$650,000,000	Indefinite	$500,000,000

Purpose: This activity provides for the payment of special unemployment assistance to individuals who are not covered by other Federal or State unemployment compensation programs, for the reimbursement to States for unemployment benefits paid on the basis of public service employment and for the reimbursement to States for unemployment benefits paid during a transitional period to workers newly covered under the provisions of the Unemployment Compensation Amendments of 1976.

Explanation: The States act as agents for the Federal Government for the payment of benefits. These benefits consist of one hundred percent Federal funds which are allocated to the States. State administrative costs are included in the Grants to States appropriation request.

Accomplishments in 1977: It is estimated that 10,498,000 weeks of compensation will be paid at an average weekly benefit amount of $62.00 totaling $650,000,000. Though December 31, 1976, an estimated $210,800,000 had been expended which provided an estimated 3,404,000 weeks of compensation.

Objectives for 1978: It is estimated that 6,797,000 weeks of compensation will be paid at an average weekly benefit amount of $74.00 totaling $500,000,000. Under present law, the special unemployment assistance program expires June 30, 1978, and no individual is entitled to any compensation with respect to an initial claim for assistance made after December 31, 1977. These estimates include projections that $100,000,000 in general revenue advances from the Advances to the Unemployment Trust Fund and Other Funds account will be needed in fiscal year 1978 for this activity.

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE
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For grants for activities authorized by the Act of June 6, 1933, as amended (29 U.S.C. 49-49n; 39 U.S.C. 3202 (a)(1)(E)); Veterans' Employment and Readjustment Act of 1972, as amended (38 U.S.C. 2001-2013); title III of the Social Security Act, as amended (42 U.S.C. 501-503); sections 312 (e) and (g) of the Comprehensive Employment and Training Act of 1973, as amended; and necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, *as amended,* [1/] 19 U.S.C. 1941-1944, 1952, and chapter 2, title II, of the Trade Act of 1974, including, upon the request of any State, the payment of rental for space made available to such State in lieu of grants for such purpose, [$89,100,000] *$53,600,000,* together with not to exceed [$1,412,700,000] *$1,512,500,000,* which may be expended from the Employment Security Administration account in the Unemployment Trust [Fund] *Fund,* [2/] and of which [$239,800,000] *$174,400,000* 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 any portion of the funds granted to a State in the current fiscal year and not obligated by the State in that year shall be returned to the Treasury and credited to the account from which derived.

Explanation of Language Change

1/ Reference to title 5, chapter 85 of the United States Code is updated by the addition of "as amended" to reflect amendments contained in the Unemployment Compensation Amendments of 1976, Public Law 94-566.

2/ A comma has been reinserted after the word "Fund." It was inadvertently omitted in the Fiscal Year 1977 appropriation language.

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Amounts Available for Obligation

	1977			1978 Estimate		
	Trust Fund	General Fund	Total	Trust Fund	General Fund	Total
Appropriation or Estimate.....	$1,412,700,000	$89,100,000	$1,501,800,000	$1,512,500,000	$53,600,000	$1,566,100,000
Unobligated balance, start of year.....	40,542,000	9,458,000	50,000,000	---	---	---
Total Amount Available for Obligation.....	1,453,242,000	98,558,000	1,551,800,000	1,512,500,000	53,600,000	1,566,100,000

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Summary of Changes

	Trust Fund	General Fund	Total Estimate
1977 Appropriation	$1,412,700,000	$89,100,000	$1,501,800,000
Unobligated balance, start of year	40,342,000	9,458,000	50,000,000
1977 Revised Estimate	1,453,242,000	98,558,000	1,551,800,000
1978 Estimate	1,512,500,000	53,600,000	1,566,100,000
Total Change	+59,258,000	-44,958,000	+14,300,000

	Base	Change		
		Trust Fund	General Fund	Total Estimate
Mandatory Items:				
Increases:				
To provide for increases in salary and personnel benefit costs resulting from statewide compensation plan changes		+75,600,000	+4,000,000	+79,600,000
To provide for increased costs of rent, communications and supplies		+12,900,000	+500,000	+13,400,000
To provide for increased unemployment insurance workload resulting from normal growth of the covered workforce and of the number of subject employers and expanded coverage provided by the Unemployment Compensation Amendments of 1976, P.L. 94-566		+14,600,200	---	+14,600,000
Subtotal, increases		+103,100,000	+4,500,000	+107,600,000
Decreases:				
To provide for a decrease in unemployment insurance workloads		-84,600,000	---	-84,600,000
Total, Mandatory Items		+18,500,000	+4,500,000	+23,000,000
Program Items:				
Increases:				
To provide for implementation of an eligibility review program of unemployment insurance claimants (page - 17)	---	+11,600,000	---	+11,600,000
Decreases:				
To provide for a reduction due to productivity savings anticipated from the application of the cost model management system (page - 17)	776,200,000	-16,500,000	---	-16,500,000
To provide for a reduction due to savings anticipated from the automation of unemployment insurance activities (page - 17)		-3,800,000	---	-3,800,000
Subtotal, decreases		-20,300,000	---	-20,300,000
Total, Program Items		-8,700,000	---	-8,700,000
Financing Item:				
To provide for increased trust fund financing of employment service activities due to the expanded coverage provisions of the Unemployment Compensation Amendments of 1976, P.L. 94-566		+49,458,000	-49,458,000	---
Total Change		+59,258,000	-44,958,000	+14,300,000

Grants -

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE
AND EMPLOYMENT SERVICES

Explanation of Changes

Mandatory Items:

Increases:

Increase in salary and personnel benefit costs resulting from Statewide compensation plan changes, $79,600,000. This is included in the activities as follows: Unemployment Insurance Services, $44,400,000; Employment Services, $66,000,000; Contingency, $-30,800,000.

Increase in the costs of rent, communications and supplies, $13,400,000. This is included in the activities as follows: Unemployment Insurance Services, $7,300,000; Employment Services, $6,100,000.

Increased UI workload resulting from normal growth of the covered workforce and the number of subject employers and expanded coverage provided by P.L. 94-566, $14,600,000. The affected activity is Unemployment Insurance Services.

Decreases:

Decrease in unemployment insurance workloads, $84,600,000. The affected activity is Contingency.

Program Items:

Increases:

Increase in unemployment insurance administration to provide for the implementation of an eligibility review program of unemployment insurance claimants in order to minimize error, fraud and abuse in the unemployment insurance program, $11,600,000. The affected activity is Unemployment Insurance Services.

Decreases:

Reduction due to productivity savings anticipated from the application of the cost model management system, $-16,500,000. The affected activity is Unemployment Insurance Services.

Reduction due to savings anticipated from the automation of unemployment insurance activities, $-3,800,000. The affected activity is Unemployment Insurance Services.

Financing Item:

To provide for increased trust fund financing of employment service activities due to the expanded coverage provisions of P.L. 94-566, a total of $49,458,000 authorized to be paid from general funds in fiscal year 1977 will be paid from trust funds in fiscal year 1978. The affected activity is Employment Services.

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Obligations by Activity

	1977	1978 Estimate	Change 1977/1978
1. Unemployment insurance services	$697,000,000	$754,600,000	$+57,600,000
2. Employment services	565,000,000	637,100,000	+72,100,000
3. Contingency	289,800,000	174,400,000	-115,400,000
Total obligations by activity	1,551,800,000	1,566,100,000	+14,300,000

Obligations by Object

	1977	1978 Estimate	Change 1977/1978
41 Grants, subsidies and contributions	$1,551,800,000	$1,566,100,000	$+14,300,000
Total obligations by object	1,551,800,000	1,566,100,000	+14,300,000

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Action on Congressional Recommendations

Recommendations, Senate Appropriations Committee

It was recommended (in Report No. 94-997) that the Department place special emphasis on veterans who need employment assistance.

Actions Taken:

The Department of Labor sought to improve services to veterans during fiscal year 1976. Even though veteran applicants decreased four percent, the number of veterans placed in jobs decreased by less than one percent. Several efforts illustrate the special emphasis placed on assisting veteran jobseekers. Increased monitoring of State Employment Service agencies (SESA's) by Veterans Employment Service field staff helped point out shortfalls and improve veteran placement records. An additional 32 SESA staff were assigned to Veterans Administration one-stop Veterans Assistance Centers. The first set of regulations covering SESA services to veterans ever issued was published and included establishment of performance standards to be measured by indicators of compliance throughout the Federal-State employment service system. Linkages between all Department veteran-related programs were strengthened by restructuring the Secretary's Committee on Veterans' Affairs, chaired by the Under Secretary and having appropriate Assistant Secretaries as participants. The position of Special Assistant to the Under Secretary for Veterans' Affairs was also created to provide a Departmental focal point for veteran services and activities.

In fiscal year 1977, the Department is continuing its special efforts to help veterans and implement new legislatively required activities. Veterans outreach and public communications programs initiated in 1976 to maximize job and training opportunities for veterans are being maintained in 1977. Extensive monitoring of Comprehensive Employment and Training Act (CETA) programs by Veterans Employment Representatives is being conducted at all levels. In addition, programs and projects are being funded which provide special assistance for young, minority and disabled veterans--the veterans groups who need help the most. Some examples are: a program to provide outreach and job development for blinded veterans; a program using mobile vans to provide vocational testing and evaluation services to disabled and other veterans in remote areas; a project in which a major veterans organization helps SESA's by providing job development for veterans.

In fiscal year 1978, each State agency will be monitored by Veterans Employment Representatives at all levels to determine if basic services to veterans are sufficient to satisfy minimum levels of accomplishment. Every year, numerical values for such floor levels of accomplishment are developed for each State agency covering every basic employment service provided by the State agencies. These indicators assist in determining State agency compliance with the provisions of the Vietnam Era Veterans' Readjustment Act of 1974. If a State agency is found to be out of compliance, development of a corrective action plan is required and a report is included in the annual veterans report to Congress as to the extent and reasons for noncompliance together with the agency's plan for corrective action.

Cooperative efforts will be strengthened with other government agencies and community groups to foster job and training opportunities for veterans. Efforts to be stressed include establishment of Interagency Jobs for Veterans Advisory Committees at both regional and State levels and maintaining active leadership of those previously established. Departmental veterans outreach and public information responsibilities will be carried out through such Committees. In addition, it is planned to improve linkages with veterans programs under the jurisdiction of others such as the Veterans Administration's on-the-job training program and the National Alliance of Businessmen's "Jobs for Veterans" activity.

Action on Congressional Recommendations

Recommendations, Senate Appropriations Committee

It was recommended (in Report No. 94-997) that the Employment and Training Administration conduct, on a continuing basis, research on the effectiveness of the public employment service in providing maximum employment and training opportunities to veterans.

Actions Taken:

The Employment and Training Administration has engaged in a continuous program of research, demonstration and evaluation (R,D&E) of employment services to employment service applicants. The majority of R,D&E projects funded focus on employment services, procedures and policies and their effect on the provision of services to applicants generally. To provide a specific focus on veteran applicants, the Employment and Training Administration is developing a major evaluation study of services to veteran applicants. This project is presently in the design stage and will be initiated during fiscal year 1977.

Recommendations, Senate Appropriations Committee

It was recommended (in Report No. 94-997) that the Department submit a report to the committee prior to hearings on the fiscal year 1978 budget, outlining the scope of fraud and abuse problems in the unemployment insurance system.

Actions Taken:

A report has been submitted to the Senate Appropriations Committee as requested.

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EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
The Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49-49n)	Indefinite	$513,700,000	Indefinite	$564,800,000
39 U.S.C. 3202(a)(1)(E)	Indefinite	60,500,000	Indefinite	53,700,000
Veterans' Employment and Readjustment Act of 1972, as amended (38 U.S.C. 2001-2013)	Indefinite	65,000,000	Indefinite	70,000,000
Title III of the Social Security Act, as amended (42 U.S.C. 501-503)	Indefinite	859,700,000	Indefinite	822,600,000
Sections 312(e) and (g) of the Comprehensive Employment and Training Act of 1973, as amended, (P.L. 93-203)	Indefinite	15,000,000	Indefinite	15,000,000
5 U.S.C. 8501-8523, as amended	Indefinite	30,900,000	Indefinite	30,300,000
The Trade Expansion Act of 1962 (19 U.S.C. 1941-1944, 1952)	Indefinite	7,000,000	Indefinite	9,700,000
Chapter 2, Title II, of the Trade Act of 1974 (P.L. 93-618)				

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$616,573,000	$604,073,000	$604,073,000	$604,073,000
1970	667,700,000	665,772,000	667,700,000	665,772,000
1971	743,500,000	743,500,000	743,500,000	743,500,000
1972	830,500,000	830,500,000	850,640,000	832,000,000
1973	814,800,000	926,332,200	906,332,200	906,332,200
1974	966,800,000	966,800,000	962,800,000	962,800,000
1975	1,158,800,000	1,158,800,000	1,288,800,000	1,242,300,000
1976	1,433,100,000	1,501,700,000	1,501,700,000	1,496,700,000
Transition Quarter	267,250,000	284,400,000	284,400,000	283,150,000
1977	1,435,800,000	1,501,800,000	1,501,800,000	1,501,800,000
1978	1,566,100,000			

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Activity 1. Unemployment Insurance Services (1977, $697,000,000; 1978, $754,600,000)

Narrative Description of Program

This activity provides for the administration of the State unemployment insurance programs which have been enacted pursuant to the Social Security Act and the Federal Unemployment Tax Act. The program operates through a Federal-State partnership in which the expenses of administration of State unemployment compensation laws are borne by the Federal Government and, except for limited standards in the Federal laws, the States develop their own programs and have wide latitude in administering them. The Federal Government provides leadership and technical assistance and oversees the use of funds granted.

The two major functions performed by the States are the collection of taxes from employers and the payment of unemployment compensation to unemployed workers. The State agencies also administer at the local level the federally-enacted programs for payments of unemployment compensation to former Federal personnel (former Federal civilian employees and ex-servicemen), to workers adversely affected by foreign trade agreements, and to other unemployed individuals who qualify under the special unemployment assistance program.

Funds are provided to State Employment Security agencies under the "Letter of Credit" system, except postage costs, which are paid directly to the U.S. Postal Service by the Department of Labor. Funds provided to the States for unemployment insurance activities are based on approved plans submitted by each agency which consider such factors as economic assumptions and related unemployment workloads, and estimated staffing needs for an efficient benefit payment, claims taking and tax operation. Plan approvals are based on the costs of proper and efficient administration and such other factors as the Secretary of Labor finds relevant.

In 1976, the State agencies collected $6,404,310,000 in taxes and paid $18,340,728,000 in benefits to 10,211,000 beneficiaries under Federal and State regular and extended compensation programs, which include individuals covered by State unemployment insurance laws, former Federal personnel, workers adversely affected by foreign trade agreements, and other unemployed individuals who qualified under the special unemployment assistance program.

During the sudden build-up of claims in 1975, some unemployment insurance activities were deferred in order to place major staff emphasis on taking and paying claims. Activities often curtailed or deferred included periodic interviews of claimants to insure they are able, available and actively seeking employment, verification of the status of dependents claimed, and assessment of penalties on employers for late filing of wage and separation data. In 1976, States devoted attention to reinstituting full quality programs in each unemployment insurance operation in order to assure the propriety of payments as well as the prompt payment of benefits. In addition, several States implemented a comprehensive model benefit payment control system for preventing and detecting fraudulent claims and benefit overpayments through cross-matching of benefit payments and wage information. The substantial progress made by the States in this area is evidenced by the 27 percent increase in the number of fraud cases detected during the year.

To insure the capability of the unemployment insurance system to meet future emergency situations and to enable it to more effectively provide services to claimants and employers, a major effort was begun to design and implement new systems utilizing the latest computer technologies. Model automated systems for

processing major aspects of unemployment insurance tax and benefit operations were developed, tested and installed in several State agencies. This effort, together with the computerized job matching activities of the employment service, were merged during the year in a single Employment Security Automation Plan to insure an integrated approach to the expansion of automated systems and the use of data communications in the State employment security agencies. By sharing resources and consolidating systems, duplicative data gathering and other manual processes can be eliminated, efficiency and services improved, and costs minimized.

In the Transition Quarter, the State agencies collected $2,289,297,000 in taxes and paid $3,746,968,000 in benefits to 2,565,000 beneficiaries under Federal and State regular and extended compensation programs, which include individuals covered by State unemployment insurance laws, former Federal personnel, workers adversely affected by foreign trade agreements, and other unemployed individuals who qualified under the special unemployment assistance program.

All States continued to pay Federal-State extended benefits and special unemployment assistance to workers who qualified under the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975. Federal supplemental benefits were paid in those States which had the necessary qualifying rates to participate in the program. As of the end of September 1976, 14 States were paying up to 26 weeks of benefits, 15 States were paying up to 13 weeks of benefits and the program had terminated in 23 States.

In 1977, the States are expected to collect $8,800,000,000 in taxes and pay $14,750,000,000 in benefits to 10,552,000 beneficiaries under Federal and State regular and extended benefit programs, which include individuals covered by State unemployment insurance laws, former Federal personnel, workers adversely affected by foreign trade agreements, and other unemployed individuals who qualify under the special unemployment assistance program.

All States are expected to continue paying Federal-State extended benefits and special unemployment assistance to workers who qualify under the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975. Federal supplemental benefits (FSB) will be paid in those States where the rate of insured unemployment equals or exceeds 5 percent in a 13 week period. These benefits are payable through March 31, 1977, under current law. However, the Administration has proposed a one year extension of the FSB program at a shortened maximum duration of 13 weeks per claimant.

The automated systems developed in 1976 for unemployment insurance operations, are being installed in additional States to provide further experience as to their effectiveness and efficiency in different environments. It is anticipated that by the end of the year, an additional 10 States will have installed the tax system and an additional 14 States will have completed or be nearing completion of installation of on-line benefit systems. Evaluation of the systems installed in 1976 is continuing and evaluations of the systems installed during 1977 will begin as soon as each installation is complete.

Public Law 94-566, the Unemployment Compensation Amendments of 1976, makes significant changes in the unemployment insurance system. Besides extending coverage to 9 million new jobs, the new legislation improves the unemployment insurance program by increasing the financing available, tightening eligibility requirements and making the program more responsive to economic changes. Although most provisions do not become effective until January 1, 1978, implementation efforts will begin during fiscal year 1977. The State agencies will be required to prepare draft legislation; meet with their State legislatures to promote enactment of needed legislation; develop and issue policy and procedural manuals; revise forms, and conduct extensive training for agency employees. In addition, the State agencies will have to undertake widespread public information drives in order to inform employers of the new coverage, increased tax rates and wage base, and to inform workers and the general public of the new entitlement provisions.

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Efforts are continuing toward restoring full quality programs in the State operations. A system for assessing the quality of a State's unemployment insurance administration is currently being introduced in the State agencies and, by the end of the fiscal year, it will be in use nationwide. Full or partial cost model restudies will be completed in 30 States upon which a new comparative analysis will be made to identify further ways of improving State operations. Emphasis in the claims process is being directed toward insuring that claims are processed properly and promptly and that benefits are paid only to those claimants who meet all eligibility requirements of the law. The model benefit payment control system for preventing and detecting overpayments is being implemented in 22 additional States. In the tax program, emphasis is being directed toward a widespread and realistic revitalization of compliance and enforcement activities. Major efforts are focusing on the collection of State taxes and delinquent reports through vigorous field contact activity supplemented by the use of mail and telephone contact collection methods.

In 1978, the State agencies are expected to collect $11,229,000,000 in taxes and pay $12,000,000,000 in benefits to 9,554,000 beneficiaries under Federal and State regular and extended compensation programs, which include individuals covered by State unemployment insurance laws, former Federal personnel, workers adversely affected by foreign trade agreements, and other unemployed individuals who qualify under the special unemployment assistance program.

All States are expected to continue paying Federal-State extended benefits and special unemployment assistance to workers who qualify under the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975. Special unemployment assistance benefits are payable through June 30, 1978, for individuals who become eligible on or before December 31, 1977. Most of the individuals currently covered under this temporary program will have permanent coverage, effective January 1, 1978, under the State program.

Approval is expected of the proposed Federal supplemental benefits extension. Under the proposed legislation, Federal supplemental benefits will be payable through March 31, 1978, for those individuals who become eligible on or before December 31, 1977. Federal supplemental benefits will be available only in those States where the insured unemployment rate equals or exceeds 5 percent in a 13 week period, and the maximum duration per claimant will be 13 weeks.

Total unemployment is expected to average 6.5 percent during the year and insured unemployment 3.8 percent. State allocations will be based on cost model time factors resulting from the comparative analysis of the 30 cost model restudies completed in 1977. The implementation of these time factors is expected to achieve some savings during the year as the State agencies take action to reduce unjustified differences among States in the costs of performing the same tasks. The States' basic allocations will finance administrative costs associated with workloads averaging 2.1 million claims per week nationwide. Administrative costs associated with the extended benefit program, the trade adjustment assistance program, the special unemployment assistance program and with workloads above the States' basic allocations will be financed by the Contingency Fund.

To strengthen and increase the recent State agency efforts toward improved quality in the unemployment insurance program, a portion of the savings which is expected to result from the application of the cost model management system and subsequent State agency actions reducing costs will be reinvested in an eligibility review program which will selectively examine and document unemployment insurance claimant eligibility on a continuing basis. The program provides for an early review, preferably at the time the initial claim is filed or at least before a first payment is authorized, of the new claim form, the separation report and an eligibility questionnaire prepared for each claimant. Based on the review of these forms and taking into account current local labor market conditions, each claimant will be classified as to his/her attachment to the labor force and prospects for reemployment. A preliminary disposition will then be made which may result in the claimant being referred to an in-depth interview regarding eligibility for benefits; referred to the employment service for necessary reemployment services; or the claimant's records being flagged for future follow-up review. It can reasonably be expected that efficient, effective and cooperative management of the

program will result in saving valuable time of trained unemployment insurance and employment service specialists, conserving benefit funds in the case of a claimant who has placed unreasonable restrictions on availability for work, and shortening the average duration of the period for which benefits are claimed.

Further expansion of the automated tax and benefit systems will continue in 1978 if the evaluations of the projects installed in 1976 and 1977 indicate that the realized benefits justify the cost. It is anticipated that the evaluations will demonstrate the cost-effectiveness of the automation effort and that savings will be realized during the year from the automation of operations in the 1976 and 1977 installations. In this event, the installation of an additional 7 model tax systems will begin toward the end of fiscal year 1978.

Changes for 1978

Mandatory changes amount to ..... $+66,300,000

Program changes amount to ..... $-8,700,000

Mandatory changes consist of increases of $44,400,000 for annualization of Statewide salary and personnel benefit increases occurring during 1977, $7,300,000 for increased costs of rent, communications and supplies, and $14,600,000 for increased employer tax account and employee wage record workloads resulting from normal growth of the covered workforce and the number of subject employers as well as expanded coverage provided by the Unemployment Compensation Amendments of 1976, for a total mandatory change of $66,300,000.

Program changes consist of decreases resulting from anticipated savings of $3,800,000 due to increased automation of unemployment insurance tax and benefit operations and $16,500,000 due to the implementation of cost model time factors reducing the unjustified differences among States in the costs of performing the same tasks. These decreases are partially offset by the reinvestment of $11,600,000 to provide for the implementation of an eligibility review program, for a total program change of $-8,700,000.

The implementation of automated systems for processing unemployment insurance workloads produces savings in administration as well as providing improved services. The experience gained to date in the pilot States substantiates these savings. For example, a claimant's inquiry as to why he has not received a benefit payment check required an average of 12 to 15 minutes to process under manual systems. Under the on-line systems approach, the total time required to process such an inquiry averages two to three minutes. While this may be one of the more significant cost savings, there are other savings in the unemployment insurance operation as well. There are savings in floor space through the elimination or reduction of file cabinet requirements, reduction in forms requirements, and other such areas of costs.

By the end of fiscal year 1977, a total of 13 States will have installed the automated tax system and 18 States will have completed or be nearing completion of installation of the on-line benefits system. Therefore, it is anticipated that the operating costs required for these states during 1978 will be $3,800,000 less than before automation and a reduction of this amount has been proposed from the amount available in 1977.

It is anticipated that progress will continue to be made through the cost model management system in identifying cost-effective methods of operation and this is reflected in the proposed decrease of $16,500,000 due to productivity savings. Through the complete restudy of operations in approximately one-third of the States each year, new data is continually available upon which comparative analysis can be made and necessary program improvements identified. It is anticipated that implementation of more cost-effective methods of operation will increase productivity and reduce operating costs during 1978 in States which currently have unjustifiable differences from other States in the costs of performing the same tasks.

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To strengthen and increase recent State agency efforts toward improved quality in the unemployment insurance program, it is proposed that $11,600,000 of the anticipated savings to result from the application of cost model management system be reinvested to provide for the nationwide implementation of an eligibility review program for unemployment insurance claimants. Such a program would provide for the examination and documentation of claimant eligibility on a continuing basis and thereby minimize error, fraud and abuse in the unemployment insurance system.

Summary of Unemployment Insurance Program Statistics

	1976	TQ	1977	1978
Staff years (annual average).....	57,571	13,890	52,125	46,634
Basic Workload (in thousands):				
Employer tax accounts.....	3,987	4,046	4,123	4,269
Employee wage items recorded.....	196,665	200,000	236,510	271,400
Initial claims taken.....	30,788	6,777	23,367	19,337
Weeks claimed.....	292,060	61,615	236,399	176,897
Nonmonetary determinations.....	11,244	4,100	9,778	8,884
Appeals.....	903	287	727	706
Covered employment....	72,400	74,800	75,200	86,700

Activity 2. Employment Services (1977, $565,000,000; 1978, $637,100,000)

Narrative Description of Program

The Federal-State Employment Service, consisting of a network of over 2,400 local public employment offices was established under the Wagner-Peyser Act of 1933. The public employment service focuses on providing job-finding and placement services to job seekers and appropriate recruitment services to employers with job vacancies. It also makes available counseling, testing and other employment services to jobseekers and special technical services to employers. Veterans receive priority referral to job and training opportunities as well as special employment services and assistance in accordance with longstanding Congressional intent. The services offered to employers, in addition to referral of applicants for job openings, include: matching job requirements with workers' skills; assistance in job modification to help fill hard-to-fill openings; supplying information useful for affirmative action program requirements or for helping to alleviate in-plant employment problems such as extremely high turnover. The employment service also collects, analyzes and disseminates labor market information as well as gives planning assistance to community organizations in dealing with economic, employment and training, and local industrial development problems.

Federal and trust fund grants are provided to States for salaries and expenses for State staff operating the Federal-State employment service system. Trust funds are financed from collections made under the Federal Unemployment Tax Act and provide for employment services to individuals covered by Federal- and State unemployment compensation laws. Federal funds provide for employment services for individuals not covered by Federal and State unemployment compensation laws and which are not chargeable to the Unemployment Trust Fund in accordance with the provisions of the Employment Security Amendments of 1970, Public Law 91-373.

Since fiscal year 1973, the employment service has been financed 85 percent from trust funds and 15 percent from general funds based on the ratio of covered employment to total employment. The Unemployment Compensation Amendments of 1976, Public Law 94-566, extends coverage to over 9 million new jobs beginning January 1, 1978, changing the ratio of covered employment to total employment to 97 percent covered and 3 percent uncovered. However, since the increased coverage provisions will not be in effect for the entire fiscal year, the budget reflects an interim funding ratio of 92 percent trust funds and 8 percent general funds for fiscal year 1978.

Funds are provided to State Employment Security agencies under the "Letter of Credit" system, except postage costs, which are paid directly to the U.S. Postal Service by the Department of Labor. Funds provided to the States for employment service activities are based on past performance, the State's share of the civilian labor force and approved plans submitted by each agency which consider such factors as population, labor force trends, business expansion and decline, and changes in the State's employed and unemployed workers. Plan approvals are based on the costs of proper and efficient administration and such other factors as the Secretary of Labor finds relevant.

In 1976, continuing high levels of unemployment brought more than 12.6 million applicants to the State agencies seeking job-finding and placement assistance. The program efforts, begun in prior years and continued during 1976, to strengthen the traditional labor exchange function of the employment service, contributed to its success in increasing the number of nonagricultural jobs openings available and subsequently the number of nonagricultural job placements by 5.5 percent and 5 percent, respectively.

These efforts to strengthen the labor exchange function focused, in a large part, on stimulating greater employer use of the public employment service. State agency staffs were trained in techniques for serving employers, with special attention devoted to techniques geared to serving small and new employers. Approximately 1.7 million personal visits and 1.6 million promotional telephone contacts were made with .9 million different employers. A Job Service Improvement Program was initiated in selected communities in 30 States to enlist employers in planning and implementing improvements in local employment service operations. Over 180 local employer committees were formed under its auspices involving over 4,000 employers.

After several years of experimentation and developmental activities, a single system for automated job matching was installed as a complete system in the Oregon SMSA during 1976. Called the Job Service Matching System, it consists of four modules which build upon the Job Bank and Applicant Data System presently available in most States and can be adapted to an individual State's requirements through the selection of one or more modules to produce the most efficient and cost-effective system for that particular State. The four modules provide for alternative matching systems which can be either applicant or employer oriented and in which the processing time can be either instantaneous (real-time) or overnight (batch). By the end of the fiscal year, an additional 15 sites had installed individualized versions of the Job Service Matching System.

An important development in the long range effort to automate local office operations occurred during the year as the computerized job matching efforts of the employment service were merged with the recent unemployment insurance automation efforts in a single Employment Security Automation Plan. This merger assures an integrated approach to the expansion and use of automated systems in the State employment security agencies and will improve services to the public, achieve greater efficiency and minimize the cost of automation.

New veterans outreach and public information programs were implemented in an effort to maximize job and training opportunities for veterans as well as to reach discouraged unemployed veterans, with particular emphasis on young, minority and disabled veterans. An additional 32 SESA staff members were assigned to the Veterans Administration's one-stop Veterans Assistance Centers located in areas having the highest veteran unemployment rates. These centers are designed to furnish the full range of services provided by government agencies in a single location. Although the number of veteran applicants decreased by four percent from 1975, the number of veterans placed in jobs decreased by less than one percent.

State agencies increased and emphasized efforts to provide services to migrant and seasonal farmworkers equal to the services provided all other applicants. To accomplish needed improvements, State agencies provided training to staff members directly involved in providing services to this client group. In addition, a number of States adopted innovative methods and techniques for providing services to rural residents and workers which had proven effective in earlier demonstration projects in rural areas. These methods and techniques were primarily directed to providing a wider range of occupational options to farmworkers displaced by mechanization and those who desired stable employment in nonagricultural occupations.

In the Transition Quarter, State agencies continued to emphasize the use of new tools and techniques to increase staff productivity, to improve the quantity and quality of placements, and to accomplish an overall improvement in the management of their operations. During this period, the States utilized additional staff resources for youth counseling and placement activities.

In 1977, with the projected average annual unemployment rate expected to approximate 7.4 percent, the number of people registering with the employment service should remain at about 12.5 million. Therefore, State agencies are again being urged to intensify employer services and job solicitation activities on behalf of unemployed workers to help improve the quality and quantity of placements and to increase the number of job openings received from employers so that

applicants will have better employment alternatives. As a whole, the employment service agencies expect to increase productivity by 6 percent in 1977.

The Job Service Improvement Program (JSIP), with 38 States participating in the transition quarter is being expanded to four additional States in 1977. In each community where there is a functioning ad hoc employers committee under JSIP, this program is expected to have the effect of increasing by ten percent the number of employers in that community who deal with the employment service and to increase the number of placements with employers by 20 percent.

Efforts aimed at establishing integrated computerization of the labor exchange function are being maintained. Real-time matching systems will be implemented in two additional sites and batch matching systems will be implemented in 12 additional sites. Evaluations of the systems installed in 1976 are now being conducted, and evaluations of the systems installed in 1977 will begin as soon as each installation is complete. Attention is also being given to identifying and developing the management techniques and organizational configurations which are required by the computerization of job matching activities.

As part of the State programs to give all veterans preference over other client groups in job placement and other basic services, special placement efforts are being made by State employment service agencies on behalf of veterans groups experiencing higher rates of unemployment-- young, disabled and minority veterans. The unemployment rates of these groups were particularly high during the economic downturn, thereby requiring increased emphasis and attention. Veterans outreach and public communications programs initiated in 1976 to maximize job and training opportunities for veterans are being maintained in 1977. Outstationing of State agency staff members in some Veterans Assistance Centers operated by the Veterans Administration will proceed throughout 1977 according to demonstrated needs.

State efforts to provide qualitatively equivalent and quantitatively proportionate employment and supportive services to migrant and seasonal farmworkers in line with services provided to all applicants also continue. States are improving services to employers and workers in rural areas through the integrated farm labor-full service offices. Agricultural placement transactions are expected to decrease, however, as fewer short-term mass placements are made. This trend has been apparent over the past several years and can be expected to continue because implementation of the terms of the District Court Order limits the circumstances under which such mass placements can be made.

States are providing labor market information, data and planning assistance to Federal, State and local government agencies (particularly CETA prime sponsors), and to civic and community organizations to facilitate the accomplishment of employment and training program objectives and goals. Significant examples of State agency involvement in such activities are: fact-finding with respect to the possible adverse effect on American workers of granting alien certification under the Immigration and Nationality Act; gathering data for use in certifying workers as being adversely affected by trade policy and determining their eligibility for benefits under the Trade Act of 1974; and compiling appropriate local area labor supply information for use by employers and government agencies in planning and enforcing affirmative action plans and expanding employment opportunities for minority and women workers.

In 1978, State employment services will again be urged to improve the quality and quantity of placements. Even though the number of unemployed will decrease as the projected unemployment rate descends during the year, the number of employment service registrants is anticipated to increase slightly due to expanded unemployment insurance coverage, better integration of service with CETA, and increased interest in labor force participation among women, youth and older workers.

Through the Job Service Improvement Program, the States will intensify their efforts to strengthen relations with employers in order to obtain a larger volume and a broader mix of job openings. With many local offices handling considerably more applicants than available jobs, it is increasingly important that additional and more diversified job openings may be obtained from employers in order to increase the placement of applicants.

Grants - 18

Funding for computerized job matching through the integrated Employment Security Automation Plan will proceed at the 1977 level if, as anticipated, evaluations of the projects started in 1976 and 1977 indicate that the realized benefits justify the cost. Emphasis will continue to be on cost-efficient batch systems, with installations planned for 10 additional sites toward the end of the year. Real-time matching systems are planned for two additional sites. Research will be intensified to develop effective methods of using the computer as a tool to aid placement and labor market information services to the applicant, the employer, and the community as a whole.

Veterans Employment Representatives will monitor State agencies at all levels to determine if preferential services to veterans are being provided to a sufficient degree to satisfy minimum levels of accomplishment. All instances of substandard performance will require development of a corrective action plan for the States involved. Cooperative efforts will be strengthened with other government agencies and community groups to foster job and training opportunities for veterans. Efforts to be stressed include establishment of Interagency Jobs for Veterans Advisory Committees at both regional and State levels and maintaining active leadership of those previously established. Departmental veterans outreach and public information responsibilities will be carried out through such committees. In addition, it is planned to improve linkages with veterans programs under the jurisdiction of others such as the Veterans Administration's on-the-job training program and the National Alliance of Businessmen's "Job for Veterans" activity.

Outreach programs for migrants and seasonal workers will be continued. These workers will be informed of all sources and types of employment and training services available to them. They will be encouraged to use the State agencies' supportive services such as counseling, testing, and referral to training in order to help assure that they get equitable access to improved employment opportunities. Efforts for these applicants will continue to focus on improving the quality of placements, such as higher pay, nonagricultural employment, and placements of longer duration.

State agency programs for youth will be maintained during the year. Currently, there are three major programs for youth -- the year-round services for young people already in the labor market; the cooperative employment service-school program aimed at those about to enter the labor market; and the summer youth program for youth seeking summer jobs. Year round services include job counseling, testing, labor market and occupational information, and job placement assistance. Under the cooperative employment service-school program, these basic employment services are made available to graduating seniors and actual or prospective dropouts, either on school premises or at local offices, to help smooth the transition from school to work. The summer youth program involves recruiting and selecting young people and referring them to summer jobs in the private and public sectors. As part of this annual effort, the employment service conducts a variety of promotional campaigns to encourage local employers to hire youth. The State agencies also provide recruitment, registration, selection, and referral services to summer jobs programs operated by the National Alliance of Businessmen, the U.S. Civil Service Commission, CETA prime sponsors, and Federal, State and local governments.

Changes for 1978

Mandatory changes amount to..... $+72,100,000

Program changes amount to..... NONE

Mandatory changes for employment service activities total $72,100,000 and consist of increases of $66,000,000 for annualization of State salary and personnel benefit increases occurring during 1977, and $6,100,000 for increased costs of rent, communications and supplies.

Summary of Employment Service Program Statistics

	1976	TQ	1977	1978
Staff years (annual average)	27,568	7,358	30,000	30,000
Basic Workload (in thousands):				
New applications and renewals	12,629	3,600	12,500	12,650
Counseling interviews	1,101	290	1,200	1,250
Tests administered	907	240	900	950
Nonagricultural job openings obtained	6,698	2,280	7,780	7,925
Placement transactions, nonagricultural	4,081	1,300	4,650	4,840
3 days or less	880	300	960	1,070
4-150 days	710	220	800	817
151 or more days	2,491	780	2,890	2,953
Individuals placed, nonagricultural	2,830	883	3,428	3,538
3 days or less	301	94	340	350
4-150 days	609	180	665	720
151 or more days	2,212	650	2,580	2,630
Placement transactions, agricultural	564	200	520	500

Grants - 20

Activity 3. Contingency Fund (1977, $289,800,000; 1978, $174,400,000)

Narrative Description of Program

The Contingency Fund assures that funds will be available to meet unforeseen increases in the costs of administration of unemployment insurance or employment services 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.

Contingency Funds are made available to State Employment Security agencies under the "Letter of Credit" system. Such sums are made available to a State on the basis that the additional costs of administration were generally over those upon which the State's basic grant was made and which cannot be provided for by the State through normal budgetary adjustments.

In 1976, $355,040,000 was used to offset the increased costs resulting from increases in State salary and related personnel benefits, and the increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant.

In the Transition Quarter, $135,865,000 was used to offset the increased costs resulting from increases in State salary and related personnel benefits and the increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant.

In 1977, it is estimated that $289,800,000 will be needed to finance increased costs of administration resulting from increases in State salary and personnel benefits and increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant.

In 1978, it is estimated that $174,400,000 will be needed to finance increased costs of administration resulting from increases in State salary and personnel benefits and increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant. The amount requested contains sufficient funds to finance unemployment insurance workloads projected under the economic assumptions contained in this budget.

Changes for 1978

Mandatory changes amount to.....$-115,400,000

Program changes amount to..... NONE

Mandatory changes consist of decreases of $30,800,000 in costs resulting from statewide salary compensation plan changes projected for 1978, and $84,600,000 resulting from decreases in unemployment insurance service workloads.

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Program Purpose and Accomplishments

Activity: Unemployment Insurance Services (Authorizing Legislation - Title III of the Social Security Act, as amended; 5 U.S.C. 8501-8523, as amended; and 39 U.S.C. 3202 (a)(1)(E))

1977	Authorization	1978 Budget Estimate
$697,000,000	Indefinite	$754,600,000

Purpose: To provide for a Federal-State unemployment insurance system that will collect taxes from employers and pay unemployment benefits.

Explanation: Trust fund grants are provided to States for salaries and expenses for State staff operating the Federal-State unemployment insurance system. These Trust funds are derived from collections made under the Federal Unemployment Tax Act.

Funds are provided to State Employment Security agencies under the "Letter of Credit" system, except postage costs, which are paid directly to the U.S. Postal Service by the Department of Labor. Funds provided to the States for unemployment insurance activities are based on approved plans submitted by each agency which considers such factors as economic assumptions and related unemployment workloads, and estimated staffing needs for an efficient benefit payment, claims taking, and tax operation. Plan approvals are based on the costs of proper and efficient administration and such other factors as the Secretary of Labor finds relevant.

Accomplishments in 1977: The State agencies are expected to collect some $8,800,000,000 in taxes and pay $14,750,000,000 in benefits to 10,552,000 beneficiaries under Federal and State regular and extended benefit programs. All States are expected to continue paying Federal-State extended benefits and special unemployment assistance to workers who qualify under the Emergency Compensation and Special Unemployment Assistance Expansion Act of 1975. Federal Supplemental Benefits (FSB) will be paid in those States where the rate of insured unemployment equals or exceeds 5 percent in a 13-week period. These benefits are payable through March 31, 1977, under current law. However, the Administration has proposed a one year extension of the FSB program at a maximum duration of 13 weeks per claimant.

Objectives for 1978: The State agencies are expected to collect some $11,229,000,000 in taxes and pay $12,000,000,000 in benefits to 9,554,000 beneficiaries under Federal and State regular and extended benefit programs. All States are expected to continue paying Federal-State extended benefits and special unemployment assistance to workers who qualify under the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975. Special unemployment assistance benefits are payable through June 30, 1978, for individuals who become eligible on or before December 31, 1977. Most of the individuals currently covered under this temporary program will have permanent coverage, effective January 1, 1978, under the State programs. Under proposed legislation, Federal supplemental benefit payments are expected to continue through March 31, 1978, for individuals who become eligible on or before December 31, 1977. To strengthen and increase the recent State agency efforts toward improved quality in the unemployment insurance program, a portion of the savings which is expected to result from the application of the cost model management system and subsequent State agency actions reducing costs will be reinvested in an eligibility review program which will selectively examine and document unemployment insurance claimant eligibility on a continuing basis. Further expansion of the automated tax and benefit systems will continue in 1978 if, as anticipated, the evaluations of the projects installed in 1976 and 1977 indicate the realized benefits justify the costs.

Grants - 22 EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Program Purpose and Accomplishments

Activity: Employment Services (Authorizing Legislation - The Wagner-Peyser Act of 1933, as amended; the Veterans' Employment and Readjustment Act of 1972, as amended; Sections 312 (e) and (g) of the Comprehensive Employment and Training Act of 1973, as amended; and 39 U.S.C. 3202 (a)(1)(E))

1977	Authorization	1978 Budget Estimate
$565,000,000	Indefinite	$637,100,000

Purpose: To provide for a Federal-State employment service system that will provide a full range of employment services to assist individuals to become job ready and obtain suitable employment, and to assist employers to resolve their employment problems as well as provide labor market information and employment and training planning assistance.

Explanation: Federal and Trust fund grants are provided in the States for salaries and expenses for State staff operating the Federal-State employment service system. The Trust funds (92%) are financed from collections made under the Federal Unemployment Tax Act and provide for employment services to individuals covered by Federal and State unemployment compensation laws. Federal funds (8%) provide for employment services to individuals not covered by Federal and State unemployment compensation laws which are not chargeable to the Unemployment Trust Fund in accordance with the provisions of the Employment Security Amendments of 1970.

Funds are provided to State Employment Security agencies under the "Letter of Credit" system, except postage costs, which are paid directly to the U.S. Postal Service by the Department of Labor. Funds provided to the States for employment service activities are based on past performance, the State's share of the civilian labor force and approved plans submitted by each agency which consider such factors as population, labor force trends, and business expansion and decline. Plan approvals are based on the costs of proper and efficient administration and other such factors as the Secretary of Labor finds relevant.

Accomplishments in 1977: The State agencies are expected to take 12,500,000 applications, obtain 7,780,000 nonagricultural job openings, and make 4,650,000 nonagricultural and 520,000 agricultural placements. Emphasis is being given to implementing new tools and techniques which increase staff productivity, further improve the quality and quantity of placements and better the management and operation of the State employment agencies. Forty-two States are participating in the Job Service Improvement Program in selected communities. This program is designed to stimulate greater employer use of the public employment service so that more employment alternatives will be available for unemployed applicants. Computerization of job matching activities is proceeding under the auspices of the integrated Employment Security Automation Plan.

Objectives for 1978: The State agencies are expected to take 12,650,000 applications, obtain 7,925,000 nonagricultural job openings, and make 4,840,000 nonagricultural and 500,000 agricultural placements. Further efforts will be made to improve the quantity and quality of placements with special emphasis on providing improved services to veterans, youth and migrant and seasonal farmworkers. Expansion of computerized job matching systems will continue in 1978 if, as anticipated, the evaluations of the systems installed in 1976 and 1977 indicate the realized benefits justify the cost.

EMPLOYMENT AND TRAINING ADMINISTRATION

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

Program Purpose and Accomplishments

Activity: Contingency Fund (Authorizing Legislation - The Wagner-Peyser Act of 1933, as amended; the Veterans' Employment and Readjustment Act of 1972, as amended; Title III of the Social Security Act, as amended; Section 312 (e) and (g) of the Comprehensive Employment Training Act of 1973, as amended; the Trade Expansion Act of 1962; Chapter 2, Title II of the Trade Act of 1974; and 5 U.S.C. 8501-8523, as amended)

1977	Authorization	1978 Budget Estimate
$289,800,000	Indefinite	$174,400,000

Purpose: The Contingency Fund assures that funds will be available to meet unforeseen increases in the costs of administration of unemployment insurance and employment services resulting from changes in 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.

Explanation: Trust fund grants are provided to States for the administrative costs of operating the Federal-State Employment Security system. These Trust funds are financed from collections made under the Federal Unemployment Tax Act.

Contingency funds are made available to State Employment Security agencies under the "Letter of Credit" system. Such sums are made available to a State on the basis that the additional costs of administration were generally over those upon which the State's basic grant was made and which cannot be provided for by the State through normal budgetary adjustments.

Accomplishments in 1977: It is estimated that $289,800,000 will be needed to offset the increased costs resulting from increases in State salary and related personnel benefits, and increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant.

Objectives for 1978: It is estimated that $174,400,000 will be needed to finance increased costs of administration resulting from increases in State salary and personnel benefits and increases in the number of unemployment insurance claims filed and claims paid over those provided in the State's basic grant. The amount requested contains sufficient funds to finance unemployment insurance workloads projected under the economic assumptions contained in this budget.

THURSDAY, FEBRUARY 24, 1977.

LABOR—MANAGEMENT SERVICES ADMINISTRATION

WITNESSES

JACK A. WARSHAW, ACTING ASSISTANT SECRETARY FOR LABOR-MANAGEMENT RELATIONS
J. VERNON BALLARD, ACTING ADMINISTRATOR, PENSION AND WELFARE BENEFIT PROGRAMS
JOSEPH R. BEEVER, DIRECTOR, OFFICE OF VETERANS' REEMPLOYMENT RIGHTS
BEATRICE M. BURGOON, DIRECTOR, OFFICE OF LABOR-MANAGEMENT RELATIONS SERVICES
AUGUST F. CANTFIL, DIRECTOR, OFFICE OF LABOR-MANAGEMENT POLICY DEVELOPMENT
CHARLES G. GEORGE, DIRECTOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
E. J. GERMAN, DIRECTOR, OFFICE OF PLANNING, EVALUATION AND SYSTEMS
TRAVIS A. KNIGHT, ASSISTANT ADMINISTRATOR, PENSION AND WELFARE BENEFIT PROGRAMS
CARL H. ROLNICK, DIRECTOR, OFFICE OF LABOR-MANAGEMENT STANDARDS ENFORCEMENT
LOUIS S. WALLERSTEIN, DIRECTOR, OFFICE OF FEDERAL LABOR-MANAGEMENT RELATIONS
ALFRED M. ZUCK, COMPTROLLER FOR THE DEPARTMENT
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. Labor-Management Services Administration, salaries and expenses, Department of Labor.

This presentation will be made by Jack A. Warshaw, Acting Assistant Secretary for Labor-Management Relations.

Mr. Warshaw, we will insert your biographical sketch at this point in the record.

[The biographical sketch follows:]

Jack A. Warshaw was appointed Acting Assistant Secretary of Labor-Management Relations on January 31, 1977. Mr. Warshaw is also serving as Deputy Assistant Secretary of Labor-Management Relations, a position he has held since May 12, 1976.

Mr. Warshaw, a career Government employee with 36 years service at the Labor Department, also serves as Deputy Administrator of the Department's Labor-Management Services Administration (LMSA).

Prior to his appointment as Deputy Assistant Secretary for Labor-Management Relations, Mr. Warshaw was Assistant Administrator in charge of field operations in the Labor-Management Services Administration.

A native of Boston, Mr. Warshaw studied labor relations at Northeastern University. He is a graduate of the U.S. Department of Agriculture's Management Development Program for Federal Executives and the Brookings Institution's executive leadership program. He served in the U.S. Army-Air Force from 1942 to 1946.

He is married to the former Ruth Brovan and they live in Bethesda, Maryland.

PREPARED STATEMENT

Mr. FLOOD. I see you have a prepared statement.

How do you want to handle that?

86-338 O - 77 - 70

Mr. WARSHAW. Mr. Chairman, I would like to insert the statement in the record.

Mr. FLOOD. Suppose we do that.

[The statement follows:]

Mr. Chairman and members of the subcommittee, I am pleased to appear before you to present the fiscal year 1978 budget request for the Labor-Management Services Administration. Our total budget estimate is $56,199,000 and 1,586 positions. This is an increase of $4,802,000 and 64 positions over the fiscal year 1977 level. Approximately $2,991,000 will provide for increased costs of the current level of operations, including full-year costs of the positions requested in the fiscal year 1977 Supplemental for the Federal Labor-Management Relations program and the Special Investigations Staff of the Pension and Welfare Benefit programs. The remaining $1,811,000 is for proposed program increases.

During fiscal year 1978 top priority will again be given to the Department's Administration of the Employee Retirement Income Security Act. We are requesting 59 positions ad $1,573,000 to enable us to continue the steady application of enforcement efforts as required. All of the 59 positions will be located in field offices. This emphasis in the program is consistent with the need to continue our focus on enforcement provisions of the law. A significant increase in the number of complaint cases received in these areas is expected during fiscal years 1977 and 1978. This situation together with the initiation of a plan audit review of the first series of annual plan reports will create a need for additional resources to assure that the protections provided to employee plan participants and beneficiaries by ERISA are fully realized. A full range of activities is planned for both years. This will include investigations of reports delinquency and deficiency, disclosure, benefits disputes, participants rights, bonding, fiduciary issues, and on-site plan audits.

We are also requesting five positions and $238,000 to initiate a program on improving the collective bargaining process. There are over 20 million American workers who participate in collective bargaining, but there is currently no national policy on the collective bargaining process. Present efforts by Federal agencies are narrowly defined and usually address only critical labor disputes. The five positions we request here would study and make recommendations on the development of a national policy for the collective bargaining process. The effort would be long term in scope and would involve working directly with representatives from labor, management, and other private organizations as well as other Federal agencies. We anticipate that this group of five will be able to make significant recommendations which will alleviate some of the current structural impediments to the collective bargaining process. We feel that the Department of Labor, with its expertise in the labor-management relations area and with this new group, can provide leadership and coordination to other agencies in developing a long term, uniform approach to improving the collective bargaining process.

The remaining LMSA programs are budgeted at the same levels as authorized in fiscal year 1977. By carefully assessing priorities, we are endeavoring to meet any additional requirements in these programs within existing resources, thereby avoiding the need to request additional funds except for mandatory items.

Mr. Chairman, I thank you for the opportunity to present our programs to the subcommittee. My staff and I will be glad to respond to any questions that you may have.

COLLECTIVE BARGAINING PROCESS

Mr. FLOOD. You're requesting five new jobs to, let me quote, "Study and make recommendations on the development of a national policy for the collective bargaining process."

What do you have in mind there? National policy for collective bargaining?

Mr. WARSHAW. What we would like to do is study some of the structural imperfections that presently exist in collective bargaining.

Instead of waiting for a crisis atmosphere to develop and then handle a problem on an ad hoc basis, what we would like to do is study the various industries that have traditionally had problems in their collective bargaining, or where there is an uneven balance between labor and management.

LABOR-MANAGEMENT RELATIONS ACTIVITY

Mr. FLOOD. You have a total of 62 positions under budget activity number one, what you call labor-management relations. What are the primary functions carried out by those people?

Mr. WARSHAW. Thirty-six of the positions are in the Office of Labor Management Relations Services. That office handles several functions. It has a Division of Public Employee-Labor Relations, which in essence provides technical assistance to State and local governments, and to the unions which have been organized in those jurisdictions. We give them assistance in connection with negotiations, and on how to handle grievance problems, arbitration, and that sort of thing.

Another division consisting of some ten people handles what we call our labor-management relations early warning system. They monitor contracts that are about to expire in key industries and in essence they are the eyes and ears of the Secretary of Labor and the Administration in areas involving potentially controversial collective bargaining situations.

FUNDING OF RESEARCH ACTIVITIES

Mr. FLOOD. How much money do you have in this request for research activities of one kind or another?

Mr. WARSHAW. I believe in this budget activity for fiscal 1978 we have $860,000.

Mr. FLOOD. What proportion of your research is done by outside contractors or consultants? What would you say?

Mr. WARSHAW. I think I would have to defer to Mr. Cantfil.

Mr. CANTFIL. The $860,000 which Mr. Warshaw just referred to is for contract research to outsiders, but also includes money which we allot to the Bureau of Labor Statistics and other Federal agencies. In other words, when I say outsiders I do not mean all independent private contractors. A substantial portion goes to Federal organizations, primarily the Bureau of Labor Statistics.

Mr. FLOOD. I meant outside contractors or consultants.

Mr. CANTFIL. I would say it's approximately one-half of the $860,000.

ERISA STUDIES

Mr. FLOOD. What studies do you have currently in process on the Employee Retirement Income Security Act, ERISA for short?

Mr. CANTFIL. That work has all been done by the Pension office, so I cannot answer that question.

Mr. FLOOD. I don't care who answers it.

Mr. WARSHAW. Mr. Ballard of the Pension Program.

Mr. BALLARD. Mr. Chairman, I do not have a list of them with me available. I don't know if Mr. Knight does. I would be glad to supply a whole list of those with the target date for completion of them.

[The information follows:]

RESEARCH AND PROGRAM EVALUATION WORKPLAN ERISA RESEARCH, TOTAL (DOLLARS AVAILABLE)

A. FUNDS OBLIGATED

Project No.	Contract No.	Subject	Cost	Expiration date
RE 75-1		(a) Social Security Administration: Mailing of survey forms for 3032 study.	$30,000	November 1976.
	J-9-P-5-0148	(b) University of Illinois	54,000	Do.
RE 75-2		BLS study of plan provisions	24,000	June 1977.
RE 76-2	J-9-P-6-0120	The effects of title I on the administrative costs of small plans (addition).	[1] 184,337 34,000	December 1977.
RE 76-3	J-9-P-6-0181	Effects of title I on the costs pension plans.	[2] 190,000	October 1978.
RE 76-4	J-9-P-6-0165	Impact of ERISA on collective bargaining.	[2] 160,000	March 1978.
RE 76-5	J-9-P-6-0172	New plan formation	[1] 124,966	November 1977.
RE 76-6	J-9-P-6-0183	Plan terminations	[2] 187,000	April 1978.
RE 76-7	J-9-P-6-0209	Portfolios and ERISA	[1] 218,719	October 1978.
RE 76-9-A	J-9-P-6-0173	Role of private pensions in meeting economic security needs.	[3] 86,420	November 1977.
RE 76-9-B	J-9-P-6-0199	do	[3] 110,565	January 1978.
RE 76-10	J-9-P-6-0161	ERISA impact models	[3] 207,005	October 1978.
RE 76-11	J-9-P-6-0208	Impact of prohibited transactions sections.	[1] 141,848	January 1977.
RE 77-1		Oakland PERS case study	96,330	Oct. 15, 1977.
RE 77-2		New England retirement law commission funding study	200,000	May 31, 1978.
RE 77-3		Private pension policy simulations	171,002	June 30, 1979.

[1] Thomas.
[2] Mason.
[3] Pabst.

Subject	*Project contract No.*
B. Proposed Contracts:	
Labor-hour contract	RE 77-4
Welfare benefit plans study	RE 77-5
Multiemployer pension plans study	RE 77-6
Portability and reciprocity in single employer plans	RE 77-7
Evaluation of vesting and participation standards	RE 77-8
Evaluation of participants' knowledge	RE 77-9
Evaluation of effects of exemptions and variances	RE 77-10
Women and employee benefit plans	RE 77-11
Methods of encouraging growth and maintenance of employee welfare plans	RE 77-12
Older workers and pension plans	RE 77-13
BLS current amounts study	RE 77-14
Pension coverage and vesting	RE 77-15

STAFFING REQUIREMENTS UNDER OEBS

Mr. FLOOD. How many positions are currently authorized for the Office of Employee Benefits Security?

Mr. BALLARD. Currently authorized?

Mr. FLOOD. Yes.

Mr. BALLARD. There are 564. We have a supplemental request for 25 positions.

Mr. FLOOD. What is the next question? How many are filled right now?

Mr. BALLARD. All but 42 positions are filled.

Mr. FLOOD. You are asking for 59 new positions for that office today. Why do you need 59 new jobs? What will these people be doing?

Mr. BALLARD. Mr. Chairman, this request is for the purpose of making our enforcement program more effective in the field. All 59 of these positions will be in our field offices. We have started off the pro-

gram with a great deal of public education and technical assistance, helping participants, beneficiaries and plan administrators.

We are now moving into an area where for the first time, all of the required reports will be filed and there will be a great deal of activity in enforcing the reporting and disclosure requirements.

These 59 positions are to be allocated throughout all of the functions we feel are enforcement responsibilities so that we can get on with the job.

SPECIAL ELECTION FUND

Mr. FLOOD. Under budget activity No. 2, labor-management standards, do you have a special union election fund set up or established?

Mr. WARSHAW. Yes, sir. We have a contingency fund, which is really established as emergency money for unforeseen, large election situations, which we don't normally anticipate or can't program from one year to the next.

Mr. FLOOD. How large is the fund in the current fiscal year?

Mr. WARSHAW. It is $355,000.

Mr. FLOOD. How much are you setting aside for the 1978 fund?

Mr. WARSHAW. The same amount.

Mr. FLOOD. Why doesn't that special election fund show up in the justifications? You used to have it reflected there, didn't you? I am pretty sure. Why doesn't it show up? It's not in the justifications, is it?

Mr. WARSHAW. I don't have the answer. I will be happy to supply that for the record, Mr. Chairman.

Mr. FLOOD. That is why I asked you.

You don't have to go back and get an answer to that. Why isn't it in there?

Mr. WARSHAW. I assumed that it was in the presentation here. We have had that contingency fund in effect for several years now.

Mr. FLOOD. But it used to be reflected in the justifications.

Mr. WARSHAW. Yes, sir.

Mr. GEORGE. The only thing I can say, sir, is that when the contingency fund was first established it was cleared with the committee, and it was assumed that the committee understood that it would be continued in the budget.

Mr. FLOOD. You are obviously surprised, and you can see why. Suppose you get an answer. But tell us again just exactly what is the election fund used for? You did say something.

[The information follows:]

Funds for special elections were granted by Congress in fiscal year 1973 with the proviso that Congress be notified as the funds were used.

Mention of the election fund has been made in budget justification in the past, primarily when an increase of funds was requested. The fund is alluded to in the FY 1978 justifications, in the paragraph discussing the management of the Steelworkers Elections. However, in the future, this item will be specifically discussed in the justification.

Mr. WARSHAW. Yes; the fund is for use when we have unforseen elections that we can't program or project in advance. We have had from time to time some rather sizable elections that came on us without prior warning.

For example, we spent close to $5 million handling the United Mine Workers investigation several years ago. We had no funds in

our budget for that situation and realized that this caused us to take another look and decide that perhaps we better have some kind of emergency or contingency fund.

There have been a few of those of fairly large size. A few years ago we had district 31 of the United Steel Workers of America in the Chicago region, which was also very large and for which we had no available funds.

STAFF REDUCTIONS IN STANDARDS ENFORCEMENT ACTIVITY

Mr. FLOOD. Last year you recall you asked us to transfer 50 positions from Labor-Management Standards Enforcement over to the pension reform program. You asked us, and we approved it.

What effect did that shift of those 50 jobs have on your ability to handle your workload under this labor-management standards enforcement? Now you asked for it and you got it.

Mr. WARSHAW. It has virtually eliminated any self-initiated work that we previously had programed, and we have practically been reduced to handling nothing but complaint cases, largely in the elections area, and basic investigations which are primarily embezzlement complaints.

Mr. FLOOD. What we are concerned about is that you might be allowing that whole labor-management standards effort to slip a bit. If you read the justifications, it certainly indicates that. What about that?

Mr. WARSHAW. We are concerned about that, Mr. Chairman. This puts us in the position of handling only actual complaints that come to us. We cannot undertake some of the other programs that are an important part of our responsibility. But this was a considered judgment, based on all of the resources available, and the priorities that the Department had to consider.

DEFINITION OF TERMS

Mr. FLOOD. Talking about the same thing, in the labor-management standards area, in terminology, we would like you to explain a couple of terms.

What is a delinquent report?

Mr. WARSHAW. Under the LMRDA, the Labor Management Reporting and Disclosure Act, all labor organizations are required to file annual financial reports. When a labor organization, for some reason, fails to submit its annual report, we call that "a delinquent report."

Mr. FLOOD. What is a deficient report?

Mr. WARSHAW. A deficient report is a report that has been filed by the labor organizations, but which has some technical errors in it. Either the amounts don't add up, or something needs further clarification.

Mr. FLOOD. What is a basic investigation?

Mr. WARSHAW. Generally those are complaints that are received by the agency, usually in the financial area, like embezzlements.

Mr. FLOOD. Mr. Natcher?

FIELD OFFICES

Mr. NATCHER. How many field offices do you have, and how many employees in the field offices?

Mr. WARSHAW. There are 745 employees in the field, and we have 24 area offices and 6 regional offices.

INCREASED TRAVEL COSTS

Mr. NATCHER. You are requesting an increase, I believe, of $616,000 for travel. That is correct, isn't it?

Mr. WARSHAW. Yes, sir.

Mr. NATCHER. That is a 32-percent increase in 1 year. Tell us why this is necessary.

Mr. WARSHAW. Most of that money is for full-year costs of the fiscal 1977 supplemental positions and the 59 additional positions we are requesting in fiscal 1978 for the pension program. All of the 59 positions will be in the field organizations, which will increase our travel needs. The amount includes $277,000 for mandatory increase—the increased cost of travel, such as higher air fares, per diem, and so forth.

INFORMATION MATERIALS ON ERISA

Mr. NATCHER. Are you making a sincere effort now to inform the public about the new pension reform law, and if you are, tell me how you are doing it, briefly.

Mr. WARSHAW. Yes, sir.

I think for the details Mr. Ballard should answer.

Mr. NATCHER. Yes, go ahead.

Mr. BALLARD. We certainly are. We have distributed one million popular pamphlets in this year. We are constantly reviewing our regulations and the requirements of the law, producing booklets in what we consider to be layman's language, and getting them out into the hands of the people who can use them.

In addition to that, we have made a number of the slide presentations, and TV tapes on cassettes. We are showing these to the practitioners and others required to comply with the law in the hope that this will enlighten them and make it easier for them to comply.

Mr. NATCHER. Don't you have an audiovisual program, too, that you are using?

Mr. BALLARD. That is right, Congressman, we do.

Mr. NATCHER. That is in conjunction with the matter we are now discussing?

Mr. BALLARD. That is right.

Mr. NATCHER. How much are you spending in the current fiscal year for this kind of material, your audiovisuals and so forth?

Mr. BALLARD. I don't know exactly. Mr. Knight, do you know?

Mr. KNIGHT. We have a contract for audiovisual services and my recollection is that it has a ceiling of some $100,000. That may or may not be spent depending on the use we make of it.

Mr. BALLARD. Congressman, we prepare the script material and do the narrating ourselves. We have found that we can, in many instances, put a taped cassette in every one of our area offices for less than $100. These cassettes serve as excellent training tools, and we can get them out to the field about as fast as the mail will go.

Mr. NATCHER. You prepared it in the Department, and it's not prepared by contractors?

Mr. BALLARD. No, it's prepared by a contractor who does the technical production. The people in the Department prepare the script and do the narration.

Mr. NATCHER. Thank you, Mr. Chairman.

STAFFING DIFFICULTIES IN PENSION PROGRAM

Mr. FLOOD. Now you are well aware, of course, that the GAO, General Accounting Office, took a long, hard look at the pension reform operation. You know about that?

Mr. WARSHAW. Yes, sir.

Mr. FLOOD. And one of the findings was that you were having great difficulty filling the positions that Congress authorized for the program.

Here you are, you are back here today, you are asking for more new jobs for the pension program, and, of course, I think you recall, last week you asked us for 25 new jobs in the supplemental.

Are you going to be able to fill all of these new jobs quickly?

Mr. WARSHAW. Yes, sir; I believe we are.

Mr. BALLARD. Mr. Chairman, we currently have only 42 vacancies and many of those vacancies are a result of attrition because of recent retirements and promotions. We feel we have now accomplished an outstanding program of bringing on board very competent people.

Mr. FLOOD. When do you expect to have those 25 jobs in the supplemental filled?

Mr. BALLARD. Just as soon as we get those, Congressman, we will start action for recruitment.

Mr. FLOOD. Just as soon as you get them?

Mr. BALLARD. That is in the supplemental budget.

Mr. FLOOD. As soon as you get them, if and when, as soon as you get them?

Mr. BALLARD. That is right.

Mr. FLOOD. What about the 59 jobs that you want in 1978? When do you expect to have them filled?

Mr. BALLARD. Mr. Chairman, I would feel we would have an easier job recruiting for these positions, because they are being recruited throughout the entire country. As I say, they are all in the field in our 24 area offices, and I believe we will have them all on board shortly after we get the money.

Mr. FLOOD. We would like you to explain in a little more detail why you were so slow, and you were, in filling the first 585 positions Congress authorized for the pension program.

If you recall, the way you put on that show, it sounded as though to us you were going to fill them overnight. I remember it very well. According to the GAO report we are talking about, as of June 30,

1976, 102 of those 585 positions that were authorized were still not filled.

Why in the world were you so slow in staffing that program?

Mr. BALLARD. Congressman, this law required a kind of expertise that wasn't very prevalent in the Department of Labor. In spite of the fact that we have very competent people, there were some highly specialized skills and expertise needed, and we did go to the outside.

Mr. FLOOD. It didn't sound like that the day you told us you had to have them. I thought they were out in the hall.

Mr. BALLARD. We did go through the process of seeking these people from the outside. It took some time to get Civil Service certification in some cases. The process of hiring in the Government through the civil service system can take rather a long time.

Mr. FLOOD. Don't blame this all on civil service. I don't blame you for putting part of it there, but this isn't all the fault of the civil service.

Mr. BALLARD. No, I don't blame it on the Civil Service Commission, I said the civil service system takes time, especially when individuals without prior Federal service apply and are selected.

Mr. FLOOD. A distinction without a difference. All right.

DELAYS IN RESPONDING TO INQUIRIES

That same GAO report severely criticized the Department for a very poor record in responding to inquiries from the public on this very, very, complicated new pension law.

Very, very complicated and that's an understatement. Now, I don't intend to recite here all of the problems cited by GAO. But we would like to know what have you done to correct the problems.

What about this?

Mr. BALLARD. Mr. Chairman, we submitted a report to the Congress outlining the steps we have taken to correct the problems noted.

You may recall that the GAO report really did not treat with the general public inquiries that we were dealing with, and we dealt with over a half million in that same time period for which we were criticized for not having responded to some of the relatively complex substantive questions.

We have formed a task force to concentrate on these complex inquiries. We have virtually eliminated the backlog of those complex inquiries that were in our office prior to October 1, 1976. With our current staffing, we feel we are going to be able to maintain this progress so that we will not have these long delays in responding and the resultant backlogs.

Mr. FLOOD. I hope you get your hope on that one.

REQUESTS FOR EXEMPTION UNDER ERISA

How many requests for exemptions under ERISA have you received since the law was enacted?

Mr. BALLARD. We have received 606.

Mr. FLOOD. How many have you either granted or denied?

Mr. BALLARD. We have actually disposed of, or will shortly dispose of, about 60 percent of them, Congressman.

Mr. FLOOD. How many have you granted or denied now?

Mr. BALLARD. We have covered in granted exemptions 23 of those requests; we have covered in final denials 36 of them; and we have disposed of administratively, for example because they had been withdrawn, another 69, for a total of 128 that have been finally disposed of.

Mr. FLOOD. How many of them have received no action at all, just happen to be sitting out there someplace?

Mr. BALLARD. There are 329 applications that are currently in various stages of action. Of those 329, 86 of them will be cleared up with class exemptions that we are working on at the present time.

Mr. FLOOD. What about those that have received no action at all?

Mr. BALLARD. I believe any application that has been in the office for more than 30 days has had some action, Congressman.

PROHIBITED TRANSACTIONS

Mr. FLOOD. Now, what are the major problem areas in the prohibited transactions provisions under ERISA? Certainly you know you had a bad problem in that area, especially in trying to coordinate your operation with the Internal Revenue Service. Now what about that?

Mr. BALLARD. I believe that we now have overcome some of the problems we had earlier. Obviously there were some conflicts of philosophies in dealing with them. I believe we have ironed them out. We have entered into a memorandum of understanding which says that each agency will handle the applications assigned through the entire process, and then the other agency has to clear the proposed decision within a very short turnaround time. The process is now working to the point where we are proceeding with these applications at a good pace, and I believe that earlier problems have been ironed out for the most part.

RANDOM AUDITS UNDER ERISA

Mr. FLOOD. What do you mean by a random audit in the ERISA program?

Mr. BALLARD. A random audit?

Mr. FLOOD. Yes, that phrase.

Mr. BALLARD. Is that in here?

Mr. FLOOD. It's in your justifications here. Do you have those?

Mr. BALLARD. Yes. A random audit would be a self-initiated audit, where we would go out and conduct an audit of a plan without necessarily having had a complaint concerning it.

ISSUANCE OF REGULATIONS

Mr. FLOOD. Have you issued all of the necessary regulations for the ERISA program yet? Are they all out, or are you still writing them and rewriting them, or what?

Mr. BALLARD. Unfortunately they are not all out yet. We have gotten out a substantial portion of them. We will be out with another substantial portion within the next two weeks, and I believe beyond that there will be several individual sections that still need to be

worked on. I think our staff is at a point where we will be getting them all out in the very near future.

Mr. FLOOD. You heard the other day when the Secretary was here he said something about, we were talking back and forth, about writing regulations in plain English.

Are you going to try to follow his advice, especially since he said he has to read them all himself now?

Mr. BALLARD. I don't believe there will be any way of our getting out of it. He will read them.

PAPERWORK REQUIREMENTS UNDER ERISA

Mr. FLOOD. Of course, everyone complains about Government paperwork, but the complaints seem to be a little louder on the ERISA program.

Exactly how much paperwork do you require now from employers, how many forms do they have to fill out every year and how complicated are they?

Mr. BALLARD. I do believe there has been too much talk about it, but let me point out where the big impact has been.

Under the Welfare and Pension Plans Disclosure Act, large employee benefit plans had to report to the Federal Government. In fact, in filing their plan descriptions they had to provide voluminous documents, because that law required the filing of trust instruments, pertinent portions of collective bargaining agreements, insurance policies and a number of other documents under which the plan operated.

The new law, ERISA, does not require all that, and in fact, the plan description form being filed by plans is significantly simpler than the old law's requirement.

The big problem comes, Congressman, from the fact that for the first time small plans, which were not covered under the Welfare Pension Plans Disclosure Act, are now faced with having to make reports.

Mr. FLOOD. How many forms do they have to fill out in a year?

Mr. BALLARD. They have to fill out an initial plan description form filed with the Secretary. It's like a registration form. Thereafter they have to file any material amendments to that plan.

They also have to file an annual financial report.

Mr. FLOOD. How many?

Mr. BALLARD. A single annual financial report with the Department of Labor.

Mr. FLOOD. How many forms altogether?

Mr. BALLARD. Just one one-time form, and then one form annually.

Mr. FLOOD. Could you provide copies of the forms for the committee files?

Mr. BALLARD. I will be glad to provide you copies of them.

NUMBER OF PENSION PLANS COVERED BY ERISA

Mr. FLOOD. How many pension plans of all types and kinds are covered by ERISA?

Mr. BALLARD. About 600,000 pension plans, as well as 1.2 million welfare plans.

Mr. FLOOD. And how many employees are covered by those plans?

Mr. BALLARD. About 40,000,000 are covered by pension and welfare benefit plans.

Mr. FLOOD. What are the total assets of those plans, approximately?

Mr. BALLARD. I think over $210 billion.

LAPSE RATE

Mr. FLOOD. By the way, these 64 new positions you are asking for today, what is the average lapse rate that you applied in computing the amount needed to support them?

Mr. GEORGE. That is 25 percent.

Mr. FLOOD. Mr. Natcher?

Mr. NATCHER. No further questions, Mr. Chairman.

Mr. FLOOD. Thank you very much.

[NOTE: The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

MR. MICHEL

Question. When James Hutchinson left office as Administrator of the pension program, he indicated there were problems with the dual jurisdiction between the Labor and Treasury Departments for the administration of the program. Is that still the case, and are you recommending any changes to Congress in this regard?

Response. Dual jurisdiction has been the source of some problems in such areas as the development of reporting forms and the processing of applications for exemption from the prohibited transaction provisions. In the reporting area, the Department of Labor and the Internal Revenue Service have established and maintained close coordination to avoid, as much as possible, imposing duplicative and redundant reporting requirements on plan administrators. In the exemptions area, we have entered into a memorandum of understanding with IRS to simplify our processing techniques and avoid duplicative work. This is not to say that the problems inherent in dual jurisdiction have been solved, even though progress has been made. As a result the Department continues to study these problems carefully, but no final decisions have been made as to the need to recommend changes to the Congress.

Question. He also indicated that the Civil Service Commission was not doing a very good job in providing people with the expertise necessary to operate the program. Is that still the case?

Response. ERISA, as enacted, contained no provisions for special hiring authorities. As a result, individuals outside Government who had useful specialized skills could be employed only through the standard Civil Service Commission qualification and certification process. This process can be very time consuming. We have been able to bring aboard a large number of well qualified men and women both from within and outside Federal service, however, to the extent that we have only about 40 vacancies currently, some of them attributable to normal attrition. I should point out though that we are still suffering the after-effects of the earlier delays, in the sense that backlogs developed in some areas and we have not been able to issue as many regulations and other statutory interpretations as we would have wished.

Question. Have you undertaken any effort to determine the extent to which substantial and complex regulations governing pension plans have led employers to either drop their plans or decide not to start any new ones?

Response. The allegations that ERISA has encouraged plan terminations and discouraged new plan formations have been a source of great concern to all of us in the Department. In formulating regulations, we seek input from interested members of the public, and we try to consider possible adverse impact on plans.

In order to get a more precise picture of plan terminations and formations, we have contracted to have research studies done in these areas. The results of the plan formations study should be available late this year, and the results of the plan terminations study should be available in the spring of 1978.

Question. You are requesting funds to develop a national policy on the collective bargaining process. Why do we need a national policy in this regard?

Response. The objective of a national policy focused on the collective bargaining process is to achieve long-term stability in labor-management relationships. Present Federal attention is concentrated primarily on critical labor disputes. Therefore, development of a program to examine structural or other defects in the collective bargaining process, particularly where the public interest is manifest, could aid in improving labor-management relations.

MR. ROYBAL

Question. Under "Departmental management", there was a request for 55 auditors, some of whom would be used to audit the Employee Retirement Income Security Act (ERISA). You are requesting 59 positions "to continue the steady application of enforcement efforts as required." How does your work differ from the audits done by the auditors described under "Departmental management"?

Response. It is essential to make a distinction between the auditors included in the request for "Departmental management' 'and the auditors and compliance officers requested for pension and welfare benefit programs (PWBP). Departmental auditors are responsible for such matters as internal audit, audit of contracts and grants funded by the Department, and program management audit. The auditors and compliance officers requested for PWBP will perform onsite audits, fiduciary investigations, and other types of investigations of employee benefit plans to assure that the rights of plan participants and beneficiaries are protected and that plan administrators meet their responsibilities under ERISA. This statute requires plan administrators to act for the exclusive benefit of plan participants and beneficiaries, to manage plan finances prudently, to inform participants and beneficiaries of plan matters through reporting and disclosure, and to comply with other provisions of ERISA. We believe that the additional auditors and compliance officers requested will contribute greatly to the enforcement of ERISA on behalf of plan participants and beneficiaries, and that there is no possibility that their work will duplicate any activity performed elsewhere in the Department.

Question. You are asking for five positions to study and make recommendations on the development of a national policy for collective bargaining. If such a policy was developed how would it benefit the country?

Response. The present national policy is concerned primarily with crisis situations and efforts to resolve collective bargaining disputes. The new unit would look toward long-range solutions to problems in an effort to prevent the development of crises and thereby avoid the need for stockpiling and too much dependence on imported products.

MR. CONTE

Question. How did you arrive at the figure $238,000 to begin the program to improve the collective bargaining process?

Response. The five positions were priced out, based on planned budgeted grades and expected costs—25-percent lapse was then taken. Also included is $100,000 to be used from time to time for salaries and expenses of consultants who are recognized authorities in particular problems or industries to insure the best available expert knowledge.

Question. Would this be a permanent advisory body or, after a national policy is reached, would its existance be terminated?

Response. This is to be a permanent unit. Its function would be a continuing one to review and coordinate Federal activities which involve collective bargaining and could affect the national interest. Assistance also would be provided in industries where such structural defects in collective bargaining have handicapped sound labor-management relations.

Question. In what specific ways would this newly proposed program help the nation's collective bargaining process?

Response. It is anticipated that the proposed program could assist parties to adapt to changed situations. This might occur, for example, if new Government regulations have had a significant impact on their collective bargaining relation-

ship. Another instance might be one where frequent past strike activity appears to have resulted from problems such as fragmented bargaining or unequal bargaining power or other similar situations.

Question. What are some of the structural impediments you referred to, within the collective bargaining process?

Response. An example of a structural impediment to collective bargaining can be found in the construction industry. The many crafts in that industry bargain separately with local management bodies which are themselves often fragmented. This situation leads to leapfrogging wage settlements and the potential for a series of strikes by individual unions.

Question. You have stated in your justifications that you expect an increase in the claims under the Urban Mass Transportation Act. Why is this, and what additional funding are you requesting for this in your budget?

Response. We expect that more claims will be filed because the number of certifications has more than doubled as increased funds have been appropriated under the Mass Transportation Act, thus more people are affected and the potential for claims increases. We will not now ask for any additional funds but, if the increase in claims is substantial, such a request may be necessary in the future.

Question. The coal industry seems to be a very troubled area in terms of labor-management disputes. What are the reasons for this and what have you done to try to normalize negotiations and adherence to contract settlements?

Response. It is quite true that the coal industry has had troubled labor-management relations. A part of the problem seems to arise from an unsatisfactory grievance procedure together with the practice which has existed in this industry for many years of the mine workers striking over grievances. Some improvements in the grievance procedure have recently been adopted and we hope that the new arrangements will improve the situation.

Question. What results has the Standards Enforcement had in assuring fair play in union internal operations, and how widespread is organized crime in labor unions?

Response. The LMRDA has provided the rank and file union member access to the knowledge of how his labor organization disburses funds and handles its assets, a method to contest the election of officers, and certain guaranteed rights. Of necessity, the labor organizations have taken pains to insure a greater degree of fair play in officer elections, raising dues and fees, disciplining members, etc., if for no other reason than to avoid litigation by the Department or the member.

The vast majority of labor organizations are free from the infiltration of organized crime. However, there is a sufficient degree of organized crime within certain segments of the labor movement to cause concern. In fiscal year 1976, Strike Force investigations in which LMSE participated resulted in 25 indictments against 43 individuals and 29 individuals were convicted.

Question. Although your Standards Enforcement is requesting an increase of only $500,000 it expects the number of claims to jump from 2,500 to 10,852. How do you plan to avoid a significant backlog of cases?

Response. As you will note, the delinquent reports investigations will increase by 2,800 units; that is due to the one time initial filing of the LM–1A. Since the LMRDA is primarily a reporting and disclosure statute we give this program priority second only to elections of officers. Most of these cases can be handled by phone or mail and require minimal personnel and time. But although our total units of production will increase, the basic investigations, deficient reports, and field audits will substantially decrease and we are not capable of avoiding a significant and increasing backlog in these critical areas.

Question. Do you expect an increase in either the number or difficulty of contract expirations in fiscal year 1978? If so, will the proposed budget enable you to handle them on a current basis so as not to lose time or efficiency?

Response. Fiscal year 1978 is the "light" bargaining year of the normal 3-year collective bargaining cycle in major industries. The number of employees affected by negotiations next year is substantially lower than in the past 2 years. Although some negotiations will undoubtedly cause difficulty, we do not anticipate many serious problems, provided there is no significant adverse change in the country's economy.

We expect the proposed budget to enable us to handle fiscal year 1978 contract expirations on a current basis.

Question. You have stated in your justifications that because the elections program is a mandated priority, and therefore it would cut heavily into the productivity of other programs. Which programs will be cut as a result, and how extensive will these cuts be?

Response. Deficient reports, field audits and basic investigations will be curtailed in order to meet our commitments in the elections program.

The chart below reflects the programs affected and the extent of the cuts.

EXTENSIVENESS OF CUTS

	1976 actual	1977 estimate	1978 estimate	Program cuts
Deficient reports	190	90	90	100
Audits	125	70	70	55
Basic investigations	569	252	252	317

JUSTIFICATION OF THE BUDGET ESTIMATES

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Labor-Management Services Administration, [$48,319,000] *$56,199,000*.

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or estimate.....	$48,319,000	$56,199,000
Proposed Supplemental for the Federal Labor-Management Relations and the Employee Benefits Security programs.....	1,435,000	---
Proposed Supplemental for pay increase.....	1,643,000	---
Total Amount Available for Obligation.....	51,397,000	56,199,000

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Summary of Changes

	Pos.	Amount
1977 Appropriation	1,457	$48,319,000
Proposed Supplemental for the Federal Labor-Management Relations and Employee Benefits Security programs	65	1,435,000
Proposed Supplemental for pay costs	---	1,643,000
1977 Revised Estimate	1,522	51,397,000
1978 Estimate	1,586	56,199,000
Total Change	+ 64	+ 4,802,000

	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items:				
Increases:				
To provide for increased costs of GSA space rental			---	+ 762,000
Net additional cost of within-grade promotions effective for part year in 1977			---	+ 152,000
Net additional cost of within-grade promotions becoming effective in 1978			---	+ 343,000
To provide for full-year costs of the pay increase effective October 1976			---	+ 18,000
To provide for increased costs of administrative and program support services			---	+ 360,000
To provide for increased costs associated with travel			---	+ 277,000
To provide for increased costs of printing			---	+ 37,000
To provide for increased costs of equipment rental			---	+ 12,000

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	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items (Cont'd):				
Increases:				
To provide for increased costs of telecommunications services....			---	+ $27,000
To provide for full-year costs of positions received in the 1977 supplemental appropriation.....			---	+1,151,000
Subtotal.....			---	+3,139,000
Decreases:				
To provide for non-recurring costs of new equipment.....			---	- 29,000
To provide for one less day of pay in FY 1978.....			---	- 119,000
Subtotal.....			---	- 148,000
Total.....			---	+2,991,000
Program Items:				
Increases:				
To provide additional resources to carry out functions of collective bargaining ($190,000 personal services; non-labor $48,000) (page 14).....	---	---	+5	+ 238,000
To provide additional resources for field enforcement of the provisions of the Employee Retirement Income Security Act of 1974 ($1,091,000 personal services; non-labor $482,000) (page 28).....	589	$22,098,000	+59	+1,573,000
Total, Program Items.....			+64	+1,811,000
Total Change.....			+64	+4,802,000

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Explanation of Changes

Mandatory Items·

Increases:

Increase in GSA rent payment (SLUC), $762,000. This is included in the activities as follows: Labor-Management Relations Policy and Services, $27,000; Labor-Management Standards Enforcement, $238,000; Veterans' Reemployment Rights, $40,000; Federal Labor-Management Relations, $71,000; Employee Benefits Security, $319,000; Executive Direction, Management, and Support, $67,000.

Net additional cost of within-grade promotions for 1977 and 1978, $495,000. This is included in the activities as follows: Labor-Management Relations Policy and Services, $24,000; Labor-Management Standards Enforcement, $105,000; Veterans' Reemployment Rights, $18,000; Federal Labor-Management Relations, $32,000; Employee Benefits Security, $297,000; Executive Direction, Management, and Support, $19,000.

Net additional cost to provide full-year funding of the October 1976 pay raise, $18,000. This is included in the activities as follows: Labor-Management Relations Policy and Services, $1,000; Labor-Management Standards Enforcement, $6,000; Veterans' Reemployment Rights, $1,000; Federal Labor-Management Relations, $2,000; Employee Benefits Security, $6,000; Executive Direction, Management, and Support, $2,000.

Reimbursement to the Department's Working Capital Fund for this agency's share in increased administrative costs and expenses including FTS and postage, $360,000. This is included in the activities as follows: Labor-Management Relations Policy and Services, $12,000; Labor-Management Standards Enforcement, $102,000; Veterans' Reemployment Rights, $18,000; Federal Labor-Management Relations, $30,000; Employee Benefits Security, $170,000; Executive Direction, Management, and Support, $28,000.

Increase in travel, $277,000. The requested increase is to finance higher costs of travel. This is included in the activities as follows: Labor-Management Relations Policy and Services, $11,000; Labor-Management Standards Enforcement, $76,000; Veterans' Reemployment Rights, $16,000; Federal Labor-Management Relations, $34,000; Employee Benefits Security, $136,000; Executive Direction, Management, and Support, $4,000.

Government Printing Office and contractual printing, $37,000. The requested increase is to finance higher costs of printing. This is included in the activities as follows· Labor-Management Relations Policy and Services, $3,000; Veterans' Reemployment Rights, $4,000; Federal Labor-Management Relations, $4,000; Employee Benefits Security, $24,000, Executive Direction, Management, and Support, $2,000.

Increase in the cost of rental of equipment, $12,000. This is included in the activities as follows: Labor-Management Standards Enforcement, $4,000; Employee Benefits Security, $6,000; Executive Direction, Management, and Support, $2,000.

Increase in telecommunications services costs, $27,000. This is included in the activities as follows: Labor-Management Standards Enforcement. $9,000; Employee Benefits Security, $15,000; Executive Direction, Management, and Support, $3,000.

Net additional cost to provide full-year funding of the Fiscal Year 1977 supplemental for the Federal Labor-Management Relations program, $435,000, and the Employee Benefits Security Program, $716,000. This provides additional funds for full-year financing of the 65 positions in the supplemental appropriation.

Decreases:

Non-recurring equipment costs associated with the FY 1977 supplemental positions for the Federal Labor-Management Relations and Employee Benefits Security Programs, $29,000.

One less day of pay than in FY 1977, $119,000. This is included in the activities as follows: Labor-Management Relations Policy and Services, $5,000; Labor-Management Standards Enforcement, $44,000; Veterans' Reemployment Rights, $7,000; Federal Labor-Management Relations, $13,000; Employee Benefits Security, $41,000; Executive Direction, Management, and Support, $9,000.

Program Items:

Increases:

Labor-Management Relations Policy and Services: An increase of 5 positions and $238,000 is requested to provide the resources necessary to carry out the new initiative for collective bargaining.

Employee Benefits Security: An increase of 59 positions and $1,573,000 is requested to enable this program to more effectively enforce the provisions of the Employee Retirement Income Security Act of 1974.

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Labor-management relations policy and services	57	$3,207,000	62	$ 3,518,000	+5	+$ 311,000
2. Labor-management standards enforcement	479	14,530,000	479	15,026,000	--	+ 496,000
3. Veterans' reemployment rights	83	2,682,000	83	2,772,000	--	+ 90,000
4. Federal labor-management relations	180	5,321,000	180	5,897,000	--	+ 576,000
5. Employee benefits security	589	22,098,000	648	25,309,000	+59	+3,211,000
6. Executive direction, management and support	134	3,559,000	134	3,677,000	--	+ 118,000
Total obligations by activity	1,522	51,397,000	1,586	56,199,000	+64	+4,802,000

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
Total number of permanent positions.....	1,522	1,586	+64
Positions other than permanent.....	29	29	---
Average number of all employees.....	1,452	1,542	+90
Personnel Compensation:			
Permanent Positions.....	$29,276,000	$31,591,000	+$2,315,000
Positions other than permanent.....	330,000	330,000	---
Other personnel compensation.....	344,000	344,000	---
11 Total personnel compensation.....	29,950,000	32,265,000	+ 2,315,000
12 Personnel benefits	2,907,000	3,147,000	+ 240,000
21 Travel and transportation of persons..	1,933,000	2,549,000	+ 616,000
22 Transportation of things	138,000	151,000	+ 13,000
23 Rent, communications, and utilities...	514,000	648,000	+ 134,000
Standard Level User Charges.....	2,669,000	3,488,000	+ 819,000
24 Printing and reproduction.....	907,000	954,000	+ 47,000
25 Other services.....	11,405,000	11,973,000	+ 568,000
Services of other agencies	436,000	436,000	---
26 Supplies and materials.....	286,000	297,000	+ 11,000
31 Equipment.....	252,000	291,000	+ 39,000
Total, obligations by object.....	51,397,000	56,199,000	+ 4,802,000
Working Capital Fund items included above.	(3,656,000)	(4,269,000)	(+613,000)

Action on Congressional
Recommendations

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Authorizing Legislation

	1977		1978	
	Authorized	Estimate	Authorized	Estimate
Legislation				
Urban Mass Transportation Act of 1964, as amended.....	1/	$182,000	1/	$182,000
Rail Passenger Service Act of 1970, as amended.....	1/	15,000	1/	15,000
Federal Highway Aid Act of 1974.....	1/	12,000	1/	12,000
Organization Act of 1913.....	1/	1,625,000	1/	1,790,000
Labor-Management Reporting and Disclosure Act of 1959, as amended.....	1/	17,471,000	1/	17,990,000
Vietnam Era Veterans' Readjustment Assistance Act of 1974.....	1/	3,141,000	1/	3,235,000
Executive Order 11491, as amended (Labor-Management Relations in the Federal Service).....	1/	6,113,000	1/	6,741,000
Employee Retirement Income Security Act of 1974.....	1/	22,838,000	1/	26,234,000
Demonstration Cities and Metropolitan Development Act of 1966.	1/	-0-	1/	-0-
High-Speed Ground Transportation Act of 1965, as amended.....	1/	-0-	1/	-0-
Railroad Revitalization and Regulatory Reform Act.....	1/	-0-	1/	-0-
Juvenile Justice and Delinquency Prevention Act of 1974.....	1/	-0-	1/	-0-
Developmentally Disabled Assistance and Bill of Rights Act.....	1/	-0-	1/	-0-
Special Health Revenue Sharing Act of 1975.....	1/	-0-	1/	-0-

1/ Indefinite

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Appropriation History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$9,011,000	$9,011,000	$9,011,000	$9,011,000
1970	13,229,000	10,388,000	13,229,000	13,138,000
1971	18,739,000	17,820,000	17,770,000	17,635,000
1972	22,568,000	22,568,000	22,568,000	22,568,000
1973	25,917,000	25,495,000	25,495,000	25,495,000
1974	24,475,000	24,398,000	24,398,000	24,398,000
1975	40,412,000	28,840,000	34,845,000	36,845,000
1976	47,661,000	45,885,000	45,885,000	45,885,000
Transition Quarter	12,316,000	11,464,000	11,464,000	11,464,000
1977	48,619,000	48,319,000	48,319,000	48,319,000
Pay cost supplemental pending	1,643,000			
Supplemental pending	1,435,000			
1978	56,199,000			

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Activity 1. Labor-Management Relations Policy and Services
(1977, $3,207,000, Pos. 57;
1978, $3,518,000, Pos. 62)

Narrative Description of Program

Provides staff assistance in the broad area of labor-management relations to the Secretary, Under Secretary, Assistant Secretary for Labor-Management Relations, Federal and non-Federal government agencies, and panels, boards and commissions established by the President or the Secretary. It includes: (1) providing advice and assistance on particular disputes and problem situations of national importance; (2) aiding State and local governments and employees in developing sound labor-management procedures; (3) formulating policy recommendations, developing legislative initiatives, and conducting or contracting for research in the labor-management relations area, as well as in connection with the laws and Executive Order for which the Assistant Secretary has administrative responsibility, and (4) insuring adequate protection for all affected employees as provided under the Urban Mass Transportation Act of 1964, as amended, the High Speed Ground Transportation Act of 1965, as amended, the Rail Passenger Service Act of 1970, as amended, the Federal Highway Aid Act of 1974, the Demonstration Cities and Metropolitan Development Act of 1966, as amended, and the Railroad Revitalization and Regulatory Reform Act, and also providing consultation on employee protections to Department of Justice and Health, Education and Welfare in accordance with the Juvenile Justice and Delinquency Prevention Act of 1974, the Developmentally Disabled Assistance and Bill of Rights Act, and the Special Health Revenue Sharing Act of 1975.

In 1976, cases referred for certification by the Department of Transportation (DOT), under the Urban Mass Transportation Act, increased from 388 in 1975 to 504; reflecting increased Congressional funding to DOT under transportation statutes. The "early warning system" was employed to alert and advise key officials on major labor disputes for the trucking, rubber, electrical products, meatpacking, automobile and farm machinery industries. Reviews and analyses were conducted on the Soviet grain handling problem, the railroad shopcraft dispute, and other such controversies. Assistance to State and local governments included technical assistance and training of new appointees to State Public Employment Boards and 36 seminars for labor and management representatives in negotiation skills and grievance administration. The program reached participants from 37 states.

Program attention and policy recommendations were directed at a broad range of labor relations subjects, including proposals to amend various provisions of the National Labor Relations Act (NLRA), issues in Federal labor-management relations, and a review of experience under the California Agricultural Labor Relations Act. Throughout the year, legislative developments in labor-management relations were followed closely, and weekly reports were prepared for the Assistant Secretary on legislative and related activities. Completed research included an additional publication in the continuing series on labor-management relations in state and local government and studies of public management's internal organizational response to collective bargaining. Research designed to assist the Assistant Secretary included studies of seconding requirements for local union office, national union constitution provisions restricting membership to citizens or permanent resident aliens, methods of electing national officers, and period of membership requirements for nomination to local union office.

In the Transition Quarter, completed research included two agreement provision studies involving State and county employees and police and firefighters, the development of a computerized information retrieval system on public employee labor-management relations which is being implemented by a consortium of labor libraries, as well as studies of the public interest in public sector collective bargaining and productivity. Research included listing pending elections of

national union officers and election methods of officers of intermediate bodies. Continued assistance was provided to State and local governments and seminars were held for labor and management representatives.

In 1977, applications received under the Urban Mass Transportation Act nearly doubled during the past six months. The staff supplemented by the new positions received in 1977 will endeavor to increase Department of Labor output. The Secretary serves as an arbiter of disputes relating to the terms of certification for non-union workers. The staff must develop all information necessary for such determination. The number of such cases increased from 5 in 1974 to 17 in 1975 and to 29 in 1976. This trend is expected to continue in 1977. The "early warning system" will be focused on negotiations in petroleum refining, glass container manufacturing, the steel, aluminum and non-ferrous metals producing industries, and on communications, East and Gulf Coast longshoring, metal container and aerospace manufacturing. Assistance in the non-Federal public sector will continue to stress programs that will make the parties more self-sufficient. Seminars for State and local government labor relations will be designed to train participants to become trainers themselves. At the request of a number of State Public Employee Relations Boards a new seminar will be conducted for alumni of past training seminars for new Board members who wish to return after two or three years of experience to explore the problems they have faced.

Priority policy consideration is being given to the issues involved in proposals to replace Executive Order 11491 with a statutory framework for the regulation of Federal labor-management relations, and the need to extend the protection of Federal labor relations law to farmworkers. Other issues under study include amendments to the NLRA in such areas as picketing by construction unions, union security, and National Labor Relations Board procedures and remedies; statutory protections afforded workers both from retaliatory employer actions and from the adverse consequences of specified governmental and private actions; and the necessity and feasibility (in light of the National League of Cities decision) of Federal regulation of non-federal public sector labor relations.

Research studies are expected to be completed on the changing structure of collective bargaining, the impact of union mergers on collective bargaining, attempts to alter the bargaining structure in construction and comparisons of Federal and State experience on unit determination and unfair labor practices. Public sector research will be started on a Federal-State comparison on negotiability, and on work stoppages among police and firefighters. Private sector research will begin on union structure and administration, especially union operational responses to declining economic activity, Steel's Experimental Negotiating Agreement, and the demographic characteristics of union membership.

In 1978, based on Department of Transportation estimates, the number of applications under the Urban Mass Transportation Act will increase. The caseload of determinations is also likely to increase as more applications are certified. The "model agreement" which has speeded processing of many applications for operating assistance will expire in September 1977 and may not be renewed.

Assistance in major labor disputes will include special reports for key contract expirations in bituminous coal mining, the railroad industry, the shipbuilding, maritime and West Coast longshore industries and in the U. S. Postal Service. The proposed new initiative for 1978 would begin examining collective bargaining problems which affect the national interest to seek long-range solutions to improve troubled labor relations. Assistance in the non-Federal public sector will continue to seek to meet the growing need. Working through the Commissioners of Labor of the various States and through the Council of State Governments a broader program focused on particular State needs is expected to increase the effectiveness of the program.

The re-examination and evaluation of labor relations proposals introduced in the 95th Congress will continue. Staff support will be provided in the development of legislative initiatives by the Department and the Administration. Primary attention will be on the development of responsive and feasible policy in public

sector labor relations and the resolution of problems in private sector labor relations, including such subjects as agricultural labor and issues arising under the NLRA.

Research will be completed on collective bargaining in major U.S. industries, the impact on collective bargaining of the 1974 health care amendments to the NLRA, the structure and administration of large local unions and the effect of the decline in construction on building and construction trades unions. Research will continue on studies to help the Assistant Secretary in the administration of labor laws, to develop information required by new policy initiatives and to minimize disputes. Research on collective bargaining will be intensified and will include a study of membership participation in the collective bargaining process.

Changes for 1978

Mandatory changes amount to.....+$ 73,000

Program changes amount to.....+$238,000
Positions.....+5

Total mandatory changes amount to $73,000. Mandatory increases of $78,000 are comprised of: $27,000 for increased standard level user charges paid to the General Services Administration; $24,000 for within-grade promotions effective for part of 1977 and those becoming effective in 1978; $1,000 for net additional cost of the pay increase under Executive Order 11491 effective October 1976; $12,000 for increased costs of administrative and program support services; $11,000 for increased costs associated with travel; and $3,000 for increased costs of GPO and commercial printing. There is a mandatory decrease of $5,000 for one less day of pay in 1978.

Program changes amount to an increase of $238,000 and five positions for the new collective bargaining initiative.

Collective Bargaining

Proposal: To provide a new initiative in improving the structure of collective bargaining.

The Need: This initiative is an effort to actively support the national policy of free collective bargaining.

There are perhaps few other activities that affect the lives of Americans more intensely than their employment. With over 20 million American workers participating in collective bargaining, the impact of defects in structure and process are profound. Current efforts directed towards collective bargaining in the private sector by the Department and other Federal agencies have been narrowly defined and addressed to critical labor disputes. There is at present no central point for developing national policy on the collective bargaining process, for focusing on pervasive structural defects, for addressing long-term issues or, for integrating the various Federal and private efforts directed towards this process. Evident and continuing structural defects adversely affect collective bargaining as a means of pursuing effective labor-management relations and, consequently, lead to turmoil in the labor environment.

The Program: This initiative is designed to be long-term in nature. The initial effort will be directed at developing contact points, opening lines of communication, establishing credibility, and specifying the problems to be addressed. The staff will be expected to work directly with representatives from labor, management, other private organizations and Federal agencies. Once the groundwork is established, recommendations and options will be developed which address the most significant structural impediments to the collective bargaining process. The unit is intended to serve as a catalyst for encouraging, implementing and institutionalizing the recommended improvements.

Examples of situations where there is a need for assistance include:

- Collective bargaining situations where the public interest is manifest because of past or potential strike activity or inflationary settlements caused by fragmented bargaining, unequal bargaining power, or destructive union competition;

- Highly regulated industries where Government policy has affected the bargaining relationship to the point where it is a "de facto" third party at the bargaining table; and

- Situations where union or management organizations have a felt need for merger or other structural change to redress problems affecting collective bargaining.

It is important to address such issues on a continuing basis and within the broad context of the collective bargaining environment. The Department of Labor, with its ability as a Cabinet Department to coordinate the efforts of other agencies dealing with labor matters, can provide leadership in developing a long-term national approach to improving the collective bargaining process.

Base:

Positions: 0 Estimated Cost: $0

Additional Cost:

Positions: 5 Staff-years: 3.8 Estimated Cost: $238,000

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Activity 2. Labor-Management Standards Enforcement (1977, $14,530,000, Pos. 479; 1978, $15,026,000, Pos. 479)

Narrative Description of Program

Includes the Department's function in the administration of the Labor-Management Reporting and Disclosure Act, Section 18 of Executive Order 11491 (Standards of Conduct for Labor Organizations in the Public Sector) and the Department's activity in the President's program against organized crime.

In 1976, investigations of union officer elections and basic investigations exceeded projected estimates. The high rate of election investigations resulted from a statutory requirement which mandates completion of all election investigations within a sixty-day time frame. This requirement necessitated the diversion of resources from all other programs in this activity and caused delinquency investigations, deficiency investigations, and field audits of union organizational and financial operations to fall substantially short of projections.

Efforts in the election program included many complex investigations involving numerous large local labor organizations. The heaviest concentration of union officer election investigations involved the Auto Workers (20); the Teamsters (20); the Carpenters (15); the American Postal Workers, the Laborers and the International Brotherhood of Electrical Workers (nine each). There were also 35 supervised union officer elections concluded during the same period. Nine election cases were opened under Executive Order 11491, one of which involved an election of national union officers and another involved the Overseas Education Association.

Participation in the President's program against organized crime continued with staff assignments to investigations conducted in conjunction with the Federal Strike Forces operated by the Justice Department in major U.S. cities. These investigations resulted in 25 indictments against 43 individuals in labor racketeering cases. There were 29 individuals convicted and 21 individuals sentenced. During the latter part of the fiscal year, the Assistant Attorney Gerneral of the Justice Department, Criminal Division, ordered the closing of the Pittsburgh, New Orleans and St. Louis Strike Forces and placed control of investigations under the local U.S. Attorneys in these areas. Discussions with the Criminal Division are pending over the Labor Department's future role in organized crime investigations which they envision as an expanding one.

Revised union disclosure forms were developed and made available in January 1976 to facilitate the reporting of changes in organizational information and to improve financial reporting. The forms, coupled with an improved data automation system, have improved the efficiency in the reporting system. Due to the one-time requirement of filing a report for updating organizational and administrative data by labor organizations, and a greater than anticipated awareness of the requirement by the unions, almost 100,000 reports were received instead of the expected 80,500. The average report receipt figure itself has increased because of the quick and accurate identification of delinquency, the prompt notice to the field coupled with timely field action, and the requirement to amend reports when changes in organization information occur.

In the Transition Quarter, reports received and investigations conducted paralleled the last quarter of FY 1976. The productivity figures are: Investigations completed under the Labor-Management Reporting and Disclosure Act -- 2,026; investigations completed under Section 18, Executive Order 11491 -- 157.

In 1977, fifty positions will be transferred to the Pension and Welfare Benefits Program. This will necessitate a continuous appraisal of workloads and staff capabilities to achieve program effectiveness within the priorities established.

The total number of investigations conducted is expected to increase by nearly 2,500 cases to a total of 10,852. The increase will occur in the area of delinquent reports. Fewer deficient reports investigations, basic investigations, and field audits are expected to be conducted.

An ongoing program of election technical assistance is being provided to three international labor organizations, i.e., International Union of Electrical, Radio and Machine Workers; United Mine Workers of America; and the United Steelworkers of America. It is anticipated that several other major labor organizations will request this kind of assistance in their upcoming elections. This should help alleviate some of the bases for future election procedure violations, reduce the number of complaints, and stablize the election investigation workload.

As a result of elections by 4,400 local unions of the United Steelworkers in April, 1976, 38 investigations have been opened during the first quarter of 1977. In contrast, because of the unprecedented technical assistance provided, it may be anticipated that complaints resulting from their election on February 8, 1977, will be reduced. However, the upcoming election will present additional problems because of the election of district directors as well as international officers which will compound the potential for violations. It is anticipated that the Department will not be able to meet the election program requests from the Mineworkers or Steelworkers Unions without substantial assistance from other LMSA program offices and the Department. Notwithstanding the major union elections cited, the workload in this program is expected to increase, and because the election program is a mandated priority, it will cut heavily into the productivity of other programs.

Efforts for the President's program against organized crime will continue in the major cities in which the Justice Department operates strike forces. It should be noted that since the program began in 1969, 317 individuals, three corporations, and one union have been indicted from which there have 153 convictions. An investigation of the International Hotel & Restaurant Workers of America has been underway since September 1976, and has received widespread press coverage. This investigation has consumed considerable manpower and funds and several more months of investigation are expected before this matter is resolved.

In 1978, a large number of election investigations and subsequently a large number of supervised election reruns are expected. As previously mentioned, these will receive top priority because of statutory and court-directed time factors. The delinquent reports program will be emphasized because obtaining the reports is the core of the Disclosure Program. The deficiency investigations and field audit programs will be reduced, however a number of these investigations will continue in critical areas. Basic investigations will continue to be carefully reviewed so that the more significant ones will receive priority for investigation.

Changes for 1978

Mandatory changes amount to ..... +$496,000

Program changes amount to ..... NONE

Total mandatory changes are $496,000. Mandatory increases of $540,000 include: $6,000 for net additional cost of pay increase under Executive Order 11941 effective October 1976; $105,000 for within-grade promotions effective for part-year of 1977 and those becoming effective in 1978; $76,000 for increased travel costs; $4,000 for increased costs of equipment rental; $9,000 for increased costs of telecommunications services; $102,000 for increased costs of administrative and program support services; and $238,000 for increased standard level user charges paid to the General Services Administration. A mandatory decrease of $44,000 is for costs of one less day of pay in 1978.

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WORKLOAD ACCOMPLISHMENTS

	1976 Actual	1977 Estimate	1978 Estimate
Reports Received (Total).....	104,000[1/]	82,700[1/]	82,700[1/]
Labor-Management Reporting and Disclosure Act.....	99,004	79,200	79,200
Executive Order 11491.....	4,996	3,500	3,500
Reports Validated (Total).....	104,946	84,000	84,000
Labor-Management Reporting and Disclosure Act.....	99,950	80,500	80,500
Executive Order 11491.....	4,996	3,500	3,500
Desk Audits (Total).....	1,731	2,800	2,800
Labor-Management Reporting and Disclosure Act.....	1,625	2,700	2,700
Executive Order 11491.....	106	100	100
Detailed Analyses (Total).....	2,405	2,085	2,085
Labor-Management Reporting and Disclosure Act.....	2,370	2,010	2,010
Executive Order 11491.....	35	75	75
Delinquency Notices Mailed.....	13,935	24,000[2/]	14,000
Disclosure Activities:			
Reporting Entities Disclosed....	11,269	11,000	11,000
Pages Reproduced.....	139,726	150,000	150,000
Number of Visitors.....	518	650	650
Inquiries Handled.....	2,078	2,200	2,200

1/ Includes receipt of LM-1A reports.
2/ Includes LM-1A delinquency processing.

WORKLOAD ACCOMPLISHMENTS

	1976 Actual	1977 Estimates	1978 Estimates
Field Investigations			
Labor-Management Reporting and Disclosure Act:			
Union Officer Elections	219	220	220
Union Officer Election Reruns	35	45	45
Delinquent Reports	6,519	9,300	9,248
Deficient Reports	190	90	90
Audits	125	70	70
Special Investigations	5	2	2
Basic Investigations	569	252	252
Section 18, Executive Order 11491			
Union Officer Elections	10	15	15
Union Officer Election Reruns	2	3	3
Delinquent Reports	561	700	700
Deficient Reports	2	5	5
Audits	3	5	5
Basic Investigations	44	15	15
Organized Crime Program			
Investigations	118	130	130
TOTAL	8,402	10,852	10,800

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WORKLOAD ACCOMPLISHMENTS

	1976 Actual	1977 Estimate	1978 Estimate
Interpretations & Regulations			
Administrative Rulings	138	250	250
Regulations & Interpretative bulletins	4	4	4
Administrative Policy Studies	0	2	2
Forms	7	1	2
Interpretative Manual additions	0	25	25
FLMR Bill of Rights cases reviewed	1	3	3
FOIA and Privacy Act cases reviewed	44	55	55

Activity 3. Veterans' Reemployment Rights (1977, $2,682,000, Pos. 83; 1978, $2,772,000, Pos. 83)

Narrative Description of Program

This program, pursuant to Chapter 43 of Title 38, U. S. Code, provides assistance to veterans, reservists, members of the National Guard, and their employers in connection with reemployment rights and obligations; affords protection to employed reservists and National Guardsmen against discharge from discrimination in their employment because of membership in reserve components or duty obligations; and promotes employer compliance with the statute.

In 1976, the case intake decreased by 18 percent compared to FY 1975. The decline appeared to be due to the decreasing number of separating servicemen and a slight apparent decline in the proportion of those who had left jobs to enter military service. There was a continued increase, however, in the number of complaint cases involving State and local governments as employers and National Guard members and reservists.

In the Transition Quarter, cases received and cases processed showed a continuation of the trend of decreased case intake.

In 1977, the case intake can be expected to be slightly below the 1976 level based on Department of Defense projections of the number of veterans to be discharged annually. Also, due to a continuing high rate of unemployment, returning servicemen are expected to opt for their preservice jobs at about present levels with the same proportion of veterans expected to encounter employer resistance when exercising their reemployment rights. More resources will be devoted to technical assistance, particularly in the State and local government area. This will offset the current decline in intake levels. Efforts will also be made to improve the quality of case handling and reduce the number of pending cases.

In 1978, a slight decline in the number of cases received is projected as a result of continuing small declines in the number of separating servicemen and the percentage of those who leave jobs to perform military training or services, and as a result of expected improvements in the economy. Through increased attention to allocation of resources, the Veterans' Reemployment Rights program will decrease the backlog of cases, improve case handling, and promote technical assistance activities in the State and local government areas, at the military separation centers, with Guard and Reserve organizations, and elsewhere.

Changes for 1978

Mandatory changes amount to.....+$ 90,000

Program changes amount to..... NONE

Total mandatory changes are $90,000. Mandatory increases of $97,000 are comprised of: $1,000 for net additional cost of pay increase under Executive Order 11941 effective October 1976; $18,000 for within-grade promotions effective for part-year of 1977 and those becoming effective in 1978; $34,000 for increased costs of administrative and program support services; $4,000 for increased costs of Government Printing Office and commercial printing; $40,000 for increased standard level user charges paid to General Services Administration. A mandatory decrease of $7,000 is for costs of one less day of pay in 1978.

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WORKLOAD ACCOMPLISHMENTS

	1976 Actual	Transition Quarter Actual	1977 Estimate	1978 Estimate
Veterans Assisted	274,458	76,868	266,560	279,620
Complaint Cases				
Carry-over at beginning of year	694	623	761	627
Received	2,886	512	2,700	2,600
Closed	2,957	374	2,834	2,800
Pending at end of period	623	761	627	427
Referred for litigation	256	Unavailable	250	250

Activity 4. Federal Labor-Management Relations (1977, $5,321,000 Pos. 180; 1978, $5,897,000 Pos. 180)

Narrative Description of Program

This program provides for the planning, coordination and performance of functions assigned to the Assistant Secretary for Labor-Management Relations by Executive Order 11491, as amended. The program includes the formulation of policies relevant to the Federal labor-management relations program operation. Recommended regulations, interpretations, and administrative rulings and decisions are developed for guidance to agencies, employees and labor organizations. Technical assistance is provided to aid agencies, employees, and labor organizations in complying with requirements of the Executive Order. The field staff handles representation, unfair labor practice and grievability-arbitrability cases; supervises the conduct of representation elections; and holds hearings as warranted. The national office staff drafts decisions and rulings for the Assistant Secretary and maintains liaison with the Federal Labor Relations Council and other related organizations.

In 1976, the field processed 1,499 representation, unfair labor practice and grievability-arbitrability cases. A total of 337 rulings and decisions were issued by the Assistant Secretary during the year after review of the Regional Administrators' rulings or hearing records. Additionally, the national office prepared and distributed a fifth bound volume of Decisions and Reports on Rulings of the Assistant Secretary for Labor-Management Relations, a first volume of Rulings on Requests for Review of the Assistant Secretary, and a consolidated digest and index of all Assistant Secretary Decisions and Reports on Rulings through October 31, 1976.

In the Transition Quarter, the field processed 260 representation, unfair labor practice, and grievability-arbitrability cases and a total of 108 rulings and decisions were issued by the Assistant Secretary.

In 1977, the workload in this activity will continue to increase due in part, to Executive Order 11838 which amended Executive Order 11491. This amendment, delegates additional authority and responsibility to the Assistant Secretary for Labor-Management Relations. The new authority to consolidate exclusively recognized units, combined with the numerous Federal reorganizations that occur annually, will continue to cause an intake of representation case filings at the same high levels as experienced in 1975 and 1976. Unfair labor practice complaints will also continue on their upward spiral. This is due in part to the new authority of the Assistant Secretary to investigate independently unfair labor practices which affords those who had previously been reluctant to file a complaint the opportunity to have it investigated by an independent third-party. The increased concentration on the negotiation of collective bargaining agreements and the servicing of those agreements by exclusive bargaining representatives have resulted in the filing of 420 unfair labor practice cases in 1974 (an increase of over 46 percent), 533 in 1975 (an increase of 32 percent), 735 in 1976 (an increase of 33 percent), and 920 or a 25 percent increase over 1976 is conservatively projected in 1977 with independent ivestigations being fully effectuated.

The trend in Federal labor-management relations towards an increasing number of agreements which contain grievance-arbitration clauses and the current guidance and precedent established through Assistant Secretary and Federal Labor Relations Council decisions in this area, have resulted in increased grievability-arbitrability application filings. In 1975 there were 118 filings as compared to 64 in the previous year (an increase of 84 percent), and 146 such filings in 1976 (an increase of 24 percent) in 1977, 168 filings are conservatively projected, or an increase of 15 percent, are conservatively projected.

The field is expected to complete approximately 1,610 representation, unfair labor practice and grievability-arbitrability cases in 1977. The Assistant Secretary will issue 364 rulings and decisions. Notwithstanding the increased overall productivity at both the field and national office levels, the increased case filings in 1977, coupled with expanded Assistant Secretary authorities and responsibilities, are projected to increase further the severe program backlogs of 1976.

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Without staff augmentation, these backlogs are expected to reach a critical stage in 1978. To offset workload increases and hold backlogs to a manageable level, the Secretary of Labor in a supplemental budget request for 1977 has requested an additional 40 positions. With early placement and training, incumbents in these positions should be fully effective by 1978. Under our ongoing technical assistance program, the national office will issue and publish a sixth bound volume of Decisions and Reports on Rulings of the Assistant Secretary for Labor-Management Relations, the second bound volume of Rulings on Requests for Review, and an updated supplemental index and digest of Assistant Secretary's Decisions and Reports on Rulings.

In 1978, the continuing increase in the number of negotiated agreements in the Federal sector is projected to result in an increase in the servicing of those agreements by exclusive bargaining representatives. As in 1977, this is projected to impact on the Federal labor-management relations program in 1978 by a 15 percent increase in grievability-arbitrability case filings (193) and at least a 25 percent increase in unfair labor practice complaints (1,150). Based on continuous reorganizations in the Federal sector and petitions to consolidate already existing bargaining units, it is expected that representation case filings will remain at their present 1976 and 1977 levels. In correlation, this is projected to increase the number of cases processed or to be processed by the national office. Working from the premise that the 1977 staff augmentation is in place and fully effective by the beginning of FY 1978, the field is expected to complete approximately 2,160 representation, unfair labor practice and grievability-arbitrability cases. The national office will prepare 493 rulings and decisions. The effect of this substantial increase in closings will result in a reduction in the backlog of cases in the field from 18 cases per working professional in 1977 to 12 and in the national office from 9 per working professional in 1977 to 8. Additionally, the national office will issue and publish a seventh volume of Decisions and Reports on Rulings of the Assistant Secretary for Labor-Management Relations, third volume of Rulings on Requests for Review, and an updated supplemental index and digest of Assistant Secretary's Decisions and Reports on Rulings.

Changes for 1978

Mandatory changes amount to ..... +$576,000

Program changes amount to..... NONE

Total mandatory changes are $576,000. Mandatory increases of $608,000 are comprised of: $2,000 for net additional costs of the pay increase under Executive Order 11941, effective October 1976; $32,000 for within-grade promotions effective for part-year of 1977 and those becoming effective in 1978; $435,000 for annualization of the FY 1977 proposed supplementals; $34,000 for increased travel costs; $4,000 for increased costs of Government Printing Office and commercial printing; $30,000 for increased costs of administrative and program support services; and $71,000 for increased standard level user charges paid to General Services Administration. A mandatory decrease of $32,000 is for one non-recurring extra day of pay in 1978 and non-recurring equipment costs.

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WORKLOAD ACCOMPLISHMENTS

	1976 Actual	TQ Actual	1977 Estimate	1978 Estimate
Field Functions:				
Cases Processed:	1499	260	1610	2160
Representation petitions.....	(734)	(106)	(680)	(690)
Unfair Labor Practice complaints.....	(641)	(134)	(763)	(1224)
Grievability-arbitrability applications.	(124)	(20)	(167)	(246)
Representation hearings.....	77	24	72	72
Unfair Labor Practice hearings	113	29	155	198
Grievability-arbitrability hearings.....	10	0	13	14
National Office Functions:				
Cases for Decisions by Assistant Secretary (after hearings).....	143	49	157	195
Requests for review by Assistant Secretary.	194	59	207	298
Total national office workload accomplishments.....	337	108	364	493

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Activity 5. Employee Benefits Security (1977, $22,098,000, Pos. 589; 1979, $25,309,000, Pos. 648)

Narrative Description of Program

The Employee Benefits Security program covers the Department of Labor's functions in the administration of the Employee Retirement Income Security Act of of 1974. The Department develops, promulgates, and enforces fiduciary standards, reporting and disclosure requirements, and other provisions of the Act for which the Secretary of Labor is responsible; provides for the protection of rights of pension and welfare benefit plan participants; and grants variances from Employee Retirement Income Security Act (ERISA) provisions and regulations, when such variances are in the interests of the plan and its participants.

In 1976, implementation of the statute continued based on the foundation developed in 1975, and each program component undertook major activities. In reporting and disclosure, the EBS-1 (Plan Description) form and instructions were redesigned, simplified, and distributed to plan administrators. In cooperation with the Internal Revenue Service, the Annual Return/Report (5500 series) forms and instructions were developed and issued. Regulatory standards and exceptions activity included the issuance of a number of key regulations, class exemptions, including the securities industry class exemption, and the first individual exemptions pursuant to Section 408 (a) of ERISA.

The public information and technical assistance effort was marked by the publication and distribution of several pamphlets, the dissemination of audio-visual presentations, participation in technical assistance sessions throughout the country, and response to public inquiries. The framework of the enforcement program was further refined, specialized training was provided to enforcement personnel, and over 1,600 cases were opened. A Special Investigations Staff was created to provide capability for conducting especially complex, multi-regional investigations.

In the Transition Quarter, a high level of activity marked all program areas. Of special interest were the issuance of the annual reporting regulations, the publication, in cooperation with the Internal Revenue Service and Pension Benefit Guaranty Corporation, of a new booklet on employer identification numbers, and the development of new directions in the enforcement effort.

In 1977, progress is planned in each program component.

As a result of the issuance in 1976 of the final EBS-1 (Plan Description) and 5500 series (Annual Return/Report) forms and instructions, reporting and disclosure activity will reach a new high. Over 400,000 additional EBS-1 forms are anticipated, and processing of the filings received during 1976, the Transition Quarter, and 1977 will result in almost 900,000 EBS-1 forms being available for disclosure. Approximately 800,000 5500 filings are expected, with 500,000 of them available for disclosure by the end of 1977.

An active effort is planned in regulatory standards and exceptions. Final minimum standards regulations, defining hours of service, years of service, and breaks in service, will be issued, as will regulations covering summary plan descriptions. Significant individual and class exemptions will be proposed, including a class exemption covering certain transactions common to insurance agents and brokers.

In the public services area, the continuing interest in the Act on the part of practitioners, participants and beneficiaries will demand a high level of activity. Almost two million informational pamphlets will be made available for distribution, and as many as twenty audio-visual presentations will be produced. Current estimates call for the processing of over 300,000 mail, telephone, and walk-in inquiries by headquarters and field staff.

The newly restructured enforcement effort will be responsible for opening over 2,800 cases and closing over 3,100. Approximately half of these cases are expected to emerge from complaints, while the remainder will be opened as a result of information developed through analysis of plan filings or other Departmental action. The Special Investigations Staff should be able to accelerate the pace of its current major investigation and to initiate exploratory efforts related to one or more future special investigations.

In 1978, further progress will be made in each program component, based on operating experience and the sound foundation developed in prior years.

In reporting and disclosure, the initial EBS-1 (Plan Description) filings by existing plans will have been completed, but new plans will be filing complete EBS-1's, and existing plans will be filing amended EBS-1's. All plans covered by the Act's financial reporting requirements will be required to file form 5500 series (Annual Return/Report) forms. Covered plans can be expected to file summary plan descriptions with the agency, since the summary plan description regulations will have been published by the end of 1977. The disclosure workload is expected to assume major dimensions. Both the availability of the full range of documents and the continuing publicity about pension and welfare benefits-related matters will foster increased public interest with a corresponding increased demand for disclosure of documents.

The regulatory standards and exceptions area must be expected to operate at a continuing high level. The fine-tuning of the regulatory framework will remain a major priority of the Department. As new regulations are issued and existing regulations are revised, the employee benefit plan practitioner community will undoubtedly file greater numbers of requests for information letters and advisory opinions, pursuant to the procedure published in the Federal Register during the Transition Quarter. Work on individual and class exemptions will continue, and it is anticipated that greater efficiency in this process will be achieved as a result of experience gained by the Department and the Internal Revenue Service in working within the parameters of the newly developed inter-agency memorandum of understanding.

The public services area must continue to respond to the significant interest in the statute and related regulations on the part of employee benefit plan practitioners, participants and beneficiaries. The issuance of new regulations and other interpretive guidelines will require the development and dissemination of new informational and technical assistance materials, in both printed and audio-visual format. The Department must also maintain and enhance its capacity to respond to specific written, telephone, and walk-in inquiries.

In the enforcement area, efforts will continue under the new structure. However, new initiatives are required, as outlined below. The Special Investigations Staff should be able to complete selected facets of its current major investigation, and be prepared to initiate work on any additional significant situations that occur.

Changes for 1978

Mandatory changes amount to.....+$1,638,000

Program changes amount to.....+$1,573,000
Positions.....+59

Total mandatory changes are $1,638,000. Mandatory increases of $1,689,000 include: $319,000 for increased standard level user charges paid to the General Services Administration; $297,000 for within-grade promotions effective for part year in 1977 and those becoming effective in 1978; $6,000 for net additional cost of pay increase effective in October 1976; $170,000 for increased costs of administrative and program support services; $136,000 for increased costs associated with travel; $24,000 for increased costs of GPO and commercial printing; $6,000 for increased costs of equipment rental; $15,000 for increased costs of telecommunications services; and $716,000 for annualization of the supplemental

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appropriation for 25 new positions received in 1977. Mandatory decreases of $51,000 include: $10,000 for non-recurring equipment costs and $41,000 for one less day of pay in 1978.

A program increase of $1,573,000 provides for 59 new positions for the expanded enforcement effort.

Expanding Enforcement Efforts

Proposal: To provide additional resources in the field enforcement area to augment the capacity of the Department to initiate and complete additional investigations covering delinquency and deficiency, disclosure, benefits disputes, participants rights, bonding, fiduciary issues, and on-site plan audits.

The Need: Experience to date and 1977 projections indicate that the Department must increase its capacity to mount a meaningful enforcement effort. The emphasis in the field during 1975 and 1976 on providing technical assistance and responding to inquiries was fully appropriate, considering the complexity of the statute and the breadth of its application. The need for continuing these activities is recognized, and less staff-intensive techniques for meeting this need are being developed and implemented. It is, however, essential that the new initiatives in enforcement begun in the Transition Quarter and 1977 be continued and increased. The need for a dynamic enforcement program is especially acute in 1978 because the regulatory framework will be largely in place, with the full range of reporting and disclosure and fiduciary requirements in effect. To render these requirements meaningful in the protection of the rights of participants and beneficiaries, the Department must identify violations and secure ameliorative action. To accomplish these results the Department must respond to complaints alleging violations of the statute, and it must initiate investigations based on discrepancies evident in reported data or discovered at random. Without a dynamic, comprehensive enforcement effort, the protections provided by the Employee Retirement Income Security Act will lose much of their force.

The Program: Current plans call for a full range of enforcement activities in 1977 and 1978, including investigations covering delinquency and deficiency, disclosure, benefits disputes, participants rights, bonding, fiduciary issues, on-site plan audits, plan terminations, prohibited persons and Title 18 matters. The Department will establish a presence in all these areas in 1977, but it is important in 1978 to enhance this presence in selected areas to assure the strength of the Act's protections to participants and beneficiaries.

During 1977, the Department plans to complete 700 delinquency and deficiency investigations. The importance of such investigations stems directly from the statutory emphasis on full and accurate reporting by plan administrators. To the extent that reports are not filed, or filed reports are incomplete, or inaccurate, the purpose of this emphasis is thwarted, i.e., that participants and beneficiaries will monitor the actions of their own plans through their knowledge of these actions. Experience under the Welfare and Pension Plans Disclosure Act suggests that, even with vigorous mail follow-up, between 1.5 and 2% of reports will not be filed, or will contain a deficiency serious enough to require individual review. Even with a focus limited to the 5500 series (Annual Return/ Report) forms required from the 60,000 pension and welfare plans with over 100 participants, the caseload will approximate 1,000. To process this caseload will require an additional three professionals.

The statute places the first responsibility for disclosure on the plan administrator. To the extent that plan administrators meet this responsibility, participants and beneficiaries will not be required to seek disclosure from the Department of Labor, and the headquarters disclosure staff will not require augmentation. When plan administrators fail to meet this responsibility, and the Department receives complaints, they must be investigated in order to insure that plan administrators provide disclosure. Even in 1976, when the full range of reporting and related disclosure requirements were not in effect, over 250 disclosure cases were opened. In 1978, all plans will have prepared at least one EBS-1 form and one 5500 series report, and the Department must thus be prepared for an

increase in disclosure complaints. To respond to an expected additional 350 disclosure complaints will require two additional professionals.

The Department receives frequent complaints that benefits have been unfairly denied or that rights guaranteed by the statute have been violated. To the extent that it can respond to these complaints, the Department can secure rights guaranteed by the statute or uncover violations of its provisions. Because the rights of participants and beneficiaries to promised benefits is at the heart of the Act, the Department's presence in this area must be further established and enhanced. Using existing resources, approximately 1,000 of these participants rights and benefits disputes cases can be processed in 1977. The amount of public monitoring which will be possible in 1978 because of the availability to participants and beneficiaries of the plan description (EBS-1), the annual financial report (5500 series), the summary plan description, and the summary annual report will doubtless generate higher caseloads in these two areas. A conservative estimate of this increase, 300 cases, will require nine additional professionals.

A key protection to the benefits of plan participants and beneficiaries is the bonding requirement of the statute. Despite the fact that the Welfare and Pension Plans Disclosure Act included bonding requirements, a recent review of 1,000 plans indicated that 20% had some bonding deficiencies. Certain of these deficiencies were relatively minor, but enough of them were significant to reinforce the conviction that the Department must administer an active program to investigate bonding violations. Even if only 1% of the 60,000 plans with over 100 participants require bonding investigations during 1978, and a minimal presence is established in the smaller plans, the caseload will approximate 800. To meet this caseload, six additional professionals will be required.

The fiduciary responsibility provisions represent some of the most significant aspects of the statute. In 1976, the Department opened almost 600 fiduciary cases, most of them resulting from complaints. Given the public monitoring made possible by the statute's reporting and disclosure requirements, the Department must anticipate at least 600 complaint-generated fiduciary cases in 1978. The Department has also identified certain items on the annual financial report (5500 series) which suggest the presence of fiduciary violations. The automated systems for identifying these items are supplemented by a professional analysis to determine if the indicators are sufficient to suggest the need for an investigation. Even if only one in every 150 of the 5500 series reports filed by the 60,000 plans with over 100 participants contains indicators which, upon analysis, suggest the need for an investigation, an additional 400 cases, requiring 25 additional professional staff members, must be anticipated.

During 1976, the Department began developing a capability to conduct on-site plan audits of selected employee benefit plans. On-site audits enable the Department to determine the specifics of all the financial and other operations of a plan. The auditor can identify in detail the recipients of plan payments for services, fees, operating expenses, investments or loans, and can review the backup material and documents for any transaction. He can also review the maintenance of plan participants' records and a plan's procedures for determining participants' eligibility in order to verify that benefits are being properly and equitably paid to all participants. The on-site audit essentially permits the Department to compare and evaluate the actual financial information included in detailed plan records with the financial information filed, in order to provide a comprehensive picture of the compliance of the benefit plan with the provisions of the Act.

These audits can be conducted on a random basis or as a result of existing cases where an initial examination indicates a substantial number of questionable activities. Approximately eighty such audits are anticipated during 1977. Current estimates indicate that this number should be increased substantially in 1978 to permit additional random audits, and the Department is studying techniques to target these random audits most effectively. To increase the audit capacity to 115 per year from the 1977 level will require six additional professionals.

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To support the 51 additional field professionals called for in this proposal will require eight additional field clerical support positions.

Base:

Positions: 335 Estimated Cost: $9,998,000

Additional Costs:

Positions: 59 Staff-years: 44.3 Estimated Cost: $1,573,000

WORKLOAD ACCOMPLISHMENTS

	1976 Actual	1977 Estimate	1978 Estimate
ERISA reports received	749,000	1,000,000	675,000
Inquiries received	322,441	325,000	325,000
Exemptions, variances, determinations, interpretations, and regulations issued	35,346	2,030	2,400
Plan reviews and investigations conducted	4,400	9,432	11,100

Activity 6. Executive Direction, Management, and Support
(1977, $3,559,000, Pos. 134;
1978, $3,677,000, Pos. 134)

Narrative Description of Program

This program includes executive direction, coordination and evaluation functions of the Labor-Management Services Administration; policy coordination of labor-management relation programs of the Department; representation at policy level interagency and international organization activities concerning labor-management relations in the public and private sector; data analysis, program evaluation, and report processing functions in conjunction with developing and operating automated management information systems; and administrative services.

In 1976, emphasis was placed on support of the Employee Retirement Income Security Act (ERISA). Efforts included evaluation of contract studies on ERISA related issues, an extensive study of management information needs expected to evolve from implementing ERISA, the processing of approximately 600,000 annual report forms and summary plan descriptions, and the integration of the ERISA program into existing management and budget systems. Efforts were also devoted to an analysis of the Agency's Federal Labor-Management Relations program, an assessment of long-range planning needs, development of improved management information systems, and special employment programs.

In the Transition Quarter, a monitoring and reporting system for Presdential Management Initiatives was designed and implemented. Additionally, a study was conducted recommending an evaluation of LMSA's Public Employee Labor-Relations program. The evaluation will be made under contract to a private minority research firm.

In 1977, ERISA support services and program evaluation will continue to be emphasized. The monitoring and administration of contract studies of ERISA issues and the Public Employee Labor-Relations programs will receive a considerable share of staff time. A preliminary analysis of the organizational structure and case processing procedures within the Federal Labor-Management Relations program is currently underway and is expected to result in the initiation of a pilot study. An in-depth study of the delivery systems through which LMSA services are provided to the public through its network of field offices is being conducted. In conjunction, the recently installed Field Activity Reporting System that provides a variety of program management information will be evaluated and further refined. The first phase of the long-range planning process should be implemented this fiscal year and it is anticipated that the overall effectiveness and productivity of the agency will be greatly enhanced. Studies of resource utilization will be initiated to ensure maximum productivity from available funds, personnel, supplies, and equipment.

In 1978, heavy concentration of efforts on ERISA programs will continue. Evaluation studies will again consume a major portion of resources and recommendations from studies initiated in 1977 will be implemented. The study of the Public Employee Labor-Relations program will be completed and recommendations implemented. Although the long-range planning process will not be fully operational until 1979, management improvements resulting from implementation of the first phase in fiscal year 1977 will be evaluated and further refined to ensure optimum utilization of resources. It is anticipated that the empirical data accumulated through the developing Management Information System will be sufficient at this point to perform a wide range of management and program analyses that will be beneficial to daily operations. The analyses will also provide a base for further refinement of the system to insure that it is responsive to program needs and effectively serves management's requirements. Implementation of additional phases of the data support concept for the Employee Benefits Security program is also anticipated during this fiscal year.

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Changes for 1978

Mandatory changes amount to ..... +$118,000

Program changes amount to..... NONE

Total mandatory changes amount to $118,000. Mandatory increases of $127,000 are comprised of: $2,000 for net additional costs of pay increase under Executive Order 11491 effective October 1976; $19,000 for within-grade promotions effective for part-year of 1977 and those becoming effective in 1978; $37,000 for increased costs of administrative and program support services; $2,000 for increased costs of Government Printing Office and commercial printing; $67,000 for increased standard level user charges paid to General Services Administration. A mandatory decrease of $9,000 is for costs of one less day of pay in 1978.

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Distribution of Field Staff

Supervising Offices	1977			1978		
	Professional	Clerical	Total	Professional	Clerical	Total
Atlanta, Georgia.....	33	14	47	35	14	49
Boston, Massachusetts...	27	8	35	29	8	37
Buffalo, New York.....	17	7	24	19	7	26
Chicago, Illinois.....	51	18	69	53	18	71
Cleveland, Ohio.....	27	10	37	29	10	39
Dallas, Texas.....	28	10	38	30	10	40
Denver, Colorado.....	13	1	14	16	2	18
Detroit, Michigan.....	19	5	24	21	5	26
Honolulu, Hawaii.....	2	2	4	2	2	4
Kansas City, Missouri...	24	11	35	26	11	37
Los Angeles, Calif.....	35	12	47	37	13	50
Miami, Florida.....	18	7	25	21	8	29
Minneapolis, Minn.....	13	4	17	15	4	19
Nashville, Tennessee....	16	6	22	19	7	26
Newark, New Jersey.....	31	7	38	33	7	40
New Orleans, Louisiana..	11	4	15	14	5	19
New York, New York.....	53	18	71	55	18	73
Philadelphia, Pa.....	32	12	44	34	12	46
Pittsburgh, Pa.....	19	4	23	22	5	27
San Francisco, Calif....	31	14	45	33	14	47
Santurce, Puerto Rico...	7	2	9	7	2	9
Seattle, Washington.....	15	4	19	18	5	23
St. Louis, Missouri.....	18	7	25	20	7	27
Washington, D.C.....	32	10	42	35	11	46
Total Field Staff.....	572	197	769	623	205	828

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

List of New Positions Requested

	Number	Grade	Annual Salary
Activity 1. Labor-Management Relations Policy and Services			
Departmental			
Assistant Director for Collective Bargaining	1	GS-15	$ 33,789
Collective Bargaining Advisor	2	GS-14	57,450
Labor Economist	1	GS-14	28,725
Secretary	1	GS-7	11,523
Subtotal	5		131,487
Activity 5. Employee Benefits Security			
Field Offices			
Auditor	31	GS-13	753,548
Compliance Officer	20	GS-13	486,160
Clerk-stenographer	8	GS-5	74,424
Subtotal	59		1,314,132
Total new positions	64		1,445,619

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Labor-Management Relations Policy and Services (Urban Mass Transportation Act of 1964, as amended; the High-Speed Ground Transportation Act of 1965, as amended; the Rail Passenger Service Act of 1970, as amended; the Demonstration Cities and Metropolitan Development Act of 1966, as amended; the Railroad Revitalization and Regulatory Reform Act, the Federal Highway Aid Act of 1974; Labor-Management Reporting and Disclosure Act of 1959, as amended; Executive Order 11491, as amended; the Vietnam Era Veterans' Readjustment Assistance Act of 1974; the Organization Act of 1913; Juvenile Justice and Delinquency Prevention Act of 1974; Developmentally Disabled Assistance and Bill of Rights Act; and Special Health Revenue Sharing Act of 1975).

1977		Authorization	1978 Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
57	$3,207,000		62	$3,518,000

Purpose: This activity provides assistance to parties involved in complex and critical labor-management problems, develops reports for the Secretary and other Federal officials, and carries out the Department's responsibilities under various acts relating to employee protections.

Explanation: Funds provide for salaries and expenses for the Labor-Management Relations Policy and Services program, including resources for research studies performed on a contract basis and a fund maintained to employ recognized experts, consultants and other specialized services.

Accomplishments in 1977: The "early warning" system will be focused on negotiations in oil refining, steel, aluminum and non-ferrous metals, communications, longshoring, and other major industries. Non-Federal public sector assistance will continue to stress programs that will make the parties more self-sufficient. Policy attention will be focused on legislative and administrative proposals in the labor-management relations area. Research studies will be completed on the changing structure of collective bargaining, unit determination and unfair labor practices.

Objectives for 1978: Special reports will be prepared on key industrial contract expirations. Labor relations proposals introduced in the 95th Congress will continue to be evaluated. Research will continue on studies to help the Assistant Secretary in the administration of labor laws, to minimize disputes, and to improve the structure and process of collective bargaining. The proposed new initiative would begin examining collective bargaining problems which affect the national interest to seek long-range solutions to improve troubled labor relations. The collective bargaining staff will be developing contact points, opening lines of communication, and establishing credibility.

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Labor-Management Standards Enforcement (Labor-Management Reporting and Disclosure Act of 1959, as amended; and Executive Order 11491, as amended).

1976		Authorization	1977 Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
479	$14,530,000		479	$15,026,000

Purpose: Provides for administration and enforcement of the Labor-Management Reporting and Disclosure Act, Section 18 of Executive Order 11491, and provides for the Department's participation in the President's program against organized crime. In performing these functions, reports from labor organizations, union officers and employees, employers and labor relations consultants are examined for compliance with the statutes and regulations and all reports are available for disclosure to the public. Investigations are conducted of complaints alleging violations of the law or where evidence exists of willful violation. Supervision is provided for rerun elections of union officials held under court order or waiver. Financial operation and organizational interrelationship data are developed and made available to the investigative units involved in the President's program against organized crime.

Explanation: Funds provide for salaries and expenses for the program located at the national level and for field positions to carry out the investigative, election supervision and technical assistance functions.

Accomplishments in 1977: The number of investigations conducted is expected to increase by nearly 2,500 cases to a total of 10,852. An ongoing program of election technical assistance will be given to international labor organizations and other major labor organizations. Investigation caseload involving elections will increase during the beginning of the fiscal year due to elections held by the United Steelworkers in April 1976 and the International election scheduled in February 1977. Support of the organized crime program will continue in the major cities in which the Justice Department operates strike forces.

Objectives in 1978: The level of productivity is anticipated to remain the same due to a large number of election investigations and supervised election reruns and because of the statutory and court-directed time factors imposed. The personnel and budgetary restraints will necessitate continuous appraisal of workload and staff capabilities. Due to these restraints, the basic investigations will be carefully reviewed so that more significant cases will receive priority.

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Veterans' Reemployment Rights (Vietnam Era Veterans' Readjustment Assistance Act of 1974)

1977		Authorization	1978 Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
83	$2,682,000		83	$2,772,000

Purpose: Provides direct assistance to veterans, reservists, members of the National Guard and others in obtaining reemployment, seniority and other benefits to which they are entitled. Voluntary compliance is advanced through a "referral" procedure which provides the veteran with information regarding his reemployment rights and informs the preservice employer of his obligations. Specific complaints of ex-servicemen are investigated, and if violations are apparent and voluntary compliance cannot be achieved, litigation is recommended.

Explanation: Funds provide for salaries and expenses for the Office of Veterans' Reemployment Rights located at the national level and for field positions to carry out the direct assistance aspects of this program.

Accomplishments in 1977: Case receipts are expected to decline slightly because of the reduction in discharged veterans. However, because of high unemployment, returning servicemen are expected to opt for their preservice jobs and could encounter employer resistance when exercising reemployment rights. Technical assistance will increase while quality and timeliness will be improved.

Objectives in 1978: The program should be able to reduce the backlog of cases; improve case handling; and increase technical assistance activities in the State and local areas, at military separation centers, and with Guard and Reserve organizations.

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LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Federal Labor-Management Relations (Executive Order 11491, as amended)

1977		Authorization	1978 Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
180	$5,321,000		180	$5,897,000

Purpose: Provides for execution of responsibilities of the Assistant Secretary of Labor under Executive Order 11491, as amended, dealing with Federal labor-management relations. Major responsibilities include developing policy, regulations, rulings and decisions to guide agencies, employees and labor organizations, handling representation, unfair labor practice and grievability-arbitrability cases, supervising representation elections and holding hearings as warranted.

Explanation: Funds provide salaries and expenses for the Office of Federal Labor-Management Relations located at the national level and for field positions to perform the preliminary processing of cases, supervise representation elections, and conduct hearings.

Accomplishments in 1977: The field is expected to process and complete approximately 1,610 representation cases, unfair labor practice cases and grievability-arbitrability cases, compared to 1,499 cases in 1976. At the headquarters level, a total of 364 determinations and decisions will be issued as compared to the 337 issued in 1976. A sixth bound volume of Decisions and Reports on Rulings of the Assistant Secretary will be published. An additional 40 positions are requested in the proposed 1977 supplemental to handle increased workload.

Objectives for 1978: The 40 positions will be fully operational and will provide the additional resources necessary to process an extensive workload increase and to reduce case backlogs. The continuing workload increase is due in part to Executive Order 11838 which expanded the responsibility of the Assistant Secretary for Labor-Management Relations.

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Employee Benefits Security (Employee Retirement Income Security Act of 1974)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
589	$22,098,000		648	$25,309,000

Purpose: This activity develops, promulgates, and enforces fiduciary standards, reporting and disclosure requirements, and other provisions of the Employee Retirement Income Security Act of 1974, for which the Secretary of Labor is responsible; provides for the protection of pension and welfare benefit plan participants' rights; and grants variances from Employee Retirement Income Security Act provisions and regulations, when such variances are in the interests of the plan and its participants.

Explanation: Federal funds provide salaries and expenses for national office and field personnel of the Department participating in Pension and Welfare Benefit Programs to conduct investigative and regulatory activities called for in the Act.

Accomplishments in 1977: Reporting and disclosure activity continued with the receipt of over one million reports, and preparation of them for disclosure. Minimum standards and other regulations were issued and significant individual and class exemptions were proposed. Almost two million informational pamphlets were distributed and over 300,000 inquiries were answered. The restructured enforcement effort continued, and progress on the Special Investigation Staff's major investigation accelerated.

Objectives in 1978: Report filings will continue with EBS-1's, form 5500 series, and summary plan descriptions, with the disclosure effort emphasized. The regulatory framework will be fine-tuned as new regulations are issued and previous ones revised. Work on individual and class exemptions will continue, and issuances of information letters and advisory opinions will undoubtedly increase. New informational and technical assistance materials will be developed in response to increased public interest, and the Department's ability to respond to inquiries will be enhanced. Selected facets of the current special investigation should be completed and preliminary work on one or more others begun. The enforcement effort will be expanded, with the addition of 59 positions, particularly in the areas of delinquency and deficiency, disclosure, benefits disputes, participants' rights, bonding, fiduciary issues, and on-site plan audits. A presence in these areas is essential in order to assure the strength of the Act's protections to participants and beneficiaries.

LMSA-40

LABOR-MANAGEMENT SERVICES ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Executive Direction, Management, and Support (Labor-Management Reporting and Disclosure Act of 1959, as amended; Executive Order 11491, as amended; the Urban Mass Transportation Act of 1964; the High-Speed Ground Transportation Act of 1965; the Rail Passenger Service Act of 1970; the Organization Act of 1913; the Employee Retirement Income Security Act of 1974; Federal Highway Aid Act of 1974; Vietnam Era Veterans' Readjustment Assistance Act of 1974; and the National Mass Transportation Act of 1974).

1977		Authorization	1978 Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
134	$3,559,000		134	$3,677,000

Purpose: Provides for policy planning and evaluation, direction, and coordination of the labor-management relations programs of the Department and for administrative management support to the Administration's program offices.

Explanation: Funds provide salaries and expenses for the Assistant Secretary for Labor-Management Relations, who also serves as Administrator of the Labor-Management Services Administration, his Deputy and Assistant Administrator for Field Operations, their staffs, the Office of Administration and Management, and the Office of Planning, Evaluation and Systems.

Accomplishments in 1977: Emphasis has been placed on support services and program evaluations of the Employee Retirement Income Security Act. Other efforts include monitoring and administering contracted studies of the Public Employee Labor-Relations program, an analysis of Federal Labor-Management Relations structure and case processing procedures, an in-depth study of the delivery systems through which LMSA services are provided to the public through its network of field offices, and the implementation of the first phase of a systemized long-range planning process for the agency.

Objectives in 1978: The heavy concentration of efforts on ERISA programs will continue and recommendations from studies conducted in 1977 will be implemented. Major emphasis will also be placed on achieving maximum utilization from available resources and optimum productivity from all activities. Efforts will include management and program analyses, evaluating and refining the long-range planning process, and improving the Management Information System. Implementation of additional phases of the data support concept for the Employee Benefits Security Program is also anticipated during this fiscal year.

THURSDAY, FEBRUARY 24, 1977.

DEPARTMENTAL MANAGEMENT

WITNESSES

ALFRED M. ZUCK, COMPTROLLER FOR THE DEPARTMENT
HERBERT N. BLACKMAN, ASSOCIATE DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
ALFRED G. ALBERT, ACTING SOLICITOR
HAROLD RUSSELL, CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED
H. STEPHAN GORDON, CHIEF ADMINISTRATIVE LAW JUDGE
RUTH V. WASHINGTON, CHAIRPERSON, BENEFITS REVIEW BOARD
ROBERT O. DESLONGCHAMPS, ASSOCIATE COMPTROLLER FOR BUDGET AND PROGRAM REVIEW
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. The committee will be in order.

We have the Department of Labor, Departmental Management, and the presentation will be made by Alfred M. Zuck, the Comptroller for the Department.

Mr. Zuck, I see we have a biographical sketch of you here, which we will insert in the record at this point.

[The sketch follows:]

Alfred M. Zuck is Comptroller for the U.S. Department of Labor. As Comptroller, Mr. Zuck is the Department's chief financial officer, providing advice, policy guidance and service in the areas of financial management, budget procurement, and management systems.

Mr. Zuck was Associate Manpower Administrator for Administration and Management in the Labor Department's Manpower Administration prior to becoming Comptroller. Since joining the Department in 1958, he has held a variety of management posts in the Office of the Assistant Secretary for Administration and the Manpower Administration.

In 1967–68, he was Director of Federal programs for the President's Council on Youth Opportunity on a 1-year leave of absence from the Department.

In 1974, Mr. Zuck was presented the Labor Department's Distinguished Career Service Award. He received the William A. Jump Memorial Award in 1970. This award is presented annually to the two most exceptional young workers in Federal service for outstanding contributions to public administration.

A native of East Petersburg, Pa., Mr. Zuck was graduated magna cum laude with an A.B. degree from Franklin and Marshall College in 1957. He received his master's degree with distinction in political science from Syracuse University in 1958. Mr. Zuck is a member of Phi Beta Kappa, Pi Gamma Mu, Kappa Sigma, and the American Society for Public Administration.

Mr. Zuck, his wife, and two children live in Vienna, Va.

Mr. FLOOD. You have some people with you that you would like us to meet, I suppose?

Mr. ZUCK. Yes. Let me introduce them.

Beginning down on my far right, you know Mr. Russell, the Chairman of the President's Committee for the Employment of the Handicapped; next to him is of course Mr. Pugh, whom you have been seeing a lot of; on my immediate right is Herbert Blackman, the Acting Deputy Under Secretary for International Affairs; on my left, Mr. Albert, Acting Solicitor of the Department of Labor; on his left is Ruth Washington, the Chairperson of the Benefits Review Board, and on her left is Stephen Gordon, the Chief Administrative Law Judge.

PREPARED STATEMENTS

Mr. FLOOD. You have a prepared statement, Mr. Zuck, and Mr. Blackman has one, and Mr. Russell and others. Any biographical sketches attached to these we will, of course, insert in connection with their statements.

How do you want to handle the statement, Mr. Zuck?

Mr. ZUCK. I have a very brief statement I would like to submit for the record and just make one or two brief comments.

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

[The statements follow:]

STATEMENT BY ALFRED M. ZUCK

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before your committee and review with you our budget request for the Departmental Management Appropriation. This appropriation provides funds for executive direction, legal services, international labor affairs, administration and management, adjudication, and promoting employment of the handicapped.

The requested appropriation for fiscal year 1978 is $60,200,000, a net increase of $6,862,000 and 72 positions over the revised fiscal year 1977 level.

A significant portion of the $6,862,000 increase is $3,081,000 for mandatory costs to cover such items as annualization of new positions, within-grade promotions, GSA space rentals, and administrative and program support.

The remaining $3,781,000 is for program increases and includes the financing of 39 new positions for Solicitor; 17 positions for the Office of Administrative Law Judges; 7 positions for the Benefits Review Board; 2 positions for the Employees' Compensation Appeals Board; 2 positions for the President's Committee on Employment of the Handicapped; 5 positions for Executive Secretariat; $1 million for coverage of departmental audit functions; $50,000 for employee health services; $1,585,000 to cover increased personnel costs, contract funds, and rental of machines for legal services. This request also reflects a change in Departmental Management's activity structure. We have transferred the Benefits Review Board and the Office of Administrative Law Judges from Activity 1, Executive Direction, to Activity 5, Appeals for Determination of Federal Employees Claims, and have entitled that activity "Adjudication." This change was necessary in order to have all adjudicatory functions included in one budget activity.

The Office of the Solicitor is requesting a program increase of 39 new positions and $387,000. The Office of the Solicitor proposes to increase staff to continue implementation and enforcement of the Employee Retirement Income Security Act, to continue the enforcement of the Occupational Safety and Health Act, and to continue support programs of the Employment Standards Administration and Employment and Training Administration.

Mr. Albert, the Acting Solicitor, has submitted a separate statement and will provide more data regarding the resource requirements for the Office of the Solicitor. Mr. Russell has also submitted a statement for the President's Committee on Employment of the Handicapped.

I appreciate the opportunity to appear before the subcommittee today, and will be happy to answer any questions.

BIOGRAPHICAL SKETCH OF ALFRED G. ALBERT

Alfred G. Albert was appointed Deputy Solicitor of Labor by Secretary of Labor James D. Hodgson in September 1970.

Mr. Albert, who has been with the Department of Labor for 24 years; has also served as the Deputy Associate Solicitor for Manpower and the Deputy Associate Solicitor for Labor Relations and Civil Rights.

From 1956 until 1965, he served as a special representative of the Secretary of Labor on a bipartite appellate tribunal with a representative of the Mexican Government, adjudicating employer and worker disputes arising under the Mexican labor programs.

Born in Germany, Mr. Albert was raised in Union Township, N.J., and attended Seton Hall University. He received his J.D. from Rutgers University Law School in 1951 where he was sixth in his class and an editor of the Law Review.

Mr. Albert served in the U.S. Army Air Corps from 1941 to 1947. He saw service as an instrument flying instructor and with a heavy bomb group in England. After the war, he was civil affairs officer in France and a military governor in Germany.

Cited many times for outstanding contributions to the Labor Department, he is a member of the Federal Bar Association. He has served as the vice chairman of the organization's labor law committee.

He and his wife live in Rockville, Md.

STATEMENT BY ALFRED G. ALBERT

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to present an overview of the Office of the Solicitor's needs for fiscal year 1978, as well as indicate our major goals and objectives. I am accompanied by Robert B. Lagather, Deputy Solicitor for Regional Operations. The proposed budget for the Office of the Solicitor for fiscal year 1978 is $22,612,000 to finance 771 positions in the 9 national office divisions and 16 field offices. The requested increase of 39 positions includes 18 for national and field office work connected with the Employee Retirement Income Security Act, 10 positions for occupational safety and health, 8 positions for support of programs of the Employment Standards Administration, and 3 positions for other areas of departmental support. The total request figure includes $847,000 for mandatory increases and $1,972,000 for program increases. Of the latter figure, $1,500,000 is requested to meet increased personnel costs.

The fiscal year 1978 request level is keyed largely to the Department's top priorities, and the major departmental clients charged with carrying out these priorities. Thus, 28 of the 39 positions requested (71.8 percent) are directly related to the continued implementation and enforcement of the Employee Retirement Income Security Act and the enforcement of the Occupational Safety and Health Act.

Of the remaining 11 positions requested, 8 are required for Employment Standards Administration programs. Four positions are requested for assistance in the litigation of black lung claims in the national office. Another four positions are included for wage hour enforcement in the field. The last three positions include two to assist with an increased level of defensive litigation involving programs administered by the Employment and Training Administration, and one position for work generated under the Freedom of Information Act. Increases requiring sizable legal resources are also predicted in areas such as the review of worker adjustment assistance requests under the Trade Act of 1974, litigation under the Farm Labor Contractor Registration Act and the child labor provisions of the Fair Labor Standards Act, appellate work under the Fair Labor Standards Act, appellate activity before the Employees Compensation Appeals Board, and litigation associated with the enforcement activities of the Office of Federal Contract Compliance Programs. This increased workload is expected to be met through greater productivity, where possible.

As previously forecast, litigation under ERISA has started to become a significant workload factor in late fiscal year 1976 and in fiscal year 1977. In fiscal year 1978 considerable additional growth in this area is anticipated in view of the (1) increased availability of report information being made available to plan participants, (2) the Department's increase in directed investigations, (3) the increased number of private suits being filed and resultant increase in the number of cases in which the Department chooses to intervene, and (4) the onset of appellate litigation activity as part of the normal enforcement process. It is also anticipated that the procedures for the processing of individual and group exemptions under ERISA will have been markedly upgraded and therefore result in a more efficient processing of requests for exemptions or variances.

The expectation that OSH litigation will increase approximately 5 percent and continue the long-term upward trend is predicated upon the following factors: (1) the Occupational Safety and Health Administration's plans to carry out 87,000 health and safety inspection in fiscal year 1978, (2) the availability of a field enforcement staff augmented by 140 additional compliance positions authorized in 1977, and (3) a substantially increased rate of contest by employers estimated at 7 contests for every 100 inspections carried out.

It is expected that the adjudication of roughly 2,000 black lung cases docketed with the Office of Administrative Law Judges will require a minimum of 4 additional positions in SOL even with the exercise of careful judgment regard-

ing those cases in which SOL will participate. Likewise, a minimum of four additional positions is judged necessary in the field to support ESA's enforcement efforts connected with the Fair Labor Standards, Equal Pay Act, and Age Discrimination in Employment Act. Discrimination cases are requiring greater case development as litigation is initiated in new and complex areas such as sex discrimination in universities and colleges.

Further, it is anticipated that the Solicitor's Office will face a sizable litigation increase with regard to suits filed against the Department arising out of the administration of the Comprehensive Employment and Training Act and the Immigration and Nationality Act. Under both of these statutes procedures either have been or are being put into place to permit resolution of disputes through the conduct of administrative hearings rather than through review in the U.S. district courts as had been the case previously. Thus, a substantial shift in workload is expected from the various U.S. attorneys' offices to the Office of the Solicitor.

Finally, one position is requested to cope with the ever-increasing level of work under the Freedom of Information Act.

With a view toward securing greater improvements in efficiency and productivity the request also includes $60,000 for rental of additional word processing equipment, and $25,000 to contract for a study of the existing workload reporting system utilized by the nine national office divisions, with the goal of refinement and greater standardization of reporting items, as well as possible automation of workload reporting in our national office divisions.

BIOGRAPHICAL SKETCH OF HAROLD RUSSELL

Harold Russell was reappointed Chairman of the President's Committee on Employment of the Handicapped by President Richard M. Nixon on May 1, 1969. He had been named Chairman by President Johnson April 18, 1964, having served as a Vice Chairman from 1962 to 1964 following his appointment by President Kennedy.

Serving the committee without compensation except for travel expenses, Mr. Russell is president of the Harold Russell Insurance Agency, Inc., and president of the Harold Russell Foundation, Inc.

A sergeant and paratrooper instructor during World War II, he lost both hands in a wartime training accident in the Army, and became a national symbol of courage when he portrayed the role of Homer Parrish, a handless sailor in the movie, "The Best Years of Our Lives." For his performance he received two Motion Picture Academy Awards.

In 1949 Russell wrote his autobiography, "Victory in My Hands," which has been translated into 20 languages.

Russell is a past national commander of AMVETS, and is the only AMVETS national commander to serve three terms. He is also vice president of the World Veterans Funds, Inc. and has travel throughout the world working with the World Veterans Federation, which he helped to organize.

Born in Sydney, Nova Scotia, January 14, 1914, Russell moved to Boston with his family at the age of 6, following the death of his father, a telegraph manager. He attended public schools in Boston and nearby Cambridge, graduating from high school in 1933.

Russell and his wife, Rita, reside in Wayland, Mass., and have two children.

STATEMENT BY HAROLD RUSSELL

I appreciate this opportunity to discuss our budget request for fiscal year 1978.

The proposed budget for fiscal year 1978 is $1,432,000. The request includes an increase for two positions—a small number to be sure, yet these two positions will enable us to make some sizable steps forward in serving the needs of handicapped people.

One position is a regional representative at some location west of the Mississippi River. This will be our third regional representative, bringing us closer to our goal of complete regionalization.

For us, complete regionalization would be six regions, each consisting of a dozen or so States.

Our purpose for regionalization is to provide better and faster service to Governors' committees on employment of the handicapped and to local com-

mittees. A new development is going on in the world of the handicapped. Because of the forthcoming White House Conference on Handicapped Individuals and its emphasis on State and local meetings, a ground swell is occurring in almost all the States. This is a ground swell both on the part of handicapped persons and on the part of others wishing to serve them. As a result, Governors' committees have taken on new crucial roles. They have become the focal point for the surge of activities that need guidance and direction and materials of all kinds, from us, as they have never needed these things before.

So, with an additional person we will be able to step up the services we can render.

The second additional person will have the responsibility to develop the backup material so urgently needed in the States. This will be promotional material dealing with employment and with public acceptance of handicapped persons. Much of it will be designed specifically to meet the individual needs of individual States.

This position, also, is crucial in meeting the growing needs of Governors' committees resulting from the White House Conference.

Now, I wish to give you a few highlights of our recent activities to indicate how we attempt to meet current trends and current problems.

First, affirmative action.—We do not administer affirmative action programs, but we have been playing a strong role in building acceptance for these programs by employers and in motivating handicapped people to enter the labor force. We have held a number of special seminars and meetings at Brookings Institution for special groups. We have encouraged Governors' committees to hold similar meetings for State groups. I feel we have played a large part in gaining acceptance for these programs.

Industry-Labor Council.—A significant part of the White House Conference on Handicapped Individuals is the new Industry-Labor Council made up of top leaders of American business and labor. We have played a leading part in the organization of this Council and in the planning of its regional meetings in various States of the country. This is the first time in our history that leaders of business and labor have come together themselves to take up problems of employment of the handicapped. It's a development that can have far reaching results.

Consumers.—There is a growing interest in this country in handicapped affairs, largely because handicapped people themselves are beginning to speak out in their own behalf. We have taken on many tasks during the year to help them do a better job of speaking out. We have arranged for panels for handicapped consumers on affirmative action; we have established a newsletter summarizing their viewpoints on various issues; we have included them in all our policy-making actions.

These are only scattered highlights. We have been active in at least a dozen different areas aside from these. Our modest budget increase will enable us to keep up our activities and create better days for handicapped citizens.

I appreciate the opportunity to appear before the subcommittee today, and will be happy to respond to your questions. Thank you Mr. Chairman.

Biographical Sketch of Herbert N. Blackman

Mr. Blackman was appointed to his present position in April 1976. He was with the War Production Board and the Civilian Production Administration during World War II, then worked as an economist with the Department of Commerce from 1947 to 1963 when he came to the Labor Department. He spent 6 months with BLS in 1963, then joined ILAB where he served as Deputy Administrator from 1966 to 1967, then Administrator from 1967 to 1970. He was Deputy Assistant Secretary for trade and adjustment policy from 1970 to 1974 and Associate Deputy Under Secretary for trade and adjustment policy from 1974 to 1976.

Statement by Herbert N. Blackman

Mr. Chairman and members of the committee, the budget request for special foreign currency for fiscal year 1978 is $70,000, the same as the comparable 1977 level and will support travel to overseas conferences on international labor activities.

In fiscal year 1976, one conference was held. It was for U.S. Foreign Service labor officers and selected economic officers assigned in Africa and Europe was held in May 1976. Special attention was given to the ILO following the 2-year notice of intention to withdraw given by the United States. Other matters discussed among the officers from the field and representatives from the Departments of Labor and State included:

Current international trade and economic issues;
Recent U.S. labor, employment, and training developments;
U.S. foreign policy in Latin America;
International labor and U.S. policy;
Major trends in Latin American labor and implications for the U.S.;
Activities of the AFL–CIO's American Institute for Free Labor Development;

In fiscal year 1977 we plan to hold a regional conference in New Delhi, India in March and a worldwide or regional conference in Tunis in the fall.

In fiscal year 1978 we are requesting $70,000. This amount will provide for a conference in Asia in the fall of 1978.

In addition to providing a forum for the discussion of international labor issues such as the ILO, the overseas Foreign Service conferences are essential to the Department's efforts to use the Foreign Service more effectively to meet our needs for information on foreign trade and investment that affect U.S. employment. Consultations between Washington and overseas officers at these conferences help us to better understand the information the field can provide and to improve our guidance for reporting. They also give the officers stationed abroad a better understanding of the Department's needs for this information, and stimulate a more effective relationship between economic and labor officers on the Embassy team.

Thank you, Mr. Chairman.

Opening Statement

Mr. Zuck. The request we are speaking of this afternoon is the 1978 request for the departmental management salaries and expenses.

This appropriation covers executive direction, the Office of the Solicitor, the Bureau of International Labor Affairs, administration and management activities of the Department, and three adjudicatory organizations, Office of Administrative Law Judges, the Benefits Review Board and Employees Compensation Appeals Board, as well as the President's Committee on Employment of the Handicapped.

Our request is $63,024,000. It's an increase of about $8.7 million over 1977. Of that increase, $3.8 million is for mandatory costs, and roughly $4.9 million are for program increases, totalling 127 new positions.

We are proposing, Mr. Chairman, that the activity structure for this appropriation be changed in 1978 to consolidate all of the adjudicatory functions of the Department, so we have moved the Office of Administrative Law Judges and the Benefits Review Board from the executive direction activity and consolidated them with the Employees Compensation Appeals Board.

I think, Mr. Chairman, that is a very brief summary, and at this point we will be happy to respond to any questions.

Increases for Fiscal Year 1978

Mr. Flood. You are asking for 127 new positions for departmental management?

Mr. Zuck. Yes, sir.

Mr. Flood. That is a pretty healthy increase in an overhead account such as this. That is an increase of about 8 percent in staffing.

Mr. Zuck. That would be about right.

Mr. FLOOD. Is that increase for new work that you plan to do or is it because you are so far behind in your current work, or what is it?

Mr. ZUCK. A combination of both, Mr. Chairman, and I think I might indicate that while departmental management has the connotation of being an overhead activity, we have a number of organizations and programs in this appropriation that are more operational in nature than they are overhead.

The trade adjustment assistance program, for example, is an operating program of some substantial size. We have a lot of program activity in the Office of the Solicitor, the legal staff of the Department that is clearly related to the program operations, and the enforcement and litigation of the various statutes and laws which the Department is required to enforce.

So, we do not think it is only overhead. It is directly related to the operation and implemention of the statutes which the Department is charged with enforcing.

About half of the increase is for new kinds of activities. We have a request for 55 new auditor positions which are related to the major expansion of the CETA and the public service employment program under the economic stimulus program. That is new work.

Many of the other components of the increase in the Office of the Solicitor and Benefits Review Board are really related to dealing with backlogs and workloads that have been generated in the black lung program.

Mr. FLOOD. Yes, I have heard of that.

Mr. ZUCK. And the longshoremen's and harbor workers' program. The increases represent staff that is necessary to catch up with the work we have in hand.

Mr. FLOOD. The other day you were here, I think, and remember the Secretary told us about all his plans to improve the management of the Department. Why does that have to mean more staff? Did you consider switching around some of your present staff? Why more staff?

Mr. ZUCK. The positions for which we are asking increases essentially, Mr. Chairman, are not related to improving the management, but are related to improving the actual workload and operation of the ongoing programs of the Department.

EXECUTIVE SECRETARIAT

We have not as such asked for overhead staff in any category other than 5 positions requested for an organizational unit called the executive secretariat in the Office of the Secretary, and the purpose of that unit is to try to resolve some of the problems the Department has.

Mr. FLOOD. What did you call that?

Mr. ZUCK. The executive secretariat.

Mr. FLOOD. Is that the State Department?

Mr. ZUCK. No, sir; that is a highfaluting, bureaucratic term for the Labor Department.

Mr. FLOOD. Everybody is wearing shoes down there now.

Mr. ZUCK. We have a new executive team. The purpose of that staff is to insure that correspondence, particularly congressional cor-

respondence, is responded to in a timely manner. We have not had a very good record, as you know.

REORGANIZATION OF THE DEPARTMENT

Mr. FLOOD. Do you know if the Secretary is planning to reorganize the Department?

Mr. ZUCK. The Secretary is thinking about some options of reorganization. He has some initial thoughts. They have not jelled to the point yet where they have become specific proposals.

Mr. FLOOD. Well, do you think it needs reorganization?

Mr. ZUCK. I am sure that there are some things we can do better and more effectively.

Mr. FLOOD. Out of an abundance of caution, I suppose.

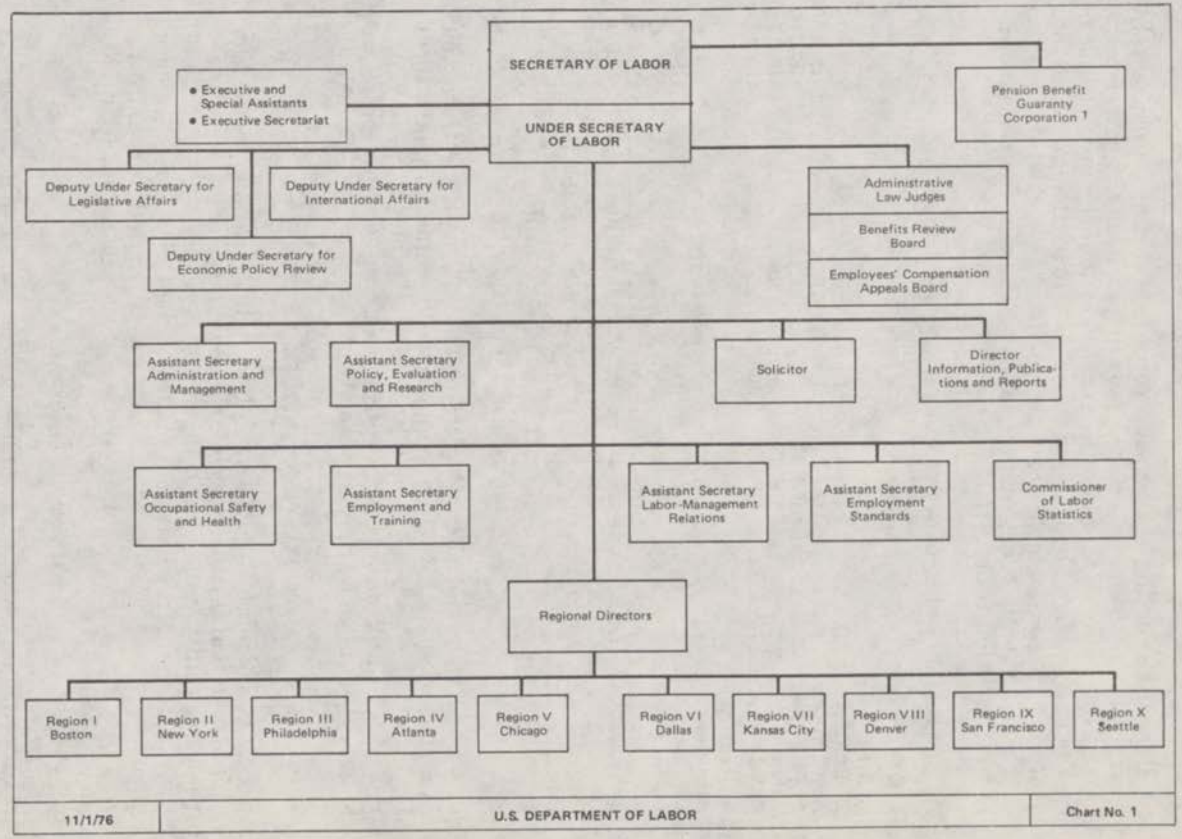
Mr. ZUCK. That is correct.

ORGANIZATION CHART

Mr. FLOOD. For the record, insert the current organizational chart for the entire Department.

Mr. ZUCK. Yes, sir.

[The information follows]



[1] Nonprofit corporation administered by a board of directors, consisting of the Secretaries of the Treasury, Commerce and Labor with the Secretary of Labor as chairman.

UNFILLED POSITIONS

Mr. FLOOD. Excluding the request you made in the supplemental, there are 1,656 positions associated with departmental management this year. How many of those positions are vacant at the present time?

Mr. ZUCK. We have about 26 vacancies out of that number at the moment.

Mr. FLOOD. Submit a list of the current vacancies for the record.

[The information follows:]

Salaries and Expenses (Vacancies as of Feb. 28, 1977)

Position Title	*Grades*	*Position Title*	*Grades*
Regional Director:			
Boston	GS–17	Dallas	GS–17
New York	GS–17	Kansas City	GS–17
Philadelphia	GS–17	Denver	GS–17
Atlanta	GS–17	San Francisco	GS–17
Chicago	GS–17	Seattle	GS–17
Solicitor (level IV):			
Attorney	GS–13	Clerk-stenographer	GS– 6
Do	GS–13	Do	GS– 5
Do	GS–13	Do	GS– 5
Do	GS–13	Do	GS– 5
Do	GS–13	Public information specialist	GS–11
Do	GS–13	Secretary/Stenographer	GS– 5
Do	GS–13	Clerk-typist	GS– 4
Do	GS–13		

LAPSE RATE

Mr. FLOOD. In calculating the cost of the 127 new positions you talked about, what date did you assume you were going to have them filled?

Mr. ZUCK. I think we used a 25 percent lapse rate, which means we would have them filled by the end of the year.

SPECIAL PERSONNEL SERVICES

Mr. FLOOD. Take a look at page 8 of your justifications there. You have a line item that is called special personnel services.

Is that something new? What is that for?

Mr. ZUCK. That, Mr. Chairman, relates to the Office of the Solicitor and provides for special services that are purchased for court reporters, and this kind of thing. Witness fees are included in that category as well.

EXECUTIVE SECRETARIAT

Mr. FLOOD. You mentioned a minute ago you want five new positions for the Executive Secretariat. What would those jobs do for you?

Mr. ZUCK. One of the problems we have had in the Department, Mr. Chairman, and I need not tell you, is that we have not been as responsive to letters we receive from Members of Congress as we would like to have been.

Mr. FLOOD. That's the understatement of the day.

Mr. ZUCK. One of the major objectives that this organization has is to provide more systematic followup and assignment procedures to assure that we are, in fact, being responsive in a timely manner to requests from the Congress and public, and others.

Mr. FLOOD. That sounds like pretty basic work. Who is handling the control and coordination of all of the correspondence and all of the documents right now?

Mr. ZUCK. We do now presently have something called the Executive Secretariat. It was an organization that was established by Mr. Usery last year and our request at this point would be to fully staff that organization at the level we think would be necessary.

LEGAL AND ADJUDICATORY SERVICES

Mr. FLOOD. You want 39 new jobs for legal services, and 26 new jobs for what you call adjudication. And most of these are attorney positions, counselor. How do those two activities relate to each other, or don't they relate at all?

Mr. ALBERT. Mr. Chairman, the Solicitor's office, under many of the statutes of the Department, represents the Labor Department before the tribunals you speak of, before the administrative law judges and appeals subsequently taken to the Benefits Review Board and frequently from there to the courts of appeal; in particular, we represent the Employment Standards Administration under the black lung program, the Longshoremen's and Harbor Worker's Compensation Act, and the Service Contract Act.

Mr. FLOOD. I am speaking of the two, legal services and adjudication. How do those activities relate to each other, or do they relate at all?

Mr. ALBERT. The proceedings we call adjudication take place before the Administrative Law Judges, and we are the advocates before them. Take, for example, a black lung case which is contested. We are counsel for the Office of Workers' Compensation programs before the administrative law judge who makes a decision on that case, which may then be appealed to the Benefits Review Board.

NUMBER OF ATTORNEYS

Mr. FLOOD. How many attorney positions are there now under this appropriation for "Departmental management?"

Mr. ALBERT. The total number of attorneys we have is 450 in fiscal year 1977, out of a total of 732 positions for our organization.

Mr. FLOOD. Does the Department have attorneys in other appropriation accounts?

Mr. ALBERT. No longer. Last year at the direction of the Congress all of the attorneys who were formerly included in the budgets of program agencies were transferred into a consolidated budget for the Solicitor.

Mr. FLOOD. No other accounts now?

Mr. ALBERT. No, sir.

INCREASE IN LEGAL CASELOADS

Mr. FLOOD. For the Office of the Solicitor you show quite a big increase in new cases received in 1977 and 1978. Where do these cases originate and what makes you think you are going to have such a big increase?

Mr. ALBERT. The major part of our request for 39 additional positions is to keep in step with two of our clients whose plans are for substantial expansion.

Mr. Chairman, you heard the testimony.

Mr. FLOOD. Where do they originate? New cases?

Mr. ALBERT. We anticipate a large volume of increase in litigation and exemption cases under ERISA, and 18 of the positions would be for that, and 10 of the positions would be for OSHA, which is a continually growing program. Nearly 900 litigation cases arose last year under the OSHA program.

LONGSHOREMEN'S ACT

Mr. FLOOD. What is the present workload situation in claims under the Longshoremen's and Harbor Workers' Compensation Act?

Mr. ALBERT. We handle lawsuits under that act before the administrative law judges.

Mr. FLOOD. What is the present workload?

Mr. ALBERT. There are various ways of measuring the backlog in that program, but before us we have 886 cases right now. I don't know how many are presently before the administrative law judges or how many cases are in the claims adjudication process of the program agency that handles the claims. The last testimony I heard on that was approximately 50,000.

Judge GORDON. As far as administrative law judges are concerned, Mr. Chairman, there are presently pending in our office approximately 1,000 cases. The cases are coming in at a rate, at the moment, of between 120 to 130 cases a month, which already exceeds our budget estimates.

Mr. FLOOD. Is that a lot of cases?

Judge GORDON. We have a lot of cases—all of our cases, however, in the Longshoremen's and Harbor Workers' area are presently in litigation. There is no unassigned backlog as such. It's just a question of how long it will take to process these cases.

Mr. FLOOD. Does your office require accident reports from the employers in all cases involving claims under this Longshoremen's Act?

Mr. ZUCK. The Solicitor's office does not; the Employment Standards Administration does. The office of workers' compensation programs would be the place where those claims would be filed.

LEGAL ASSISTANCE TO CLAIMANTS UNDER THE LONGSHORE ACT

Mr. FLOOD. Does your office provide legal assistance to claimants now under the Longshoremen's Act only on request?

Mr. ALBERT. In about 95 percent of the cases it has turned out that the Department's position has been in accord with that of the claimant, so in that sense we provide legal assistance to the claimant.

Mr. FLOOD. On request only?

Mr. ALBERT. No, whether they request it or not.

Now, in the rare cases where our position is in opposition to the claimant, we give them all of the assistance we can in terms of how they can develop their case, but we, of course, don't represent the claimant.

Mr. FLOOD. Does the basic law require you to act as legal counsel for every claimant under this act?

Mr. ALBERT. The way we have construed it, we are not required to act as legal counsel in every case; no, sir.

ADJUDICATION OF APPEALS

Mr. FLOOD. Since we are talking about adjudication, take a look at the 26 new jobs for adjudication. How did you arrive at the No. 26? What is sacred about 26? Why not 27?

Mr. ZUCK. The way that number was derived, Mr. Chairman, was to look at past experience to determine how many cases could be handled, either by the Benefits Review Board or the administrative law judges, develop that number, and determine what reduction in the backlog we hoped to achieve. That produces the number of positions that we request.

Mr. FLOOD. What accounts for the increased number of appeals? Is every claimant you get now hiring a lawyer?

Ms. WASHINGTON. No, Sir, if I may answer. We are operating under the 1972 amendments to the Longshoremen's and Harbor Workers' Compensation Act. In those amendments, jurisdiction was greatly increased by the extension of coverage to employees engaged in shoreside work and benefits were also increased. As a result, of course, there are more cases appealed from the hearings before the administrative law judges.

As far as black lung is concerned, of course, you know too that in this instance there would be increased litigation because the Black Lung Benefits Act of 1942 has extended disability and death benefits to coal miners, who under certain circumstances were found to be totally disabled from pneumoconiosis.

Mr. FLOOD. How many administrative law judges do you have?

Judge GORDON. At the moment we have 53.

BLACK LUNG

Mr. FLOOD. What is the backlog on black lung appeals?

Judge GORDON. At the moment there are pending in the office about 900 black lung cases. All of the black lung cases at the moment are scheduled for hearing and in present litigation, except for approximately 450 cases, which involve widows of miners. And in these cases we have not proceeded to hearings because they all involve the question of the statute of limitations, and we are awaiting motions for summary judgment—and to schedule a hearing at this time would put the parties to unnecessary expense.

Mr. FLOOD. Would one test case be an answer to all of those held up?

Judge GORDON. There are a couple of test cases in the works right now.

Mr. FLOOD. Would one test case decide all of the cases on the statute of limitations?

Judge GORDON. No. I can't say, Mr. Chairman, that it would decide them all. But one test case on the basic interpretation of the statute of limitations would dispose of a great majority of those cases.

Mr. FLOOD. Do you have enough staff requested in this budget to adjudicate these black lung appeals?

Mr. ALBERT. We are asking for four additional positions.

Mr. FLOOD. Very seldom do I ask a question like that.

Ms. WASHINGTON. We don't have enough staff, sir. The figure I have noted as requesting is five attorneys, and in all candor it was not my selection of the magic figure five. I don't think five attorneys is sufficient, but I have to abide with those who have made the decision.

Mr. FLOOD. Let me say it this way, to promptly adjudicate the black lung appeals. Do you have enough?

Ms. WASHINGTON. We have no backlog, sir, but if we are to continue to issue timely and prompt decisions, we require more staff.

Mr. ZUCK. It was our judgment that this request, Mr. Chairman, would provide adequate resources.

Mr. FLOOD. You are the one that said that now, not me.

All right.

Mr. Natcher?

TRANSFER FROM TRUST FUND

Mr. NATCHER. Why is it necessary to transfer funds from the unemployment trust fund to pay salaries and related costs in this account? I know it's been done for years. Why is it necessary?

Mr. ZUCK. Mr. Natcher, that is a long traditional pattern of support to the unemployment insurance program. Principally the Office of the Solicitor receives a portion of the funds derived from the unemployment trust fund because they provide legal services and other support services out of this appropriation to those activities.

For that reason, a portion of our funds is derived from the unemployment trust fund.

Mr. NATCHER. What is your legislative authority for doing this?

Mr. ALBERT. That is the Administrative Financial Act of 1957, the so-called Reed Act, which provided for the distribution of the trust fund moneys and how they shall be allocated.

WORKING CAPITAL FUND

Mr. NATCHER. How many positions will be financed from the working capital fund in 1978?

Mr. ZUCK. The figure, Mr. Natcher, is 870.

Mr. NATCHER. If you will, place in the record at this point a summary of how much each of the agencies in the Department of Labor is being assessed in 1978 for the working capital fund.

Mr. ZUCK. Yes, sir.

[The information follows:]

The DOL Agencies fiscal year 1978 working capital fund contributions are:

Employment and Training Administration	10,728,000
Employment Standards Administration	10,130,000
Occupational Safety and Health Administration	6,503,000
Labor-Management Services Administration	4,269,000
Bureau of Labor Statistics	9,250,000
Departmental Management	4,810,000
Total	45,690,000

DATA PROCESSING SERVICES

Mr. NATCHER. How much money is in the Department of Labor budget for 1978 for automated data processing?

Mr. ZUCK. Within the working capital fund, which is at which most of our processing costs in the Department are incurred, the figure is $9.1 million. There may be some funds in other appropriations, such as the grants to States which you heard this morning that deal with

automation in the State employment security agencies. That would be over and above, but that is not internal to the Department of Labor.

Mr. NATCHER. Well, the $9 million plus is for the entire Department.

Mr. ZUCK. Yes. I am sorry, Mr. Natcher. I am told the number is $29.9 million. That has to include funds other than the working capital funds.

Mr. NATCHER. Nearly $30 million, right? What is the main responsibility of the Assistant Secretary for Policy Evaluation and Research? What about this office, what are the functions as far as the office are concerned?

ASSISTANT SECRETARY FOR POLICY, EVALUATION AND RESEARCH

Mr. ZUCK. His functions are essentially that of policy planning, of advice to the Secretary in terms of laying out policy options of new programs; of providing evaluation of the major programs of the Department, to determine whether or not they are meeting the objectives to provide direction for the future development of Department of Labor programs.

Mr. NATCHER. How many positions are assigned to this office?

Mr. ZUCK. There are 60.

Mr. NATCHER. Does that office have research funds of its own?

Mr. ZUCK. A very small amount, Mr. Natcher, $170,000.

Mr. NATCHER. All right. Thank you, Mr. Chairman.

AUDIT PROGRAM

Mr. FLOOD. Now, you want 55 new auditor positions. How many do you have now and why do you think you need 55 more?

Mr. ZUCK. I am going to introduce Mr. Frank Yeager, the Director of our Office of Audit and Investigations.

Mr. YEAGER. Yes, Mr. Chairman. At the present time we have 126 auditor and support positions in the field, and 23 in Washington. The 55 positions requested will enable us to audit the additional funds that have been requested for the CETA program.

Mr. FLOOD. By the way, to what extent do you contract out these audit services from CPA's and State auditors?

Mr. YEAGER. We contract with CPAs, and we have agreements with State and local auditors; we presently have 21 agreements with State and local auditors, to audit 38 prime sponsors, and we have contracts with CPA firms to audit the Indian and migrant worker sponsors as well as assorted prime contracts by ETA.

STANDARD LEVEL USER CHARGES

Mr. FLOOD. One last question under the "Departmental management" appropriation specifically. It involves this thing called standard level user charges. They are the payments you make to GSA for space. Your budget shows an increase of $1,683,000 over last year. What accounts for that kind of increase? That is over 50 percent.

Mr. ZUCK. That is a very substantial increase, Mr. Chairman.

Mr. FLOOD. That is what I just said, yes.

Mr. ZUCK. Not an increase only in this appropriation but we have it in each of the salaries and expenses appropriations of the Department. Two fundamental reasons are the basis of that request. The General Services Administration, at the beginning of each budget year, gives an estimate to OMB of the estimated charges for space to be included in the Department of Labor's budget.

Last year, in spite of the fact that the Department moved into the new Department of Labor building, the estimate that was provided to be included in the budget did not include the cost of the space for the new Labor Department building.

Second, GSA has just recently changed their billing procedure, in that the rate charged for space in the Washington area is not a standard rate anymore, but is based upon geographical location. Since we are at the foot of Capitol Hill, which is a high-rent district, the cost for space has increased very substantially.

These are costs that we feel we have very little control over, Mr. Chairman.

Mr. FLOOD. We clearly have the impression here that these rental charges are excessive, they have no relation to reasonable charges for rental of office space. What do you think?

Mr. ZUCK. I can't speak to the question of whether they are reasonable or not. The Congress in the past has provided a provision in the Treasury Department Appropriation Act which indicated that funds would be only provided for 90 percent of the standard level rates being applied by GSA.

We thought that meant that we didn't have to pay any more than that. And we so communicated with GSA, and they told us that our understanding was wrong, that, in fact, we were obligated to pay the full amount of the GSA billing, and that the 90 percent really only provided control over the unit costs per square foot.

Mr. FLOOD. You can do this for the record. Insert a chart showing the amount of standard level user charge now for each appropriation, show the amount for 1976, 1977, and 1978, and of course, you can include any necessary explanatory material for the record.

Mr. ZUCK. Yes, sir.

[The information follows:]

DEPARTMENT OF LABOR GSA SPACE RENTAL CHARGES (STANDARD LEVEL USER CHARGES)

[In thousands of dollars]

	Fiscal year 1976 actual billing	Fiscal year 1977		Fiscal year 1978 estimate
		Revised estimate	Projected billing	
Employment Training Administration	4,656	5,036	5,052	6,083
Labor-Management Services Administration	2,303	2,669	2,757	3,488
Employment Standards Administration	3,528	3,820	4,236	5,035
Occupational Safety and Health Administration	2,443	3,213	3,124	3,956
Bureau of Labor Statistics	2,352	2,653	2,936	3,263
Departmental Management	3,450	3,041	4,099	4,724
Subtotal, salaries and expenses	18,732	20,432	22,204	26,549
Other	4,994	4,473	4,473	4,677
Total, Department of Labor	23,726	24,905	26,677	31,226

Mr. FLOOD. Turning to the request for the President's Committee on Employment of the Handicapped, you have an increase of two positions. That appears to be a pretty reasonable request. What can you do with two people around here?

Mr. RUSSELL. Mr. Chairman, one of the positions is for——

Mr. FLOOD. You have been here before.

Mr. RUSSELL. Yes, I have, sir.

Mr. FLOOD. We are glad to have you back on board.

Mr. RUSSELL. Thank you.

Actually, we are asking for a regional representative in some location west of the Mississippi River, and this will be our third regional representative, which is bringing us closer to the goal of complete regionalization.

In other words, to bring the activities of the committee on a regional basis closer to the Governors' committees.

Mr. FLOOD. Do you have staff people in every region?

Mr. RUSSELL. Yes, we have. We have two already.

Mr. FLOOD. You say every region?

Mr. RUSSELL. No, we have two regions already, and this will be the third.

Mr. FLOOD. How many regions do you have?

Mr. RUSSELL. We have the country divided into six regions.

Mr. FLOOD. How many do you have?

Mr. RUSSELL. Two already.

Mr. FLOOD. And you have staff people in those two?

Mr. RUSSELL. Yes, we have one individual representing the committee in each one of the two regions we have now, and this will make the third region.

Mr. FLOOD. Let me ask you this: How is the President's Committee getting along with HEW and their programs for the handicapped? Do they listen to you at all over there?

Mr. RUSSELL. I think we have an excellent relationship. Ours is a little bit different in the sense that our mission is more information and communication in an attempt to reach industry to help them employ more qualified handicapped people.

We are helped a great deal by the new legislation, by the affirmative action legislation which compels Federal contractors who have contracts with the Federal Government, $2,500 or more, to give employment opportunities to qualified handicapped people.

So, our mission is probably one of education, of information, of reaching the interested parties and bringing them together.

Mr. FLOOD. What is your reaction to sections 501 and 503 of the Rehabilitation Act?

Are they being administered properly?

Mr. RUSSELL. I think it's a good beginning, Mr. Flood.

I think we have started, but I don't think we have begun to scratch the surface yet.

Mr. FLOOD. What do you find occupied most of the time of the President's committee during the last year?

Mr. RUSSELL. Most of it is a matter of information and education, of getting out to the States, getting to the localities and setting up

Governors' committees, or strengthening Governors' committees and setting up new local committees where there is a lot of industry involved.

Mr. FLOOD. What can you tell us about the forthcoming White House Conference on the Handicapped? Is it on schedule?

Mr. RUSSELL. Yes, I think it is running on schedule. As a matter of fact, they finished the Industry-Labor Council meeting yesterday in Georgia, and I think——

Mr. FLOOD. Where?

Mr. RUSSELL. In Atlanta. This is going to be a unique experience, because this will be the first time in the history of this country a conference will be run by handicapped people themselves. They will have an opportunity to speak out on their problems, and possible solutions to these problems.

It's obviously difficult to forecast what will happen, but certainly I think it will be revealing in terms of a forward movement of the handicapped in all degrees.

Mr. FLOOD. What do you know about the work of the Architectural Barriers and Compliance Board? Are they doing an adequate job?

Mr. RUSSELL. I don't think we have really started yet, but certainly as one travels around the country one can see some evidence of removal of architectural barriers in comparison to 10 to 15 years ago. But, obviously, we haven't begun to confront the problem at this point.

Handicapped people for the most part are barred from public transportation, churches, libraries, and many, many buildings, but we have made a beginning. And I think that is terribly important.

SPECIAL FOREIGN CURRENCY PROGRAM

Mr. FLOOD. Turning to the request for the Special Foreign Currency Program, how many conferences do you have planned for 1977?

Mr. BLACKMAN. We have one planned in New Delhi in March, and we hope to have one in Tunisia in September.

Mr. FLOOD. Last year you said you expected a carryover of $30,000 from 1976. Now you indicate that the carryover was actually $98,000. What happened?

Mr. BLACKMAN. We had one less conference than we hoped to have.

Mr. FLOOD. How much do you plan to spend for these conferences in 1977?

Mr. BLACKMAN. 1977 or 1978?

Mr. FLOOD. 1977.

Mr. BLACKMAN. I think the amount will be somewhere around $168,000.

Mr. FLOOD. What benefits do you expect to get from these conferences?

Mr. BLACKMAN. The primary benefit is to convey to the labor people in the field, the labor attaches and also some of the economic people in the field, what the programs of the Department are, and what the aims are. We also want to indicate the kinds of information we would like to get back from the field to assist in the programs of the Depart-

ment and of the other agencies. Those are the objectives. It's a way of communicating between the field and the Washington establishment. It's particularly important this year with a new administration.

Mr. FLOOD. You have one conference planned for 1978? Is that firm or subject to change?

Mr. BLACKMAN. It would be subject to change, because it's very hard to predict what will happen politically in many of these cases.

Mr. FLOOD. Thank you very much.

Mr. ZUCK. Thank you, Mr. Chairman.

[NOTE.—The following questions were submitted by members of the subcommittee with the request that they be answered for the record.]

MR. CONTE

Question. The requested increase by departmental management partially reflects a concern about abuses in CETA funding. What efforts has, or will, Labor make to coordinate its inspection and auditing authority with that of the Comptroller General's office? There seems to be an increase, in many agencies, in the need to oversee the functions of their operations to detect and prevent abuses.

Response. There is active and continuing interchange between the Department's Directorate of Audit and Investigations (DAI) and resident GAO staff at the Department.

DAI serves as liaison between GAO and departmental agencies, receiving and forwarding all draft and final GAO audit reports to agencies for comment within established deadlines. It reviews agency replies for completeness and responsiveness prior to their signature and return to GAO.

In addition, there are informal exchanges of work schedules and of draft and final audit reports issued by both groups. Information on the status of ongoing audits is also exchanged.

DAI utilizes GAO audit report findings and work schedules in developing its own annual work plans; both in deciding on areas for audit followup and to avoid duplication of effort. To determine audit implications of GAO findings, DAI normally attends discussions between GAO and departmental agencies on findings in GAO draft audit reports.

Thus the relationship between the Department's audit staff and that of GAO is effective and mutually reinforcing.

Question. Some of the agencies within the Department of Labor have requested funds to provide investigation of program administration to prevent and detect fraud and abuse. What are these agencies, and how will you tailor your operations to prevent overlap in investigating functions?

Response. The agencies of the Department which have requested funds relating to the investigation of program administration are as follows:

Employment and Training Administration (ETA),
Employment Standards Administration, (ESA) and
Labor-Management Services Administration (LMSA).

The investigative activities to be carried out by these agencies with the requested funds are directly tied in to the day-to-day activities which are conducted in support of their respective programs. The activities are not, as in the case of the Department's Directorate of Audit and Investigations, carried out in an oversight capacity to determine if (1) the agencies resources are being utilized in accordance with accepted accounting standards and in compliance with departmental program regulations and statutes; (2) the agencies resources are managed and used in an economical and efficient manner; and (3) desired results and objectives are being achieved in an effective manner.

To illustrate this distinction, the ETA requested funds are for the strengthening of the State Employment Security Agencies (SESAs) through the establishment of an eligibility review program which will selectively examine and document unemployment insurance claimant eligibility on a continuing basis. The ESA requested funds are for the reestablishment of a claims validation capability which, due to recent increased claims volume, was temporarily suspended to divert staff to the processing of claims. Finally, the LMSA requested funds are for the development of expanded capability to conduct reviews of selected employee pension/benefit plans.

In summary, there is no overlap in the investigation of program administration when comparing the activities of the Department's Directorate of Audit and Investigations to those of ETA, ESA and LMSA. The Directorate of Audit and Investigations functions solely in a departmental oversight capacity.

Question. Have you made provisions in your budget to allow for the functions of the Office of the Inspector General so that overlap can be avoided?

Response. No provisions have been made in the Department's budget request for the establishment of an Office of the Inspector General. The Department, however, is analyzing the issues which are associated with the proposed legislation—H.R. 2819—including the identification of organizations in the Department which are performing functions which may approriately be assigned to an Office of the Inspector General if, in fact, such an office is established.

Question. The ETA is requesting approximately $2 million additional funds in fiscal year 1978. Part of which will be directed to auditing CETA programs. You are also requesting a $1 million increase to keep up with the economic stimulus program, which is utilizing increases in CETA programs. Can you tell the committee what the division of resources and responsibility will be between ETA and your department concerning audits?

Response. The ETA total requested increase for fiscal year 1978 is $6.8 billion. Of this amount, slightly over $2 million is for strengthening the review of financial operations and the delivery of technical assistance and training activities. Neither of these two activities can be defined as auditing. The strengthening of the financial operations will be achieved through the use of a financial operations handbook to be released early in fiscal year 1978. This handbook will be the basis for making improvements in the ETA financial systems at the local level. The CETA financial problems, in particular, will be addressed and corrective actions will be developed. Although the improvement in the financial systems is needed and desirable, it does not constitute an audit effort. Improvements which may be achieved would, however, be reflected in future audits through the identification of a lower amount of questioned program costs than would be identified if no such improvements in the financial systems were made.

The $1 million increase requested for the directorate of audit and investigations is not associated with audit coverage of the expanded CETA program which is included in the President's economic stimulus program. The $1 million provides for increased reliance on State and local audit agencies and CPAs to perform selected audits of the Department's program which are not associated with CETA. In addition to the $1 million for such assistance, the directorate of audit and investigations is also requesting 55 new positions with supporting funds. All of these positions are being requested to provide audit coverage of the proposed expanded CETA program.

In answer to the question regarding the division of resources and responsibility between ETA and the directorate of audit and investigations, the division is a clear one. ETA has no audit responsibility and therefore no auditors. DA and I is responsible for auditing or arranging for auditing of all ETA programs and funds.

Question. Would you give us a progress report on the efforts undertaken in fiscal year 1977 by the Office of Information, publications and reports in improving methods to reach special groups? Are these special groups comprised largely of handicapped persons and veterans?

Response. During fiscal 1977, the Office of Information, publications and Reports (OIPR) continued efforts to reach special groups in the Nation's labor force with pertinent information about Department programs and services. OIPR prepared and issued weekly packets of news and information specially tailored for media serving blacks, Hispanic Americans, labor union members, business, and small town residents. A similar news service was issued monthly to media and organizations serving women. Voiced items of news and information were taped and fed daily to radio networks serving minority group members. As a highlight of the Department's efforts to improve communications with its many constituencies was a major information campaign launched to explain and promote awareness of new administration initiatives to improve employment opportunities for unemployed military veterans. Serving primarily veterans of the Vietnam era, many of them minority group members and/or disabled, this program was publicized in detail through articles placed with various veterans' publications. News releases describing the program were issued to print and broadcast media nationwide and were further disseminated through the Department's weekly and monthly news services for minority, labor, business, women's and small town press. Voiced announcements of the veterans' employment pro-

gram were taped and made available to radio stations across the country through the Department's "Sportsmaster" dial system.

Question. Will these 39 additional positions for the Office of the Solicitor be field positions? How many will be attorneys?

Response. The requested increase will provide 18 additional positions for field legal services, 16 of these will be attorneys. The total request of 39 provides for 34 attorneys and 5 clericals.

Question. Where do you expect to see the greatest increase in occupational safety and health litigation? Does this growth reflect an increase in the number of regulations or rather an increase in the number of noncompliance complaints?

Response. We expect to see the greatest increase in the health area and the national emphasis program. This increase will be precipitated by the large number of new industrial hygienists who will be concentrating exclusively on health inspections. Such inspections result in complex and costly abatement requirements which will generate a higher contest rate as well as more complex and time-consuming litigation. Similarly, the national emphasis program (NEP) will generate so-called wall-to-wall inspections by teams of CSHO's and industrial hygienists for both safety and health violations which, in turn will result in numerous citations and contests. Finally, with regard to NEP, we expect that, in the absence of specific standards covering many hazards in inspected foundries, there will be an increased number of general duty clause 5(a)(11) citations which, in turn, will be contested.

Increased growth is not only attributable to the factors described above, but also to the promulgation of new and complex health standards such as coke ovens and vinyl chloride. As industrial hygienists are hired and trained in the requirements of these standards, we can expect a marked increase in citations and contests with a concomitant increase in litigation.

With regard to complaints OSHA has recently instituted a vigorous policy of expeditious response to formal and informal complaints (see FIM 76–28). This policy has generated a considerably greater number of complaints inspections. It can be argued that such inspections, contrasted with general non-complaint inspections, focus OSHA's compliance personnel on working conditions perceived by employees to be hazardous. Accordingly, such complaint inspections may result in the discovery of a greater number of violative conditions, the issuance of more citations, and an increase in the contest rate.

Question. Who usually initiates these complaints, and are the workers sufficiently aware of regulations guarding their interest? At what level of the industry do you direct your flow of information?

Response. Complaints are usually initiated either by employees themselves, members of their families, or their union representatives. Organized employees are generally more aware of their rights under the Act because of publicity provided through union membership meetings and publications. However, an extensive effort has been made over the year to inform all employees and their families through radio and TV spots, employee seminars, pamphlets and publications. These cover not only the employee's right to request an inspection, but also his right to anonymity and to protection from discrimination because of the exercise of his rights. Every employer is also required by law to prominently display in the workplace OSHA's official poster informing employees of their protections. Concerning the level of industry at which we direct our major flow of information, it is primarily through employer associations and employee organizations, although we have also made direct mailings to individual employers.

Question. What are the reasons for an expected jump by 33 percent of black lung claims and the huge 97 percent contest rate by the mine operators?

Response. Over the past several years, we have consistently projected that a decreasing number of claims would be filed annually under the black lung benefits program. However, actual data subsequent to these projections have caused us to revise future estimates of incoming claims. While the trend for a decreasing volume remains true, the rate of annual decline has slowed. In this sense, we expect slightly more claims during each of the next 2 to 3 years, but there will still be a constant decline in the net number of claims filed annually. There are several basic reasons behind this slower-than-anticipated decline in black lung claims filings. We receive many claims from individuals who have had some work experience in the mines, and who, following retirement from another vocation, are advised to file because they have such a right under the law. We are not sure how large this group is. Secondly, our overall estimates

of the probable potential universe appear not to have reflected accurately the number of eligible miners and survivors. Finally, as indicated by the very low rate of approvals individuals who are not really eligible are filing on the faint chance they may in fact be eligible. We share your concern over the 97 percent of entitlements which are contested by mine operators. We have determined that only 135 cases for which benefits have been approved, are being paid by mine operators. There are a number of cases currently in litigation on the responsible mine operators' question which we expect to be settled in favor of the Department. If so, this would ultimately result in about 35 percent of the currently approved claims being paid by mine operators. I would note, however, that in the future we will be dealing with claimants whose work history is of a more recent vintage, and the identification of responsible mine operators liable to pay benefits should be easier to determine, due to more readily available data on the claimant's employment history.

Question. Do these mine operators need specific justifications to contest the cases or can any case be appealed? How many of the 97 percent are appealed?

Response. No. The mine operators do not need specific justification to contest administrative determinations. Approximately 50 percent of the decisions handed down by the Office of Administrative Law Judges are appealed to the Benefits Review Board. On the appellate level there must be some justification given by the mine operator or owner—and claimants—for an appeal of a case.

Question. What are the reasons and expected results of CETA litigation being shifted from the U.S. Attorney's office to labor's solicitor's Office?

Response. This question appears to be based upon a misconception of the relative roles of the Office of the Solicitor of Labor and the Office of U.S. Attorney. The reason for the anticipated increase in litigation is that administrative hearing procedures, at which attorneys from the Employment and Training Legal Services Division of the Solicitor's Office represent the administrative decision maker, have been interposed, under CETA and the Immigration and Nationality Act, as a hearing stage prior to resort to court. This means that attorneys from the Solicitor's Office will represent the Department of Labor in trial type hearings which occur before resort to court is available. While attorneys from the Solicitor's Office also participate in court cases in cooperation with the U.S. Attorneys' office, the main focus of increased activity will be in the administrative hearing area where Solicitor's Office attorneys work alone.

Under CETA the Secretary of Labor is required to provide a prime sponsor with notice and opportunity for an administrative hearing before taking any action to withhold or withdraw funds. The statute also requires that the Secretary investigate and determine whether or not violations of CETA exist upon complaint of interested individuals. The Secretary's regulations also make provision for administrative hearings in cases where an individual or organization has complained and that complaint, even if not found meritorious, raises questions of importance to the efficient administration of the statute. As a result, a number of cases which aggrieved individuals or organizations originally brought to court have been dismissed for failure to exhaust administrative remedies. Many of these complainants have subsequently sought to use the administrative process provided under CETA. Additionally, of course, a much greater number of allegedly aggrieved persons and organizations have followed the statute and regulations and first sought administrative redress for their complaints.

Hearings in these administrative cases are before administrative law judges of the Department of Labor. Employment and Training Administration (ETA) is represented in such hearings by the Solicitor's office. Thus, in the first instance, the bulk of CETA "litigation" is handled by Solicitor's Office personnel.

When CETA cases are brought to court, it has been found that because of the heavy caseloads handled by U.S. attorneys' offices and because CETA is a new and complex statute, most U.S. attorney's offices seek Solicitor's Office participation in the argument and trial of CETA cases. The Solicitor's office encourages this arrangement because of the necessity for accurately representing the policies of the Secretary of Labor on a nationwide basis. The participation of Solicitor's Office attorneys in CETA litigation at the District Court level is also important to assure a full presentation of the facts and of the administrative considerations that underly various claims that may be raised.

A similar situation has arisen under the Immigration and Nationality Act. Under regulations previously enforced, administrative review was a form of a paper exercise, that is, the certifying and reviewing officers of the Department of Labor reviewed only documents. Thus, when cases came to court, judicial re-

view consisted of a review of this paper record. The result of such reviews have varied widely. It has been the practice of most reviewing courts to dispose of immigration cases on motions for summary judgment. In some courts, it has been held that evidence that the Secretary habitually uses to demonstrate the availability of workers is sufficient on its face to sustain the Secretary's decision unless the alien or his employer can produce clear and convincing evidence to rebut the Secretary's determination. Other courts have come to precisely the reverse conclusion, that the evidence habitually used by the Secretary is on its face worthless and that the Secretary's determination cannot be sustained. In order to develop fuller administrative records and to afford both the alien and the Secretary a greater opportunity to present their case at administrative level, recently published regulations have created a hearing procedure available to all aliens and employers who wish to contest initial decisions made by a reviewing officer.

The result of these regulatory changes will be to interpose the opportunity for a trial type hearing before resort to court. It is hoped that by this procedure many of the cases that now come to court will be resolved at administrative level and that those cases that are ultimately appealed to the Federal district court will come before those courts on a record which will more fully indicate the nature of the Secretary's action. These administrative hearings, which will be handled by Solicitor's Office personnel, will have the effect of shifting a substantial portion of the burden of preparation of immigration cases to the Solicitor's Office. When immigration cases do come to court, they will still be handled by U.S. attorneys working in conjunction with Solicitor's Office personnel but it is hoped that the amendments to the administrative procedure will greatly ease the burden of defending these appeals in court.

MR. ROYBAL

Question. I note that you are asking an additional 55 positions to carry out your audit functions.

Response. (*a*) All of the 55 additional people will be assigned to the CETA audit area.

(*b*) In each area, explain what impact the addition of these auditors will have.

Response. (*a*) All of the 55 additional people will be assigned to the CETA audit area.

(*b*) The assignment of the 55 additional people to the CETA auit area will enable the Department, through the efforts of its audit staff, State and local auditors, and CPA's, to provide the same relative amount of audit coverage to the expanded CETA program as is now being provided to the current CETA program. Without these additional people, audit coverage of CETA would be substantially reduced.

Question. You indicate that litigation under the Employee Retirement Income Security Act (ERISA) is beginning to become a significant workload factor.

(a) What was the actual number of cases in fiscal year 1977?

(*b*) What do you project your caseload to be over the next 3 fiscal years?

Response. (*a*) In fiscal year 1976, the Department was formally involved in 13 litigated cases. The Department brought one original enforcement action, intervened in four cases, participated as defendant in seven suits and filed one brief as amicus curiae.

Thus far in fiscal year 1977, the Department has become formally involved in nine more litigated cases. The distribution is significantly different from the earlier period. Six of the cases were brought as original enforcement actions, one was an intervention and two were cases of major import for administration of ERISA in which the Department filed amicus briefs (one of them jointly with the Internal Revenue Service).

(b) The projected total for fiscal year 1977 is 50 cases. In fiscal year 1978, field offices of the Solicitor will begin to originate cases in large volume, bolstered by the additional resources in the fiscal year 1978 budget. The total projection for fiscal year 1978 is 250, and for fiscal year 1979 the projected caseload is 450.

Question. You indicated that you are instituting new procedures for processing individual and group exemptions under ERISA that would result in a more efficient processing of requests for exemptions or variances.

Would you explain what these procedures are and how they will have time?

Answer. The following procedures have been instituted to permit more efficient processing of requests for exemptions:

The Department and the Internal Revenue Service have signed a memorandum of understanding which sets forth specific operating procedures to be fol-

lowed by each agency in processing exemption requests. An important aspect of the agreement is that each agency is given a specific time in which to respond to actions by the other agency.

The Department has hired additional personnel who have specific training in finance, banking, insurance, and the securities industry. Also, as an interim measure, the Solicitor's Office is doing original work (in addition to legal review) in processing exemption requests.

The Department is giving priority treatment to "class" requests (as compared to requests which only cover single transactions). Further, the Department is considering the grouping of similar individual requests and treating the group as a "class" (present example is third party notes).

Question. What relationship do you have with other Federal Government agencies dealing with the handicapped?

Response. The President's committee works closely with other agencies at several levels. First, our Executive Order 11480 calls for an advisory council to the President's committee made up o fthe following agencies: Department of Agriculture, Department of Commerce, Department of Labor, Department of HEW, Department of HUD, Department of Transportation, U.S. Civil Service Commission, and the Veterans' Administration.

Second, in all of our operations we involve Federal agencies, either singly or in groups, as needed. For example: Our activities for the mentally handicapped involve the President's Committee on Mental Retardation; Rehabilitation Services Administration; Employment and Training Administration of the Department of Labor; National Institute of Mental Health.

Our activities in affirmative action involve the Office of Civil Rights of HEW; Employment Standards Administration and Occupational Safety and Health of the Department of Labor; and the Veterans' Administration.

In short, the President's committee provides a common meeting ground where Government agencies can come together to solve problems they face in common.

Question. How do you get across the policies and programs that these agencies have developed to the Governors' committees?

Response. The procedure goes this way.

After policies and programs are determined, the President's committee staff meets for briefings and explanations. Since staff members have long experience in the field of employment of handicapped people, new programs are easily comprehended. In fact, they frequently have solid input in the formulation of new programs.

These programs are disseminated to Governors' committees in the States by the State relations division of the President's committee. Each person in the State relations has a number of assigned States. It's his or her responsibility to inform the States of new policies, to explain them, and to encourage acceptance of them. In addition, the President's committee frequently sends materials to all States. In this way too, new policies and programs are disseminated.

To develop this procedure further, the President's committee is engaging in a regionalized approach. Two staff members have been made regional representatives. One serves the Southeastern States and the other the Middle Atlantic States. Hopefully, a third will be added west of the Mississippi. They provide intensive services to their States, more so than other persons in State relations.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

For necessary expenses for Departmental Management and [$1,393,000] *$1,432,000* for the President's Committee on Employment of the Handicapped, [$49,182,000] *$61,462,000*, together with not to exceed [$1,305,000] *$1,562,000*, to be derived from the Employment Security Administration account, Unemployment Trust Fund.

[For an additional amount for "Salaries and Expenses", $1,036,000.]

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or estimate.....	$50,487,000	$63,024,000
Proposed Supplemental for pay.....	2,159,000	---
Proposed Supplemental.....	1,036,000	
Comparative transfer from:		
Departmental Management Consolidated Working Fund.....	692,000	---
Budget Authority, Total Amount Available for Obligation.....	54,374,000	63,024,000

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Summary of Changes

	Trust Fund		General Fund		Total Estimate	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1977 Appropriation	34	$1,305,000	1,622	$49,182,000	1,656	$50,487,000
Proposed Supplemental for pay costs	---	7,000	---	2,152,000	---	2,159,000
Proposed Supplemental	---	---	35	1,036,000	35	1,036,000
Comparative transfer from the Consolidated Working Fund	---	---	---	692,000	---	692,000
1977 Revised Estimate	34	1,312,000	1,657	53,062,000	1,691	54,374,000
1978 Estimate	34	1,562,000	1,784	61,462,000	1,818	63,024,000
Total Change	---	+250,000	+127	+8,400,000	+127	+8,650,000

	Base		Trust Fund		General Fund		Change	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Mandatory Items:								
Increases:								
Net additional cost of within-grade promotions effective for part year in 1977	---	---	---	+2,000	---	+409,000	---	+411,000
Net additional cost of within-grade promotions effective in 1978	---	---	---	+4,000	---	+483,000	---	+487,000
To provide for increased costs of administrative and program support services	---	---	---	---	---	+497,000	---	+497,000
To provide for full-year costs of new positions received in FY 1977	---	---	---	---	---	+747,000	---	+747,000
To provide for net increases in contributions to the Federal Employees' Compensation Fund	---	---	---	---	---	+29,000	---	+29,000
To provide for net additional cost of the Department's share of operating GSA Federal Information Centers	---	---	---	---	---	+14,000	---	+14,000
To provide for increased costs of GSA space rental	---	---	---	---	---	+1,683,000	---	+1,683,000
To provide for annualization of pay received October 1976	---	---	---	+1,000	---	+49,000	---	+50,000
To provide for increased cost of payments to Government Printing Office and other supplies	---	---	---	+7,000	---	+7,000	---	+14,000
Subtotal, increase	---	---	---	+14,000	---	+3,918,000	---	+3,932,000

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	Base		Trust Fund		General Fund		Change	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Mandatory Items:								
Decreases:								
To provide for one less day of pay in FY 1978	---	---	---	+4,000	---	-143,000	---	+$146,000
To provide for one time cost of establishing new positions received in FY 1977	---	---	---	---	---	-36,000	---	-36,000
Total, Mandatory Items	---	---	---	+10,000	---	+3,740,000	---	+3,750,000
Program Items:								
Increases:								
To provide for support for the Executive Secretariat (Page 14)	---	---	---	---	+5	+139,000	+5	+139,000
To provide for increased support for Legal Services (Page 20)	732	$19,753,000	---	---	+39	+387,000	+39	+387,000
To provide for increased costs for personnel in Legal Services (Page 20)	---	---	---	---	---	+1,500,000	---	+1,500,000
To provide for increase in Legal Services rental of word processing machines and funds for a management information study and design (Page 20)	---	---	---	---	---	+85,000	---	+85,000
To provide for adequate audit coverage of Departmental program funds (Page 31)	---	---	---	+240,000	---	+760,000	---	+1,000,000
To provide for necessary audit staff for expanded CETA program (Page 31)	103	4,116,000	---	---	+55	+1,069,000	+55	+1,069,000
To provide for Employee Safety and Health in regions (Page 33)	---	---	---	---	---	+50,000	---	+50,000
To provide staff to process additional caseload for Benefits Review Board (Page 37)	14	472,000	---	---	+7	+154,000	+7	+154,000
To provide staff to process additional caseload of Administrative Law Judges (Page 39)	90	2,982,000	---	---	+17	+387,000	+17	+387,000
To provide staff to process additional caseload of the Employee's Compensation Appeals Board (Page 39)	7	272,000	---	---	+2	+39,000	+2	+39,000
To provide for regionalization of efforts to promote Employment of the Handicapped (Page 42)	48	1,392,000	---	---	+2	+40,000	+2	+40,000
To provide for contractual services to administer worker adjustment assistance under Trade Act of 1974 (Page 27)	---	---	---	---	---	+50,000	---	+50,000
Total program increases	---	---	---	+240,000	+127	+4,660,000	+127	+4,900,000
Total change	---	---	---	+250,000	+127	+8,400,000	+127	+8,650,000

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Explanation of Changes

Mandatory Items:

Increases:

Full year funding of 40 new positions received in Fiscal Year 1977, $747,000.

Annualization of October 1976 pay raise, $50,000.

Cost of within-grade promotions effective in 1977, $411,000 and 1978, $487,000.

Increased cost of contribution to Federal Employee Compensation Fund, $29,000.

Additional cost of administrative and program support services, $497,000.

Increased payment to General Services Administration (GSA) for standard level user charges (SLUC), $1,683,000. The two major reasons that caused this increased payment to GSA were the new Fair Annual Rental Appraisal method used by GSA to compute government agencies rates for SLUC and the underestimate provided by GSA for SLUC in 1976 and 1977 for total space occupied by Department of Labor in the New Department of Labor Building.

Increased payment to General Services Administration for the Department's share of operating the Federal Information Centers, $14,000.

Increased cost of payments to Government Printing Office and other supplies, $14,000.

Decreases:

Savings due to cost of one less day of pay in 1978, -$146,000.

One time cost of new positions received in 1977, -$36,000.

Program Items:

Increases:

New FY 1978 Positions

Executive Direction: An increase of five positions and $139,000 is requested to provide Office of the Secretary with an Executive Secretariat to advise and assist matters of coordination, communication, and correspondence controls. The request would ensure that documents presented to the Secretary for decisions represent completed staff work and accurately reflect the views of the Secretary.

Legal Services: An increase of 39 positions and $1,972,000 is requested to provide the Office of the Solicitor the necessary staff to deal with increasing workload in the administration of the Employee Retirement Income Security Act, Occupational Safety and Health Act, Comprehensive Employment Training Act, Freedom of Information Act, Fair Labor Standards Act, Equal Pay and Age Act, and Privacy Act.

International Labor Affairs: This activity requests $50,000 for contractual services needed to administer worker adjustment assistance under the Trade Act of 1974.

Administration and Management: This activity requests $1,050,000 to provide audit coverage to a larger portion of the annual Department of Labor audit universe through greater reliance on State and local audit agencies, CPA firms, and provide occupational health services to those Federal employees of the Department of Labor currently without any type of coverage. Fifty-five auditor positions and $1,069,000 are requested to audit the extended CETA program.

Adjudication: An increase of 26 positions and $580,000 is requested to provide additional staff to process increased workload of cases appealed to the Benefits Review Board, Office of Administrative Law Judges, and Employees' Compensation Appeals Board.

President's Committee on Employment of the Handicapped: An increase of two positions and $40,000 is requested to provide additional staff for the President's Committee on Employment of the Handicapped. These two additional positions will enable the Committee to continue its direction of regionalization.

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Executive Direction...	199	8,493,000	204	9,836,000	+5	+1,343,000
2. Legal Services.....	732	19,793,000	771	22,612,000	+39	+2,819,000
3. International Labor Affairs.....	161	5,353,000	161	5,899,000	--	+ 546,000
4. Administration and Management.....	449	15,510,000	504	18,554,000	+55	+3,044,000
5. Adjudication.....	102	3,779,000	128	4,691,000	+26	+ 912,000
6. President's Committee on Employment of the Handicapped.....	48	1,446,000	50	1,432,000	+2	- 14,000
Total obligations by activity.....	1,691	54,374,000 1/	1,818	63,024,000 1/	+127	+8,650,000

1/ Includes $1,312,000 for FY 1977 and $1,562,000 for FY 1978 to be derived from Unemployment Trust Fund.

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
Total number of permanent positions.....	1,691	1,818	+127
Positions other than permanent.....	50	37	-13
Average number of all employees.....	1,646	1,812	+166
Personnel Compensation:			
Permanent Positions.....	$34,900,000	$39,329,000	+$4,429,000
Positions other than permanent.....	1,008,000	1,008,000	---
Other personnel compensation.....	240,000	240,000	---
Special personnel services.....	180,000	180,000	---
11 Total personnel compensation.....	36,328,000	40,757,000	+4,429,000
12 Personnel benefits.....	3,706,000	4,156,000	+450,000
13 Benefits for former personnel.....	36,000	36,000	---
21 Travel and transportation of persons	2,623,000	2,950,000	+327,000
22 Transportation of things.....	62,000	56,000	-6,000
23 Rent, communications, and utilities..	1,859,000	1,927,000	+68,000
Standard level user charges.....	3,041,000	4,724,000	+1,683,000
24 Printing and reproduction.....	263,000	269,000	+6,000
25 Other services.....	5,378,000	7,226,000	+1,848,000
Services of other agencies.....	505,000	342,000	-163,000
26 Supplies and materials.....	295,000	311,000	+16,000
31 Equipment.....	278,000	270,000	-8,000
Total, obligations by object.....	54,374,000	63,024,000	+8,650,000
Working Capital Fund items included above.....	(4,313,000)	(4,810,000)	(+497,000)

Action on Congressional Recommendations

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Authorizing Legislation

	1977		1978	
	Authorized	Estimate	Authorized	Estimate
Legislation				
Act of 1913 to create a Department of Labor....	Indefinite	$50,680,000 1/	Indefinite	$59,142,000
Trade Act of 1974.....	Indefinite	2,248,000	Indefinite	2,450,000
Authorizing Legislation for the President's Committee on Employment of the Handicapped.....	$1,446,000 2/	1,446,000	$1,432,000 2/	1,432,000

1/ Includes $1,312,000 for FY 1977 and $1,562,000 for FY 1978 to be derived from Unemployment Trust Fund.

2/ Revised authorization pending.

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Appropriations History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$13,836,000	$13,441,000	$13,441,000	$13,441,000
1970	15,131,000	15,131,000	15,131,000	15,131,000
1971	21,314,000	20,664,000	20,724,000	20,724,000
1972	21,291,000	21,391,000	21,391,000	20,391,000
1973	25,514,000	25,360,000	25,360,000	24,176,000
1974	25,716,000	25,271,000	25,368,000	25,368,000
1975	33,584,000	32,074,000	29,859,000	31,159,000
1976	35,985,000	34,147,000	39,147,000	39,147,000
Transition Quarter	9,501,000	8,901,000	8,901,000	8,901,000
1977	50,901,000	50,617,000	50,487,000	50,487,000 1/
Pay Cost Supplemental Pending	2,159,000 2/			
Proposed Supplemental	1,036,000			
1978	63,024,000 3/			

1/ Includes $1,305,000 in FY 1977 to be derived from the Employment Security Administration account in the Unemployment Trust Fund.

2/ Includes $7,000 in FY 1977 to be derived from the Employment Security Administration account in the Unemployment Trust Fund.

3/ Includes $1,562,000 in FY 1978 to be derived from the Employment Security Administration account in the Unemployment Trust Fund.

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Activity 1. Executive Direction (1977, $8,493,000, Pos. 199
1978, $9,836,000, Pos. 204)

Narrative Description of Program

This activity encompasses the Department's top-level executive function committed to the formulation of government policy within the purview of the Department and provides overall direction for all programs and functions assigned to the Department. This activity provides for the Secretary of Labor and his immediate staff, the Under Secretary and his immediate staff, the Office of Legislative Affairs, the Office of Information, Publications and Reports, the Assistant Secretary for Policy, Evaluation and Research, and the Regional Directors and Field Coordination Staff.

In 1976, the Office of Legislative Affairs was continuously involved with inquiries relating to the Employee Retirement Income Security Act as well as continuous liaison work on other programs and new legislative proposals for the Department.

The Office of Information, Publications and Reports (OIPR) implemented a graphic design system as part of a Presidential directive for government-wide efforts to upgrade the quality and reduce the cost of printing Agency publications used in communications with the public. The extension of unemployment benefits, assistance to the jobless, and provisions of the Employee Retirement Income Security Act were the major public information thrusts in FY 1976.

The Office of the Assistant Secretary for Policy, Evaluation and Research (ASPER) worked in such areas as agricultural labor relations; energy; discrimination against women, minorities and older workers; job quality and satisfaction; to assist in the development of overall Departmental policy and programs. Major research efforts were continued in the areas of workers' compensation, pensions, minimum wage, occupational safety and health and unemployment insurance. In addition, a major paper on the use of the Work Test in the Work Incentive Program was completed.

The Regional Directors focused on interagency coordination activities and emphasized priority areas of the Department and those of particular interest to the Secretary. These included the Migrant and Seasonal Farmworker Program, promoting Departmental unity, Labor-Management relations and Equal Employment opportunity and other affirmative action plans.

In the Transitional Quarter, the Office of Legislative Affairs was continuously involved with inquiries relating to the Employee Retirement Income Security Act, and Congressional Liaison matters relating to labor legislation.

The Office of Information, Publications and Reports continued its involvement with major public information thrusts in the areas of extension of unemployment benefits, assistance to the jobless and provisions of the Employee Retirement Income Security Act.

The Assistant Secretary for Policy, Evaluation and Research continued to work in such areas as agricultural labor relations, energy, and discrimination against women, to assist in the development of overall Departmental policy and programs.

The Regional Directors continued their efforts to coordinate activities and placed emphasis on priority areas of the Department and those of particular interest to the Secretary.

In 1977, the Office of Legislative Affairs will continue to serve as the principal Departmental/Congressional liaison in matters relating to labor legislation.

The Office of Information, Publications and Reports (OIPR) is concentrating on the area of consumer representation, an effort initiated by the President and which is designed to provide, for client groups or the public which use services of the Department, a higher degree of participation in policy formulation, rule-making activities, and program evaluation. This will also strengthen mechanisms for disseminating information and feedback to client groups and individual consumers. The Information Office is the Departmental focal point for carrying out responsibilities to the public under the Freedom of Information Act. In addition, OIPR continues to serve as the major source of press information and to assist all Agencies in their efforts to inform the public of the protections, benefits and services available to them through Departmental programs. OIPR's role will assume added importance this year as the Federal government moves with new vigor to put the nation's unemployed men and women back to work. Efforts will be undertaken to improve methods of reaching special groups with special job problems in the work force.

The Office of the Assistant Secretary for Policy, Evaluation and Research (ASPER) will continue to play a major role in providing analytical support regarding issues which require decisions by the Executive Staff of the Department, including analysis of legislative proposals for the economic and specific job impact of each. Analysis work is continuing in the areas of workers' compensation, pensions, minimum wage, occupational safety and health, and unemployment insurance.

The Regional Directors have been and will continue to place emphasis on representational, coordinative and inter-governmental relations aspects of their responsibilities. Particular attention will be given to opening communications channels with newly elected State and local officials and to expanding contacts with key representatives of labor, management and public sector organizations. Emphasis will be placed on explaining policies and positions and providing feedback to Department policy officials concerning local views and opinions. Areas of significant interest to the Secretary, intra-departmental and inter-agency coordination of program activities and resolution of local problems will continue to require a high degree of Regional Directors' attention as will Federal Regional Council and other inter-agency and inter-governmental initiatives and activities.

In 1978, the Office of Legislative Affairs will continue to serve as principal congressional spokesman and legislative strategist for the Department.

The Office of Information, Publications and Reports (OIPR) will continue its efforts to inform the American public of the diverse services and protections afforded working men and women. A concentrated effort will be made to inform unemployed Americans of newly emerging job opportunities as the Federal government moves forward with programs "to put America back to work." Information efforts will concentrate to a large measure on job efforts on behalf of teenagers, especially black and other minority youths. Actions will be taken (1) to open up new lines of communications with those needing the Department's services and protections and (2) to improve existing communications tools at our disposal. In all these efforts, OIPR will seek to further liberalize the Department's total information program as the executive branch moves to assure an open government.

The Office of the Assistant Secretary for Policy, Evaluation and Research (ASPER) will continue to play a major role in providing independent analytical

support regarding matters involving policy development, program planning, program evaluation and economic research and analysis. Analytical work will be continuing in the areas of occupational safety and health, and unemployment insurance. In addition, the areas of welfare reform, youth employment programs and public service employment will be major areas of concern.

The Regional Directors will concentrate on activities designed to improve Federal, State and local relations and communications and enhance the Department's sensitivity and responsiveness to local views and problems. Regional Directors will participate in the management process of the Department and communicate local views and opinions to policy makers for consideration in the formulation of policies and establishment of priorities. Departmental initiatives and areas of specific interest to the Secretary will receive the particular attention of the Regional Directors.

Changes for 1978

Mandatory changes amount to	+$1,204,000
Program changes amount to	+$ 139,000
Positions	+ 5

Mandatory changes include $7,000 for annualization of October 1976 pay raise; $79,000 for net additional cost of within-grade promotions for part year effective in 1977; $144,000 for net cost of within-grade promotions becoming effective in 1978; $16,000 for increased cost in contributions to the Federal Employees' Compensation Fund; $153,000 for increased cost of administrative and program support services; $798,000 for net additional cost of standard level user charges reimbursable to General Services Administration; $14,000 increase for the Department's share of operating the General Services Administration's Federal Information Centers; $4,000 for the additional cost of printing provided by the Government Printing Office; $10,000 increase to cost of supplies and materials; and a decrease of -$21,000 for one less day of pay in 1978.

Program changes include five positions and $139,000 to fund the operation of the Executive Secretariat within the Office of the Secretary.

Executive Secretariat

Proposal: To provide for five positions in the Office of the Secretary to advise and assist the Secretary on matters of coordination, communication and correspondence control. To ensure that documents presented to the Secretary for decision represent completed staff work and accurately reflect the views of the Secretary.

The Need: For many years, the Department and the Secretary were regularly embarrassed by poor internal coordination and lack of timely and adequate responses to important policy issues raised by Congressional and Executive correspondence, other government agencies, as well as inquiries from the public. Many reports were delivered to Congress without having completed the DOL clearance process. Enormous backlogs of mail accumulated without the Secretary being notified until the crisis stage.

These conditions prompted a management review which showed unclear assignment of responsibilities, lack of follow through and poor internal coordination. Routine mail was being done by one correspondence unit, tracking of advisory committee activities by another and ad hoc groups at times were formed to coordinate special projects.

A review of other Executive agencies revealed that these functions were handled successfully with the aid of Executive Secretariat. It is for this reason the Office of the Secretary is requesting five positions for an Executive Secretariat to assist the Secretary and the Under Secretary on matters of communications policy, coordination and advisory committee management.

Establishment of an Executive Secretariat is therefore required to provide the Office of the Secretary with the capability of improving the quality of correspondence control within the Department, and of providing strong and direct coordination of policy initiatives which is essential to administering the Department effectively.

The Program: The Executive Secretariat will be responsible for establishing an institutional quality control mechanism to ensure that correspondence and documents presented to the Secretary and Under Secretary for information and decision have been properly coordinated within the Department and are ready for attention, decision and/or signature. It also will ensure that a system of control will exist and function effectively throughout the Department to provide timely and accurate responses to all written communications to the Secretary and Under Secretary. This includes sensitive issues involving the White House, Congress, other government agencies and the private sector. The office will work closely with Department of Labor agency staffs to improve their performance in these areas.

The Executive Secretariat will be the office responsible for ensuring compliance with the Federal Advisory Committee Act and will work closely with the Secretary and agency heads in the selection of advisory committee members. In addition, the office will maintain the Secretary and Under Secretary official files and work with the National Archives regarding these documents.

Base:					
Positions:	199			Estimated Cost:	$8,493,000
Additional Costs:					
Positions:	+5	Staff Years:	3.75	Estimated Cost:	+$ 139,000

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Activity 2. Legal Services (1977, $19,793,000, Pos. 732
1978, $22,612,000, Pos. 771)

Narrative Description of Program

The Office of the Solicitor provides the full range of legal services required by the Secretary and Departmental program officials in achieving the Department's mission. The Solicitor provides litigation, legal advisory, and legislative services under some 130 statutes and Executive orders for which the Secretary of Labor has primary or partial responsibility. Over 35 of the statutes or Executive orders result in major workload responsibilities such as those connected with the Fair Labor Standards Act, Equal Pay Act, Age Discrimination in Employment Act, Occupational Safety and Health Act, Employee Retirement Income Security Act, certain sections of the Federal Coal Mine Health and Safety Act, the Longshoremen's and Harbor Workers' Compensation Act, the Labor Management Reporting and Disclosure Act, Executive Order 11246, as amended, Executive Order 11491, as amended, and the Comprehensive Employment and Training Act, as amended.

In 1976, significant accomplishments were achieved in connection with added legal advisory services and the larger litigation program carried out by the national office and field staff. Services furnished to the Bureau of International Labor Affairs included the review of 884 petitions for worker adjustment assistance under the Trade Act of 1974, preparation of related Federal Register notices, and the handling of initial court challenges under the Act. A full range of legal services were provided for the Employee Retirement Income Security Act, including the preparation of 121 regulations and interpretive bulletins, review of 29 exemptions, variances and extensions from the requirements of various provisions of the Act, review of 542 private cases filed, and initiation of one original enforcement action. The Occupational Safety and Health Administration was assisted in the issuance of an emergency temporary standard for diving and the development and publication of proposed standards covering nearly two dozen substances. Legal services were provided for completion of rule-making hearings on these and other proposals. Procedures and standards for state plans under section 18(e) of the Act were developed and adopted.

Regulations concerning various Wage-Hour statutes were developed and published. Final regulations on anti-discrimination provisions of the Vietnam Era Veteran's Readjustment Assistance Act were also published. Work began on developing a comprehensive set of regulations for many programs in the Employment and Training Administration. These include activities under the Wagner-Peyser Act, the Immigration and Nationality Act, and the Federal Unemployment Tax Act.

During 1976 substantial litigation workload increases were experienced at both the national and field office levels. The number of Black Lung cases received for adjudication increased from 175 to 875. Amendments to the Farm Labor Contractor Registration Act and the 1974 amendments to the child labor provisions of the Fair Labor Standards Act led to added national office workload. There were major increases in the number of appellate briefs as well as pleadings, petitions, and briefs filed with the Occupational Safety and Health Review Commission reflecting the huge litigation workload increase experienced by field staff. Defensive litigation conducted on various employment and training programs nearly doubled.

The field received 12,225 cases for review and possible legal action, filed legal actions in 7,169 cases; presented the Department's case in 1,444 trials and administrative hearings, and issued 4,136 written opinions. These totals represent a 36 percent increase in cases received for legal review and an increase of 49 percent in legal actions filed. Major areas of increase were litigation under the Occupational Safety and Health Act, the amended Farm Labor Contractor Registration Act, and, to a lesser degree, the Age Discrimination in Employment Act.

In the Transition Quarter, review of petitions for worker adjustment assistance continued at a high rate with a total of 717 being reviewed for legal sufficiency. Seventy three administrative hearings were attended in connection with

various Employment and Training Administration programs. A large group of regulations was published setting standards for annual financial reports of employee benefit plans. In addition to detailed explanations, the regulations provided an option to plan administrators to report on the basis of a comprehensive set of rules that rationalized and simplified reporting, as compared with statutory requirements.

In the field there was a marked increase in the notice of contest rate under the Occupational Safety and Health Act with a total of 1,368 cases received, 1,044 complaints filed, and 256 administrative hearings conducted.

In 1977, activities are geared to supporting Departmental clients in major program areas such as the Pension and Welfare Benefit Programs' enforcement activities under the Employee Retirement Income Security Act. Litigation is expected to increase significantly both in cases where the Department initiates litigation and those private law suits where the Department intervenes. A suit against the Southern Labor Union Pension and Welfare Fund seeking financial recovery to the plan marks the Department's first attempt to remove the trustees of an employee benefit plan. It is expected that a number of such suits will be initiated by the end of 1977. Over 600 private cases will be reviewed for possible intervention by the Department. Continuing efforts are being directed toward assistance in the investigation of the Central States Pension Fund, a project that will carry over into fiscal year 1978. Significant resources will also be devoted to requests for exemptions and variances from the various provisions of the Act. Assistance will be provided in the review of 250 exemption requests. Procedures recently implemented to facilitate the entire exemption review process are expected to lead to significant improvements.

National office divisions are experiencing workload increases in several program areas. Proposed regulations have been published providing administrative hearings for the resolution of alien certification matters under the Immigration and Nationality Act. While this new procedure should be much more effective than court review, it will add considerably to existing litigation workload. It is projected that over 300 immigration cases will be docketed in 1977. Litigation activity under various workers compensation statutes is projected to reflect increases over the 1976 level with nearly a 100 percent increase in the number of Black Lung cases. A concerted effort is being made to increase the number of safety and health standards issued in 1977.

Appellate litigation under enforcement of the Occupational Safety and Health Act, Fair Labor Standards Act, Equal Pay Act, and Age Discrimination in Employment Act is projected to increase considerably in 1977. The number of appeal briefs filed in Wage Hour cases is expected to increase by 20 percent, from 65 to 78. Appellate litigation conducted in Black Lung cases is also projected to be significant, with over a 100 percent increase in cases docketed with the Benefits Review board and 30 cases docketed with the various Courts of Appeal.

Field office litigation is expected to show a significant increase over fiscal year 1976. This litigation increase is attributable to a higher rate of contest in Occupational Safety and Health cases, as well as the availability of an increased number of field enforcement specialists for health and safety matters. Contested cases under the Occupational Safety and Health Act now include a greater mix of health cases which often present issues of great complexity. Litigation under the Farm Labor Contractor Registration Act and the child labor provisions of the Fair Labor Standards Act is expected to continue at the increased levels experienced in 1976. Civil money penalities are expected to increase field litigation considerably and will also require national office review to insure uniform application. Smaller increases are expected to materialize under the Equal Pay Act and Age Discrimination in Employment Act.

In 1978, the Office of the Solicitor proposes to strengthen support to a variety of priority Department programs. Priorities and goals for 1978 are: (1) increase legal services to the Administrator of Pension and Welfare Benefit Programs for enforcement of the Employee Retirement Income Security Act; (2) meet increased Occupational Safety and Health litigation workload in the field and accommodate accelerated health and safety standards output; (3) participate

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in a greater number of contested Black Lung cases; (4) increase legal support for Wage-Hour enforcement; (5) supply resources for increased defensive litigation associated with administration of Employment and Training Administration programs, and (6) provide additional resources to cope with increased Freedom of Information and Privacy Act matters.

An increased level of legal services will be provided to the Administrator of Pension and Welfare Benefit Programs in exemption processing, conduct of Department initiated suits and interventions in private suits, and special investigative-litigative activities in conjunction with the Central States Pension Fund investigation. Exemption reviews in the Division of Plan Benefits Security will be at a high level, to keep pace with the workload generated by increases in exemption staff in the program agency. Litigation activity will increase with field attorneys makings substantial contributions. It is expected that 1,000 complaints and pleadings filed in private law suits will be reviewed for possible intervention by the Department. The number of pleadings, briefs, and court appearances will double from 1977, reaching a total of 500 in 1978. It is further anticipated that appellate litigation will become a significant workload factor reflecting a normal trend for litigation under a new act. Litigation workload projections are based on the fact that approximately 2,400 complaints are anticipated, and the program agency will have a total enforcement staff of 231 in the field to respond to such complaints and carry out investigations.

The Office of Workers' Compensation Programs is expected to require a substantial increase in the level of legal support necessary for proper adjudication of disputed Black Lung claims. New cases docketed for hearings before Administrative Law Judges in 1978 are projected at 2,000, 33 percent above fiscal year 1977. Extensive preparation is essential in the hearing of appeals from contested cases to avoid adverse impact on the administration of the Black Lung Act. It is also necessary to protect the government from benefit payments liability which is rightly assignable to responsible mine operators. Currently mine operators are contesting Black Lung liability in approximately 97 percent of the cases.

Additional legal support is expected to be necessary as a result of the continued increase anticipated in defensive litigation in programs administered by the Employment and Training Administration. Resolution of complaints through administrative procedures under the Comprehensive Education and Training Act is expected to reach 100 formal hearings in 1978. It is also expected that similar procedures will be in place to handle complaints by employers and aliens under the Immigration and Nationality Act. A total of 300 such cases will be docketed during 1978, an increase of 50 percent over the 1977 level. The new procedures are expected to add significantly to the workload since these administrative hearings will be handled by Office of the Solicitor attorneys exclusively. Previously, these cases were handled by U.S. Attorney's Office with assistance by Department attorneys.

All segments of the Department and particularly the Employment Standards Administration, the Occupational Safety and Health Administration, and the Labor-Management Services Administration will be requiring more frequent advice and appeals, training, and defensive litigation pertaining to Freedom of Information Act matters. It is anticipated that the number of reviews of appeals from denial of requests for information will increase in volume; also requestors of information are becoming more sophisticated in the approaches to securing information resulting in more time needed to review denials of requests.

The Employment Standards Administration's enforcement activities in support of the Fair Labor Standards Act, Equal Pay Act, Age Discrimination in Employment Act, and Farm Labor Contractor Registration Act are expected to lead to a significantly higher litigation workload in the field. Projected increases in such litigation are based on the fiscal year 1976 issuance of regulations providing for civil money penalties for Farm Labor Contractor Registration Act violations and child labor violations of the Fair Labor Standards Act. Civil money penalty provisions under these Acts are expected to result in 300 additional cases. The creation of equal pay and age discrimination specialists in Wage-Hour and recent additions to the program agency's compliance staff have

also affected workload. Equal pay and age discrimination cases are not expected to increase dramatically in total, however, since litigation under these Acts requires a disproportionate amount of attorney time in case development and trial, an increase of 20-30 additional law suits can be significant.

The volume and complexity of field litigation enforcement of the Occupational Safety and Health Act is projected to continue upward. These projections reflect the addition of 140 compliance positions in 1977, a much higher rate of contest by employers, the greater number of complex health cases being litigated, and a growing caseload of employer discrimination cases receiving special attention by the program agency. Contested cases received are projected to increase 13 percent, from 5,400 in 1977 to 6,100 in 1978. The Occupational Safety and Health Administration will also require additional legal support for the planned issuance of 45 health and safety standards as contrasted with 17 in 1976. Two decisions of the Occupational Safety and Health Review Commission are expected to considerably complicate litigation efforts and require greater attorney output. One decision deals with protection of trade secrets and the other requires the Department to conduct cost/benefit studies in certain types of cases to help sustain the issues involved.

Office of the Solicitor
Summary Workload Statistics

National Office Divisions	FY 76 Actual	FY 77 Estimate	FY 78 Estimate
Cases Received	8,021	10,375	13,000
Trial or Administrative Proceedings	629	1,300	2,100
Appellate briefs prepared	298	530	640
Field litigation cases supervised	2,773	3,400	4,180
Occupational Safety and Health standards drafted	17	42	45
Legislative reports prepared	250	250	260
Field Office			
Cases Received	12,225	12,649	13,725
Legal Actions	7,169	7,553	8,350
Trials or Administrative Hearings	1,144	1,134	1,290
Written Opinions issued	4,136	4,249	4,750

Changes for 1978

Mandatory changes amount to . . . . . +$847,000

Program changes amount to . . . . . +$1,972,000
Positions . . . . . +39

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Mandatory changes include $22,000 for the annualization of the October 1976 pay raise; $31,000 for the annualization of new positions received in 1977; $154,000 net additional cost of within-grade promotion costs effective in 1977; $160,000 net additional cost of within-grade promotion costs effective in 1978; $243,000 for increased cost of administrative and program support services; $362,000 increases for standard level user charges reimbursable to the General Services Administration; -$51,000 decrease in contribution to the Federal Employee Compensation program; -$59,000 for one less day of pay in 1978; -$15,000 decrease for one-time costs of new positions received in 1977.

Program changes include 39 positions and $387,000 for additional workload requirements; $1,500,000 additional personnel costs; $60,000 for rental of word processing machines; $25,000 for management information study and design.

INCREASED LEGAL SUPPORT

Proposal: To provide thirty-nine additional positions to deal with increasing workload in the administration of the Employee Retirement Income Security Act, Occupational Safety and Health Act, various training programs, Black Lung Act, Wage-Hour programs, Freedom of Information Act, Fair Labor Standards Act, Equal Pay and Age Discrimination in Employment Act, and Privacy Act.

The Need: Staff increases in the program agencies have generated added workload for legal services. To maintain strong support of these programs, additional legal staff is necessary.

The Program: The continued expansion and development of Pension and Welfare Benefit Programs will require sufficient legal services to support enforcement efforts. Strong legal support will lead to court decisions which will foster voluntary compliance and shape the Employee Retirement Income Security Act in accordance with Congressional intent. The addition of four attorneys and one clerical is requested to augment the present litigation staff. This increase will enable the Department to keep pace with the expanding litigation workload, coordinate field litigation, and participate in the judicial shaping of the Act. By fiscal year 1978 appellate cases will also add significantly to the litigation workload, placing increased responsibilities upon division staff.

An increase of three attorneys and one clerical is requested to provide more support for processing of exemption requests. Due to the volume of applications and the complexity of the process, the Department has fallen far behind in this area. To combat the backlog, the Pension and Welfare Benefit Programs has hired high level professionals in the exemption processing area to improve the volume and quality of the work. However, legal advice is necessary throughout the exemption process and current staff levels cannot keep pace with the increased staff in the program agency. Without additional resources, the already high backlog of exemption applications will continue to grow.

The Department's investigation of the Central States Teamsters Fund has involved extensive legal advice and services. As factual material is analyzed and legal positions are formed, additional legal support will be required. An increase of three attorneys for this purpose will enable the Department to carry out this critical and sensitive task in proper fashion.

Continued development of the pension enforcement program will result in more litigation actions and will generate a need for six additional attorneys in the field. More extensive information to pension plan participants will result in a larger number of complaints filed, expanding litigation workload rapidly. In addition, the client agency plans to initiate a program of self-directed audits and investigations in fiscal years 1977 and 1978 which will directly impact litigation workload.

A staff increase of three attorneys and one clerical is requested to provide additional support to the Department's Black Lung program. The need for these positions is based upon the large number of disputed claims already in existence, as well as a backlog produced through a decision by the Benefits Review Board

requiring that hearings be conducted by Administrative Law Judges instead of Hearing Officers. Participation in a large number of Black Lung proceedings is deemed essential to shape legal issues according to Departmental policy and protect government liability for payment of Black Lung benefits.

The 1974 amendments to various wage and labor standards laws have produced a need for added legal staff in the field. An increase of four attorneys will provide support necessary to deal with increased violations of the Farm Labor Contractor Registration Act. The added staff will also conduct litigation to assess civil money penalties against violations of the child labor provisions of the Fair Labor Standards Act. Equal pay and age discrimination cases are also increasing. Litigation under these Acts requires a disproportionate amount of attorney time. The staff increase will assist in meeting these demands.

Recent additions to the Occupational Safety and Health Administration will require an attendant increase in legal staff. Since the fiscal year 1977 program increase provided 140 additional inspectors, an increase of six attorneys and two clericals is necessary to meet the expected increase in workload. The client program will emphasize conducting an increasing number of health inspections which employers traditionally contest at a much higher rate. The increased number of contested cases will produce more case hearings referred to the Administrative Law Judges, the Occupational Safety and Health Review Commission, and various United States Courts of Appeals generating additional litigation workload in the National Office.

The Occupational Safety and Health Administration also plans a substantial increase in the number of health standards issued. The promulgation of the complex health standards will place stringent demands upon the division staff. The existence of the new health standards will also demand support services to reaffirm the Department's position. An increase of two attorneys to the National Office staff will help meet these needs.

Two additional positions are requested to meet the continuing increase in defensive litigation required for programs administered by the Employment and Training Administration. The increased workload results primarily from the court's tendency to permit litigation against the Government in situations where such litigation previously would not have been permitted. Additional complaints under the Comprehensive Employment and Training Act of 1973 will place heavy burdens on available staff. Administrative procedures instituted to deal with complaints under the Immigration and Nationality Act will also add significantly to Division workload since these administrative hearings will be handled by the Employment and Training Division attorneys exclusively.

The estimate includes increase of one attorney for the Division of Legislation and Legal Counsel to deal with workload generated by the Freedom of Information Act. Division staff review appeals of denied information and conduct related defensive litigation. These appeals increased from 65 in fiscal year 1975 to 218 in fiscal year 1976 and are projected to reach 450 in fiscal year 1978.

Base:

Positions: 732 Estimated Cost: $19,763,000

Additional Costs:

Positions: +39 Staff Years: +15.8 Estimated Cost: +$387,000

ADDITIONAL FUNDS FOR ADMINISTRATION OF LEGAL SERVICES

Proposal: The Office of Solicitor is requesting a program increase of $1,500,000 to provide for increased personnel costs, $60,000 to acquire addi-

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The Need: The major portion of the additional funds are necessary to provide for increased personnel compensation costs. A small increase for word processing machines will provide more efficient use of current clerical support personnel. Funds for a workload reporting survey will provide the basis for an improved reporting system.

The Program: During recent years the Office of Solcitor has experienced rapid growth in both responsibilities and staff. Prior to fiscal year 1977, most program increases for the Office of Solicitor were included with requests made by client agencies. These budget estimates generally provided for the GS-9 entry level. In fiscal year 1977 budget planning, all legal positions in the program agencies were transferred to the Office of Solicitor at their budgeted levels. Since that time nearly two years has elapsed and incumbents previously hired at entry level are progressing up the career ladder to the journeyman GS-13 level. In fiscal year 1978 the increased average salary will have a negative effect on the budget base by reducing the number of financeable staff years.

To counter the decrease in staff years the Office of the Solicitor requests an increase of $1,500,000. Allowance of the added funds will allow the Office to retain staff levels originally authorized in the fiscal year 1977 budget. The requested funds will provide 68 staff years of employment and allow a more reasonable lapse rate.

The Office of Solicitor has been one of the first and extensive users of word processing equipment in the Department of Labor. In the past the use of such equipment has served as a means of increasing productivity, efficiency, and limiting clerical salary costs. The current request of 39 positions includes only 15 percent or six positions for clerical support. This request is predicated on expanded use of the word processing machines. The availability of the additional equipment to supplement existing machines will allow the Office to allocate more positions to attorney work. To provide funding for 12 additional word processing machines, an increase of $60,000 is requested. The monthly average rental for this equipment ranges between $400 to $500. Acquisition of these machines will facilitate the typing of briefs, regulations and lengthy documents which are often revised several times and provide savings in clerical support services.

Currently efforts are proceeding toward computerization of field workload. Additional funds are requested to contract for a study of the existing workload reporting system in the nine National Office divisions. The study will provide information which will refine and standardize reporting items and may lead to an automated system. The system will provide the Office of Solicitor with improved data on workload trends and staff utilization and inevitably will permit better forecasts of budget needs. An increase of $25,000 is requested to contract for the services of a consulting firm to study workload reporting in the National Office.

Base:

Positions: 732 Estimated Cost: $19,763,000

Additional Costs:

Positions: NONE Staff Years: +68 Estimated Cost: +$1,585,000

Activity 3. International Labor Affairs (1977, $5,353,000; Pos. 161
1978, $5,899,000; Pos. 161

Narrative Description of Program

This activity fulfills the Department's responsibilities: (1) for investigating petitions for worker adjustment assistance as prescribed by the Trade Act of 1974; (2) for activities related to trade negotiations including administration of the Labor Advisory Committee program; (3) for advising the President on policy issues relating to the administration of the trade agreement program; (4) as a member of the Board of the Foreign Service for the formulation of management policies including the employee-management relations program and the direction of the U.S. Labor Attache program; (5) for U.S. Government representation and substantive policies for U.S. participation in the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD); (6) as a statutory member of the Development Coordination Committee under the Foreign Assistance Act of 1973; (7) for international technical assistance activities with the Agency for International Development (AID), friendly countries, and the multilateral organizations; and (8) for cultural exchange activities under contractual relationships with the Department of State, United States Information Agency (USIA), and other organizations.

In 1976, the Bureau continued its work to insure that the interests of U.S. workers are fully considered in international economic policy and to provide an effective system for minimizing any adverse effects of changes in foreign trade patterns on U.S. workers. During the year, the Bureau participated in the interagency effort to develop U.S. policies related to the multilateral trade negotiations (MTN). Work was particiularly intense in the areas of tariffs, non-trade barriers, safeguards, and tropical products.

The Secretariat for the Labor Advisory Committees for the MTN was formally established. The Labor Policy Committee and six labor sector advisory committees are a means of providing the advice of organized labor on issues in the MTN. The Bureau provided staff support to these committees by developing background papers, status reports for each of the issues, holding briefing sessions to further explain the issues and compiling the advice received into committee reports.

During the year, the Bureau participated in the negotiation of four multifiber textile agreements. The Bureau also participated in a series of thirteen consultations with textile exporting countries, six of which involved the renegotiation of comprehensive multifiber textile trade agreements. The remainder involved adjustments of existing bilateral agreements. These agreements are in accord with the GATT Arrangement regarding international trade in textiles which became effective in January 1974. Seven separate meetings were held related to the possible renewal of the GATT Arrangement which is scheduled to expire in December 1977. The Bureau also made a significant contribution to the successful negotiation of a bilateral arrangement with Japan providing for orderly trade in specialty steel. Consultations on this subject were also held with the EC, Sweden, Canada, Austria, and Korea and led to the imposition by the United States of unilateral restraints on specialty steel imports from these countries.

Last year, the Trade Adjustment Assistance activities far exceeded earlier projections of this workload. During the year, a total of 916 petitions were received as compared to the 600 petitions which were originally anticipated. Consequently by mid-year a large backlog had developed requiring the addition of 33 temporary positions to the 57 positions budgeted for this activity. These activities resulted in 343 petitions being certified, 369 petitions being denied. Also, 28 investigations were terminated and 11 cases were withdrawn. In terms of delivery of benefits, there were 106,483 workers who applied for benefits through their state employment security agencies with 58,384 workers receiving cash payments, 745 individuals being referred to training, 23 persons having job relocation applications approved and 24 persons having job search applications approved.

On November 4, 1975, the United States filed its intention to withdraw after two years from the International Labor Organization (ILO). In Secretary Kissinger's letter on this subject, he cited four trends, the reversal of which is of key importance to the United States' continued participation in the ILO. These trends are:

-- The erosion of tripartitism.

-- The selective concern for human rights.

-- Disregard of due process.

-- The increasing politicization of the Organization.

Since the U.S. letter was sent, the United States has increased its efforts with respect to the ILO. A Cabinet-level committee chaired by the Secretary of Labor has been established to formulate U.S. policy toward the ILO over the next two years. In addition to representation from the Departments of State, Labor, Commerce, and the National Security Council, the Cabinet-level committee includes participation from the AFL-CIO and the U.S. Chamber of Commerce. The United States also participated in the special ILO World Employment Conference in Geneva in June 1976. The delegation was successful in getting the conference to adopt a final document which was generally acceptable to the United States.

The Department continued to administer extensive cultural exchange and technical assistance projects under contract and other arrangements with the Department of State, AID, USIA, various U.N. bodies, the Organization of American States, and individual countries including Saudi Arabia. It also arranged programs for 1,142 foreign trade union leaders, government officials and others on study and observation tours in the United States. These activities are financed by the sponsoring organizations.

In the Transition Quarter: the Bureau continued to prepare for the multilateral trade negotiations. In the area of Trade Adjustment Assistance, 207 petitions were completed; and the backlog at the end of the period was 160 petitions. Other activities in the Bureau continued along the lines of the previous year.

In 1977, the multilateral trade negotiations will intensify particularly during the latter half of the year in an effort to meet the goal of concluding negotiations in calendar year 1977. Bilateral discussions with key countries will supplement the quarterly meetings of the ongoing functional groups. During this time, the Bureau will conduct further analysis of U.S. and other countries' proposed tariff reduction formulas as well as proposed codes

concerning government procurement, subsidies and countervailing duties and product standards. A U.S. proposal for sector negotiations in steel products will be formulated in which the Bureau will participate. The Bureau also will provide data on employment and labor costs in other industries which might be studied in connection with possible sector negotiations. The interagency work on framework improvement, in which the Bureau participates, will focus on strengthening and improving existing GATT rules and procedures, particularly those applicable to developing countries, supply access, balance of payments, and general GATT dispute settlement provisions. The Bureau will continue active participation in the development of revised international safeguard procedures to insure continued access by U.S. workers and industries to appropriate relief from injurious imports. The Bureau will also be active in the development of U.S. policy concerning the economic demands of developing countries which are being considered in the MTN as well as such other forums as the OECD, United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO) and the Conference on International Economic Cooperation (CIEC).

A new phase of the Labor Advisory Committee activity will begin as the pace of the MTN intensifies. Continual communication with labor advisory committees will be necessary to insure their advice is sought and considered in every aspect of negotiations. The Committee reports will be analyzed so that the advice can be utilized effectively in the negotiations. The Bureau will need to keep committee members informed as to the disposition of their advice on each of the respective issues as well as about the developments in Geneva.

During the calendar year 1977, the multifiber arrangement (MFA) is scheduled to expire. The United States is seeking a renewal of the arrangement for several more years. The renewal of the MFA will require a number of consultations with foreign governments' representatives and possible renegotiation of existing bilateral agreements.

The Trade Adjustment Assistance program will seek to establish an early warning system during the current year. The system will consist of gathering macro and micro economic data and analyzing the data to determine which industries and firms within those industries are likely to be adversely affected by import competition. With this analysis, the Bureau should be in a position to alert employment security agencies, affected workers, employers, and unions to speed preparation of petitions for Adjustment Assistance.

During the current year, ILAB completed ILO staff expansion to provide support to the Cabinet-level committee on the ILO and its working group, and sought to improve the effectiveness of U.S. participation in the ILO through efforts designed to (1) better prepare members of the U.S. delegation to increase their conference effectiveness, and (2) exert greater influence over the technical content of ILO programs in order to make them more effective as well as more responsive to U.S. needs. Increased consultations with ILO member states to discuss our position in the ILO will include Asia, Africa, Latin America, and Europe.

In 1978, additional attention will be devoted to increasing the Bureau's participation in the development and execution of U.S. trade and economic policy with developing and communist countries. Many economic issues in the north/south dialogue are increasingly being considered in the GATT, certain committees of the UN, the OECD, and the Conference on Economic Cooperation.

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In the Trade Adjustment Assistance program, the workload is expected to continue at the FY 1977 level of 1,200 petitions per year as shown in the table below:

	Actual FY 1976	TQ	Estimated FY 1977	Request FY 1978
Workload:				
Number of New Petitions	916	154	1,200	1,200
Number of Completions	715	207	1,200	1,200
Petitions Pending (End of Period)	214	161	161	146
Staffing:				
Employment Ceiling (FTP)	57	67	82	82
Average Staffing				
Permanent Staff	51	67	71	78
Temporary Staff	17	22	15	0

The staffing required for the Office of Trade Adjustment Assistance includes 6.5 staff years to perform 12 termination investigations per month; 1.4 staff years to perform investigations associated with revising 10 certifications per month, and 5.7 staff years to work on escape clause cases. The average number of petitions completed per staff year is expected to increase from 10.5 petitions per investigative year in FY 1976 to 15.4 petitions per investigative year in FY 1978. This projection recognizes that the non-investigative workload has required an increase in the use of staff resources from 6 staff years in FY 1976 to 11 staff years in FY 1977 and 1978. In addition to personnel assigned to other substantive program activities such as industry studies required under section 224 of the Act, it has been necessary to divert staff to handle the substantially increased volume of inquiries and liaison with the Congress and the public. This diversion has taken place gradually and reluctantly.

Next year the Department, through its participation on the Board of the Foreign Service, will continue to seek to improve the labor specialty in the Foreign Service. Particular attention will be given to the impact of the operation of the promotion system on the morale and effectiveness of labor officers. The Bureau also will continue its training and orientation activities through labor attache conferences and small group seminars.

The latest time for decision on whether the United States will remain in the ILO is the first quarter of FY 1978. In reaching the decision, ILAB will be involved in the consultation among U.S. agencies and employee and worker representatives. If the U.S. remains in the ILO, the Department will continue to seek to improve the effectiveness of U.S. participation in the ILO through efforts designed to (1) better prepare members of the U.S. delegation to increase their conference effectiveness, and (2) exert greater influence over the technical content of ILO programs in order to make them more effective as well as more responsive to U.S. needs.

The Department will continue to administer extensive cultural exchange and technical assistance projects under contract and other arrangements with the Department of State, AID, USIA, various U.N. bodies, the Organization of American States, and individual countries including Saudi Arabia. The Department also will arrange programs for foreign trade union leaders, government officials and others on study and observation tours in the United States. These activities will continue to be financed by the sponsoring organizations.

Changes for FY 1978

Mandatory changes amount to..... +$496,000

Program changes amount to..... +$ 50,000
Positions..... None

Mandatory changes include increases of $199,000 for annualization of new positions received in 1977; $21,000 for additional cost of within grade promotions effective part of the year in 1977; $23,000 for net additional cost of within grade promotions becoming effective in 1978; $4,000 for net additional cost of pay increases effective October 1976; $25,000 for increased cost of administrative and program support services; -$14,000 for one less day of pay in 1978; $21,000 for increased contribution to the Federal Employees Compensation fund; $227,000 for increase in Standard Level User Charges reimbursed to GSA; and -$10,000 for non-recurring equipment costs for new positions received in 1977.

Program changes include $50,000 for contractual services needed to administer worker adjustment assistance under the Trade Act.

Administering the Adjustment Assistance Program

Proposal: To provide an additional $50,000 for contractual services needed to administer worker adjustment assistance under the Trade Act.

The Need: Certification decisions must be based on data relating to the specific product covered by the petitions and such data must be available on a timely basis. Frequently, when import data on product lines are lumped into categories ("basket categories") containing data on other product lines, ILAB must either purchase record searches and special studies for dis-aggregating the data or conduct surveys of U.S. purchases of the product line. The proposal for $50,000 together with $50,000 which has been included in the base will finance the number of studies needed rather than primarily relying on staff surveys of purchases by companies of the product line. These staff surveys (1) are slower and thereby cause more delay in completing petitions and (2) are not sufficiently successful in developing import data because of the reluctance of respondents to divulge the extent of their imports.

The Program: The Trade Act of 1974 establishes a system of trade adjustment assistance to help those workers who lose their jobs as a result of imports. Workers who believe their unemployment is import-related may petition the Bureau of International Labor Affairs to certify them for trade adjustment assistance. By law, each petition is investigated and is to be either certified or denied within 60 days of its submission. If certified, workers may apply to their state employment security agency for cash benefits, training, job search allowances, and relocation allowances.

Base:

Positions: 72 Estimated Cost: $2,248,000

Additional Costs:

Positions: None Staff Years: None Estimated Cost: + $ 50,000

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Activity 4. Administration and Management (1977, $15,510,000, Pos. 449
1978, $18,554,000, Pos. 504)

Narrative Description of Program

The Assistant Secretary for Administration and Management is responsible for planning, managing, and evaluating administrative support operations and for providing centralized support services for all Departmental Agencies. The full range of administrative support services for Departmental activities include equal employment opportunity, personnel management, financial management, organization and management review, audit of Departmental program funds granted to States and local governments, administrative services, and data automation services.

In 1976, guidelines were issued for the Departmental Upward Mobility Program. Career development emphasis was placed on preparing administrative, clerical and technical (ACT) employees in grades GS-1 through GS-11 for competitive promotion. An affirmative action plan for the employment of disabled veterans was designed and implemented in addition to the development of an employee performance evaluation plan. Some of the projects completed were the expansion of the ACT Career Development Program, implementation of flexi-time pilot programs, and development of a wide range of training programs, seminars, and courses. The Office of Equal Employment Opportunity Investigations Staff was established to provide the capability to conduct investigations of formal EEO complaints in the Department. Fifty-three program objectives were developed for inclusion in the Management by Objectives (MBO) system in Fiscal Year 1976 (5 Presidential, 24 Secretarial, and 24 Agency). Manpower Utilization studies of the Longshoremen's and Harbor Workers' Compensation Program and the Black Lung Program in the Employment Standards Administration workers' compensation area were completed in Fiscal Year 1976. The Regional Accounting Project (RAP) was installed and provides for decentralized accounting in all 10 regions. A small team of specialists representing the major functional areas in Administration and Management completed operational effectiveness reviews in the Regional Administrative Management offices in Philadelphia, Atlanta, and Chicago.

Progress was made toward full implementation of the Comprehensive Employment and Training Act (CETA) Integrated Audit Program. Audits of 220 CETA prime sponsors were conducted in Fiscal Year 1976. Internal special impact audits were conducted in several areas. In the cost determination area, there were 369 indirect cost rates negotiated with CETA prime sponsors and other Departmental contractors and grantees. Also, Regional cost determination capability was established in five Regional Offices. The Office of Investigations planned for initiation of reviews of agency employee integrity programs in 1976 which will require annual reviews of employee integrity programs established by agencies within the Department.

The Office of Safety and Health was established to oversee and implement Departmental programs in all phases of safety, health and engineering and to provide leadership and direction to the agencies, regions, and Job Corps Centers in the implementation, evaluation and modification of these Departmental programs. Major efforts were directed towards inspections of employee workplaces to assure compliance with OSHA standards, in providing safe and healthful workspace, and towards providing health services to detect and arrest illnesses before they become sources of employee absenteeism. Health screening programs and surveys of regional health services were conducted within the Department in 1976, also, guidelines were developed for implementing the Privacy Act, Fair Labor Standards Act, and leave restoration legislation. The consolidation of Department of Labor employees located in the National Office into four (rather than 12) locations was completed.

In the Transitional Quarter, continued emphasis was placed on preparing administrative, clerical and technical (ACT) employees in grades GS-1 through GS-11 for competitive promotion. Investigations of complaints by the Office of Equal Employment Opportunity Investigations Staff began to intensify. The Comptroller's Office continued to improve accounting operations and productivity in support of Agency and Regional activities to achieve Presidential and Departmental Management objectives. Audits of 66 CETA prime sponsors were conducted and 75 indirect cost rates were negotiated with CETA. An operational effectiveness review of the Regional Administrator Office in San Francisco, California was completed during this period.

In 1977, emphasis will be placed on the Federal Women's Program (FWP), Hispanic Program, and Upward Mobility. The Fiscal Year 1977 EEO plan requires detailed percentage and recruitment goals and timetables for all minorities and women. In addition, special action items have been included for the FWP and Hispanic programs requiring the elimination of attitudinal problems; identification of developmental needs, establishment of seminars and workshops; positive recruitment and assessment of utilization; and inclusion in the decision-making process. The Upward Mobility Program will be closely monitored with emphasis on entry of sufficient minorities and women into the program, and satisfactory completion of the program. Training of EEO Counselors will be increased and additional emphasis will be placed on conciliation by the EEO Office and the Office of Equal Employment Opportunity Investigations Staff in the resolution of complaints.

A Factor Evaluation System for classifying non-supervisory positions in grades GS-1 through GS-15 will be established throughout the Department. A new management intern program will be developed to select highly qualified persons for entry level professional positions and to provide systematic training enabling them to assume the full range of management level duties and responsibilities. Additional procedures, systems, and guidelines will be developed to fully implement provisions of the Privacy Act. The merit staffing plan will be revised to reflect agreements reached with labor unions. A procedure for the examination and appointment of attorneys will be designed. Education and Career Development programs ranging from clerical to senior executive training will be designed to meet Department of Labor needs.

Assistance and direction to agencies and regions to improve accounting systems will continue to be provided by the Comptroller. Principles of the MBO system will be extended to additional program activities, such as priority management endeavors identified in the Presidential Management Initiatives effort and OMB Circular A-113. The accounting function will be revised to produce more efficient work-flow and to refine regional accounting operations. A Manpower Utilization study of the Federal Employees' Compensation Act in the Employment Standards Administration was initiated in late Fiscal Year 1976 and is scheduled for completion in Fiscal Year 1977. Auxiliary studies to review the adjudication process for workers' compensation claims are being planned in the Solicitor, Administrative Law Judge and Benefit Review Board activities. A follow-up review of the 1974 Management Study of the United States Employment Service in the Employment and Training Administration is planned. The Comptroller will also continue to provide functional representatives on Operational Reviews of Regional Administration and Management Offices. Competitive procurement of a computer system in 1977 will require increased activity in the data automation area. A request for vender proposals in the spring will result in evaluation, selection, and installation by the end of the year.

Considerable attention will be directed to providing audit coverage of the expanded CETA program. The Department will be assisted in this audit activity by State and local audit agencies as a result of agreements resulting from its efforts associated with the Integrated Audit Program. CPA audit assistance will also be utilized where feasible. Based on the assumption that the Department will secure additional auditors as requested in the Fiscal Year 1977 supplemental budget request, it is expected that the same relative degree of audit coverage

can be provided, through the efforts of the Department's audit staff, State and local auditors and CPAs, to the expanded CETA program as was originally planned for the pre-expansion CETA program.

The Office of Cost Determination's principal activity will continue to be the negotiation of indirect cost rates for CETA prime sponsors as well as other Departmental grantees and contractors. Also, periodic monitoring of the Regional cost determination program will be performed. The Office of Investigations anticipates a heavier workload resulting from a soon-to-be implemented required annual review of agency employee integrity programs. The ADP Evaluation Staff will continue to review ADP systems, facilities and performance of the Department and its contractors and grantees. Audits of 322 CETA prime sponsors, 30 State Employment Security Agencies and 20 State Occupational Safety and Health programs are estimated for Fiscal Year 1977. Cost rate determination negotiations should be about the same level as Fiscal Year 1976 (444).

In 1978, a new all-inclusive Equal Employment Opportunity Plan which will cover the total EEO program and also replace individual Agency and regional plans will be prepared. This plan will cover a two-year period. Special attention will be focused on upgrading the status of women and Hispanics in the Department through developmental assignments, executive development program, and other educational and training activities. Upward Mobility will also receive major emphasis and five to seven percent of all professional positions, GS-9 and below, will be designated as target or bridge positions. Liaison with unions, universities, other governmental agencies, and the business and industrial community will also be expanded. Cost-benefit analysis studies will be initiated to determine the exact cost of EEO in the Department of Labor. Additional emphasis will also be placed on conciliation activities of the Office of EEO and EEO Investigative Staff to increase the scope of informal settlement of complaints.

Guidance will be provided on implementation of the Factor Evaluation System for classifying non-supervisory positions in grades GS-1 through GS-15 throughout the Department. Also, new Civil Service Commission standards will be reviewed, tested, and commented upon. Flexi-time programs will be implemented where feasible to increase productivity and improve morale. The Employee Suggestion Program will be promoted and publicized to encourage contributions which could lead to greater efficiency and economy in operations. The employment of veterans and handicapped persons will continue to be stressed. Education and career development programs will be designed in accordance with specific Department of Labor needs with greater emphasis placed on executive, supervisor and systems training. Personnel management evaluation will be conducted to assess the effectiveness of personnel management practices throughout the Department.

Emphasis will continue to be placed on improving accounting operations and productivity in support of Agency and Regional activities to achieve Presidential and Departmental Management Objectives. This includes planned automation of additional accounting data input processes and the development of the capability for demand reporting on the status of obligations and costs. Work will continue on the integration of MBO principles with budgetary priorities, with efficiency and impact evaluations, and with quantitative measures of program performance. Manpower Utilization reviews for Fiscal Year 1978 will focus on major DOL program agencies and will be determined on a basis of priorities for increased staffing requirements. Productivity measurement will be completely institutionalized for all program activities. The computer upgrade initiated in 1977, controlled under the MBO program, will be completed with conversion of agency applications to the new computer system.

Continued emphasis will be placed on the Integrated Audit Program as a means of maximizing the efforts of Federal, State and local audit agencies in a cooperative manner to eliminate duplication and overlap of audit activities. With

the funds requested for contractual audit assistance, DAI plans to provide audit coverage to a larger portion of the annual audit universe. This additional coverage will be in the areas of National Office contracts, State Employment to Security Agencies (SESA), Occupational Safety and Health Administration (OSHA) and selected internal operations such as payroll.

A major factor having significant audit workload implications is the sharply increased funding associated with the CETA program which is an integral part of the President's economic stimulus package. Taking into consideration the fact that the auditing of CETA prime sponsors will be more complex and subsequently more time-consuming, additional auditors are required to permit DAI to provide the same relative degree of CETA audit coverage in Fiscal Year 1978 and is projected for Fiscal Year 1977.

The cost determination program will remain unchanged from Fiscal Year 1977. However, it is expected that the Regional cost determination program will be operating at a somewhat higher level of efficiency and effectiveness as a result of its having been monitored and, through such monitoring, strengthened during Fiscal Year 1977. The investigations program is expected to be functioning at approximately the same level in Fiscal Year 1978 as Fiscal Year 1977 and will be heavily involved in the review of Department of Labor agency employee integrity programs. The ADP evaluation program will continue to review ADP systems, facilities and performance of the Department and its grantees and contractors.

With the addition of the requested funds and positions in Fiscal Year 1978, audits of an estimated 322 CETA prime sponsors, 36 State Employment Security Agencies and 28 State Occupational Safety and Health programs are expected to be accomplished. Cost rate determination negotiations should be about the same levels as Fiscal Year 1976 and Fiscal Year 1977 (444).

Changes for 1978

Mandatory changes amount to	+$ 925,000
Program changes amount to	+$2,119,000
Positions	+ 55

Mandatory changes include $13,000 for the annualization of October 1976 pay increase; $125,000 increase associated with the cost of within-grade promotions effective in 1977; $132,000 for costs of within-grade promotions effective in 1978; $43,000 increase in contributions to the Federal Employees' Compensation Fund; $49,000 for increased costs of the administrative and program support services; $82,000 increase in the standard level user charges reimburseable to the General Services Administration; and a decrease of -$36,000 for one less day of pay in 1978; $517,000 for annualization of new positions received in 1977.

Program changes include $1,000,000 to provide for increased contractual audit assistance for increased audit coverage of the Department's annual audit universe, $1,069,000 for the 55 additional audit positions, and $50,000 to cover health services for employees in the regions.

Improving the Audit Program of Departmental Programs

Proposal: To provide coverage to a larger portion of the annual Department of Labor (DOL) audit universe through greater reliance on State and local audit agencies and CPA firms, and to provide audit coverage of the expanded CETA program.

The Need: The Department's audit program is severely handicapped, due to insufficient resources, in its ability to provide an adequate level of audit coverage

to the Department's programs. This condition has been clearly identified by comparing what should be audited on an annual basis to what the Department can audit annually. This gap in audit capability has developed primarily due to the rapid Departmental growth - particularly in grant and contract areas such as CETA and OSHA - which has resulted in a sharp increase in annual audit requirements and which has been matched by a similar increase in audit capability. In fact, the Department's audit staff currently has approximately 50 fewer positions than it had three or four years ago. The consequence of this audit capability gap is that there are many areas, both external and internal, which are not receiving the audit coverage required by program regulations, and by the General Accounting Office (GAO) and the Office of Management and Budget in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions and Federal Management Circular 73-2, Audit of Federal Operations and Programs by Executive Branch Agencies, respectively. The DOL recently received criticism from GAO for not having greater audit coverage of internal financial areas. This is valid criticism; however, it has resulted from the Department's decision to utilize the bulk of its limited resources to the auditing of the heavily funded grant programs of CETA, ES/UI and OSHA.

Faced with this gap in audit capability, DAI has developed, implemented and is actively promoting an Integrated Audit Program as a means of maximizing the efforts of Federal, State and local audit agencies in a cooperative manner to eliminate duplication and overlap in the auditing of DOL-related programs. The principal mechanism of the Integrated Audit Program is the use of negotiated agreements between the Department and individual State and local audit agencies for them to perform audits, on a cost-reimburseable basis, of Departmental grants. DAI has also engaged the services of CPA firms to perform audits for the DOL in those areas which lend themselves to such audits. Due to the nature and complexity of the DOL grant programs and of the internal organizations and activities, it is inappropriate, for the most part, to utilize CPA firms for these types of audits.

Success in implementing the Integrated Audit Program has been limited primarily to the auditing of certain CETA prime sponsors. Similarly, success in using CPA firms has been limited primarily to the auditing of contracts administered by the Employment and Training Administration (ETA). It must be recognized that DAI's use of the Integrated Audit Program and CPA firm is limited in that such audit arrangements require financial reimbursement. It must be further recognized that, even with the audit coverage acquired through these two devices, the DOL audit program is still severely handicapped in its ability to provide an acceptable level of coverage to the annual audit universe.

An additional factor which now makes the need of the current audit program even greater is the proposed expansion of the CETA program which is included as a major element of the President's economic stimulus package. The impact of the CETA expansion upon the Department's audit program would be a severe widening of the capability gap between what should and could be audited annually. Not only would the additional CETA funds be unauditable, but there would also be a reduction in the number of CETA audits conducted as compared to the number currently conducted. Such a reduction would occur as a result of the Fiscal Year 1978 CETA audits requiring more time per audit because of the proposed added complexities of the CETA programs as well as the planned establishment of new categorical programs requiring audit coverage. It is these needs to which this proposal is addressed.

The Program: The additional $1,000,000 requested in Fiscal Year 1978 will enable DAI to provide coverage to a significantly larger portion of the annual DOL audit universe through the placing of greater reliance on contractual audit assistance with State and local audit agencies and with CPA firms.

In the external audit area (i. e., grants and contracts), it will provide resources under the Integrated Audit Program, for audits of Federal grants in

six State Employment Security Agencies and in six State Occupational Safety and Health programs. Audits of these types of Federal grants by State auditors would add a new major dimension to the Integrated Audit Program which would have significant future implications for the DOL audit program. Based on its experience to date in the auditing of CETA prime sponsors by State and local agencies, using DAI-developed audit guides and accompanied by vigorous DAI monitoring and quality control activities, DAI is confident that the Integrated Audit Program can successfully be broadened to also include the SESA and OSHA grant programs. The SESA audits are especially complex and time-consuming due to the many laws, statutes and regulations which govern its operations and also by the magnitude of the Federal funds involved and the number of organizational entities which comprise each of the SESAs. For planning purposes DAI, using a conservative estimate, allocates 160 professional audit work days (slightly over three-quarters of a work year) for each SESA audit. The requested $1,000,000 would also provide coverage to approximately 136 contracts which are administered by the Office of the Assistant Secretary for Administration and Management.

In addition to the internal audit area, the request would also permit two pilot audits of Departmental financial systems, such as payroll, to be conducted by CPA firms. The purpose of these pilot audits would be to determine the feasibility of securing additional internal financial audit coverage through the greater use of CPA firms.

The additional 55 audit positions, with necessary funding are requested in Fiscal Year 1978 because of the increased complexity in the Department's audit program resulting from provisions in the economic stimulus package which introduce new and more diverse CETA programs. This will permit DAI to provide the same relative degree of audit coverage to the proposed expanded CETA program as is currently being provided. The additional positions will enable DAI to provide increased assistance to the State and local auditors and CPAs which is vital to maintaining audit quality. This increased assistance is essential since the Department expects to be placing considerably more reliance on State and local auditors and CPAs in Fiscal Year 1978 than in Fiscal Year 1977.

In summary, the requested increase of $1,000,000 will provide for a significant reduction in the size of the previously identified audit capability gap. The requested increase of 55 audit positions will enable DAI to prevent the capability gap in the CETA area from growing still wider. The net effect of these two requested increases represents a substantial strengthening and improvement of the Department's audit program. Such an improvement should result in significantly increasing the efficiency and effectiveness of the Department's use of its resources.

Base:
Positions: 103 Estimated Cost: $4,116,000

Additional Costs:

Positions: +55 Staff Years: +41.3 Estimated Cost: +$2,069,000[1]/

Improving Occupational Health Services to Federal Employees

Proposal: To provide occupational health services to those Federal employees of the Department of Labor currently without any type of coverage.

The Need: In order to respond to the increasing emphasis on occupational health by the Federal government and to the employee demand, existing programs must be expanded to reach those employees in need of this service. Office of Management and Budget Circular A-72 and the Federal Personnel Manual Bulletin 792-3 direct Federal agencies and departments to provide health services to employees if deemed

1/ Includes $240,000 from the Unemployment Trust Fund for the SESA audits.

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necessary and in the best interest of the government. The objectives of an occupational health services program are to provide employee safety and health protection in the work environment, to encourage personal health maintenance and training in occupational safety, and to assure adequate medical care and rehabilitation of the occupationally ill or injured. A viable occupational health program will result in the reduction in the use of employees' sick leave and the maximization of employee productivity. Therefore, the program is necessary and benefitcial to the government.

In the majority of instances larger work groups have access to some type of fixed on-site or nearby health facility. The employee population to which we need to extend the program is that found in small offices, remote locations and in the larger urban areas where the office is far removed from a health facility. Employees located in remote areas are most affected by the lack of adequate health services, since occupational health facilities are commonly located at building sites to cover large populations of employee-patients. Local unions have joined employees of remote areas to protest what they consider as discrimination in the dispensing of Department-sponsored services and to demand comparable health and medical services in remote areas.

The Program: The additional funds being requested will, if approved, be disbursed in two ways. First, for the estimated 298 new employees who will be located at or near fixed health units. The estimated per capita cost of $31.68 per employee totals $9,440. Second, for the 780 uncovered employees, largely in remote locations at an estimated $52.00 per employee for a total of $40,560. Coverage will consist of screening programs conducted by occupational health organizations in the private sector. The rate at which the program will be implemented will depend upon nation-wide community resources and their existing ability to meet our needs.

Base:
Positions: None Estimated Cost: None

Additional Costs:
Positions: None Staff Years: None Estimated Cost: +$ 50,000

Activity 5. Adjudication (1977, $3,779,000, Pos. 102
1978, $4,691,000, Pos. 128)

Narrative Description of Program

This activity consists of the Benefits Review Board, Administrative Law Judges and the Employees' Compensation Appeals Board. The Benefits Review Board and Administrative Law Judges were reflected in Activity 1, Executive Direction through FY 1977 in previous budget submissions. This major change in activity structure for 1978 is being made in order to group all adjudication activities within Departmental Management into one activity because of the similarity of their functions. The major functions of this activity are to hear and determine appeals raising a substantial question of law or fact from any interested party in decisions with respect to claims of employees under the Longshoremen's and Harbor Workers' Compensation Act and its extensions, and the Black Lung Benefits Act of 1972; preside over formal hearings to determine violations of laws and provide additional efficiencies to maintain the average time lapse between filing and closing of an appeal despite workload increases. In addition, the Administrative Law Judges preside over formal hearings under the Walsh-Healy Public Contract Act; McNamara-O'Hara Service Contract Act; Contract Work Hours Standards Act; Davis-Bacon Act; Fair Labor Standards Act; Farm Labor Contractor Registration Act of 1963; Comprehensive Employment and Training Act; and Executive Orders 11491 and 11246.

Table 1.
Benefits Review Board
Workload Data

	Actual FY 75	Actual FY 76	TQ FY 76	Estimate FY 77	Estimate FY 78 1/
Appeals carried over from prior years...	39	91	235	253	438
New Appeals.....	214	447	78	635	941
Total.....	253	538	313	888	1,379
Decisions issued....	162	303	60	450	450
Appeals pending.....	91	235	253	438	929

Table 2.
Administrative Law Judges
Workload Data

	Actual FY 75	Actual FY 76	TQ FY 76	Estimate FY 77	Estimate FY 78 1/
Cases carried over from prior years...	516	787	1,441	1,674	2,535
New cases.....	1,565	2,429	802	3,361	4,098
Total.....	2,081	3,216	2,243	5,035	6,633
Dispositions.....	1,294	1,775	569	2,500	2,500
Cases pending.....	787	1,441	1,674	2,535	4,133

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Table 3.
Employees' Compensation Appeals Board
Workload Data

	Actual FY 75	Actual FY 76	TQ FY 76	Estimate FY 77	Estimate FY 78 1/
Appeals carried over from prior years...	43	52	101	118	198
New appeals.....	305	338	114	500	600
Total.....	348	390	215	618	798
Dispositions.....	296	289	97	420	500
Appeals pending.....	52	101	118	198	298

1/Computations based on current staff years.

In 1976, the Benefits Review Board's (BRB) case workload was double that of FY 1975. See Table 1. An appeal rate of the decisions rendered by the Administrative Law Judges of up to 50 percent was experienced. A third of these appeals were Black Lung cases, most of which have no legal precedents. The BRB processed this increase in workload in an expeditious manner but was unable to avoid a backlogging situation. At the end of 1976, there was an increase of 63% over the 1975 appeals pending before the BRB.

The Office of Administrative Law Judges (OALJ) experienced a rise in total cases heard in FY 1976. See Table 2. This increase was primarily related to the Longshoremen's and Harbor Workers' Compensation Act and the Federal Labor-Management Relations areas. The number of Black Lung cases heard in FY 1976 by Hearing Officers was around 1,000. The year 1976 was the first year that the Law Judges felt the total impact of the Black Lung provisions. At the end of 1976, there was an increase of 83% over the 1975 cases pending before the OALJ.

The Employees' Compensation Appeals Board (ECAB) experienced a rise in total cases processed in FY 1976. See Table 3. The Board continued to hear all appeals and rendered timely and quality decisions to avoid unmanageable case backlogs by increasing productivity with present staff. At the end of 1976, there was an increase of 94% over the 1975 appeals pending before the ECAB.

In the Transition Quarter, the Benefits Review Board case workload continued to increase. The Board continued to maintain quality and timeliness of decisions in cases appealed to the Board from decisions of the Administrative Law Judges. The Administrative Law Judges received increases in caseloads in the Black Lung, Longshoremens' and Harbor Workers' Compensation Act. The Employees' Compensation Appeals Board workload continued to increase. The board continued to hear appeals and render timely decisions.

In 1977, the Benefits Review Board caseload is estimated to be about 500 Longshore and 400 Black Lung appeals based on the FY 1976 appeal rate of up to 50 percent of all related decisions of the Administrative Law Judges. New points of law and issues arise in most cases for which there are few legal precedents. At the end of 1977, it is estimated that appeals pending will increase 73% over 1976 and the Transition Quarter.

The Office of Administrative Law Judges established a field office in San Francisco, California to more efficiently handle the workload level now being experienced. It is anticipated that new cases received will be greater than the caseload received in 1976. At the end of 1977, it is estimated that cases pending will increase 51% over the 1976 Transition Quarter.

The Employees' Compensation Appeals Board workload will surpass that of 1976 based upon the backlog of claims pending before the OWCP, the experience in 1976, and projections of the number of appeals completed during the first two months of 1977. The Board will continue to receive a high percentage of cases involving nonrountine issues of law of first impression. Unresolved issues resulting from the 1974 amendments to the Federal Employees' Compensation Act are being presented to the Board with increasing frequency. At the end of 1977, it is estimated that appeals pending will increase 67% over 1976 Transition Quarter.

In 1978, the Benefits Review Board will make every effort with existing staff to maintain quality and timeliness of decisions in cases appealed to the Benefits Review Board from decisions of administrative law judges with respect to claims for compensation under the Longshoremen's and Harbor Workers' Compensation Act and its extensions, and under Title IV, Part B, Section 415 and Part C of the Federal Coal Mine Health and Safety Act (Black Lung Benefits Act), which provides benefits for total disability or death due to pneumoconiosis.

The Office of Administrative Law Judges will receive new cases which exceeds those received in FY 1976 and those projected for FY 1977. The backlog of cases carried over from FY 1977 will increase the overall caseload, particularly in the Black Lung, Longshoremen's and Harbor Workers' Compensation and Federal Labor-Management Relations area. The backlog will continue to increase. Every effort will be made with existing staff to continue processing cases.

The Employees' Compensation Appeals Board workload will surpass that of FY 1977. The Board plans to hear all appeals, render timely and quality decisions and avoid unmanageable case backlogs by making every effort to process appeals with existing staff.

Changes for 1978

Mandatory changes amount to	+$332,000
Program changes amount to	+$580,000
Positions	+ 26

Mandatory changes consist of $3,000 increase due to annualization of the October 1976 pay raise; $14,000 net increase of within-grade promotions effective in 1977; $18,000 increase in within-grade promotion costs effective in 1978; $95,000 for increased cost of administrative and program support services; $214,000 increase in the standard level user charges reimbursable to the General Services Administration; -$12,000 decrease for one less day of pay in 1978.

Program changes include an increase of $580,000 and 26 positions for the following: $154,000 and 7 positions for the Benefits Review Board; $387,000 and 17 positions for the Office of Administrative Law Judges; $39,000 and 2 positions to support the efforts of the Appeals from Determinations of Federal Employee Claims.

Benefits Review Board

Proposal: To increase the number of Attorney positions and clerical staff of the Benefits Review Board to process cases appealed to the Benefits Review Board.

The Need: There is a direct relationship between the number of cases decided by the Office of Administrative Law Judges (OALJ) under the Longshoremen's and Harbor Workers' Compensation Act and its extensions (LHCA) and the Black Lung Benefits Act (BLA) and the number of cases appealed to this Board. It has been our experience over the past three fiscal years that 33 percent of OALJ decisions in LHCA cases and 50 percent of OALJ decisions in BLA cases are appealed to this Board. Any increase in the workload and output of the Office of Administrative Law Judges results in a proportionate increase in the workload of this board.

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At present, the Board's professional staff consists of a supervising attorney who renders advice and assistance to the attorneys in aiding them in resolving complex and novel issues of law, reviewing all proposed draft decisions prior to their being submitted to the Board for consideration. He assists in the training of new attorneys, and has numerous other administrative duties. No new cases are assigned to the supervising attorney. All new appeals are assigned to the nine attorney-advisors presently on BRB staff. Our own actual experience, recently verified by a management review conducted by the Office of the Assistant Secretary for Administration and Management, indicates that each attorney should be able to complete 50 cases each year. Therefore, the projected output of the Board's professional staff of nine attorney-advisors is 450 decisions or final orders each year.

At the end of Fiscal Year 1976, there were 185 active appeals in LHCA cases and 68 active BLA appeals, a total of 253 cases, pending before the Board. These cases are carried over into FY 1977. In addition, we estimate that 315 new LHCA appeals and 320 BLA appeals will be docketed in FY 1977. Given the projected output of 450 cases by current staff, allocated equally (225 each) between LHCA and BLA, the Board will begin FY 1978 with a total backlog of 438 active appeals, consisting of 261 LHCA cases and 177 BLA cases. Even if no new appeals were docketed in FY 1978, the Board's present staff of attorneys would not eliminate the backlog of active appeals carried over from FY 1977 until the last month of FY 1978.

Since it is projected that 326 new LHCA appeals and an additional 615 BLA appeals will be docketed during FY 1978, it becomes obvious that the requested increase of 5 attorney positions and 2 clerical support positions must be allocated to the Board to enable it to properly dispose of an acceptable number of the active appeals which will be before the Board for decisions in FY 1978.

If the Board begins FY 1978 with a total backlog of 438 active appeals, as is anticipated, assuming current staffing level of attorneys, allocation of 5 additional attorney positions will make it possible for the Board to dispose of 262 of the new appeals docketed during FY 1978. Considering that it is projected that 941 new appeals (326 LHCA and 615 BLA) will be docketed during FY 1978, this minimal increase in staffing will allow the Board to issue decisions only in those appeals docketed during the first 3 or 4 months of that fiscal year, in addition to eliminating the backlog carried over from FY 1977. Under these circumstances, FY 1979 would begin with a backlog of 429 active cases already on the docket.

In the past, our workload and production estimates have been proven accurate. Absent a grant of additional staff for FY 1978, it is obvious that the Board's backlog will continue to multiply at a rapid rate while the Board's resources remain static. Without this minimal increase in staff, the Board's inability to keep up with this ever increasing caseload will produce a situation where FY 1979 will begin with at least 75% of all appeals docketed in FY 1978 still unresolved, while an additional backlog of new appeals continues to accumulate. The Board will be unable to render justice in a timely way in the hundreds of meritorious appeals placed before it.

The Program: The Benefits Review Board will continue to hear and determine appeals raising substantial questions of law or fact from any interested party on decisions with respect to employees' claims, filed under the Longshoremen's and Harbor Workers' Compensation Act and its extensions and the Black Lung Benefits Act of 1972, in the most efficient and effective manner.

Base:				
Positions:	14			Estimated Cost: $472,000
Additional Costs:				
Positions:	+7	Staff Years:	+5.25	Estimated Cost: +$154,000

Office of Administrative Law Judges

Proposal: To increase the number of Administrative Law Judges and clerical staff in order to process a projected increase in caseload.

The Need: The projected caseload increase for FY 1978 is 22 percent over FY 1977 estimates (4098 new cases in FY 1978 compared to 3361 in FY 1977). This increase will occur primarily in the areas of Federal Labor-Management Relations, Black Lung Act, and the Longshoremen's and Harbor Workers' Compensation Act. Additionally, the number of cases in the Child Labor and Office of Federal Contract Compliance areas are increasing well beyond previous estimates. Cases in these two legislative areas are extremely complex and time consuming and require a judge's time well above the average case. There has also been increased pressure from the repective bars and the public to expedite case processing. This pressure has resulted in a commitment by this office to issue decisions within 20 days after hearings.

The ever-increasing caseload in conjuction with more stringent time constraints for issuing decisions will require ten additional Administrative Law Judges in order to reasonably and efficiently process cases. The addition of ten judges to the staff will require a 16 percent increase in caseload by each judge. This increase in individual caseload can be offset by increased productivity and the growing experience of the present staff.

Additionally, this office has recently established a field office in San Francisco. That office, at present, has a skeletal clerical/support staff. At least two additional clerical/support personnel will be required in that field office in FY 1978. The addition of ten judges to the headquarters staff will require five additional clerical/support personnel to facilitate the processing of the projected caseload increase.

The Program: The Office of Administrative Law Judges will continue to deal with the following areas: Longshoremen's and Harbor Workers' Compensation Act, District of Columbia Workers' Compensation Act, E.O. 11491 (Federal Labor-Management Relations), Service Contract Act, Davis-Bacon Act, Walsh-Healey Act, Board of Contract Appeals, Office of Federal Contract Compliance, Occupational Safety and Health, National Review Panel, Farm Labor Contractor Registration Act, Black Lung Act, Comprehensive Employment and Training Act, Child Labor, Fair Labor Standards Act.

Base:				
Positions:	90		Estimated Cost:	$2,982,000
Additional Costs:				
Positions:	+17	Staff Years: +12.75	Estimated Cost:	+$ 387,000

Employees' Compensation Appeals Board

Proposal: To increase the staff of the Employees' Compensation Appeals Board (ECAB) in order to process the steadily increasing number of cases being received. The workload of the Board over the past few years has more than doubled that of previous years.

The Need: It is estimated that in 1977 the average time lapse between the filing of an appeal and the closing of a case will be approximately three months. In order for the Board to continue to produce, without unreasonable delays, decisions of a high quality in view of the potential impact of any of its decisions upon all Federal agencies and civil employees, it will require two additional positions.

At the end of Fiscal Year 1975 the Board had 52 pending cases. At the end of 1976 it had 118 pending cases, and at the end of the first two months of 1977, 135 pending cases. The Board has no control over the increasing volume of

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appeals, the regularity of case flow, or the increasing numbers of pending cases. The pending case total is steadily increasing and a crisis in management of the caseload with current staffing is inevitable. It is for these reasons, the Board needs to be granted the additional positions to avoid a potentially unmanageable situation.

The Program: The Employees' Compensation Appeals Board hears and decides appeals under the Employees' Compensation Act. The Board's decisions are, by statute, final and serve as the ultimate guide for a program covering millions of employees and the expenditure of millions of dollars each year. The Members of the Board carefully summarize and review the record, conduct the hearings, perform legal research, decide the cases, and then write the decisions and orders. Every effort is made to produce decisions of a high quality in view of the tremendous impact any of the decisions may have on all Federal agencies and civil employees.

Base:
Positions: 7 Estimated Cost: $272,000

Additional Costs:
Positions: +2 Staff Years: +1.5 Estimated Cost: +$ 39,000

Activity 6. Promoting Employment of the Handicapped (1977, $1,446,000, Pos. 48
1978, $1,432,000, Pos. 50)

Narrative Description of Program

Service is provided by the President's Committee on Employment of the Handicapped (PCEH) to build public and employer acceptance of physically and mentally handicapped persons. The Committee works with all segments of America: management, labor, government of all levels, the professions, mass media, health, veterans' civic groups, and others. It also cooperates with International rehabilitation groups.

In 1976, the Committee further increased services to Governors' and Mayors' Committees through increased staff time and opening of two trial basis regional offices. Management by Objectives was revised to reflect the impact of affirmative action on all Standing Committees. Efforts to promote jobs for disabled veterans were stepped up in light of new affirmative action programs in their behalf. A special Brookings Institute meeting was held for handicapped consumers to enable them to comment on Section 503 revised regulations, (affirmative action for non-public employers with government contracts of $2,500 or more in hiring the handicapped), their first and only opportunity to do so. A special meeting was held of nine leading male service organizations, to establish projects involving the handicapped which they can encourage local affiliates to adopt. PCEH met with leading voluntary health organizations to develop joint employment promotional projects and played a major part in founding a new citizens' National Center for Barrier Free Environment concerned with the Bicentennial, PCEH contacted all State, local and Federal projects urging accessibility for the handicapped, arranged for a historian to prepare a history of the handicapped in America, and arranged for a Kennedy Center Festival of the Arts of handicapped people. PCEH sponsored several meetings of leaders of business, medicine and government to examine the various programs impacting on the handicapped to determine whether conflicts exist (OSHA and affirmative action, for example).

In the Transitional Quarter, the Committee continued to provide increased services to Governors' and Mayors' Committees in promoting employment of the handicapped. Efforts to promote jobs for disabled veterans in light of new affirmative action programs in their behalf were intensified; gave leadership and staff support to the new Industry-Labor Council of the White House Conference on Handicapped Individuals. This Council brings together top officials of Labor-Management for discussion of employment of handicapped people; gave staff support to the White House Conference in analyzing and sensitizing hundreds of recommendations which have come from all the States; continued usual activities on architectural barriers, transportation for the handicapped, voluntary organizations and any media promotions.

In 1977, the Committee sponsored a two-day national forum, first of its kind, Pathways to Employment, bringing together leading vocational educators, vocational rehabilitation directors, special educators, adult education specialists, employers, union officials, handicapped people and others. The purpose was to examine the methods of preparation of the handicapped for the labor market, and to propose a reordering of methods in the future. Results will be published and will form the basis for many other essential national evaluations and redirections. The Committee worked closely with the White House Conference on Handicapped Individuals, and its newly formed Industry-Labor Council, in areas of rehabilitation and employment, and in planning and policy matters. Increased emphasis was placed on developing community-level projects involving the handicapped which can be carried out by voluntary citizen's organizations such as women's groups, youth groups, male service clubs, and veterans organizations. With the National Association of Industrial Design, a meeting was held for leading industrial designers, to encourage them to remember the handicapped in future designs of household appliances, tools and every-day devices of all kinds. Efforts continued to strengthen Governors' Committees

through increased regionalization and through preparation of materials. Methods were devised to evaluate these Committees. More than 200 seminars on affirmative action were held across the USA to build acceptance among industry. The Committee has formed a Federal Inter-Agency Group -- people from nine agencies -- to coordinate activities in light of affirmative action. A pocket guide on affirmative action was published. These important meetings are planned: One to bring together handicapped consumers and administrators of Section 503, to discuss how the program is working; the other to bring together public affairs directors of major corporations to discuss how to communicate to and about handicapped people. Efforts in behalf of jobs for the mentally retarded and mentally restored will concentrate on increasing employer participation at institutions, special schools and the like. Also, efforts will continue to expand recreational facilities for the handicapped to eliminate architectural and transportation barriers, to engage in joint projects with national health organizations and to encourage the handicapped themselves to enter the labor market.

In 1978, the Committee plans to continue in its direction of reorganization. Priorities would be to upgrade the effectiveness of Governors' Committees in promoting employment of the handicapped, in encouraging compliance with affirmative action, to work with newly emerging handicapped consumer groups, and to form effective local Committees. As Governors' Committees increase their activities, they turn to the President's Committee for increased support, guidance and materials; we hope to be able to provide them with what they need. The Committee plans to concentrate on analysis of statistical data on the number of handicapped people in the USA; on elimination of environmental barriers, and stepped-up activities in fields of mental illness and mental retardation. The Committee will continue to work closely with the White House Conference on Handicapped Individuals, scheduled for May 1977. It is anticipated that a large portion of the recommendations of the White House Conference relating to employment will be implemented by Governors' Committees and local committees. This also holds true for the Industry-Labor Council. The President's Committee will monitor and assist in this effort. Efforts will continue to expand recreation facilities for the handicapped and to eliminate architectural and transportation barriers.

Changes for 1978

Mandatory changes amount to.....-$54,000

Program changes amount to.....+$40,000
Positions.....+ 2

Mandatory changes include $1,000 for the annualization of the October 1976 pay raise; $18,000 for within-grade promotion costs effective in 1977; $10,000 increase for within-grade promotion costs effective in 1978; -$11,000 reduction in miscellaneous communications; -$68,000 decrease in administrative program support services costs; -$4,000 for one less day of pay in 1978.

Program changes include an increase of two positions and $40,000 to provide for regionalization of efforts to promote employment of the handicapped.

Promoting Employment of the Handicapped

Proposal: To expand the Committee's services to the Governors' Committees by regionalization and to concentrate on compilation and analysis of statistical data, elimination of environmental barriers, and coordinating activities in fields of mental illness and mental retardation.

The Need: The President's Committee on Employment of the Handicapped requires two additional positions to continue in its direction of regionalization. To proceed with regionalization, the Executive Committee recommended that the next steps should be the establishment of a regional representative to serve States

in the West. Because of distance, it is neither efficient nor effective to serve Western States solely from Washington; the public can be best served by on-the-spot representation.

As a result of increased activities by Governors' Committees, the demand for help, support and materials by the President's Committee has reached an unprecedented level. An extra person is needed to service the States.

Most demands are for basic data, interpretations of data, and material and guidance on elimination of environmental barriers ahead of the mentally handicapped. The Committee does not have the staff to service these demands.

The Program: One of the positions would be a regional representative, GS-13, West of the Mississippi (location to be selected), to serve a dozen or so of the Western States. The purpose would be to upgrade the effectiveness of Governors' Committees in promoting employment of the handicapped, in encouraging compliance with affirmative action, in working with newly emerging handicapped consumer groups, and in other functions. The other would be a Program Specialist in the Programs Division. This position would be to provide many of the back-up services now demanded of the Committee by Governors' Committees--a result of their increasing effectiveness. As Governors' Committees increase their activities --occurring in more and more States--they turn to the President's Committee for support, guidance and materials of all sorts. This position would concentrate on compilation and analysis of statistical data, environmental barriers, and coordinating activities in fields of mental illness and mental retardation.

Base:
Positions: 48 Estimated Cost: $1,446,000

Additional Costs:
Positions: +2 Staff Years: +1.5 Estimated Cost: +$ 40,000

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Distribution of Field Staff

	1977			1978		
	Profes-sional	Clerical	Total	Profes-sional	Clerical	Total
Atlanta, Ga.....	47	21	68	57	22	79
Birmingham, Ala.....	6	3	9	6	3	9
Boston, Mass.....	30	11	41	34	11	45
Chicago, Ill.....	44	19	63	59	19	78
Cleveland, Ohio.....	14	5	19	14	5	19
Dallas, Texas.....	41	18	59	46	18	64
Denver, Colo.....	17	7	24	17	7	24
Detroit, Mich.....	5	3	8	5	3	8
Kansas City, Mo.....	28	12	40	30	12	42
Los Angeles, Calif.....	9	5	14	10	5	15
Nashville, Tenn.....	10	7	17	10	7	17
New York, N.Y.....	50	15	65	63	16	79
Philadelphia, Pa.....	38	18	56	45	18	63
San Francisco, Calif...	36	13	49	45	15	60
Santurce, Puerto Rico..	9	4	13	9	4	13
Seattle, Wash.....	18	7	25	19	7	26
Total Field Staff.....	402	168	570	469	172	641

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

List of New Positions Requested

	Number	Grade	Annual Salary
Activity 1. Executive Direction			
Departmental			
Program Analyst	1	GS-16	$ 39,600
Program Analyst	2	GS-14	57,450
Office Management Assistant	1	GS- 9	14,097
Secretary-Steno	1	GS- 7	11,523
Sub-total, Activity	5		122,670
Activity 2. Legal Services			
Departmental			
Attorney	18	GS-13	437,544
Secretary	3	GS- 5	27,909
Sub-total	21		465,453
Field Offices			
Attorney	16	GS-13	388,928
Secretary	2	GS- 5	18,606
Sub-total	18		407,534
Sub-total, Activity	39		872,987
Activity 4. Administration and Management			
Departmental			
Auditor	5	GS-12	102,210
Sub-total	5		102,210
Field Offices			
Auditor	20	GS-12	408,840
Auditor	10	GS-11	170,560
Auditor	10	GS- 9	140,970
Auditor	10	GS- 7	115,230
Sub-total	50		835,600
Sub-total, Activity	55		937,810

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

List of New Positions Requested

	Number	Grade	Annual Salary
Activity 5. Adjudication			
Departmental			
Administrative Law Judge	10	GS-15	$337,890
Attorney-Advisor	1	GS-15	33,789
Attorney	1	GS-14	28,725
Attorney-Advisor	1	GS-14	28,725
Attorney-Advisor	2	GS-13	48,616
Attorney-Advisor	2	GS-12	40,884
Management Assistant	1	GS-11	17,056
Docket Clerk	3	GS- 7	34,569
Secretary	1	GS- 7	11,523
Secretary	2	GS- 6	20,740
Sub-total	24		602,517
Field Offices			
Secretary	2	GS- 6	20,740
Sub-total, Activity	26		623,257
Activity 5. President's Committee on Employment of the Handicapped			
Departmental			
Employment Advisor	1	GS-13	24,308
Sub-total	1		24,308
Field Offices			
Employment Advisor	1	GS-13	24,308
Sub-total	1		24,308
Sub-total, Activity	2		48,616
Total New Positions	127		2,605,340

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Executive Direction (37 STAT. 736 738)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
199	$8,493,000	Indefinite	204	$9,836,000

Purpose: This activity provides for formulation of government policy on labor affairs and for overall executive direction of programs and functions assigned to the Department. Information services designed to keep the business and labor communities informed of laws administered and services provided by the Department.

Explanation: Funds provide salaries and expenses for the Secretary, the Under Secretary, and the Offices that provide for Departmental policy, evaluation, and research, legislative affairs, information services and Regional direction.

Accomplishments in 1977: The Executive Direction activity will continue to serve as the principal Departmental/Congressional liaison in matters relating to labor legislation. It will concentrate on the area of consumer representation, an effort initiated by the President designed to provide for clients, groups or the public, which use services of the Department. In addition, it will undertake efforts to improve methods of reaching special groups with special job problems in the work force. Major efforts include such areas as workers' compensation, pension, minimum wage, occupational safety and health, unemployment insurance, welfare reform, youth employment programs and public service employment. Efforts have been designed to improve Federal, State and local relations and communications and enhance the Department's sensitivity and responsiveness between Agency efforts in the field.

Objectives for 1978: This activity will continue to serve as principal Congressional spokesman and legislative strategist for the Department. Emphasis will be placed on another presidentially initiated effort in the area of consumer representation, to involve users of government services, in the policy formulation, decision-making and program evaluation processes. Efforts will be devoted for analysis of legislative proposals as to economic and specific job impact, and continue analysis of work in areas of workers' compensation, pension, minimum wage, occupational safety and health, and unemployment insurance. In addition, the areas of welfare reform, youth employment programs and public service employment will be major areas of concern. The Regional Directors will focus in the representational aspect of their responsibilities by feeding back local views to Departmental policy makers, as well as coordinating multi-agency efforts, and participating in Federal Regional Council and other inter-governmental initiatives.

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DEPARTMENTAL MANAGEMENT

(SALARIES AND EXPENSES)

Program Purpose and Accomplishments

Activity: Legal Services (37 STAT. 736,738)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
732	$19,793,000	Indefinite	771	$22,612,000

Purpose: This activity provides the full range of legal services required by the Secretary and Departmental officials in accomplishing the Department's mission. These legal services include litigation in the various Federal courts; preparation and presentation of cases before Administrative Law Judges; coordination of the legislative program and providing interpretations, opinions, and advice on rule-making.

Explanation: Federal funds provide salaries and expenses for the Solicitor of Labor and staff.

Accomplishments in 1977: Litigation activity under the Employee Retirement Income Security Act is becoming a significant workload factor and involves both Department initiated litigation and private law suits where the Department intervenes. Improved procedures are being implemented to facilitate the exemption review process and render it more effective. Field litigation is expected to increase significantly as a consequence of greater Occupational Safety and Health workload, as well as increased workload under the Fair Labor Standards Act, Equal Pay Act, Age Discrimination in Employment Act, and the Farm Labor Contractor Registration Act. Appellate litigation under the Black Lung provisions of the Federal Coal Mine Safety Act is increasing as is appellate work under various Wage Hour statutes.

Objectives for 1978: Emphasis in FY 1978 will be directed to strengthening major Department priority programs, particularly litigation and exemption processing under the Employee Retirement Income Security Act, enforcement of the Occupational Safety and Health Act, adjudication of Black Lung claims, and meeting the increased needs of the Employment Standards Administration in enforcement of the Fair Labor Standards Act, Equal Pay Act, and Age Discrimination in Employment Act. Improved procedures for the resolution of disputes arising from the administration of programs by the Employment and Training Administration will lead to increased defensive litigation which should be handled more effectively under these procedures. Meeting the needs of various Department components for training, legal advisory services, and litigation assistance is expected to be a major goal and an increased area of productivity.

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: International Labor Affairs (37 STAT. 736, 738)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
161	$5,353,000		161	$5,899,000

Purpose: This activity provides staff support for the Department in: administering worker adjustment assistance and participating in international trade negotiations under the Trade Act of 1974; participation in the International Labor Organization; participation in directing the U.S. Labor Attache program; and for assisting the overseas information, cultural and technical assistance activities of the U.S. Government.

Explanation: Funds provide for salaries and expenses for the Bureau of International Labor Affairs.

Accomplishments in FY 1977: The multilateral trade negotiations will intensify, particularly during the latter half of the year in an effort to meet the goal of concluding negotiations in calendar year 1977. The staff support to the Labor Advisory Committees will need to match the pace of the trade negotiations in order to assure that the advice of the committees is considered in every aspect of the negotiations. ILAB will complete staffing for providing support to the Cabinet-level committee on the International Labor Organization. The aim of this effort is to improve the effectiveness of U.S. participation. Also during the year, consultation with ILO member states will increase. Efforts will continue to strengthen the labor specialty in the Foreign Service; provide U.S. technical specialists for overseas cooperation activities including the agreement with the Government of Saudi Arabia; and for effective participation in the Organization for Economic Cooperation and Development. The Trade Adjustment Assistance program will seek to establish an early warning system during the year in order to enable the Bureau to alert employment security agencies, affected workers, employers and unions in order that they can speed preparation of petitions for adjustment assistance.

Objectives for FY 1978: The Bureau will devote greater attention to increasing the Bureau's participation in the formulation and execution of U.S. trade and economic policies with developing and communist countries. In the Trade Adjustment Assistance program, workloads are expected to continue at a high level. An effort will be made to reduce the delay in certifying petitions and delivering benefits. Finally, the first quarter of FY 1978 is the latest time for a decision on whether the United States will remain in the ILO. The decision will involve ILAB consultation with other government agencies and employer and worker groups.

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Administration and Management (37 STAT. 736, 738)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
449	$15,510,000		504	$18,554,000

Purpose: This activity, under the direction of the Assistant Secretary for Administration and Management, plans, manages, and directs administrative support operations and services provided to all Agencies of the Department, such as Equal Employment Opportunity, Personnel Management, Financial Management, Administrative Services, Audit and Investigations, and Data Processing Services.

Explanation: Funds provide salaries and expenses for the Assistant Secretary for Administration and Management and his program offices.

Accomplishments in 1977: New Departmental EEO guidelines will require that all Affirmative Action Plans have detailed percentage and recruitment goals with timetables for each occupational series. A new management intern program will be developed by the Directorate of Personnel Management to select and develop highly qualified persons in professional areas. A new procedure for the examination and appointment of attorneys will be designed. Full implementation of the Privacy Act and the Fair Standards Act as they apply to Federal employees will be achieved. The Comptroller will expand the Management by Objectives System to include tracking the development of legislative proposals. A review of the workflow processes within the centralized accounting function and regional operations will be undertaken. Manpower Utilization Reviews will proceed in line with the Departmental Target of surveying each agency once every four years. The budget function will expand to respond to the Budget and Impoundment Control Act of 1974. The Directorate of Audit and Investigations will continue extensive audit coverage of CETA prime sponsors with the assistance of State and local audit agencies under agreements negotiated in FY 1976. In addition to 322 CETA prime sponsors, 30 State Employment Security Agencies and 20 State Occupational Safety and Health Programs will be audited with findings presented to the Agency administering the respective program. Expansion of the Departmental Library's automation efforts and implementation of a new decentralized Departmental Property Management System are scheduled by the Director of Administrative Programs and Services.

Objectives for 1978: A new Departmental all-inclusive Equal Employment Opportunity Plan will be prepared to cover the total EEO program, replacing individual Agency and regional plans. Major emphasis will be placed on upward mobility and in upgrading the status of women and Hispanics in the Department. Cost-benefit analyses will be initiated to determine the exact cost of EEO in the Department of Labor. New Civil Service Commission standards will be reviewed and tested by the Directorate of Personnel Management. The Factor Evaluation System for classifying non-supervisory positions in Grades GS-1 through GS-15 will be implemented throughout the Department. Personnel management evaluation will be conducted to assess the effectiveness of personnel management practices throughout the Department.

The Comptroller will completely institutionalize productivity measurement for all program activities. Planned automation of additional accounting data processes and the development of the capability for demand reporting on the status of obligation and costs will also be undertaken. Under the Integrated Audit Program within the Directorate of Audit and Investigations (DAI), the efforts of Federal, State, and local audit agencies will be maximized in a cooperative manner to eliminate duplication and overlapping of audit activities. The Directorate of Audit and Investigations will also continue extensive audit coverage of CETA prime sponsors with the assistance of State and local audit agencies under agreements negotiated in FY 1976. In addition to 322 CETA prime sponsors, 36 State Employment Security Agencies and 28 State Occupational Safety and Health programs will be audited with findings presented to the Agency administering the respective program. Development of in-house managerial expertise to operate the property management system and the establishment of a regional library network are scheduled by the Directorate of Administrative Programs and Services.

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Adjudication (37 STAT. 736, 738)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
102	$3,779,000		128	$4,691,000

Purpose: This Activity hears and determines appeals raising a substantial question of law of fact from any interested party in decisons with respect to claims of employees under the Longshoremen's and Harbor Workers' Compensation Act and its extensions and the Black Lung Benefits Act of 1972; presides over formal hearings to determine violations of laws and provides additional efficiencies to maintain the average time lapse between filing and closing of an appeal despite workload increases.

Explanation: Funds will provide salaries and expenses for staffs of the Benefit Review Board, Office of the Administrative Law Judges, and the Employees' Compensation Appeals Board.

Accomplishments in 1977: The caseload for the Benefits Review Board, Office of the Administrative Law Judges and the Employees' Compensation Appeals Board is estimated to continue increasing throughout Fiscal Year 1977. A major portion of this increase can be attributed to the backlog of cases in the Office of Administrative Law Judges carried over from FY 1976 and to the emphasis directed to cases arising under Black Lung and Longshoremen's and Harbor Workers' Compensation Acts which required decisions of legal magnitude. Increased concern from the respective bars and the public to expedite case processing has resulted in a decision to issue decisions within 20 days after hearings. A field office for the Administrative Law Judges has been established in San Francisco, California. Establishment of this office will facilitate the processing of the estimated caseload increase in FY 1977. Efforts will continue to maintain quality and produce well researched and documented decisions to provide new legal procedures.

Objectives in 1978: The major objective of both the Benefits Review Board and the Administrative Law Judges is to continue to expeditiously hear all cases and subsequent appeals arising under Black Lung and Longshoremen's and Harbor Workers' Compensation Acts and render equitable decisions, particularly in the many cases which will involve new points of law with no legal precedent.

The caseload for the Benefits Review Board, Office of the Administrative Law Judges and the Employees' Compensation Appeals Board is expected to increase.

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Promoting Employment of the Handicapped (63 USC. 409, EO 11480)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
48	$1,446,000		50	$1,432,000

Purpose: This activity conducts a continuing program of public information and education to advance employment of handicapped citizens and cooperates with all national groups interested in this field.

Explanation: Funds will provide salaries and expenses for staff of the President's Committee on Employment of the Handicapped and travel expenses for the Chairman and Vice Chairmen of the Committee, who serve without compensation.

Accomplishments in 1977: The Committee sponsored a two-day national forum, Pathways to Employment, bringing together 210 of this country's leading vocational educators, vocational rehabilitation directors, special educators, adult education specialists, employers, union people, handicapped people and others. Results of this Forum are being published for nationwide circulation. Purpose: to bring about a better match of people and jobs. In cooperation with National Association of Industrial Design, the Committee held a meeting at Brookings Institution for 40 of the country's leading industrial designers. The purpose: to get them to remember the handicapped, in all their future designs of household appliances, tools, and devices of all kinds. Worked closely with the White House Conference on Handicapped Individuals scheduled for May 1977. Increased emphasis was placed on developing community level projects involving the handicapped. Efforts continued to strengthen Governors' Committees through an increase in regionalization as well as through preparation of useful materials, such as a pocket guide on affirmative action and completion of a similar guide on affirmative action for veterans. Efforts were continued to expand recreational facilities for the handicapped to eliminate architectural and transportation barriers, to engage in joint projects with national health organizations and to encourage the handicapped themselves to enter the labor market.

Objectives for FY 1978: The Committee plans to continue in its direction of regionalization. The purpose would be to upgrade the effectiveness of Governors' Committees in promoting employment of the handicapped, in encouraging compliance with affirmative action, in working with newly emerging handicapped consumer groups, and in other functions. As Governors' Committees increase their activities - occurring in more and more States - they turn to the Committee for support, guidance and materials of all sorts, we hope to be able to provide them with increased guidance and support. The Committee plans to concentrate on compilation and analysis of statistical data, environmental barriers, and coordinating activities in the fields of mental illness and mental retardation. The Committee will continue to work closely with the White House Conference on Handicapped Individuals, now scheduled for May 1977. It is anticipated that a large portion of the recommendations of the White House Conference will be implemented by Governors' Committees and local committees. The President's Committee will monitor and assist in this effort. Efforts will continue to expand recreation facilities for the handicapped and to eliminate architectural and transportation barriers.

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

For payments in foreign currencies which the Treasury Department determines to be excess to the normal requirements of the United States, for necessary expenses of the Department of Labor, as authorized by law, $70,000, to remain available until expended: *Provided,* That this appropriation shall be available, in addition to other appropriations to such agency for payments in the foregoing currencies.

SFC-2

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Amounts Available for Obligation

	1977	1978 Estimate
Estimate	$70,000	$70,000
Sub-total, Budget Authority	70,000	70,000
Unobligated balance, start of year	98,000	---
Unobligated balance, end of year	---	---
Total Obligations	168,000	70,000

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Summary of Changes

	Amount
1977 Estimate	$70,000
Unobligated balance, start of year	98,000
Unobligated balance, end of year	---
1977 Available for obligation	168,000
1977 Estimate	70,000
Unobligated balance available from prior year	---
1978 Available for obligation	70,000
Total Change	-98,000

	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items:				
Decreases:				
Non-recurring unobligated balance made available in 1977 from 1976				-98,000
Total, Mandatory Items				-98,000
Total Change				-98,000

Explanation of Changes

Mandatory Items:

Decreases:

Non-recurring unobligated balance made available in 1977 from 1976, -$98,000.

SFC-4

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Obligations by Activity

	1977	1978 Estimate	1977/1978
1. Foreign service consultations..	$168,000	$70,000	-$98,000
Total obligations by activity.....	168,000	70,000	- 98,000

Obligations by Object

	1977	1978 Estimate	Change 1977/1978
21 Travel and transportation of persons.....	$168,000	$70,000	-$98,000
Total, obligations by object.....	168,000	70,000	- 98,000

Action on Congressional Recommendations

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

No specific actions recommended.

Recommendations, Conference Committee

No specific actions recommended.

SFC-6

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Authorizing Legislation

Legislation	1977 Authorized	1977 Estimate	1978 Authorized	1978 Estimate
Agricultural Trade Development and Assistance Act of 1954.....	Indefinite	$70,000	Indefinite	$70,000

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Appropriations History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	$360,000	$ 50,000	$ ---	---
1970	---	---	---	---
1971	75,000	75,000	75,000	75,000
1972	525,000	100,000	100,000	100,000
1973	309,000	100,000	100,000	100,000
1974	200,000	---	---	---
1975	200,000	200,000	200,000	200,000
1976	200,000	70,000	70,000	70,000
Transition Quarter	---	---	---	---
1977	70,000	70,000	70,000	70,000
1978	70,000			

SFC-8

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Activity 1. Foreign Service Consultations (1976, $168,000
1977, $70,000)

Narrative Description of Program

This program provides for payments for Foreign Service consultations and conferences in foreign currencies which the Treasury Department determines to be in excess of the normal requirements of the United States, such funds to remain available until expended. Without dollar outflow, this appropriation contributes toward all of the international labor activities described under Activity 3 of the Departmental Management request. The Conferences are developed and managed by the Bureau of International Labor Affairs, in collaboration with the Department of State. Our major purposes are to make the Foreign Service aware of our feedback and economic information needs and to bring overseas officers responsible for labor matters into a closer relationship with the Department.

In 1976 a conference of labor and selected economic officers was held in Tunis for officers stationed in Africa and Europe. A total of 63 officers from the overseas posts and the Department of Labor, State, and USIA attended the conference, May 3-7, 1976.

The featured item on the agenda was recent developments relating to the ILO in the wake of the two-year notice of intention to withdraw from the organization given by the United States the previous November.

In 1977, The Department plans to hold two conferences. A regional conference for labor and economic officers stationed in Asia has been scheduled for March 14-18, 1977.

Special attention will be given to the ILO. Other agenda items being considered include the overall economic stiuation in the U.S., recent U.S. labor developments, the Department of Labor and trade, activities of the AFL-CIO's Asian-American Free Labor Institute, and guidelines on reporting needed by the Departments of Labor and State.

In addition, a conference devoted principally to ILO matters for labor officers stationed throughout the world or for those assigned to Europe and Africa is under consideration for Tunisia for September 1977.

In 1978, the requested level remains at $70,000 and this will provide for a conference in Asia in the fall of 1978.

Changes for 1978

Mandatory changes amount to..... -$98,000

Program changes amount to..... None

Mandatory changes consist of non-recurring unobligated balance made available in 1977 from 1976.

DEPARTMENTAL MANAGEMENT

SPECIAL FOREIGN CURRENCY PROGRAM

Program Purpose and Accomplishments

Activity: Foreign Service Consultations (Authorizing Legislation--Agricultural Trade Development and Assistance Act of 1954)

1977	Authorization	1978 Budget Estimate Amount
$168,000	Indefinite	$70,000

Purpose: This program provides for payments in excess foreign currencies for joint Labor-State regional conferences of Foreign Service labor and economic officers. Our major purposes are to make the Foreign Service aware of our feedback and economic information needs and to bring overseas officers responsible for labor matters into a closer relationship with the Department.

Explanation: Funds provide for travel costs and related expenses for overseas conferences.

Accomplishments in 1977: The Department plans two conferences, a regional one in New Delhi, March 14-18, 1977, and a world-wide or regional conference in Tunisia in the fall of 1977.

Special attention will be given in both conferences to developments relating to the ILO in the wake of the notice of intent to withdraw from the ILO that was submitted by Secretary Kissinger on November 5. Current international and domestic labor and economic issues will also be discussed in depth.

Objectives for 1978: In 1978, the requested level remains at $70,000. This amount will provide for a conference in Asia in the fall of 1978.

FRIDAY, FEBRUARY 25, 1977.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

WITNESSES

BERT M. CONCKLIN, ACTING ASSISTANT SECRETARY
JOSEPH L. KIRK, DIRECTOR, OFFICE OF POLICY ANALYSIS
DONALD E. MACKENZIE, ACTING DIRECTOR, OFFICE OF FIELD COORDINATION
BENJAMIN W. MINTZ, ASSOCIATE SOLICITOR
GROVER WRENN, ACTING DIRECTOR, OFFICE OF HEALTH STANDARDS
FRED W. HAWKINS, PROGRAM ANALYST
GARY E. STEELE, BUDGET OFFICER
CHARLES E. PUGH, DIRECTOR, OFFICE OF BUDGET

Mr. FLOOD. Today we have the Occupational Safety and Health Administration. The presentation will be made by Bert Concklin, the Acting Assistant Secretary. We have a biographical sketch of you, which we will place in the record at this point.

[The biographical sketch follows:]

Mr. Concklin is the Acting Assistant Secretary for the Occupational Safety and Health Administration with the Department of Labor. In this capacity he is responsible for formulation of policies and programs relevant to OSHA's programs.

Prior to his present assignment Mr. Concklin was the Deputy Assistant Administrator for Policy with the Federal Energy Administration. In this capacity he was responsible for overall coordination of the decision process for policy developed by the Federal Energy Administration.

Prior to this assignment he held various management positions with the Cost of Living Council, including assignments as the Administrator of the Office of Price Stabilization, Deputy Director of the "Freeze Group," and Assistant Director for Compliance and Enforcement. Prior to this, Mr. Concklin worked at the Office of Management and Budget (formerly BOB) where he was responsible for designing and implementing government-wide legislative analysis and personnel systems. Previous to this assignment, Mr. Concklin held various general management and program director positions with Computer Sciences Corp.

He is a 1958 graduate of the U.S. Naval Academy and has done graduate work in business administration at Northeastern University. After graduation from the Naval Academy, he served as an officer in the U.S. Air Force for 4 years.

A native of Ridley Park, Pa., Mr. Concklin, 39, lives in West Springfield, Va., with his wife and two children.

Mr. FLOOD. You have several people here you want us to meet, I suppose.

Mr. CONCKLIN. Yes, sir; should I proceed with that?

Mr. FLOOD. Yes.

Mr. CONCKLIN. On my far right and your left is Don MacKenzie, our Acting Director for Field Coordination within OSHA. The next individual is Fred Hawkins, with our planning and programing staff. To my immediate right is Gary Steele, our financial officer. To my immediate left is Joe Kirk, our director of policy. To his left is Ben Mintz, the solicitor for OSHA. To his left is Grover Wrenn, the Director of Standards, and Chuck Pugh is with the Department. I believe you know him.

PREPARED STATEMENT

Mr. FLOOD. I see you have a prepared statement. How do you want to proceed?

Mr. CONCKLIN. If it is agreeable, I would like to submit it for the record rather than read it.

Mr. FLOOD. Suppose we do, and we can get to the questions.

[Mr. Concklin's full statement follows:]

Mr. Chairman, members of the subcommittee, I wish to thank you for this opportunity to appear today and present the Occupational Safety and Health Administration's budget request for fiscal year 1978. I am Bert Concklin the Acting Assistant Secretary of Labor for Occupational Safety and Health.

We are requesting $134,640,000 which is an increase of $4,307,000 over the appropriations for fiscal year 1977. This amount will enable us to maintain our current program levels and also provides an increase in two areas which we believe will improve safety and health in the Nation's work environment: Expanding OSHA's training facility for compliance officers and funding research and evaluation programs to gauge the effectiveness and direct the programs of the agency. No additional positions are requested for fiscal year 1978.

During the last year, we have endeavored to increase the technical competence of our field inspection personnel and to promote voluntary efforts by businesses, large and small, which will better safeguard employees on the job. Significant progress has been made in both of these areas, but these tasks are just beginning. The funding which is being requested for 1978 will allow us to make further strides toward our goal of reducing injuries and illnesses in the workplace.

OSHA standards, the regulations with which employers must comply to maintain safe and healthful working conditions as well as to meet their responsibilities under the Act, have been a focus of concern in 1977. In the area of health standards in particular, the agency sought to further develop its capability. A recent reorganization placed health and safety standards development in separate organizational units, reporting directly to the Assistant Secretary. This was done to assist us in meeting our responsibilities in this area. A standard for coke oven emissions, which are known to cause cancer in steelworkers, has been published, and standards to abate excessive noise and arsenic levels are expected to become final before the year's end.

Although OSHA is stepping up its response to occupational health problems, the agency is not slighting the safety aspects of the program. Through our standards revision project, we are seeking comments and criticism from affected members of the public on large sections of our safety standards. We encouraged participation in open meetings which have been held in various sections of the country to obtain wideranging viewpoints on current and proposed standards.

To allay employer concerns that the requirements placed on them by the Federal Government are unreasonable, OSHA is attempting to set forth regulations which impose minimal economic burdens on business establishments. We also want to ascertain what is "doable" before requiring employer compliance with a particular regulation.

Our increased emphasis on health issues is also apparent in our enforcement program. OSHA now has 1,050 safety inspector positions and 550 industrial hygienist jobs. All new positions approved in fiscal year 1977 are being filled with experienced industrial hygienists or individuals with the necessary background to be trained in this field.

In order not to jeopardize our safety expertise, however, losses due to attrition in that area are being filled by safety professionals.

OSHA plans to conduct 76,000 inspections in fiscal year 1977 and 90,000 in fiscal 1978. Inspections are becoming more health oriented as the field staff increases its competence in detecting health hazards. Training programs for the entire inspection force are underway to facilitate this goal. A natural result of this increased concentration on health is that inspections will become more comprehensive. Doing a thorough job of aiding employer identification of hazards in these establishments is, to my way of thinking, much more beneficial than merely increasing the numbers of inspections we conduct.

In the area of State occupational safety and health programs, no changes are envisioned for the coming year. Twenty-four States now participate in the

program by which OSHA provides 50-percent funding for them to run safety and health plans. As in 1977, we will continue to monitor and evaluate all aspects of the State programs, including enforcement, administration, training and consultation, and standards development. Several States will complete all the developmental steps set forth in their plans and the agency may be required to determine, under section 18(e) of the act, whether the States should be certified as fully competent to conduct safety and health programs as effective as the Federal program with minimal Federal oversight.

Onsite consultation continued as significant contribution to OSHA's efforts to encourage employers to voluntarily comply with the requirements of the act. We currently have 23 States providing consultation as part of their 18(b) plans and another 13 States participating in consultation programs funded through section 7(c)(1) of the act.

To further meet the training and education needs of OSHA inspectors and consultants, we are requesting a one-time program increase of $530,000 to expand the capability of OSHA's training institute. The current facility has become inadequate in terms of insufficient classroom space and floor-loading limitations which prohibit establishment of the demonstration areas we deem essential to adequately train the field compliance staff. The expansion of this staff as well as the increased emphasis on training, education, and consultation programs has made this increase necessary at this time.

Each year the Bureau of Labor Statistics in conjunction with OSHA conducts a survey of job-related injuries and illnesses. The results of the survey for calendar year 1975 which were published last December are very encouraging as they revealed decreases in the Nation's injury and illness experience in work establishments. The incidence of job-related injuries and illnesses dropped from 10.4 per 100 full-time workers in 1974 to 9.1 for 1975. This is the second such decline in consecutive years. Also showing a decrease were lost workday injuries, down 171,000, and nonlost workday injuries, down 725,000. We firmly believe that OSHA's efforts in fostering a climate of job safety and health awareness, combined with efforts of labor and management, were responsible for these reductions.

We are requesting $1 million to provide financial resources for research and evaluation of OSHA programs. In the past, no funds have been specifically earmarked for this purpose, but recent initiatives in the compliance program area have resulted in new or modified program approaches which we believe require a studied evaluation. Foremost among these new initiatives are an evaluation of OSHA's impact on small business, the national emphasis program, and the concentration on scheduling general inspections on a "worst-first" basis. Further research and evaluation are needed to establish how the available data can be used to direct efforts to identify causal factors of injuries and illnesses; to establish what types of countermeasures are effective; and to demonstrate that the benefits of adopting various countermeasures can be equivalent to the direct and indirect cost of not adopting them.

The areas of emphasis just outlined, will provide improvement in both the enforcement capability of this agency and its ability to assist and elicit the cooperation of those to whom the regulations are directed. The workplaces of America will be made safe and healthful for those laboring there only to the extent that we can motivate everyone involved in a balanced approach to hazard elimination. The budget presented today is a significant step toward this objective.

Thank you.

STAFFING

Mr. FLOOD. How many permanent positions is OSHA currently authorized?

Mr. CONCKLIN. Approximately 2,700.

COMPLIANCE OFFICERS

Mr. FLOOD. How many of those positions authorized are what you call compliance officers, the inspectors?

Mr. CONCKLIN. Of the 2,700 total strength, approximately 1,600 are compliance officers.

Mr. FLOOD. Of the compliance officer positions that are authorized, how many are filled as of today?

Mr. CONCKLIN. The number is 1,334 of the 1,600.

Mr. FLOOD. Is it hard to get those people? Are they hard to recruit? We understand it is.

Mr. CONCKLIN. The problem has been, and to some extent continues to be, in the health area, where we are hiring, for the most part, professional industrial hygienists. That is a market where it is difficult, in some instances, to find qualified candidates. We think we are well along toward solving that problem by virtue of having gotten the Civil Service Commission to broaden and relax somewhat the academic requirements for that kind of position. In other words, we are now able to hire people with biological or chemical academic training.

OSHA TRAINING INSTITUTE

Mr. FLOOD. You want more money in 1978 for your training institute. We will talk about that in a minute, but, first, suppose you describe the training program for us. How do you train all these compliance people you are talking about?

Mr. CONCKLIN. First of all, in Rosemont, Ill., we have a training institute exclusively for training OSHA compliance personnel. The students at that institute are both Federal compliance personnel and people from the States which participate in the OSHA program; they are also permitted to go through that institute. We occasionally train people from industry and labor, as well.

We provide a rather broad service. There are a number of courses out there, and I would be glad to submit the details for the record, in safety engineering disciplines, and in industrial hygiene or occupational health disciplines.

Mr. FLOOD. About the request for an increase of $530,000 for your training operation in 1978, why do you need that money and how are you going to spend it?

Mr. CONCKLIN. The primary purpose of that money is to purchase facilities and equipment that will enable us to train—not buildings, but equipment, such as a ventilation system which will enable industrial hygienists to understand how a plant operator should put in a ventilation system to remove vinyl chloride from the atmosphere, for example.

We want a kind of simulator model of the real world situation that a compliance officer finds when he or she goes into a workplace rather than a blackboard or textbook approach. We want physical facilities.

Mr. FLOOD. That is how you are going to spend it?

Mr. CONCKLIN. Yes, sir.

APPROPRIATION LANGUAGE

Mr. FLOOD. Let's talk about the bill language. That is one of our favorite subjects, bill language, in the appropriation hearings.

As you are well aware, the OSHA bill language got quite a going over on the floor last year, even over in the Senate.

Tell us first how you are implementing the language pertaining to small farms. How are you complying with that? Is that having any effect on your enforcement operation?

Mr. CONCKLIN. Yes, since that language was added to the fiscal year 1977 appropriations bill exempting farm units of 10 or fewer employees from OSHA coverage, we immediately took action to stop inspecting such units consistent with the instructions from the Congress. And that has reduced inspection activity somewhat in the agricultural sector since those units are by law exempted.

Mr. FLOOD. Well, the administration is proposing, we understand, to delete that language in 1978; is that right?

Mr. CONCKLIN. Yes, sir, we are proposing to delete it.

Mr. FLOOD. How do you think anything like that is going to be received around the Hill here, generally?

Mr. CONCKLIN. It is difficult and somewhat presumptuous of me to speculate on that.

Mr. FLOOD. But I am asking. Go ahead, off the top of your head.

Mr. CONCKLIN. I would hope that OSHA can persuade concerned Members of Congress that an exemption is not a very desirable way of adjusting either the OSHA Act or the way OSHA administers the act. It could well be argued that there might be different ways of addressing very small units like a small farm as opposed to a major corporate farm, but we do not feel that it is appropriate to remove workers from the protection of the act just because they are part of a small unit. All of the statistics we have suggested that the small units are just as hazardous and, in some cases, more hazardous than the large farm units.

Mr. FLOOD. What do you think the reaction will be on the Hill?

Mr. CONCKLIN. Again, it is only far out conjecture, but I would have to assume that there would be some people who would take exception to our theories and hopefully some others that we can persuade that the appropriations process is not a desirable form of altering the act.

Mr. FLOOD. There are some other language restrictions in there that you got stuck with pertaining to the first-instance violation.

Mr. CONCKLIN. Yes, sir.

Mr. FLOOD. Are you having any trouble complying with that? What is the effect of that language?

Mr. CONCKLIN. We are not having any trouble administering it or implementing it. It basically has the effect of not assessing any monetary penalties—and there are some exceptions—but not assessing monetary penalties unless there is a rather serious violation. That is carefully defined.

SERIOUS AND NONSERIOUS VIOLATIONS

Mr. FLOOD. What is the difference between a serious and a nonserious violation of the act? We certainly want to be clear about that.

Mr. CONCKLIN. Ben, could you help me on that?

Mr. MINTZ. Mr. Chairman, the act says a serious violation is one as to which there is a substantial probability that death or serious harm could result to an employee. In other words, a serious violation is one that is likely to lead to death or serious physical harm.

OSHA has recently sent elaborate instructions to the field confirming decisions of both the Occupational Safety and Health Review Commission and the courts explaining in detail how a condition is to be evaluated for purposes of seriousness.

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ESTABLISHMENTS COVERED/INSPECTED

Mr. FLOOD. All right.

How many business establishments in the country now are covered by OSHA?

Mr. CONCKLIN. We estimate that approximately 5 million workplaces are covered by OSHA which in turn involve an estimated 65 million workers.

Mr. FLOOD. Since OSHA was started 5 or 6 years ago, how many of those places have actually been inspected? You can give us a rough idea now and then check it for the record.

Mr. CONCKLIN. I will be glad to provide a more precise number, but in terms of the number of inspections in the last 2 or 3 years, we have ranged in the area of 75,000 to 90,000 per year. The estimate roughly is 330,000 since the beginning of the act which is somewhat less than 10 percent of the total number of businesses covered under the act.

Mr. FLOOD. Are a lot of your inspections followup inspections, or repeat inspections, if you want to use that term?

Mr. CONCKLIN. Numerically not a lot, but I think it is important to recognize that for all serious violations, with a very few exceptions, we follow up to make sure that the employer has indeed corrected the violation.

ASSESSMENT OF PENALTIES

Mr. FLOOD. What is the average fine levied by OSHA for nonserious violations?

Mr. CONCKLIN. Approximately $13 for the nonserious.

Mr. FLOOD. What about the serious or willful violation?

Mr. CONCKLIN. Approximately $636 for the serious.

ABATEMENT

Mr. FLOOD. Is it the fines that upset the employers or is it the abatement procedures that you require, the actions that they must take, actions that you say they must take and/or equipment or hardware they have to purchase to comply with your standards?

Mr. CONCKLIN. That is a difficult question, but in my judgment the primary factor that causes employers distress is the dollar cost required to abate the hazard, or to put in the physical plant changes which will correct health or safety hazards.

ISSUANCE OF HEALTH STANDARDS

Mr. FLOOD. Talking about standards, what kind of progress are you making on that terribly complex, complicated business of health standards? Do you have the right kind of people down there handling that health standards shop? Are you getting the work done? Are the very important health standards being issued?

Mr. CONCKLIN. That is indeed a very complex and difficult subject. We are proceeding with the development of new comprehensive health standards, but not as fast as we would like to. With regard to the professional staff, we are now in the process of a reorganization which has as one of its major objectives the expansion and strengthening

of the technical capabilities of the professional people involved in health standards.

It is a substantial upgrading of the grades of the health standards professionals and the addition of personnel in the medical science disciplines such as physicians, toxicologists, and the like.

RELATIONSHIP WITH NIOSH

Mr. FLOOD. Again, on the standards setting process, how do you get along these days with your sister agency over at HEW, the National Institute for Occupational Safety and Health? We know very well you have had some pretty bad problems coordinating with and getting along and working with NIOSH. How would you describe some of those problems?

Mr. CONCKLIN. Certainly a major issue which I think we are now making progress in resolving has been achieving some balance between their research output, something called a criteria document for a given toxic substance, and our ability to convert those research products into final health standards. That is a problem.

We are exploring with NIOSH, I think in a constructive way, ways of resolving that problem.

Mr. FLOOD. In OSHA's opinion, what could be done by the executive branch or by Congress to straighten out this mess between OSHA and NIOSH, or if OSHA doesn't have an official opinion, what is your personal opinion. You have been down there a long time.

Mr. CONCKLIN. I am not sure I am commissioned to render a personal opinion.

Mr. FLOOD. You are not being commissioned. I am asking you. Does OSHA have an opinion?

Mr. CONCKLIN. My response is both personal and professional. I think the problem or problems that exist can be solved through administrative and normal management means. I do not believe they require, legislative or otherwise, intervention by a higher body of the executive branch. I think they can be worked out by the two agencies.

Mr. FLOOD. Or by the Congress?

Mr. CONCKLIN. I don't think intervention by the Congress is necessary to solve the problem.

Mr. FLOOD. Mr. Natcher?

ABSORPTION OF PAY INCREASE

Mr. NATCHER. According to your justifications, OSHA is not requesting any increased pay costs. Is that correct?

Mr. PUGH. That is correct.

Mr. NATCHER. Why no increases as far as pay costs are concerned for fiscal 1977 in the supplemental?

Mr. PUGH. Mr. Natcher, as in the case of all of the pay cost supplementals we have requested this year, we did a fairly complete review of the increased pay cost requirements and also what the respective agencies could absorb before we actually made the request to the Congress.

In this particular case, we found that there were excess moneys available in the State grants activity within the OSHA appropria-

tion. We have proposed to absorb the $2.4 million for OSHA through reprograming funds from the OSHA State grants activity to all other OSHA activities to accommodate the increased pay costs. We expect to have a letter to the chairman either today or early next week for the subcommittee's review on this proposal.

Mr. NATCHER. You are able to absorb the increase as far as fiscal 1977 is concerned?

Mr. PUGH. That is correct.

Mr. NATCHER. Doesn't that clearly indicate that we gave you too much money last year?

Mr. PUGH. It would imply that.

Mr. NATCHER. Not necessarily imply it. Wouldn't it indicate that you got too much money?

Mr. PUGH. Yes; it would.

Mr. NATCHER. That is the kind of an answer I like. Don't change that answer now.

Mr. PUGH. No; I was going to expand on that answer.

In the State grants activity, the estimates that are developed for the State grants activity, and Mr. Concklin can add to this if he wishes, were based on what the States felt they could make available for matching purposes. The surpluses here have really come about because the moneys that the States expected to supply for matching purposes did not materialize as we had anticipated when the budget was pulled together.

Mr. CONCKLIN. If I may, I don't want to overly digress on that, but certainly a Federal agency like OSHA can make errors in its forecasts of dollar needs. The situation is compounded by the fact that we have 24 States participating in OSHA, each with its independent budget operation. Our request to you is a composite of those estimates on the part of the 24 States plus our own Federal component.

Mr. NATCHER. Speaking of making mistakes and I know the chairman is going into this matter so I won't go into detail, but several months ago we had an order coming out of OSHA concerning agriculture and the establishment of toilets in the field.

What did you do with that? I know every farmer in the United States struck your name from his Christmas card list. What did you do about it?

Mr. CONCKLIN. We are reevaluating that proposal and are in the process of considering alternatives that would be more suitable and appropriate.

Mr. NATCHER. I am glad to hear that. In other words you agree, Mr. Secretary, that things like that are what causes so much trouble as far as OSHA is concerned?

REPROGRAMING OF STATE GRANTS FUNDS

Last year, Mr. Secretary, we believed at the time we had the bill before the committee that we appropriated $38,100,000 for your State programs for fiscal 1977. Your justifications, I believe, show $35,605,000. Why is there a discrepancy as far as the amount is concerned? It is not too much, but why the difference?

Mr. STEELE. Mr. Congressman, we are assuming that the reprograming request that is on the way will be approved so we have

changed the schedules to reflect that. That is where we are getting the money to pay the current pay increase.

SAFETY AND HEALTH STATISTICS

Mr. NATCHER. You are proposing to spend $6,300,000 for safety and health statistics in 1978. Isn't this a lot of money to be spending as far as statistics are concerned?

Mr. CONCKLIN. Well, Mr. Congressman, first of all we feel that OSHA must go to considerable lengths to attempt to understand how well it is doing with respect to reducing physical injuries and illnesses. The only credible way we know of to do that, working in conjunction with the Bureau of Labor Statistics, is to have a nationwide data collection system for that purpose. It is an extensive system.

The annual BLS survey contains 450,000 reporting units. Sampling and computer processing is an expensive process. I will certainly concede that $6 million is a lot of money. I am not sure there is any way to do it at less cost.

NATIONAL EMPHASIS PROGRAM

Mr. NATCHER. What is the national emphasis program?

Mr. CONCKLIN. The national emphasis program is an effort directed at the foundry industry. Other industries will come along in due course. But it is directed at the foundry industry and we attempt to do a very credible job of inspecting high hazards, not trivial or inconsequential hazards, both safety and health hazards. This program has been formulated and developed to the best of our ability in very close coordination with both organized labor and the industry itself so that all three parties understand goals and objectives and agree on means for accomplishment of these.

I might add we are also going to very carefully evaluate this program as we proceed through it to try to determine whether indeed OSHA can do a good job at reducing illnesses and accidents if it prepares itself.

We have had a special training program exclusively directed at foundry hazards to make sure our compliance officers are competent as they proceed in that effort.

Mr. NATCHER. How much money are you spending in the current year on this program?

Mr. CONCKLIN. I can't give you that figure, but I would be glad to submit it for the record.

[The information follows:]

We have not completed our projections as to the amount of staff resources which will be allocated to NEP inspections in the coming year. By the end of 1976 we had trained 500 persons in specific foundry industry training. This 500 included our own inspectors and area and regional management along with their State counterparts. We plan to phase in inspections beginning March 15, 1977. Since imminent danger, death and employee complaints are the higher priorities for our field offices, and many of these offices have had such a tremendous volume of complaints that large backlogs have been created, we may not start full-scale inspections until these backlogs have been reduced.

Resources have, however, been allocated to other facets of the program: $1.2 million for the onsite consultation contract, $500,000 for worker education and approximately $900,000 for education and information.

CONTEST OF OSHA CITATION

Mr. NATCHER. What must an employer do to contest an OSHA citation; is this a difficult process?

Mr. MINTZ. No; it is not. He must only indicate in some written fashion to the area director of OSHA that he wishes to contest the citation, the penalty or both. The area director then transmits that document to the Review Commission and the case is before the Review Commission.

Mr. NATCHER. Can you give me some idea of the percentage of OSHA citations that is being contested, approximately?

Mr. MINTZ. The figure for the first quarter of this fiscal year I understand was approximately 8½ percent which is a significant increase over the figures for the prior year.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Early?

RECRUITMENT DIFFICULTIES

Mr. EARLY. Of the 178 new positions we gave you last year, how many are filled?

Mr. CONCKLIN. None of those positions are filled at this time. We do have recruiting in process for all of them.

Mr. EARLY. Is there a reason why they are not filled?

Mr. CONCKLIN. Mr. Congressman, it is a difficult question to answer, but it is a combination of the fact that we have had some difficulty in recruiting qualified individuals for health compliance purposes. We have deliberately proceeded very carefully to make sure that we have qualified people.

Second, there is a practical limit to how fast you can take new entry level people into an area office. An area office has from 10 to 40 professionals.

Mr. EARLY. There is no established list here?

Mr. CONCKLIN. List of what, sir?

Mr. EARLY. To recruit compliance officers?

Mr. CONCKLIN. Yes; there are but there are simply not enough of them on those lists with the qualifications which we demand.

Mr. EARLY. You have not filled any of the positions?

Mr. CONCKLIN. We have not filled any of the 178, but I want to make it clear again that we are recruiting at a rapid pace. They are not sitting there in a benign position.

Mr. EARLY. They are not moving either.

Mr. CONCKLIN. You have to appreciate also, I believe, that before we received the 178 we were recruiting to fill up to the previous ceiling level.

Mr. EARLY. But why did you need the 178 positions if you were not filled up to your quota?

Mr. CONCKLIN. We think we need them. It is simply a matter of the recruiting rate.

ASSESSMENT AND COLLECTION OF PENALTIES

Mr. EARLY. What is the amount of fines for the last 3 or 4 years from OSHA, the amount of fines assessed and the amount of fines collected for the last 3 years?

Mr. CONCKLIN. In the last operating year the aggregate level of penalties assessed was $8.2 million.

Mr. EARLY. How much of that was collected?

Mr. CONCKLIN. That reflects the amount that was collected.

Mr. EARLY. What was it the previous 2 years?

Mr. CONCKLIN. I will have to submit that for the record, sir.

Mr. EARLY. Is it increasing, decreasing or what?

Mr. CONCKLIN. It was increasing up to that last year that I just reported to you, the year in which we incurred $8.2 million.

Mr. EARLY. Are we getting away from fining?

Mr. CONCKLIN. No; It was increasing.

Mr. EARLY. But last year it decreased?

Mr. CONCKLIN. Last year it was $8.2 million. This year it probably will be decreasing. That is significantly contributed to by the action the Congress took that resulted in OSHA being unable to assess monetary penalties in nonserious category areas.

[The information follows:]

PENALTIES PROPOSED AND COLLECTED FOR THE LAST 3 YRS

	Fiscal year—		
	1974	1975	1976
Proposed	$6,825,000	$8,245,000	$12,450,000
Collected	5,705,000	6,178,000	8,191,000

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Mr. EARLY. There was an article in the Post this morning about President Carter's plan for incorporating the new Department of Energy. The article makes reference to an Energy Board of Appeals similar to OSHA's Board of Appeals. Can you tell us about the structure of your Board of Appeals?

Mr. MINTZ. The Occupational Safety and Health Review Commission is a separate agency with three members appointed by the President.

Mr. EARLY. How many law judges on the Board?

Mr. MINTZ. Approximately 50. I can supply it for the record.

Mr. EARLY. How many cases do they process annually?

Mr. MINTZ. I don't have those statistics before me but I can get those numbers for the record. They operate through administrative law judges who hear the cases in the first instance. There is an administrative trial with the presentation of evidence. The administrative law judge then issues his decision in the case.

[The information follows:]

There are 44 law judges who annually process an average of 70 cases each.

Mr. EARLY. Are they handled regionally?

Mr. MINTZ. They are held generally at the place where the violation is alleged to have taken place. The decision of the administrative law judge may be appealed to the three-member Commission which sits in Washington, D.C. The Commission may or may not hear the appeal. Decisions of the Commission may then be appealed to the U.S. Court of Appeals.

Mr. EARLY. I have no further questions.
Mr. FLOOD. Mr. O'Brien?

COVERAGE IN AGRICULTURAL ESTABLISHMENTS

Mr. O'BRIEN. Mr. Concklin, on page 2 of your statement or perhaps it is in the justifications elsewhere, I think you mentioned that you wanted to delete the language relating to farmers who employ 10 or fewer persons. In my district, the 17th of Illinois, I have 5,178 farms. Three hundred of those are subject to inspection now, approximately.

Now unless I am mistaken, you asked in your budget request for exactly the same number of field inspection positions. Doesn't that suggest that you don't really believe you could ever get around to the 17th District of Illinois, much less the other farmers? I think you have 2,000-some-odd positions there. That is on page 25, field staff. You have 2,065 in 1977 and 2,065 in 1978. How are you ever going to cover the 17th District of Illinois?

Mr. CONCKLIN. Mr. O'Brien, we can never cover every workplace or every district. We frankly don't make any pretense at that. We try to be discriminating in targeting our inspections on the higher hazard situations. That is indeed what we do through a number of systems that we have. Certainly the agricultural sector must have some coverage because it is by any reasonable standard a high injury intense sector in the economy.

Mr. O'BRIEN. I can understand how you could come into a plant where the machinery is fixed and you can sort of follow the way a product is made. In real life I am a trial lawyer. I have represented farmers and I have represented employees in litigation on accidents on the farm, neglect to put a shield over a power takeover, although it was right in the field and we got an action and recovery in that case.

It seems also impossible in a farm situation to be able to follow those disciplinary procedures that you would in a plant.

Mr. CONCKLIN. Well, I agree with you it is a very difficult situation because it is not the same everyday in the sense of a production line. However, I think you cited a good example, there are some fundamental hazard situations like power-takeover devices. In the last year we have promulgated a standard related to roll bars on tractors. That is a source of many serious and fatal accidents. That is a physical situation where it is easy to confirm whether or not there was a competent roll bar.

COMPLIANCE OFFICER RECRUITMENT

Mr. O'BRIEN. How do you recruit people to do inspecting for you? Where do you get the man to go into the farm?

Mr. CONCKLIN. First of all, we have very specific position descriptions or job standards that define the prerequisites for whom we will allow to come into the system. We follow the normal Civil Service competitive merit staffing procedures like any other Federal agency, either going to what they call the Register where there is a list of qualified people for entry level positions or for higher level positions, we have what is called a competitive staffing procedure where you

advertise the job and qualified candidates submit their applications. A manager makes the choice as to the most qualified individual.

COMPLIANCE OFFICER TRAINING

Mr. O'BRIEN. Rightly or wrongly, I get a lot of complaints about inspectors who the plant people feel really don't know the problems involved in making that particular thing. Sometimes they are inconsistent one with the other.

For example, at one plant they had some supposed cables which would normally startle and shock you. But the voltage in those cables would not be sufficient to shock a cow out on the farm. Two inspectors found no problem. The third inspector fined them $600.

It seems to me something is wrong there.

Mr. CONCKLIN. Historically there is no question that OSHA has not in many instances provided adequate and specific technical training for both its safety and health compliance officers. Going back to one of the chairman's questions, we are now engaged in a threefold increase in our technical training which we administer at our training center whose primary purpose is to equip inspectors with a deeper, broader technical knowledge to insure that they accurately inspect for violations of safety and health standards.

Mr. O'BRIEN. Do manufacturers and superintendents of plants and labor union people ever participate in your so-called briefings that are intended to instruct the inspectors?

Mr. CONCKLIN. Yes. As a matter of fact, on the national emphasis program related to foundries, we had labor and management people participating both as observers and lecturers imparting their expertise in foundry management.

ROLE OF WORKER'S COMPENSATION

Mr. O'BRIEN. I think operating on the definition that the gentleman here recited for serious violation, substantial probability of death or serious harm could result to an employee, it sounds almost like a workmen's compensation definition.

If your trend is as you have described it and I assume it is, I really would not quarrel with that. Don't you think that the stringent workmen's compensation laws that business is living with now is probably the biggest, with due respect to your agency, the biggest instructor to manufacturers on how to keep the plant safe?

Mr. CONCKLIN. There certainly is a school of thought in that direction. I frankly don't know enough about the operation of workmen's compensation to give an informed opinion on that. I would estimate that it does contribute. I think there are a lot of, in some cases, subtle factors in society that are contributing to the slow but real improvement in the accident rate. That certainly would include worker's compensation.

DISTRICT COURT DECISION REQUIRING SEARCH WARRANTS

Mr. O'BRIEN. How are you dealing with the *Barlow's* decision?

Mr. MINTZ. Mr. Congressman, we have obtained from Justice Rehnquist of the Supreme Court a stay of the decision of the District Court.

Under the decision issued by Mr. Rehnquist, the District Court order would not be applicable anyplace in the country except as to the employer in that case, *Barlow's*.

Last week we filed a jurisdictional statement with the United States Supreme Court asking the Court to take jurisdiction and to hear and decide the case. In that brief, we asked the Court for expedited treatment of the case because of its importance to the OSHA program.

We hope that the court will agree to the expedited treatment so that we can have a decision during this term of the court.

Mr. O'BRIEN. Have you persisted in inspections in that State?

Mr. MINTZ. We did desist in inspections in that State while the order was in effect. Under Justice Rehnquist's stay, the order is no longer in effect in Idaho and we have resumed inspections.

Mr. O'BRIEN. Is that stay supposed to stay it until the Supreme Court decision?

Mr. MINTZ. That is correct. The stay is in effect now and the Court's order will not be in effect until the Supreme Court either affirms the decision or reverses it or whatever.

Mr. O'BRIEN. Since that decision outside the State have you had resistance?

Mr. MINTZ. I understand there has been a flurry of refusals to entry in other parts of the country; yes.

PROCEDURE FOR CONTESTING CITATIONS

Mr. O'BRIEN. When the employer who is cited by your inspectors complains, he writes a letter to the regional director? I think you were reciting before how that worked.

Mr. MINTZ. An employer who wishes to contest a penalty would write to the area director of OSHA indicating his desire to appeal the citation and penalty. Then the area director forwards that appeal or contest to the Occupational Safety and Health Review Commission and the case is before the Review Commission.

Mr. O'BRIEN. Is that in the nature of an administrative hearing where he can be represented by counsel or not as he chooses?

Mr. MINTZ. Yes.

Mr. O'BRIEN. How long does that process take?

Mr. MINTZ. I would have to get some statistics from the Review Commission as to the length of time.

Mr. O'BRIEN. But you don't stay the effect of the inspector's determination pending that appeal?

Mr. MINTZ. Under the law the abatement requirements are suspended once the contest is filed unless the appeal was filed in bad faith or only for the purpose of delay.

Mr. O'BRIEN. Thank you, Mr. Chairman.

SIMPLIFYING STANDARDS

Mr. FLOOD. Mr. Obey?

Mr. OBEY. Mr. Concklin, I would like to talk about a couple of things this morning, standards first of all.

I catch hell, you catch hell and everybody catches hell about OSHA and the crazy standards you have with 16 pages for ladders. You know what I am talking about. I think it would be helpful if you

would explain to the committee exactly what the origin of these ladder regulations and all these other regulations really is.

Mr. CONCKLIN. All right.

When OSHA initiated its regulatory activity back in 1971 it adopted en masse a body of standards referred to as concensus standards which by and large were standards that had been developed by industry for industry over a period of years.

In many cases the standards had provisions in them that were not ostensibly and directly applicable to protection of workers against physical hazards. In other cases they were excessively detailed or constrained in terms of provision and content.

Over the intervening years from 1971 there have been modest efforts to simplify and improve those standards. In April of last year we initiated a major effort to simplify the standards which is still ongoing.

That major effort in its initial segment addresses about 25 percent of all of the areas that we currently inspect for serious physical safety hazards.

I must admit, that process is a long and difficult process. It may very well take 2 to 5 years to go through the full body of all the safety standards and simplify them and remove from them the kind of irritating or irrelevant provisions that you suggest with the 16 pages on ladders.

Mr. OBEY. What you have said, then, is that it has not been bureaucrats up in Washington who put together those regulations but it was the industry representatives in the first place?

Mr. CONCKLIN. That is absolutely correct. The product that we now have as safety standards are mostly the consensus standards which were developed and put together by private industry, not by OSHA.

HEALTH STANDARDS

Mr. OBEY. In fact, you have hardly put together any new standards at all. What do you have? You have the 16 cancer items.

Mr. CONCKLIN. And vinyl chloride, coke ovens and asbestos.

Mr. OBEY. You have not been able to do anything about the thousands of other chemicals known to be toxic. You don't have one single standard for chemicals that cause birth defects and nothing about the more than 1,000 chemicals suspected of causing cancer, nothing about lead or noise, right?

Mr. CONCKLIN. Not entirely or precisely. When we adopted the safety standards we have been discussing, we also adopted a group of health standards applicable to somewhere in excess of 400 toxic substances which at the time were deemed to be, in general, those substances that were most prevalent in the workplace and affected the largest number of workers.

We have enforced, in varying degrees, those 400-plus standards for individual toxic substances. In the meantime we have been attempting to produce new, improved standards of the type that you just cited such as vinyl chloride.

Mr. OBEY. In terms of complete standards, it has been pretty slow, hasn't it?

Mr. CONCKLIN. Yes, sir.

Mr. OBEY. That hurts two groups of people, the small business people who don't have the tools or legal beagles to go through those

regs and figure out how to handle them and also the workers who are not protected, wouldn't you say?

Mr. CONCKLIN. Well, the small businessman admittedly has difficulty understanding the technical and legal ramifications of complex health standards.

STEPS IN PROMULGATION OF STANDARDS

Mr. OBEY. What steps are you required to go through before you set a standard?

Mr. WRENN. As to the steps we are required to go through, section 6 of the act provides for a public rulemaking process which, very simply put, would involve first the development of a proposed regulation. The development of that proposed regulation may or may not involve the utilization of an advisory committee. Incidentally, in the health area it may or may not be related to a response to a criteria document or other recommendations furnished by NIOSH.

Following the publication of a proposed regulation there would be a period of time for written comments from the public and if requested, which is virtually always going to be the case in health standards, a public hearing would be held to receive testimony, exhibits, witnesses, et cetera.

Mr. OBEY. How many steps do you take?

Mr. WRENN. Within OSHA, for management purposes and for direction of staff activities, we have tried to break up this continuum.

Mr. OBEY. If you could keep your answer short because I have only 10 minutes and 31 questions.

Mr. WRENN. We have described a series of 18 to 20 steps.

ECONOMIC IMPACT STATEMENTS

Mr. OBEY. That is what I wanted in the record. One of the roadblocks to simplifying and improving your standards has been the economic impact statements, has it not? Hasn't that imposed an additional burden on you that takes time?

Mr. CONCKLIN. In the latter half of 1975 and perhaps through the first three quarters of 1976, that process did have a delaying effect on our health standards in particular. We are now in a situation where we have been able to anticipate the process of economic impact analysis and start it earlier and, in general, it is not a delaying factor at this stage.

Mr. OBEY. Will that reduce the amount of information that you get about economic impact?

Mr. CONCKLIN. No, sir.

ROLE OF SOLICITOR'S OFFICE

Mr. OBEY. What about the Solicitor's office I have heard a lot of criticism of that operation that they seem to be a very conservative bunch down there in terms of getting bogged down in bureaucratic red tape. How many of the 22 steps in standard setting is their office involved in?

Mr. CONCKLIN. It is not a simplistic process of them being involved in "x" number of steps and the technical office of OSHA being involved in "Y" number. We work in a team configuration with the

Solicitor's office such that they are involved in essentially every step in conjunction with the technical staff of OSHA.

Mr. OBEY. Do they play a key role in making decisions on questions such as whether you are going to have emergency temporary standards on new hazards such as vinyl chloride?

Mr. CONCKLIN. Yes.

Mr. MINTZ. The decision on an emergency temporary standard is a policy decision which would be made by the Assistant Secretary of OSHA. That was the case as to vinyl chloride. In making that decision there are a number of aspects that the Assistant Secretary would take into consideration.

Mr. OBEY. But they are involved?

Mr. MINTZ. The Solicitor's office would bring to his attention any relevant case law regarding emergency temporary standards. If there have been some decisions and legal considerations, that should enter into his decision.

CARCINOGENIC SUBSTANCES

Mr. OBEY. Right now we have what a lot of people would call an emergency with phenylbetanaphthalene, vinylidene chloride, and benzene. Isn't it pretty certain that those chemicals cause cancer?

Mr. WRENN. There are varying degrees of evidence and certainty.

Mr. OBEY. But isn't it about 89 percent sure that they do?

Mr. WRENN. I could not attach a quantitative estimate, but they are widely regarded to pose a carcinogenic risk.

Mr. OBEY. Can you submit for the record those data?

Mr. WRENN. Yes.

[The information follows:]

BENZENE

Starting with the initial report by Delore and Gorgomano (J. Med. Lyon 9:227, 1928) evidence has accumulated during the ensuing years that benzene is leukemogenic in man. This association of leukemia with chronic benzene exposure is not limited to any specific type of leukemia; however, the magnitude of the relationship is difficult to quantitate. Case reports, or clinical evidence, and the more recently reported epidemiological investigations have dealt with mixed solvent occupational exposure where benzene was the common chemical. Animal data is equivocal. Experiments designed to repeat induction in mice by benzene administration have proven inconclusive. The lack of a good animal model may is due to the possibility that benzene is a promotor, not an initiator, of leukemia. A brief summary of the more significant references is presented below.

I. Epidemiologic evidence

A. The first detailed epidemiological study finding a positive correlation between bnzene and leukemia was done by Aksoy (Blood 44:837–841). He studied 26 patients who had developed preleukemia or leukemia out of 28,500 shoe workers chronically exposed to benzene. The most common type of leukemia was acute myeloblastic occurring in 14 patients. The incidence of leukemia was found to be 13 in 100,000 as compared to 6 in 100,000 in the general population.

B. Girard and others (Med. Lav. 62:71–76) conducted a 3-year systematic study in France to determine the extent of benzene or toluene exposure in 401 subjects with malignant hemopathies. The controls used were 124 patients admitted for nonhematological diseases. Results showed a much higher frequency of benzene exposure among subjects with malignant hemopathies.

C. The mortality data of a cohort of 6,678 male active and retired rubber workers was studied by McNichael and others (J. Occup. Med. 17:234, 1975). The workers were identified according to high, medium, or light solvent exposure jobs. A significant positive correlation was found between the risk of dying from chronic lympathic leukemia and working in high solvent exposure jobs. There

was a sevenfold increase for High Exposure jobs and a twofold increase for workers with light or medium exposure jobs. Although these workers were exposed to a variety of organic solvents, "benzene was once the solvent of choice."

D. Ishimarv and others (Am. J. Epidemiol 93:157–65, 1971) studied a total of 303 cases of leukemia occuring in adult survivors of the atomic blast in Hiroshima and matched them with 303 controls (people exposed to the blast but having no leukemia). They found the risk of leukemia was approximately 2.5 times higher among these with a history of probable exposure to benzene or its derivatives and medical X-rays.

II. Clinical evidence

E. Since 1942 Vigliani (Ann. N.Y. Acad. Sci. 271:143–51, 1976) has seen 66 cases of chronic benzene poisoning, the symptoms being red cells less than 3 million, and white cells less than 4,000. Out of those 66 cases, there were 11 deaths due to leukemia in patients who worked in the rotogravure plants and shoe factories which used benzene as a solvent. Five new benzene leukemia cases seen at the institute in Milan between 1964 and 1976 have been reported.

F. Aksoy and others (Amer. J. Med. 52, 160–166) reported on four patients which developed leukemia (three myeloblastic and one monocytic) from among 35 cases of hyporegenerative anemia in workers using benzene-containing glues in the manufacture of shoes.

III. Other studies

There is, however, evidence that workers potentially exposed to benzene do not exhibit a statistically significant excess of leukemia.

G. Thorpe (J. Occup. Med. 16:375, 1974) has reported that in a population of 38,000 petrochemical and petroleum workers, some of whom were exposed to low levels of benzene over a 10-year period, the occurence of leukemia was not abnormal compared to the general population of the countries concerned.

H. In a study prepared for the American Petroleum Institute (report EA 7402, Washington, D.C., 1974) a mortality study of 20,163 petroleum refinery workers, the frequency of leukemia compared to the expected frequency of leukemia based on national mortality experience was on the whole, not significantly excessive.

I. Over 40,000 workers employed in the rubber and cablemaking industry in Great Britian who had worked for at least 1 year were surveyed by Fox and others (Brit. J. Ind. Med. 31:170, 1974). Utilizing age-specific mortality rates, only a slight excess of leukemia deaths (14 versus 13) was found, based on English and Welsh death rates. Although there was the possibility of potential benzene exposure, dosage is unknown.

Other references

1. National Research Council, "A Review of Health Effects of Benzene," June 1976.

2. "Occupational Exposure to Benzene: Revised criteria for Recommended Standard . . .," U.S. Department of Health, Education, and Welfare, Public Health Service, Center for Disease Control, National Institute for Occupational Safety and Health, 1976 (copy attached).

VINYLIDENE CHLORIDE

OSHA has not received from NIOSH or from other resources any scientific data or results of studies on the relative carcinogenic aspects of vinylidene chloride.

PBNA

The evidence on PBNA is discussed in the attached NIOSH current intelligence bulletin.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
PUBLIC HEALTH SERVICE,
Washington, D.C., December 17, 1976.

METABOLIC PRECURSORS OF A KNOWN HUMAN CARCINOGEN, BETA-NAPHTHYLAMINE

The National Institute for Occupational Safety and Health (NIOSH) has recently learned that both N-phenyl-β-naphthylamine (a widely used rubber antioxidant) and 2-nitronaphthalene (a byproduct of α-naphthylamine production) are metabolized to the known human carcinogen, β-naphthylamine. This bulletin

emphasizes the potential problem of the metabolic conversion of materials believed to be relatively innocuous into known human carcinogens.

PHENYL-BETA-NAPHTHYLAMINE

In an October 8, 1976 letter to NIOSH, The B. F. Goodrich Co. reported findings indicating that the phenyl-β-naphthylamine (PBNA) is metabolized to β-naphthylamine (BNA) by the human body. This confirms an earlier study by Shell Nederland (T. Soc. Geneesk., 53:415–19, 1975).

PBNA was developed as a replacement chemical for BNA when, in the late 1940's, an association was shown to exist between BNA and human bladder cancer. It should be noted, however, that commercial PBNA is contaminated with 20–30 parts per million BNA.

In recent years, there have been three major domestic manufacturers of PBNA. E. I. du Pont de Nemours & Co. manufactured PBNA at Deepwater, N.J., until December 1975. The only known current domestic producers of PBNA are the B. F. Goodrich Co. at Akron, Ohio and Uniroyal, Inc., at Naugatuck, Conn. Tototal domestic production of PBNA was 4.9 million pounds in 1973, 3 million in 1974, and 1.5 million in 1975.

Most of the phenyl-β-naphthylamine manufactured today is used as an antioxidant in rubber where it can comprise as much as 1 percent of the finished product. It can also find use as an antioxidant for greases and oils, as a stabilizer during the manufacture of synthetic rubber, and as an intermediate in the synthesis of dyes as well as other antioxidants. NIOSH estimates that 15,000 workers are potentially exposed to PBNA during its manufacture and use. The majority of these exposures are found among rubber fabricators.

Due to the wide use of PBNA in the rubber industry and its structural similarity to BNA, Shell Nederland studied the metabolism of PBNA. This study included four process operators with occupational exposure (by inhalation) to PBNA, along with 19 volunteers who each ingested 10 mg PBNA. Subsequently, one of these volunteers ingested an additional 30 mg PBNA. BNA measured in 24-hour urine samples was in excess of the quantity that would be expected as an impurity of the ingested PBNA. For the volunteers who consumed 10 mg PBNA (contaminated with 0.008 μg BNA), 0.4 to 3 μg BNA was found in their urine. The process operators, estimated to have inhaled 40 mg PBNA (contaminated with 0.032 μg BNA), were found to have 3 to 8 μg BNA in their urine samples.

As a confirmation of Shell's findings, B. F. Goodrich found 3 to 4 μg BNA in 24-hour urine samples from two volunteers who ingested 50 mg PBNA (containing 0.7 μg BNA) and from workers (unspecified number) estimated to have inhaled 30 mg PBNA. These findings, like the Shell study, indicate that phenyl-β-naphthylamine is at least partially metabolized by the human body to β-naphthylamine.

The acute and chronic toxicity of PBNA has been demonstrated in laboratory animals, however, its toxic effects in man are virtually unknown. An epidemiologic study, involving deaths among workers who entered the rubber industry after 1949 (when BNA was replaced by PBNA), shows no significant excess risk of bladder tumors in the industry when compared to the general population. The authors point out, however, that their data is not conclusive (Brit. J. Ind. Med., 31:140–51, 1974).

In addition to the studies demonstrating that PBNA is metabolized to BNA in humans, evidence has been presented which indicates that PBNA is also metabolized to BNA in dogs. At the Imperial Chemical Industries Laboratory in Manchester, England, radioactive PBNA was fed to dogs and radioactive BNA was found in collected urine.

The carcinogenic potential of PBNA in laboratory animals has undergone limited evaluation. In a study involving three female dogs (fed 540 mg PBNA per day over a period of years), no bladder tumors were seen after 4.5 years. The investigators point out that the relatively few years of exposure to PBNA limits interpretation of these data (Proc. 9th Int. Cong. Ind. Med., Budapest, 1948).

In a limited number of laboratory mice fed PBNA for 18 months, the incidence of hepatomas, when compared with controls, was significantly greater than expected. Other laboratory mice, given a single subcutaneous injetcion of PBNA, showed an increase in the total number of tumors when compared with controls; however, in this group, the incidence of site-specific tumors was not significantly greater than expected (National Cancer Institute, August 1968).

2-NITRONAPHTHALENE

On August 19, 1976, E. I. du Pont de Nemours & Co. informed NIOSH of unpublished studies regarding the carcinogenic potential and the metalobolism of 2-nitronaphthalene in dogs. This compound (an unmarketed byproduct produced during the commercial preparation of α-naphthylamine), like PBNA, is metabolized in laboratory dogs to BNA.

In a study by du Pont, 2-nitronaphthalene was fed (100 mg/kg and 50 mg/kg) to a female Beagle dog and β-naphthylamine was found in the urine. In another study (conducted by Allied Chemical), four female dogs were fed 100 mg of 2-nitronaphthalene daily for 8 months. After 10.5 years, bladder papillomas were observed in various stages of malignancy in the 3 dogs for which autopsy results were available. Allied concluded from this study that 2-nitronaphthalene is an active carcinogen in the female dog. In addition, 2-nitronaphthalene has been shown to be metabolized in monkeys to BNA (JNCI, 50:989-95, 1973). However, there are no reports concerning the metabolic fate of 2-nitronaphthalene in man.

RECOMMENDATIONS

The fact that certain substances, as illustrated by PBNA and 2-nitronaphthalene, can be metabolized to known carcinogens, lends a new perspective to controlling workplace hazards. NIOSH therefore recommends that:

Industrial hygiene practices should be followed to minimize exposure to phenyl-β-naphthylamine in the workplace (attached).

Although there are a number of antioxidants which may be substituted for phenyl-β-naphthylamine, alternatives should be fully evaluated with regard to possible human effects.

More consideration should be given to the assessment of metabolic pathways of chemical agents found in the workplace.

Materials which can be metabolized by the human body to known carcinogens should be handled in the same manner as carcinogens.

The National Institute for Occupational Safety and Health is making recommendations to the Occupational Safety and Health Administration (OSHA) for regulatory action.

JOHN F. FINKLEA, M.D.,
Director.

Enclosure

Mr. OBEY. There is no standard to protect workers from that, is there?

Mr. WRENN. That is not true in the case of benzene. There is an existing standard for benzene exposure.

Mr. OBEY. The standard is what? Is it for benzene as a carcinogen or not?

Mr. WRENN. It is for employee exposure to benzene.

Mr. OBEY. Is it regulated as a carcinogen?

Mr. WRENN. No.

Mr. FLOOD. Mr. Roybal?

ASSISTANCE TO SMALL BUSINESSES

Mr. ROYBAL. You have indicated to the committee that OSHA would come up with a program for the small business community. What has been accomplished in that regard and when was the program implemented and what success have you had?

Mr. CONCKLIN. Since last year we have undertaken a rather comprehensive study addressed to the question of OSHA's impact on small business. That was performed under the direction of Joe Kirk, our Director of Policy and I will let him respond.

Mr. KIRK. I will be happy to provide the study for the record.

We completed the study in July of last year and recommended 11 steps be taken to help assess and improve OSHA's relationship with

small business. The series of steps included such things as putting out self-help guides for small businessmen so that they could look at their own operations to determine what hazards might exist. It included setting up small business liasion officers at various points throughout OSHA's regional offices to provide points of contact for small business persons. It included improving our coordination with the Small Business Administration to enhance the small businessmen's opportunity to obtain loans for equipment such as sawing equipment and a series of other steps.

It also recommended that penalties under $50 be suspended and a series of other things. Several of these steps have been implemented. We are working on several others.

For example, we began about 4 weeks ago a model test of small business assistance projects in region 5 which includes Illinois, Ohio, Indiana, Michigan, Wisconsin and Minnesota, to see how we can deal with small business and most effectively address their concerns.

So we have taken a series of steps. I think the impacts will be seen in terms of greater improvement in our relationships with that community.

Mr. ROYBAL. But at the moment you cannot report to the committee that there has been any real progress made?

Mr. KIRK. No; we have published a small business assistance guide and will soon be mailing them out through the National Federation of Independent Businessmen and several other business associations. We have revised opening and closing conferences that our inspectors hold with businessmen to particularly address small business concerns. We have revised our penalty structure in OSHA, to in addition to the changes required by the appropriations language, reflect suspension of penalties and reductions of penalties.

So we have taken a series of steps that we think will be effective in improving our interaction with small business.

Mr. ROYBAL. Will you then submit for the record a report of the accomplishments that came about as a result of the study?

Mr. KIRK. Yes.

[The information follows:]

STATUS OF RECOMMENDATION IN SMALL BUSINESS STUDY

1. *Published self-help inspection guides.*—Initial publication and circulation of 10,000 copies of small business handbook. There has been a second printing of 10,000 copies for NEP. Minor revision and publication of 150,000 copies in progress.

2. *Revise memoranda of understanding with Small Business Administration.*—Discussions have been held to clarify OSHA's role in providing certification that a particular procedure will bring the firm into compliance.

3. *Develop expedited treatment for SBA loans.*—A working agreement with the SBA was signed in Federal region V to improve coordination on SBA/OSHA activities. The agreement will serve as a prototype for agreements in other Federal regions.

4. *Designate an OSHA small business liaison officer.*—A 6-month pilot program has been established in Federal region V to test implementation of a small businesses assistance program. This project was begun in January and should conclude no later than June 1977. Following evaluation of this pilot program, similar programs will be considered for other Federal regions.

5. *Develop plain-language explanations of imminent and serious danger.*—Completed and distributed as of September 1976.

6. *Revise compliance officer's opening conference discussion.*—Completed August 1976.

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7. *Revise compliance officer's closing conference discussion.*—Completed August 1976.

8. *Develop and distribute information on the importance of safety and health in the workplace.*—A number of general press releases have been developed describing the need for health and safety. Further work is planned.

9. *Extend toll-free telephone consultation information service to all regional offices.*—Toll-free telephone service for area offices was initiated in Federal region VII in August 1976. This brought to a total of three, the Federal regions in which the service is available. The telephone service will be considered in other Federal regions following evaluation of the small business assistance program mentioned above.

10. *Revise procedures for application of financial sanctions.*—Completed September 1976. Revised procedure would suspend all penalties of $50 or less and increase the penalties for serious and repeat violations.

11. *Develop a concept paper on a tax credit for capital improvements made by small business employers.*—No action to date.

SIMPLIFYING REGULATIONS

Mr. ROYBAL. Last year we were told that OSHA tried to write regulations that the ordinary businessman who is not a scientist would understand. Now what has been done in this regard?

Mr. CONCKLIN. One important thing that has been done in that regard is that we have accompanied some of our new standards, which admittedly tend to be complex, with educational packages for the benefit of employers and employees. These packages, to the extent of our ability, are expressed in simple terms that nontechnical people can understand.

Mr. ROYBAL. What you try to do then is to explain the regulations that you now have and you admitted a little while ago that they were quite complex.

Mr. CONCKLIN. Yes, particularly the health standards are complex.

Mr. ROYBAL. Your effort has been to try to explain these regulations?

Mr. CONCKLIN. Yes.

Another thing we have done is to put out guidelines on some of the more complicated health hazards.

Mr. ROYBAL. Do you have any plans for revising these regulations and making recommendations to be revised?

Mr. CONCKLIN. Again, we have two major ongoing efforts. On the safety side we have the program I alluded to earlier where we are attempting to simplify the whole body of existing safety standards adopted at the beginning of the program. On the health side we are moving on a substance-by-substance basis to provide improved—what we call—comprehensive standards for the most important health hazards.

CRITICISM OF OSHA

Mr. ROYBAL. I am interested in knowing why it is if you are in fact explaining all these regulations and, your public relations as good as you say they are, why is it that we get so many complaints about you. Do you have any idea why?

Mr. CONCKLIN. I have ideas but I don't pretend to have absolute incontrovertible evidence. I believe the volume and intensity of criticism involving OSHA has decreased whether it is measured in terms of mail or other factors.

Mr. ROYBAL. It has not decreased as far as my office is concerned.

I can assure you that it has not decreased in the offices of a majority of Members of Congress.

Mr. CONCKLIN. The criticism and resistance to OSHA, is probably a combination of the fact that OSHA does pose a situation that is difficult to understand in terms of how you meet your obligations under safety or health standards.

IMPROVED COMMUNICATIONS

Mr. ROYBAL. That I can understand. Now are you doing anything to try to effectuate a change in the criticism that you get?

Mr. CONCKLIN. Yes, I think we have done a lot. Mr. Kirk alluded to the special attention to small business. As part of that effort we have attempted to work closely with the major associations that represent small business and get their ideas and criticism, as one example.

Mr. ROYBAL. If your report submitted to this committee reflects what you have been telling us, I would say you have been taking a step forward.

Mr. CONCKLIN. Another thing we have done which is not resoundingly visible to everybody, but in the past year in particular we have substantially increased the informal dialog with members of management, members of industry and members of organized labor and the professional community as we have gone about the business, the inherently controversial business, of producing such things as health standards.

We now bring those parties into our work process, show them what we are doing in draft form, elicit their criticism and make adjustments in many cases. That is a practice that OSHA did not participate in earlier.

EMPLOYERS' VOLUNTARY EFFORTS

Mr. ROYBAL. On page 1 of your statement you talk about voluntary efforts of businessmen. What percentage of your inspections result from OSHA being voluntarily invited to come into the workplace?

Mr. CONCKLIN. Of our inspections?

Mr. ROYBAL. Yes.

Mr. CONCKLIN. Virtually none of them.

Mr. ROYBAL. What is the voluntary aspect about?

Mr. CONCKLIN. There is the business of enforcement which is accomplished through inspections. There is also a consulting function in OSHA which is practiced in 34 States.

Mr. ROYBAL. Where does the voluntary program come out?

Mr. CONCKLIN. The voluntary mechanism in the terms we define it is represented by employers asking for consulting assistance which they do in most locations in the country.

Mr. ROYBAL. I think the word voluntary is synonymous with that which we used to hear in the service. You volunteer to do something after you are ordered.

Isn't that the situation?

Mr. CONCKLIN. That is not the connotation we intend. We wish employers would use consulting services.

Mr. FLOOD. Mr. Conte?

ONSITE CONSULTATION

Mr. CONTE. Thank you, Mr. Chairman.

What have you done to implement the recent amendments requiring onsite consultation?

Mr. CONCKLIN. First of all, we currently have consulting in 35 States which is performed by States with the Government paying 50 cents on the dollar for the operating costs to do that consulting. We are right now on the verge of transmitting to Secretary Marshall OSHA's recommendations for complying with the Congressional mandate.

Mr. CONTE. You are not doing this on your own, but are requiring the States to do it?

Mr. CONCKLIN. Yes, we are. In the case of the national emphasis program related to foundries, we have hired a private contractor to take care of that particularly technically complex problem. We would anticipate, pending your approval, that even with the increased funding and the hoped-for additional States, that there will be some States which, for various reasons, are not interested in performing consulting. In that case we would ask you for the authority and money to contract for that service in those States, in the interest of equity, so that every State and employer has available consulting services if they desire.

Mr. CONTE. The last time we took this bill to the floor we were severely harassed. Were you onboard then?

Mr. CONCKLIN. Yes, sir.

PROPOSED FIELD SANITATION STANDARD

Mr. CONTE. We were severely harassed by some of our colleagues. It was very difficult to defend this part of the bill. It was just about that time that you came out with some safety requirements requiring toilet facilities in the field for farmers and other requirements which really received some bad publicity.

Have you made a review of those things? I remember when you first started, I never thought we would get a dollar on the floor. Remember, Mr. Chairman, that is when they came out with some regulations that said you couldn't use ice water and that toilet seats had to have a split in them.

Have you gotten over a lot of those silly things?

Mr. CONCKLIN. I think we have gotten over the silly things of the order of toilet seats and ice water and precise height of perimeter guard rails, et cetera. Going to the specific reference to last year, I believe you are referring to an item we discussed earlier, namely, the proposed standard for field sanitation applicable to farming.

We are reconsidering that proposal. The timing and some of the provisions of it were unfortunate in relationship to the appropriations process.

STATES WITH APPROVED SAFETY AND HEALTH PLANS

Mr. CONTE. How many of the 24 States—and if any of these questions have been asked tell me—how many of the 24 States now involved in the OSHA program are certified as competent to conduct safety and health programs?

Mr. CONCKLIN. I don't want to be fussy about your question, but there is a term of art called certification which typically happens after the States have been developing their programs for 3 years under our monitoring and evaluation.

If you meant that, I will submit it for the record, but I believe we have certified four or five.

Mr. CONTE. What I am driving at, is if more States are becoming competent to conduct their safety and health examinations, how does that affect your responsibility?

Mr. CONCKLIN. As you indicated, there are 24 States currently doing OSHA enforcement and in most cases consulting functions. The prospects for additional States successfully petitioning and coming into the system are not very high. We believe that most States made a conscious decision earlier that they would either be in or not be in and that the current number will not change materially. It could decrease because of budget and other problems in States, meaning some could drop out.

We have had major States, such as New Jersey, drop out in the last 2 years—Illinois and Wisconsin as well. So I do not see or anticipate that there will be a significant increase in the assumption of OSHA responsibilities by States.

CONSULTATION PROGRAMS

Mr. CONTE. What is the difference between States providing consultation under our 18(b) plans and other States participating under 7(c)(1) consultation?

Mr. CONCKLIN. In reality in terms of the work that gets done, the difference is very insignificant or negligible. The 18(b) provision of the act simply is that portion which deals with States performing, in effect, all OSHA functions—I am oversimplifying—which includes consulting; 7(c)(1) is a provision which enables States to do just consulting if they don't want to take on the burden of inspecting.

OSHA TRAINING INSTITUTE

Mr. CONTE. Since you are requesting no new positions for expanding programs, where will you take personnel from to fill this OSHA training institute program?

Mr. CONCKLIN. Well, we currently have a policy and evaluation staff under Mr. Kirk that will manage and carry forward that evaluation effort. A significant portion of it will be supported by private contractors.

INCENTIVES FOR VOLUNTARY COMPLIANCE

Mr. CONTE. How do you go about giving businesses incentives to promote voluntary improvements in safety and health standards?

Mr. CONCKLIN. Well, first of all, it is very difficult. Presumably, and maybe this is a Draconian incentive, but the deterrent value of enforcing is one form of incentive. We try through a variety of professional means such as seminars and meetings with associations and

labor groups to impart to the world, so to speak, what OSHA is all about and what the employers' obligations are under OSHA.

As I have said, we have in place a consulting program and we have sought to expand that so all employers, if they wish, can avail themselves of assistance to find out where they may have hazards that they are not addressing.

Mr. CONTE. I serve as ranking member on the Small Business Committee. We have had long hearings on OSHA. It has had a tremendous impact on small business. The small businesman doesn't have a safety engineer like Westinghouse or General Electric or Western Electric has. He is really at a tremendous disadvantage.

Do you have any different methods of compliance for small business as opposed to a large industry?

Mr. CONCKLIN. At the risk of repeating, we certainly encourage small businesses who, as you say, don't have safety engineers or health professionals or resident physicians to avail themselves of onsite consultation which is provided at no charge and no risk to that businessman. That is one dimension.

In the course of performing enforcement, we do, on a case-by-case basis, take account of the size and whatever we can determine about the financial circumstances of the small business. We then adjust what we call the abatement period, the time required to make corrections, hopefully with a judicious sense of what the capability of that employer is to make the changes to correct the hazards.

Mr. CONTE. Thank you.

REORGANIZATION OF OSHA

Mr. FLOOD. You recently reorganized that whole setup of yours, the whole organization. Why did you do that, and what did you accomplish by it? You didn't just move boxes around on the organizational chart I saw, did you?

Mr. CONCKLIN. No, sir, we did not. We reorganized really in response to two fundamental problems.

One was that the prior organization did not have a single active organizational part to provide the control and direction of the field organization, recognizing that OSHA is a field organization, not a Washington headquarters.

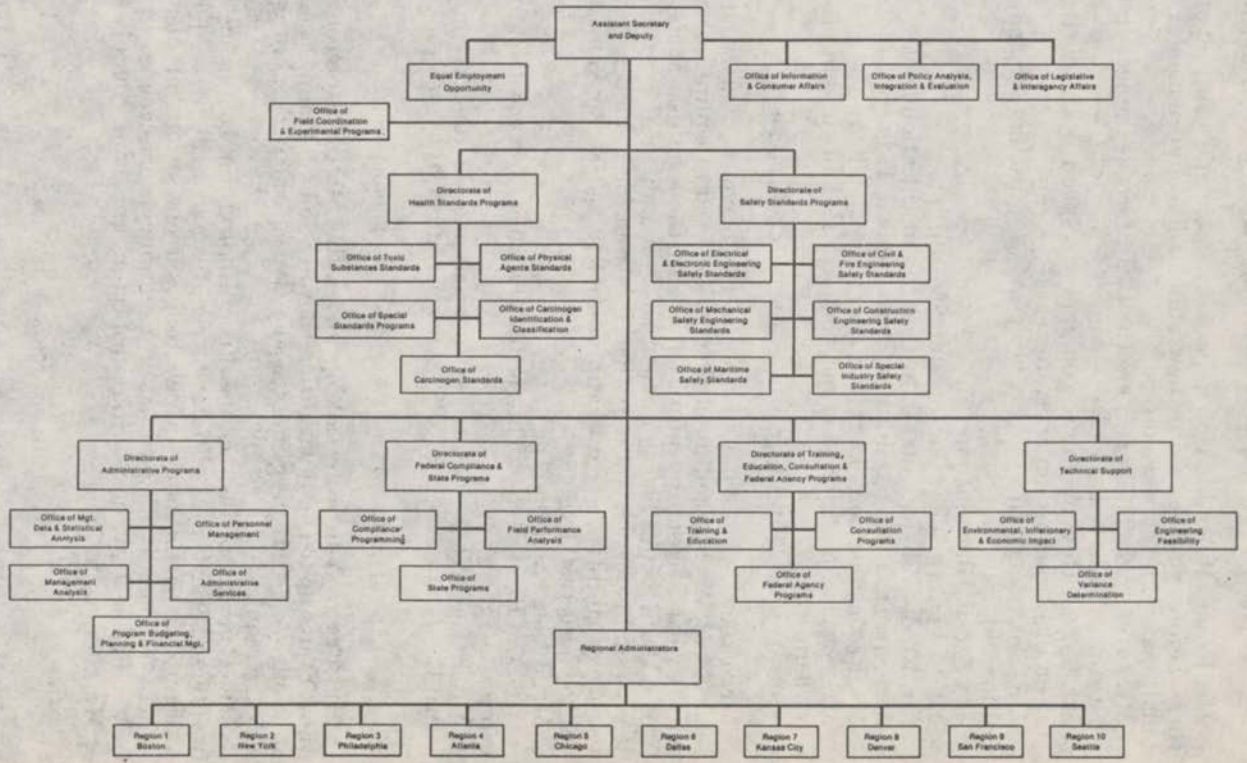
Second, in a number of areas we did not, and still do not, have adequate technical personnel to support the field nor adequate technical personnel to develop standards, particularly health standards. So we are seeking to expand and strengthen in those areas of technical staffing.

Mr. FLOOD. For the record, will you insert the current organizational chart for OSHA?

Mr. CONCKLIN. Yes, sir.

[The information follows:]

Occupational Safety and Health Administration
November, 1976



ENVIRONMENT AND INFLATIONARY IMPACT STATEMENTS

Mr. FLOOD. What kind of impact statements do you prepare down there before you issue any new standards—environmental impact, inflationary impact or what?

Mr. CONCKLIN. Those two are the basic form of impact statements we historically have issued.

Mr. FLOOD. How much are you going to spend in the current fiscal year on these various impact statements?

Mr. CONCKLIN. In the current year we anticipate spending $3.3 million.

Mr. FLOOD. How much in 1978?

Mr. CONCKLIN. The same amount, $3.3 million.

Mr. FLOOD. Where is that figure in your justification book?

Mr. STEELE. I don't think it is broken down. It is not isolated.

Mr. FLOOD. You don't have it on a certain page then?

Mr. STEELE. No, sir. It is not that detailed in the object class or anywhere.

EQUIPMENT FOR COMPLIANCE OFFICERS

Mr. FLOOD. What kind of equipment do you provide your health inspectors? We touched upon that. What kind of equipment and also tell us what it costs to equip each one of these industrial hygienists.

Mr. MACKENZIE. The equipment that the industrial hygienists have is very sophisticated. Not only that, it is used for a number of different testing capabilities. It costs approximately $50,000 to equip an office for the industrial hygienist.

Mr. FLOOD. Each one?

Mr. MACKENZIE. No. This is for the office, for the laboratory, et cetera.

Mr. FLOOD. What does it cost for each one, do you have any idea?

Mr. CONCKLIN. About $15,000 for each industrial hygienist.

EFFECTIVENESS OF STATE PROGRAMS

Mr. FLOOD. You were talking about the States before, are all of those States up to speed with what they are doing? You just mentioned it briefly. Are their programs "as effective as" the Federal program, as the law requires?

Mr. CONCKLIN. Just as the Federal program has strengths and weaknesses, the States also have strengths and weaknesses. There is a variance in performance which ranges from serious problems with some of the individual States to exemplary performance in others.

Mr. FLOOD. How many State inspectors are there, roughly?

Mr. CONCKLIN. 1,000.

CONSULTATION PROGRAM

Mr. FLOOD. Why isn't the consultation program geared up? What can be done with the consultation thing to get it going?

Mr. CONCKLIN. We are right now on the threshold of implementing the congressional instructions to increase the funds for 7(c)1 consulting. Beyond that, there appear to be a group of States that, even if we provided 100-percent Federal funding, would not be interested in consulting.

As I indicated earlier, I think in most cases we will have to ask you for authority to contract for consulting services.

Mr. FLOOD. How much are you going to spend on consultation in the current fiscal year?

Mr. CONCKLIN. Approximately $9 million.

Mr. FLOOD. How much in 1978?

Mr. STEELE. We are budgeted at the $9 million level again in 1978.

Mr. PUGH. We have the same amount in both 1977 and 1978.

Mr. FLOOD. Why doesn't that figure show up in the justification? In fact, we can't find that figure anyplace, except the one place where you mention part of it in the appropriation language.

Are we looking in the wrong place, or what?

Mr. STEELE. No, sir; I don't think we get into that much detail with the figure. We will be glad to provide it for you.

Mr. FLOOD. But you don't show the figure in the justification. Why not?

Mr. CONCKLIN. We are not trying to withhold anything. We would be glad to give you the details.

Mr. STEELE. One thing, the $9 million figure is the one you put in the language.

Mr. FLOOD. I know what we did. We couldn't find this thing. I thought we were looking in the wrong book or the wrong place.

RESEARCH

Why do you need an increase of $1 million in the area of research? What is that for?

Mr. KIRK. We have had an extended effort over the last few years in trying to develop better ways of looking at the economic burden that we are putting on small businesses and of measuring OSHA's effectiveness. This $1 million increase will go toward some efforts, both in-house and contract, to look at issues like that in terms of developing better ways of measuring OSHA's effectiveness.

Mr. FLOOD. Don't you have research money in your budget already? How much is in there in the current fiscal year for research of one kind or another?

Mr. STEELE. Sir, as best we can figure, we have mentioned the impact figure of $3.3 million. That is a form of research. The additional $1 million for the research and evaluation of the total program, I think, is about the extent of the research funding.

Mr. FLOOD. I am talking about the current year.

Mr. CONCKLIN. There is no money specifically tagged as research money in the current year, with this caveat, that we do spend contract money for things like inflationary impact statements which some people would define as research and evaluation money.

Mr. FLOOD. By the way, we want you to do us a favor here. Don't issue any more of these farm regulations just before we take the bill on the floor this year. Change your timing a little bit with these hot ones, will you?

Mr. CONCKLIN. We would be delighted to comply with that absolutely.

Mr. FLOOD. Do you have any more, Mr. Obey?

CARCINOGENIC CHEMICALS

Mr. OBEY. Mr. Concklin, a few more questions on the point I was discussing.

Can you submit for the record how many workers and in what industries those workers are exposed to the three chemicals which we were talking about earlier?

Mr. CONCKLIN. We will attempt to do that. Grover, do you know off the top of your head?

Mr. WRENN. We have estimates.

Mr. CONCKLIN. We will submit estimates.

[The information follows:]

NUMBER OF EMPLOYEES AFFECTED

Benzene—2 million (NIOSH 1974 C.D.)
Vinylidene Chloride—not known
PBNA—15,000 overall (NIOSH est.)

Mr. OBEY. Has there been any discussion of using emergency temporary standards to protect workers from those three chemicals?

Mr. WRENN. There has been discussion of that. As you know, in the case of all three of the substances you mentioned, there has been a recommendation from the Director of NIOSH to consider the use of emergency temporary standards.

Mr. OBEY. What is the attitude of the Solicitor's office on this?

Mr. WRENN. I think that I have no comment other than what Mr. Mintz reflected earlier. It is largely in the end a judgment on the part of the agency as to whether to proceed with an emergency temporary standard. I would like to indicate that recently we have considered the issue of how to respond systematically and in a more timely way.

Mr. OBEY. I would rather talk about these three because we are limited for time.

My question is what has been the Solicitor's attitude on these three chemicals? Have they been enthused about the idea, somewhat reluctant or cautious or how would you characterize it?

Mr. WRENN. Perhaps it would be better for Mr. Mintz to answer.

Mr. MINTZ. Congressman, to repeat very briefly, the judgment as to whether to issue the emergency standards will be made by the Assistant Secretary. If the emergency standard is issued, we will vigorously defend the standard. We believe that the authority in section 6(c) is an important authority and that if there is a grave danger to employees, there should be quick, prompt and effective regulation of the danger.

Mr. OBEY. Could you repeat that last sentence?

Mr. MINTZ. The authority under section 6(c) to promulgate emergency temporary standards is an important authority that Congress gave to the Secretary of Labor. If there is a grave danger to employees, that authority ought to be exercised by OSHA.

Mr. OBEY. How long is it likely to be before a decision is made?

Mr. CONCKLIN. Let me respond at least in part and I will be glad to share the floor with Mr. Wrenn.

OSHA has now a number of ongoing, very important health standard development efforts underway. The onset of an additional toxic substance whose impacts are admittedly alarming such as a carcinogen is important and we do not ignore it.

However, if you initiate immediate emergency temporary standard action, that does divert and dilute technical staff time.

Mr. OBEY. I understand that, and I am not trying to argue about it, but I am trying to get a piece of information such as what is the likelihood. Does the Solicitor's shop, in fact, regard those three chemicals as being seriously dangerous chemicals or not?

Mr. CONCKLIN. We certainly regard them as serious; yes, sir.

Mr. OBEY. I mean benzene may be causing leukemia.

Mr. CONCKLIN. They are regarded as serious toxins in the workplace. But there are others we regard equally as serious or more serious that we are further along on and——

Mr. OBEY. I understand that, and I am not criticizing you. I am trying to get an answer to a very narrow question, which is how long is it likely to be before workers in those industries could expect to be protected by standards which regulate those carcinogens?

Mr. CONCKLIN. I would prefer to think about that and supply an answer for the record.

[The information follows:]

BENZENE

The benzene proposal is expected to be completed in the next few weeks. The completion of the economic impact assessment, required before publication of the proposal, is also expected for completion in that time period.

Following proposal, a public comment period will be provided, as required by the act, and if requested, an informal public hearing will be held. The final standard will be issued on the basis of the evidence in the record of rulemaking resulting from OSHA studies, public comment, and hearing testimony.

VINYLIDENE CHLORIDE

It is OSHA's understanding that vinylidene chloride is used exclusively as a copolymer with vinyl chloride in the production of products such as plastic wrap. In such instances, compliance with the vinyl chloride standard would provide similar protection against vinylidene chloride.

PBNA

OSHA is currently evaluating the appropriate regulatory response. We expect a decision shortly on the need for an emergency temporary standard.

Mr. OBEY. It could be quite a while, couldn't it?

Mr. CONCKLIN. It could be.

QUALIFICATIONS OF OSHA PERSONNEL

Mr. OBEY. The second issue I would like to raise is one of personnel. Many of the people in OSHA have held various positions in the Department of Labor before the agency was formed. Is that true?

Mr. CONCKLIN. Yes, sir.

Mr. OBEY. Would you describe their skills as being appropriate to the needs of the agency?

Mr. CONCKLIN. In many cases their skills were and are appropriate to some of the agency's important work. The problem that existed at the outset and, which still exists to a significant degree today, is that we have a number of skill areas, especially in the technical health disciplines, where we do not have personnel with requisite skills or who do not have sufficient depth of skills. We are seeking to redress that through reorganization and some expansion.

Mr. OBEY. What can you do to deal with that problem?

Mr. CONCKLIN. It is difficult to recruit and retain, particularly in the occupational health disciplines, people of such experience, stature, capability to do the extremely esoteric health work that we have to do. Under the current——

Mr. OBEY. Why that is what I am getting to. Why is it so difficult for OSHA to recruit people to do those kinds of jobs?

Mr. CONCKLIN. One very basic issue is that the level of compensation often is not competitive with the private sector.

Mr. OBEY. How could the problem of recruiting and retaining medical and scientific talent be solved?

Mr. CONCKLIN. There are provisions seldom used, but there are provisions in the civil service law and regulations generally which give——

Mr. OBEY. I mean, in plain English, don't normal civil service regulations give you a pain in trying to deal with this problem?

Mr. CONCKLIN. The normal traditional career civil service regulations do make it very difficult to hire and retain the kind of people we need.

Mr. OBEY. What actions would be required to give the agency the necessary latitude in recruiting the kind of scientific talent that you would need in those areas?

Mr. CONCKLIN. We would need the Civil Service Commission to give us one of a number of very technical kinds of exemptions which provides greater latitude in terms of the salary levels and the method of hiring and like factors. Those things are rarely granted by the Civil Service Commission.

LEGAL STAFF

Mr. OBEY. Currently, you deal with a great many legal issues. Is there any legal staff within OSHA that reports directly to you?

Mr. CONCKLIN. The Solicitor organization, under Ben Mintz, which, in the national office in Washington, involves a staff of approximately 50 people, works directly with OSHA on all legal issues.

Mr. OBEY. But is there any legal staff within OSHA?

Mr. CONCKLIN. Not within the normal OSHA organization.

Mr. OBEY. Isn't it awfully difficult to do your job without at least some in-house legal staff?

Mr. CONCKLIN. Again, we have the direct continuing support of the Solicitor's staff under Ben Mintz, which works fulltime for OSHA.

Mr. OBEY. Would you be hindered if you had your own legal——

Mr. CONCKLIN. No; we would not be hindered.

Mr. O'BRIEN. Mr. Chairman, could I ask a couple more questions?

Mr. FLOOD. Go ahead.

EMPLOYEE COMPLAINTS

Mr. O'BRIEN. Thank you, Mr. Chairman.

With regard to going in and making inspections, I think it is something that will alert you to say a fatal accident. I understand employee complaints are also a source of this. This is also a source of sometimes pressure, I think, that may not be validly applied. Do you screen those; how do you deal with that?

Mr. CONCKLIN. We attempt, and it is very, very difficult, but we attempt to screen out the complaints that are clearly specious or not directed at safety and health hazards. The danger, which is a very real danger, is that you would miss something that indeed poses a health hazard at the expense of worker protection. It is very hard to make a judgment when you are talking to someone over a phone, or get a letter written by a sincere individual but not capable of technically describing an alleged hazard.

FLEXIBLE ENFORCEMENT

Mr. O'BRIEN. Some of the people I talked to about the problem, Mr. Concklin, feel that it may be more punitive than your protection development. Let me give you a couple of illustrations and what would your comment be?

A small foundry in Kankakee makes too much noise. The inspector said ear plugs are not enough. They simply don't have engineering to iron out that defect. The problem I think he is facing is that you are arbitrarily critical but don't offer a solution.

And one other one, another foundry in my area, which perhaps is the largest manganese foundry in the world, have cranes which are 6 feet, 7 inches off the ground. The regulation says 7 feet. That will involve lowering the floor or raising the roof, but a 5-inch differential seems to me arbitrary.

Mr. CONCKLIN. Well, responding somewhat to your first vignette, an employer who has a problem understanding how to correct the violation, which I think is what you alluded to, in most States can avail themselves of free on-site consultation to get the specific technical advice as to how to correct a violation. It is unfortunate, as I mentioned earlier, that some States do not have that service, and we are trying to extend it.

On the 6-foot-7 clearance situation, I am not familiar with the specifics of that case, but I can assure you that we have exhorted and demanded that our inspectors be flexible in this matter. The classic one has been guard rails, 40 inches or 42 inches, and it is arguable whether it can't be 39 inches.

RELIABILITY OF STATISTICS

Mr. O'BRIEN. One final vignette: In connection with your comments on page 5 to the effect that you believe OSHA's efforts were responsible for the reduction of lost workday injuries and nonworkday injuries between 1974 and 1975, don't you think you are adding a little too much gloss to the halo when you take into consideration in 1974 the unemployment was 5,076,000 and in 1975 it was 7,800,000?

Mr. CONCKLIN. That is a very good point. We carefully corrected through a legitimate technique, which I would be glad to submit for the record, the effect of both reduced employment and shifts across industry sectors, construction versus general industry on our injury and illness reporting. Having effected that correction, we still had a very substantial reduction in most of the indices that deal with the injuries rate.

One of the factors was a 16-percent reduction in industry incidence rate, accident rate, rather; reducing that for the effects of reduced national employment brought the number from 16 to 13 percent, which we still thought was an important increment of improvement.

Mr. O'BRIEN. Thank you.

Thank you, Mr. Chairman.

Mr. FLOOD. Thank you very much, gentlemen.

Mr. CONCKLIN. Thank you, sir.

JUSTIFICATION OF THE BUDGET ESTIMATES

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

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SALARIES AND EXPENSES

For necessary expenses for the Occupational Safety and Health Administration, [$130,333,000] *$134,640,000*, of which not to exceed $9,000,000 shall be available for reimbursement to states under section 7(c)(1) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 656(c)(1)) for the furnishing of consultation services to employers under section 21(c) of such Act (29 U.S.C. 670(c)): [*Provided*, That none of the funds appropriated under this paragraph shall be obligated or expended for the assessment of civil penalties issued for first instance violations of any standard, rule, or regulation promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful, or repeated violations under section 17 of the Act) resulting from the inspection of any establishment or workplace subject to the Act, unless such establishment or workplace is cited, on the basis of such inspection for 10 or more violations:] 1/ [*Provided further*, That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation or order under the Occupational Safety and Health Act of 1970 which is applicable to any person who is engaged in a farming operation and employs 10 or fewer employees.] 2/ (29 U.S.C. 649 et seq.; 30 U.S.C. 951 et seq.; 33 U.S.C. 941 et seq.; 40 U.S.C. 333 et seq.; 41 U.S.C. 35 et seq.; 351 et seq.)

Explanation of Language Change

Delete language restricting the use of appropriated funds so as to preclude the assessment of civil penalties for first instance violations (other than serious, willful, or repeated violations), unless the inspection results in citations covering 10 or more violations.

1/ The purpose of this amendment was to modify the first instance sanctions of the Occupational Safety and Health Act, pending legislative or administrative review. Many employers have felt that the fines assessed for minor, isolated violations of standards constitute a form of harassment. However, an administrative review of the formal criteria used to determine whether a violation is serious, and to assess proposed penalties, has resulted in changes to the Field Operations Manual which are expected to overcome these objections. Further

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modifications of the Act's first instance sanctions are properly a matter for consideration by the legislative committee of the House and Senate, and the current restrictions should not be extended beyond the period of the FY 1977 appropriation.

Delete language restricting the use of appropriated funds so as to exempt from the Act's protection farming operations employing 10 or fewer employees.

2/ This amendment effectively exempts 87 percent of all U.S. farms from the Act's coverage. The legislative history of the amendment indicates that it was intended to exempt small farmers from OSHA's activities for the duration of FY 1977. With the assistance of the Agricultural Extension Service's State agents, farm operators are being informed of the actions necessary to comply with these standards. The exemption for small farming operations should not be extended beyond the period of the FY 1977 appropriation.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Amounts Available for Obligation

	1977	1978 Estimate
Appropriation or Estimate.....	$130,333,000	$134,640,000
Budget Authority, Total amounts available for Obligations.....	$130,333,000	$134,640,000

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Summary of Changes

	Pos.	Amount
1977 Appropriation	2,717	$130,333,000
1978 Estimate	2,717	134,640,000
Total Change	---	4,307,000

	Base		Change	
	Pos.	Amount	Pos.	Amount
Mandatory Items:				
Increases:				
To provide for increased costs of GSA Space Rental			---	+743,000
To provide for full-year cost of new positions granted in 1977			---	+1,156,000
To provide for increase in costs of administrative and support services			---	+1,009,000
Subtotal, Mandatory Items			---	+2,908,000
Decreases:				
To provide for one less day of pay in 1978			---	-131,000
Total, Mandatory Items			---	+2,777,000
Program Items:				
Increases:				
To provide for OSHA's site improvement and renovation cost of the training facility (pages 19)	---	119,000	---	+530,000
To provide for policy program evaluation and research (pages 23)	---	---	---	+1,000,000
Total, Program Items	---	---	---	+1,530,000
Total Change	---	---	---	+4,307,000

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Explanation of Changes

Mandatory Items:

Increases:

To provide for an increase cost for administrative and support services $1,009,000 included in activities as follows: Safety and Health Standards, $59,000; Compliance, $566,000; Education, Consultation and Information, $103,000; Safety and Health Statistics, $53,000; Executive Direction and Administration, $228,000.

To provide $1,156,000 full-year cost of new positions granted in October 1977 included in activities as follows: Safety and Health Standards, $126,000; Compliance, $865,000; Education, Consultation and Information, $165,000.

To provide for $743,000 increase in GSA Standard Level User Charges included in activities as follows: Safety and Health Standards, $177,000; Compliance, $210,000; Education, Consultation and Information, $215,000; Safety and Health Statistics, $44,000; Executive Direction and Administration, $97,000.

Decreases:

To provide for one less day of pay in FY 1978, $131,000 included in activities as follows: Safety and Health Standards, $8,000; Compliance, $106,000; Education, Consultation and Information, $8,000; Safety and Health Statistics, $2,000; Exeuctive Direction and Administration, $7,000.

Program Items:

Increases:

Education, Consultation and Information:
To provide for OSHA's site improvement and renovation cost of the training facility, $530,000.

Executive Direction and Administration:
To provide for policy program evaluation and research, $1,000,000.

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Activity

	1977		1978 Estimate		Change 1977/1978	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Safety and Health Standards.....	156	$ 8,338,000	156	$ 8,692,000		$ +354,000
2. Compliance:						
a. Federal Inspections....	2,216	57,616,000	2,216	59,151,000		+1,535,000
b. State Programs.....	--	35,605,000	--	35,605,000		---
3. Education, Consultation and Information.....	176	18,897,000	176	19,902,000		+1,005,000
4. Safety and Health Statistics.....	51	6,206,000	51	6,301,000		+95,000
5. Executive Direction and Administration.	118	3,671,000	118	4,989,000		+1,318,000
Total Obligations by activity.....	2,717	$130,333,000	2,717	$134,640,000		+$4,307,000

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Obligations by Object

	1977	1978 Estimate	Change 1977/ 1978
Total number of permanent positions	2,717	2,717	---
Positions other than permanent	30	30	---
Average number of all employees	2,617	2,667	+50
Personnel Compensation:			
Permanent Positions	$ 46,127,000	$ 47,657,000	$1,530,000
Positions other than permanent	250,000	250,000	---
Other personnel compensation	501,000	501,000	---
11 Total personnel compensation	46,878,000	48,408,000	+1,530,000
12 Personnel benefits	4,232,000	4,405,000	+173,000
21 Travel and transportation of persons	6,455,000	6,514,000	+59,000
22 Transportation of things	706,000	440,000	-266,000
23 Standard level user charges	3,213,000	3,956,000	+743,000
Other rent, communications, and utilities	1,115,000	1,143,000	+28,000
24 Printing and reproduction	1,734,000	1,193,000	-541,000
25 Other services	23,809,000	26,420,000	+2,611,000
Services of other agencies	3,846,000	3,846,000	---
26 Supplies and materials	602,000	610,000	+8,000
31 Equipment	2,138,000	2,100,000	-38,000
41 Grants	35,605,000	35,605,000	---
Total, obligations by object	$130,333,000	$134,640,000	+$4,307,000
Working Capital Fund items included above.	(5,494,000)	(6,503,000)	(1,009,000)

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Action on Congressional Recommendations

Recommendations, House Appropriations Committee

No specific actions recommended.

Recommendations, Senate Appropriations Committee

It was recommended (in Report No. 94-997) that the Department develop its own capacity to prepare economic impact statements, rather than relying on outside consultants to perform this work.

In this same report, the Committee also instructed the Department to change the match for State on-site consultation to such a level as will assure full State participation in this (7(c)(1)) program.

Actions Taken:

As a part of the realignment of OSHA's National Office functions and responsibilities initiated in late 1976, the committee's recommendations are being accommodated. Under the newly established Directorate of Technical Support, an Office of Environmental, Inflationary, and Economic Impact has been established. The specific responsibilities of this office are in direct accord with committee recommendations. This Office will be staffed by economists, engineers, statisticians, and persons with expertise in other associated disciplines. The objective of this Office is to build an in-house capability for economic impact and engineering feasibility studies. It should be noted, however, that in situations where highly specialized or industry-specific expertise is required, the use of non-federal resources may be a more cost-effective mechanism. These situations would be characterized by use of such skills on a single-time basis demonstrating that establishment of permanent positions would not be an efficient use of Federal resources.

OSHA has established as a central contact point an Office of Consultation Programs. The responsibilities of this unit include development and monitoring of on-site consultative services provided by States through 7(c)(1) agreements. Currently some 13 States are providing on-site consultation services funded at 50 percent of cost by Federal resources. As a result of OSHA initiatives, three additional key industrial States (Pennsylvania, New Jersey, and Illinois) have expressed interest in participating in this program. The Agency is currently studying the impact of a higher 7(c)(1) funding rate in terms of increasing participation. However, two major issues have not been resolved, i.e. (1) Creation of a strong disincentive for 18(b) plan States to continue operations under Section 23(g) grants limited by the statute to 50 percent, and (2) Indications that a number of States do not wish to enter 7(c)(1) agreements even in the event the Federal funding rate required only minimum additional commitment of State funds. Although the 7(c)(1) funding rate is administratively limited at 50 percent, any increase would be directly related to the Section 23(g) grant and, as such, must be studied in the context of a legislative change.

Recommendations, Conference Committee

No specific actions recommended.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Authorizing Legislation

Legislation	1977		1978	
	Authorized	Estimate	Authorized	Estimate
OSHA Act of 1970	Indefinite	$130,333,000	Indefinite	$134,640,000

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Salaries and Expenses

Appropriations History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1972 1/	$ 30,884,000	$ 30,884,000	$ 40,884,000	$ 35,884,000
1973	69,373,000	72,373,000	72,373,000	69,373,000
1974	69,836,000	69,318,000	73,400,000	70,408,000
1975	102,821,000	100,816,000	105,206,000	102,006,000
1976	117.585.000	9,181,000	124,181,000	117,181,000
Transition Quarter	29,534,000	27,400,000	29,900,000	29,400,000
1977	127,970,000	129,833,000	134,333,000	130,333,000
1978	134,640,000			

1/ In 1972, activities were financed from Workplace Standards Administration, Salaries and Expenses, but are shown comparatively as a separate appropriation.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION OSHA-11

SALARIES AND EXPENSES

Activity 1. Safety and Health Standards (1977, $8,338,000, Pos. 156; 1978, $8,692,000, Pos. 156)

Narrative Description of Program

This activity provides for the development and promulgation of mandatory occupational safety and health standards which are applicable to all types of employment in businesses affecting interstate commerce. Standards are promulgated which assure the greatest protection of the safety or health of affected employees. When promulgated, standards provide a legal basis for all subsequent enforcement actions. In addition, they provide a point of reference for the voluntary efforts of employers and employees. Standards promulgated under the Federal law also automatically establish a minimum level of effectiveness for state standards covering the same safety and health issues.

New and revised standards are proposed and promulgated on the basis of criteria recommended by the National Institute for Occupational Safety and Health (NIOSH), special advisory committees appointed by the Secretary, Federal and State agencies with related jurisdictions or responsibilities, and other interested parties. All new standards, except emergency temporary standards, are promulgated under procedures providing opportunity for public comment. Petitions for the promulgation, modification, or revocation of standards are evaluated and acted upon in accordance with published rules of practice. Prior to promulgating permanent standards, evaluations are made concerning their possible economic, and inflationary environmental impact.

In 1976, six new proposed health standards were published based on NIOSH Criteria Documents. These proposals were on occupational exposure to lead, beryllium, toluene, ammonia, sulfur dioxide and trichloroethylene. These standards development projects reconsidered the existing environmental exposure limits, and additional provisions were proposed in accordance with section 6(b) and 8(c) of the Occupational Safety and Health Act of 1970. In each proposal, a number of issues were identified on which public comment was invited in order to determine the best regulatory approaches for the final standard. Because of Executive Order 11821, and in order to analyze the economic and technological impacts related to the feasibility of these standards, impact studies were conducted subsequent to the publication of those proposals.

OSHA also proposed revisions to the existing asbestos standard. The AFL-CIO petitioned the United States Court of Appeals for the District of Columbia for review of OSHA's 1972 asbestos standard. In order to respond to the Court's remand and in the interest of achieving the best feasible protection of employees exposed to asbestos, OSHA initiated the new rulemaking.

A group of proposals for 11 substances were published as part of the joint OSHA/NIOSH Standards Completion Project. The majority of OSHA's toxic and hazardous substances standards are stated in terms of permissible exposure limits for certain air contaminants. The goal of this project is to add to these limits, consistent with the intent of section 6(b)(7) and 8(c)(3) of the Act, requirements including medical surveillance of exposed employees, periodic environmental monitoring of exposure levels, and means of informing the employee of the hazards to which he is exposed.

Safety standards activities in 1976 included publication of a new "Procedure for Revision of Safety Standards" in the Federal Register, April 23, 1976, (Subparts O and L, and Anhydrous Ammonia). The Presidential Task Force reviewed Subpart O of the General Industry Standards. The final standard for agricultural machine guarding was published. A field sanitation proposal was drafted. The first criteria documents concerning safety hazards were received from NIOSH.

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis.

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In 1977, a reorganization of OSHA separated the health and safety standards groups into two distinct offices, each reporting directly to the Assistant Secretary. This division reflected the increasing importance and higher levels of activity in these two groups, and the complexity and relative uniqueness of the respective programs.

Several health standards were anticipated for publication as final mandatory standards in 1977. Early in the year, a new standard for exposures to coke oven emissions was published. Others which had been published earlier as proposals, and for which the period of public participation in the rulemakings were being closed, were also expected to be published as finals. These included standards for arsenic, noise, and the first six standards, known as the ketones, published as part of the Standards Completion Project. With the availability of completed inflationary impact statements, the public hearings phase of the rulemakings for standards proposed in FY 1976 are to be held in 1977, and final standards issued on the basis of the record of rulemaking.

New proposals for Fy 1977 are expected to include cotton dust, commercial diving operations, migrant housing, hazardous materials labelling, MOCA, and approximately 10-15 others based on NIOSH Criteria Documents as well as other initiatives. Many of the standards to be proposed in the Standards Completion Project have been made available in the form of draft technical standards. With the "model" being established for standards included in the Standards Completion Project by the publication of the ketones standards, a major portion of the draft technical standards will be formally proposed during this year. The renewal of Executive Order 11821 established economic impact statements as a continued required element in the development of proposed new standards.

Presidential Task Force recommendations concerning (Subpart O) of the General Industry Standards were published in the Federal Register on January 7, 1977. Eleven meetings are scheduled for March 1977 for hearings. The decision concerning the Ground Fault Circuit Interruptors standard was published.

In 1978, toxic substances or physical agents identified by Criteria Documents or other sources of information as carcinogens or suspected carcinogens, as extremely toxic, or as posing a health hazard to a large number of workers will have priority for new rulemakings. In terms of conventional rulemakings, twenty to twenty-five new proposals and a similar number of final standards are foreseen for FY 1978. However, OSHA is exploring ways to conduct concurrent rulemakings on substances with similar uses or properties, or otherwise grouping substances, to increase the efficiency of the standards development process and to provide incentives for more comprehensive approaches to industrial hygiene and occupational health programs.

The remainder of the Standards Completion Project standards should be published as proposals in FY 1978. Further, the majority of these should be completed as final standards also that year. With the promulgation of these standards, the legislative intent of sections 6(b)(7) and 8(c)(3) will have been fulfilled for the majority of health standards issued under the Act's 6(a) procedures.

Subparts scheduled for review in FY 1977 and 1978 include portable power tools (Subpart P) and materials handling (Subpart N). In FY 1977 and 1978, work will continue on new safety standards applicable to agriculture in order to provide more effective protection to farm workers. Work will also continue on safety standards in the area of maritime construction.

Changes for 1978

Mandatory changes amount to	+$354,000
Program changes amount to	None
Positions	None

Mandatory changes consist of increases of $177,000 for Standard Level User Charges; $126,000 for full year cost of new positions granted in 1977; $59,000 for increased costs of administrative and support services offset by a net decrease of $8,000 for one less day of pay in 1978.

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Activity 2. Compliance (1977, $93,221,000, Pos. 2,216; 1978, $94,756,000, Pos. 2,216)

Narrative Description of Program

This activity provides for the enforcement of occupational safety and health standards by the physical inspection of covered places of employment. Grants are made to the states to assist them in administering and enforcing state programs for occupational safety and health which have been approved by the Secretary. Direct enforcement of Federal standards is provided in states without approved plans and in states whose programs have not yet achieved the required level of effectiveness or do not cover specified occupational safety and health issues.

Subactivity 2(a). Federal Inspections (1977, $57,616,000, Pos. 2,216; 1978, $59,151,000, Pos. 2,216)

Narrative Description of Program

In areas of Federal jurisdiction, citations are issued for alleged violations disclosed by on-site inspections. Penalties are proposed subject to appeal to the independent Occupational Safety and Health Review Commission. Program operations are targeted to the investigation of fatal or catastrophic accidents, employee claims of imminent danger and complaints, and to inspections of industries with a high incidence and severity of work-related injuries and illnesses. Inspections are also conducted in a cross-section of establishments in all industries. Upon request, technical assistance and advice is provided off the premises by Federal compliance personnel. The voluntary cooperation of employers, employees, and their representatives is actively encouraged.

It should be noted that this activity also includes the costs associated with technical equipment for: (1) scientific field sample analytical devices at the OSHA laboratory in Salt Lake City, (2) basic laboratory equipment maintained in the area offices, (3) portable environmental monitoring and other measurement instruments issued to each industrial hygienist, and (4) evidentiary collection materials used by all safety inspectors. In addition to the costs of initial purchase, nearly all of the technical equipment requires a regular program of maintenance and calibration. OSHA must also upgrade selected categories of equipment to assure that field samples are collected and analyzed in a consistent fashion nationwide, and that citations issued as a result of these can be sustained during the proceedings of the Occupational Safety and Health Review Commission.

In 1976, Federal compliance officers and industrial hygienists conducted 90,369 safety and health inspections of worksites employing approximately 6.5 million workers. Of these inspections, nearly 39,500 were of manufacturing establishments, 28,600 were of construction worksites, 1,600 involved maritime operations, and 20,600 were in other industries. As a result of these inspections, 73,017 citations were issued alleging 380,356 violations, of which 12,578 violations were deemed to be serious, willful, repeated or involved imminent danger. No penalties were proposed for 255,741 of the non-serious violations, although employers were required to take corrective actions. In instances that penalties were proposed, the average penalty was about $628 for serious violations, and $43 for violations deemed non-serious. During the year, 9,153 inspections were conducted as a result of employee complaints and 1,917 were conducted to investigate fatalities and major accidents.

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis.

In 1977, an estimated 75,700 inspections will be conducted. Although this production estimate is somewhat less than actual inspection output in 1976, the impact of inspections in terms of employees affected will be increased. Each inspection will involve a much more detailed and comprehensive survey of the work environment. Moreover, a greater proportion of the inspections will be conducted by OSHA's industrial health teams. Health inspections require a substantially greater staff-time investiment than inspections related to safety standards.

A new category of inspections will involve those made in conjunction with the National Emphasis Program (NEP). The NEP involves a compliance strategy for selected high-hazard industries which combines education, information and consultation activities with enforcement and voluntary compliance efforts to substantially reduce the work injuries/illnesses occuring within an industry. The first NEP, announced in 1976, will involve approximately 5,000 foundries. Inspections are scheduled to begin during the third quarter of 1977 as a follow-up to the informational and educational phases of the program.

A clarification of the classification of a serious violation and a new system for calculating proposed penalties were among the changes made in the OSHA Field Operations Manual early in 1977. Recognizing the special problems of small businesses, generally, up to 40 percent reduction is permitted for "size of business;" up to 30 percent for evidence of "good faith;" and up to 10 percent for "history of previous violations." Those employers cited for high probability serious violations, however, are limited in the reductions permitted for "good faith" and "history." Included with the changes to the Field Operations Manual was a chapter to OSHA's new Industrial Hygiene Operations Manual. The chapter provides a listing of those toxic materials for which OSHA has current exposure limits; the permissible limits, and the levels of exposure above permissible limits that will be considered as serious violations when found in inspected workplaces. It is anticipated that these changes will result in an increase in the number of violations cited as serious, which will reflect more accurately the extent of the safety and health hazards that are now causing deaths, serious injuries or illnesses.

OSHA has also issued revised field compliance procedures to fully accommodate the restrictive language contained in the 1977 appropriation bill, i.e. single-year exemptions limiting: (a) inspections in small farming operations, and (b) issuance of citations resulting from inspections in any establishment where fewer than ten violations, other than serious, willful or repeated, are present.

In 1978, an estimated 90,000 inspections will be performed. This increase over the number of inspections in 1977 reflects the new compliance officer positions authorized as a result of congressional action on the FY 1977 budget request. As new compliance officers complete their training and begin making independent inspections, the rate of inspection activity will increase. However, this increase is not expected to be proportional to the increased field staff since a larger proportion of inspections will continue to be directed towards health hazards. OSHA's overall enforcement goal will be to conduct quality inspections according to a specific strategy of priorities designed to detect and cause to be corrected potential safety and health hazards. Major emphasis and priority will be placed on the worst known situations, those involving fatalities, catastrophes or valid complaints. NEP inspections in 1978 will be a follow-up to the informational and educational phases of the program, and for evaluation purposes. The NEP is considered a prototype for possible extension to other high-hazard industries. As such, NEP will be closely monitored in order to assemble evaluation data.

Changes in 1978

Mandatory changes amount to ..... +$1,535,000

Program changes amount to ..... None
Positions ..... None

Mandatory changes consist of increases of $210,000 for Standard Level User Charges; $865,000 for full year cost of new positions granted in 1977; $566,000 for increased costs of administrative and support services offset by a net decrease of $106,000 for one less day of pay in 1978.

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Subactivity 2(b). State Programs (1977, $35,605,000 Pos. None; 1978, $35,605,000 Pos. None)

Narrative Description of Program

States may provide for the coverage of one or more occupational safety and health issues under an approved plan, with standards and a program of enforcement which have been determined to be as effective as the Federal program. Federal matching grants of up to 50 percent of the total costs are provided to assist in executing approved State programs, including enforcement, administration, standards development, consultation, and training and education. Matching grants are also provided for the collection and analysis of State data on occupational injuries, illnesses and fatalities as a part of the annual BLS survey. State programs are evaluated and monitored to insure that all elements of approved plans are implemented as planned, and that adequate funds and resources are provided to assure workers safety and health protection that is at least as effective as that provided by the Federal program.

In 1976, grants totaling $29,224,520 were awarded to States and jurisdictions with approved State plans to support one-half the costs of State operations. Additional grants totaling $3,473,627. were provided in support of State statistical programs. States with approved plans and adequate legislative authority conducted over 180,000 inspections during the year. The Virginia plan was approved late in the year, bringing the total number of States with 18(b) opeations to 24.

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis, and $563,633,123 was awarded to states with approved plans.

In 1977, it is estimated that States with approved plans will make 140,000 inspections considered equivalent to Federal OSHA inspections. Although one or two additional State plans may be approved during the year, economic and legislative difficulties may continue to be factors affecting continued participation by some States. Grant requirements for 1977 and 1978 are projected on the basis of 24 States participating. Some States that have elected not to participate in a full 18(b) operation are considering submitting proposals which would provide job safety and health protection for State employees. These categories of workers cannot otherwise be covered by Federal OSHA activities in non-plan States.

In 1978, the process of completing the developmental steps and the section 18(e) certification process will necessitate extensive monitoring and evaluation of State operations. Plans are being made to minimize the effects of this workload on OSHA's regional staff by staff reassignments and careful programming. Analyses of data developed through State statistical surveys of occupational injuries and illnesses should yield the first measures of the impact of State safety and health programs. A total of 140,000 State inspections are projected for 1978.

Section 18(e) of the Act requires the Secretary to conduct an intensive review of State operations when all developmental phases of the plan have been completed, in order to determine on the basis of actual operations that the criteria for an "as effective as" State program have been achieved. At this point, the Secretary may permit the State to assume exclusive jurisdiction over the safety and health issues covered by its plan, except that the Secretary will continue to monitor State operations. During FY 1978, 16 States will be eligible for 18(e) determinations. The first six States are South Carolina, North Carolina, Minnesota, Iowa, Utah, and Tennessee.

Changes for 1978

Mandatory changes amount to ..... None

Program changes amount to ..... None
Positions ..... None

Activity 3. Education, Consultation and Information

OSHA-17
(1977, $18,897,000, Pos. 176;
1978, $19,902,000, Pos. 176)

Narrative Description of Program

This activity provides for Federally sponsored or assisted programs of education, consultation and information to aid employers and employees in understanding their obligations under the Act, to stimulate voluntary compliance through joint labor-management cooperation, and to promote private sector efforts to identify and independently deal with safety and health hazards in the workplace. This activity also provides for leadership, guidance and assistance to the heads of Federal departments and agencies in implementing occupational safety and health programs which are consistent with the standards promulgated under the Act, and for conducting short-term training of personnel engaged in work related to the Secretary's responsibilities under the Act.

In 1976, over 60,000 employers and employees received nearly 600,000 total hours of training in the recognition, avoidance, and prevention of occupational safety and health hazards through Federally sponsored or assisted education programs. Another 15,000 employers and employees received over 145,000 hours of occupational safety and health training during the transition quarter. Work began on developing a specialized 8-hour course for employers and union personnel and a 4-hour course for employees in ferrous and nonferrous foundries and metal stamping industries as part of the OSHA National Emphasis Program (NEP) that was initiated in 1976.

On-site consultations continued as a significant contribution in OSHA's efforts to encourage employers to comply voluntarily with the requirements of the Act during 1976. In addition to the already established program of authorized on-site consultation conducted by state personnel in states where the program for occupational safety and health is administered by OSHA, consultation was available in 1976 through additional sources on a limited basis. An extension to the OSHA contract with the American Industrial Hygiene Association provided for free consultation to business establishments on the recognition, prevention, and control of occupational health hazards. The consultation was accomplished through the occupational health centers of five major universities with priority to small and medium sized businesses.

A major shortage of qualified industrial hygienists made it necessary for OSHA to develop its own career-ladder program of training and professional development for its health inspectors. Therefore, OSHA developed and initiated during 1976 a three-year industrial hygiene training program for new personnel with the necessary academic qualifications recruited at the entry level grades. In order to place increased emphasis on health hazards and their abatement during 1976, OSHA developed and began delivery of training necessary to provide the technical skills to its safety compliance officers to enable redirection of the enforcement program in order to place increased emphasis on serious problems related to worker health. The OSHA Training Institute instructed a total of 1,226 OSHA trainees during FY 1976 and another 178 OSHA trainees during the transition quarter. There were 981 state trainees at the Institute during FY 1976 and another 132 during the transition quarter. Other Federal agency personnel accounted for 314 trainees during FY 1976 and 22 during the transition quarter.

During the year, occupational safety and health programs of agencies employing approximately 93 percent of the Federal workforce were evaluated. Technical assistance in the elimination of workplace hazards was provided through 180 consultative visits of facilities in which Federal workers were employed. As a result of OSHA activity, the Office of Management and Budget issued instructions to heads of all Federal agencies regarding identification of programs of job safety and health for all Federal employees.

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis.

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In 1977, OSHA is developing a more definitive policy for providing training and education programs for employers and employees in the recognition, avoidance, and prevention of unsafe and unhealthy working conditions. Thus, OSHA's goal is a formal policy to guide the process by which decisions are made on training programs and activities. Federally sponsored or assisted education programs are continuing. On-site consultation services are being provided to employers in 22 states and the Virgin Islands under approved state plans, and through section 7(c)(1) agreements with 13 states and Puerto Rico.

OSHA's program of training and developing, via a three-year program, its own industrial hygienists is a part of the 1977 internal training program. Development of the second year of the three-year program will be completed in 1977. A similar three-year program for safety compliance officers will be developed. The two-week occupational health program for safety compliance officers is being presented and most, if not all, safety compliance officers should have received this training by the end of the year. Specialized training for compliance safety and health officers (CSHOs) is being conducted as a part of the NEP. Plans will be completed for moving the OSHA Training Institute in Rosemont, Illinois to larger facilities and increasing the number of enrolled students as part of a continuing effort to increase the training and upgrade the professionalism of CSHO's. The basic and technical training for CSHOs continues. It is anticipated that virtually all of OSHA's field compliance personnel will complete at least one comprehensive training course in 1977.

In 1978, it will be the policy of OSHA to promote the development of highly effective occupational safety and health training materials, public information services, and consultation programs for employers and employees to encourage their use in reducing risks of injury and illness in the workplace. In so doing, OSHA will emphasize training directed toward health protection of the worker with a view toward eventual parity with training in safety protection of the worker. OSHA will also assist participating plan states to strengthen and expand their programs in employer/employee training under the "at least as effective as" doctrine, and enhance, through employer/employee training, the effectiveness of OSHA's special emphasis programs. The principal approach to be used in meeting these priorities shall be through the development and dissemination of instructional materials and other resources for use by employers, employer groups, and employee groups, rather than by directly supporting the training of individuals. Direct support for training of employers and employees shall be limited to those situations where it can be clearly demonstrated that the project will solve a critical, immediate health or safety problem. The full three-year curriculum of the training programs to develop industrial hygienists and safety compliance personnel are scheduled for completion in 1978.

Changes for 1978

Mandatory changes amount to ..... +$475,000

Program changes amount to ..... +$530,000
Positions ..... None

Mandatory changes consist of increases of $215,000 for Standard Level User Charges; $165,000 for full-year cost of new positions granted in 1977; $103,000 for increased costs of administrative and support services offset by a net decrease of $8,000 for one less day of pay in 1978.

Relocation and Expansion of the OSHA Training Institute

Proposal: To provide additional financial resources for increasing agency capability to train persons for professional industrial safety and health positions.

The Need: Classroom training of OSHA's safety and health inspectors and consultants has been provided since January 1972 at the OSHA Training Institute in Rosemont, Illinois. The Institute is inadequate in terms of insufficient classroom space, and floor loading limitations which prohibit the establishment of bench and demonstration facilities for "hands-on" training. This situation has become more acute because of the heavy emphasis on training to increase the professionalism and upgrade the skills of OSHA's compliance officers. Additional space is needed for the installation of laboratory and demonstration equipment necessary to properly instruct trainees in the principles and procedures of industrial safety and health. OSHA does not intend to recreate "typical" work environments such as foundries, lumber mills, etc. Although this kind of experience is necessary, it will be gained through job-site visits accompanying senior safety inspectors and industrial hygienists. Equipment to be installed in the Institute will include: (1) wind tunnels for teaching the principles of ventilation and dust sampling (2) noise chambers capable of generating specific levels of pure tones and mixed noise, and (3) walk-in chambers to teach proper utilization of masks and other personal protective devices. The objective will be to demonstrate principles, not to simulate worksite conditions.

Special demands on the facility include the large number of trainees who will undergo a three-year apprenticeship program (both on-the-job and classroom training) to become fully qualified health inspectors, the industry-specific hazards training to be provided to 15-30% of OSHA's compliance officers in connection with each of a continuing series of National Emphasis Program (NEP), and the training in health hazards recognition to be provided to all of OSHA's 1,050 safety inspectors. OSHA's Training Institute will also continue to provide basic and advanced training programs for State inspectors and consultants. As an interim measure, additional commercial space is being sought in the vicinity of OSHA's present leased facility.

The Program: The facilities and requirements survey by Arthur Young and Company was conducted to assist OSHA in determining its longer-term requirements projected through 1986. These specifications will be provided to GSA's Public Building Services. GSA will then conduct a survey of its present inventory of Federally-owned or controlled space, and if no acceptable facilities are available, it will conduct an open market survey. The acquisition of existing facilities offers advantages in terms of earlier occupancy at less cost to the Government. The one-time capital outlay costs for site-improvement and renovation to meet OSHA's requirements are estimated at $530,000.

Base:
Positions: None — Estimated Cost: $119,000

Additional Costs:
Positions: None — Estimated Cost: +$530,000

OSHA-20
Activity 4. Safety and Health Statistics (1977, $6,206,000, Pos. 51; 1978, $6,401,000, Pos. 51)

Narrative Description of Program

This activity provides for the timely collection and dissemination of data on occupational fatalities, injuries, and illnesses to identify program needs and measure the impact of activities conducted under the Act. These data are essential for planning and evaluating the OSHA program, for measuring progress in reducing hazards in the workplace, for identifying industries and occupations with the most serious safety and health problems, and for targeting the consultation, enforcement, standards-setting and training activities. Records of work-related deaths, injuries, and illnesses maintained by private employers are required under the Act to be available for examination by State and Federal compliance officers. Employer records also provide data for an annual statistical survey of a selected number of establishments, from which incidence rates and other measures of fatal and non-fatal injuries and illnesses are derived by state, industry, and size of establishment. This activity also provides management information on all aspects of OSHA's field programs and operations.

In 1976, the fourth annual survey was conducted covering the injury/illness experience of calendar year 1975. This was an integrated Federal/State survey in which employer reports were received and processed by 53 state and territorial statistical agencies funded by 50/50 grants. The survey involved a national sample of about 220,000 employers, and State samples of an additional 320,000 employers. Excluded were self-employed persons and employees of Federal, State and local governments. Agencies of the Federal government filed under a separate reporting system reports comparable to those of private industry.

An exemption to protect small businessmen relieved employers of 10 or fewer employees from injury/illness recordkeeping in FY 1976. The exemption applied to all in this category but those selected for the annual survey sample. Plans were made to incorporate this exemption in OSHA policy on permanent basis.

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis.

In 1977, the fifth annual survey of job-related injuries, illnesses, and fatalities is being conducted for calendar year 1976 based on 550,000 survey units. As in 1976, small businesses benefit from a recordkeeping exemption applying to employees with 10 or fewer employees Results of the calendar year 1975 survey, published in December 1976, showed that the incidence rate of job-related injuries and illnesses declined from 10.4 per 100 full-time workers during 1974 to 9.1 per 100 workers during 1975. This is the second such decline in consecutive years. Recorded cases totalled about 4.8 million injuries and illnesses in 1975, approximately 930,000 fewer than in 1974. The number of injury cases invloving lost worktime declined by 171,000. Cases which did not result in lost worktime dropped by 725,000. The following table shows comparable 1974-75 incidence rates by major industry category.

Industry	Incidence rate per 100 full-time workers	
	1975	1974
Total, all industries	9.1	10.4
Agriculture, forestry & fisheries	8.5	9.9
Mining	11.0	10.2
Contract construction	16.0	18.3
Manufacturing	13.0	14.6
Transportation and public utilities	9.4	10.5
Wholesale and retail trade	7.3	8.4
Finance, insurance, real estate	2.2	2.4
Services	5.4	5.8

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It seems reasonable to assume that the factors chiefly responsible for the reductions of 1975 were the efforts of labor and management in combination with a climate of job safety and health awareness fostered by OSHA.

Federal agencies are also required under the Act to maintain records on occupational injuries and illnesses, and to make an annual report to the Secretary of Labor. Injury and illness data were reported for virtually all the Federal civilian workforce. The 1975 incidence rate for Federal employees was 5.7 per 100 full-time workers, compared with 9.1 reported by the private sector.

The management information system continues to be improved to include all quantifiable phases of OSHA activities, including the National Emphasis Program and State grant program performance.

Other statistical systems are being used to support programs in compliance, consultation, standards development and training. Development continues on a statistical model for planning OSHA inspections and allocating compliance staff by State. The model has been improved to include more detailed employment data and the addition of a health resource model. The supplemental data system is being expanded to include 26 participating States. In addition to data by industry, individual case data plus occupational data in 10 States is being used to explore causal factors underlying job-related injuries. State workers' compensation data are being used to establish the connection between OSHA standards and on-the-job injuries.

In 1978, the sixth annual survey of 550,000 reporting units will be conducted. Most State and territorial statistical agencies will be participating with the Federal Government. Causal data derived from State workers' compensation files and State and local government injury/illness experience will augment the basic data from calendar year 1977. Survey results covering calendar year 1976 will be published in November 1977.

The results of the annual survey and published data will continue to be primary measures of OSHA's impact. Research projects in 1978 will concentrate on identification of additional data requirements in the areas of enforcement, hazards identification, consultation and training activities, program support for the National Emphasis Program, and completing the identification of data sources which will support the management and evaluation of the entire program. Additional activities will focus on encouraging more States to participate in the supplemental data system for 1978. A hazard analysis survey for selected high-hazard industries will be continued in 1978. Occupational health problems will be an area of special concentration. The model for determining the requisite level and geographic deployment of Federal and State compliance resources will undergo further refinement. Field compliance staff will be using computerized data in scheduling inspections. Improvements in the workers' compensation data system by state will provide an increasingly valuable data resource and an area for continued exploration to measure the impact of OSHA's compliance operations. Special management analyses will be undertaken utilizing the major subsystems of the management information system.

Changes for 1978

Mandatory changes amount to	+$95,000
Program changes amount to	None
Positions	None

Mandatory changes consist of increases of $44,000 for Standard Level User Charges, $53,000 for increased costs of administrative and support services offset by a net decrease of $2,000 for one less day of pay in 1978.

OSHA-22
Activity 5. Executive Direction and Administration (1977, $3,671,000, Pos. 118; 1978, $4,989,000, Pos. 118)

Narrative Description of Program

This activity provides overall direction and administrative support for the Occupational Safety and Health Administration, including coordination of policy planning, review and evaluation, financial management, personnel and related management functions.

In 1976, agency goals and objectives were reoriented to give to health issues equal priority with safety. Announced as the main thrust of this effort was expansion of health compliance staff, improved training and technical support in the health area, and emphasis on professionalism the qualitative aspects of both safety and health enforcement. An organizational realignment late in 1976 assigned key functions in accordance with a more responsive National Office structure.

Installation of a system for automating citation processing was begun in OSHA area offices. The system employs word processing equipment to store standardized wording for various violation citations on magnetic tape, thereby reducing clerical burdens and improving overall office efficiency. The system also has capability for data storage and retrieval on a limited scale for such uses as miscellaneous information on citations, followup inspections, tickler files, and related aids to staff and management. Planning and administrative support was provided for the National Emphasis Program (NEP).

In the Transition Quarter, this activity was continued at the 1976 rate with no change in program emphasis.

In 1977, the organizational realignment will be further implemented. It provides for six new directorates and a new office of field coordination and experimental programs. Work is continuing on advancement of the automated citation processing system. Based on priority of need, installations have already been completed in approximately 80 percent of the area offices. Feasibility studies are being undertaken which will lead to plans for linking area and regional offices with the National Office in an automated citation processing system network.

In 1978, the impact of the policy shift toward the health area is expected to register measurably in terms of improved utilization of OSHA's resources. Improved means of analysis and evaluation will be sought. The annual survey of occupational injuries and illnesses will continue to gauge further OSHA's impact on the work-place, however, additional research funds are being requested in 1978. Continued expansion of the automated citation processing system will be aimed toward on-line data processing capability throughout OSHA. Terminal facilities now available in the regional offices are under the auspices of the Department of Labor and are used by OSHA on a shared-time basis. Planning and administrative support for the NEP will be continued. No additional positions are requested for this activity in 1978. OSHA is also undertaking an assessment of the Toxic Substances Control Act (P.L. 94-469) to determine the impact of this law upon agency operations and resource utilization.

Changes for 1978

Mandatory changes amount to ..... +$ 318,000

Program changes amount to ..... +$1,000,000
Positions ..... None

Mandatory changes consist of increases of $97,000 for Standard Level User Charges; $228,000 for increased cost of administrative and support services offset by a net decrease of $7,000 for one less day of pay in 1978.

OSHA-23

Policy Research and Program Evaluation

Proposal: To provide financial resources for research and evaluation of agency programs.

The Need: During the first five years of operations, OSHA programs have been implemented along traditional lines and have been designed to reach the estimated 5 million workplaces and 65 million workers covered by the OSH Act.. Amid increased criticism that the OSHA program has produced increased economic burdens, especially for small businesses, but appears ineffective in reducing injuries and illnesses, OSHA has committed increased resources to research and evaluation efforts in an attempt to improve the allocation and application of its limited resources.

Several recent initiatives in the compliance program area have resulted in new or modified program approaches which are now being implemented. Among these are:

- o An assessment of OSHA's Impact on the Small Business
- o The National Emphasis Program
- o A new "Worst-First" General Schedule Inspection Emphasis.

Other more complicated issues such as the development of a consultation program, the development and promulgation of standards, the paucity of health information, and the need for a more integrated program approach require further research and evaluation in order to develop needed options to present program activities.

The Program: Over the past 18 months, OSHA has been able to obtain more detailed data on worker injuries and illnesses from state workers' compensation agencies and third party health care providers. Other program initiatives include the development of the National Emphasis Program, a priority industry inspection scheduling program, and the development of prototype industry safety and health profiles. Further research and evaluation are needed to establish how the available data can be used to direct efforts to identify causal factors; to establish what types of countermeasures are effective; and to demonstrate that the benefits of adopting various countermeasures can be equivalent to the direct and indirect costs of not adopting them.

A four phase research program is being proposed to develop some initial hypotheses concerning the causes, countermeasures and motivational aspects of workplace injuries and illnesses. The first phase includes the use of statistical techniques to group injuries into four categories (or determinants) using existing workers' compensation data:

- o Physical factors for which standards may be appropriate
- o Behavioral factors for which safety programs may be appropriate
- o Management factors for which safety programs may be appropriate
- o Random factors for which there is no sufficient explanation.

The second phase involves the development of a broad survey of establishments in high incidence industries to identify characteristics which seem to differentiate safe establishments and unsafe establishments based on their incident rates. Using existing workers' compensation data industry injury profiles will be developed so that each establishment's injury record can be analyzed to determine how its experience relates to the general industry profile. This study will be useful in developing program emphasis and program priorities.

The third phase involves research on the impacts of accidents on typical establishments in high hazard industries. Initial research is designed to examine the feasibility of using this data to: (1) motivate employers to use effective countermeasures; and, (2) formulate penalties for serious violations of standards.

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The fourth phase involves a statistical analysis of all available data on illnesses (including BLS survey data, workers' compensation data, and Blue-Cross-Blue Shield data) to identify industries where illnesses appear to be significantly different from normal incidence of illness. In addition, several different mechanisms for scheduling inspection resources will be evaluated to determine how OSHA can improve its detection of occupational illnesses and compliance with existing health standards.

Base:
- Positions: None — Estimated Cost: None

Additional Costs:
Positions: None — Estimated Cost: +$1,000,000

OSHA-25

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Distribution of Field Staff

Supervising Offices	1977 Professional	1977 Clerical	1977 Total	1978 Professional	1978 Clerical	1978 Total
Atlanta, Ga.....	233	56	289	233	56	289
Boston, Mass.....	106	26	132	106	26	132
Chicago, Ill.....	330	62	392	330	62	392
Dallas, Texas.....	246	49	295	246	49	295
Denver, Colo.....	45	10	55	45	10	55
Kansas, Mo.....	105	19	124	105	19	124
New York, N.Y.....	321	60	381	321	60	381
Philadelphia, Pa.....	197	50	247	197	50	247
San Francisco, Calif....	67	18	85	67	18	85
Seattle, Wash.....	51	14	65	51	14	65
Total, Field Staff.....	1,701	364	2,065	1,701	364	2,065

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

List of New Positions Requested

"NO NEW POSITIONS REQUESTED"

OSHA-27

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Safety and Health Standards (Authority: P.L. 91-296)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
156	$8,338,000		156	$8,692,000

Purpose: This activity provides for the development and promulgation of mandatory occupational safety and health standards applicable to all types of covered employment under the Occupational Safety and Health Act of 1970.

Explanation: Funds provide salaries and expenses for the staff and functions of the Office of Standards, for the development of economic impact statements, and for standards personnel in the field.

Accomplishments in 1977: Early in the year, a new standard for exposures to coke oven emissions was published. Others which had been published earlier as proposals, and for which the period of public participation in the rulemakings were being closed, were also expected to be published as finals. These included standards for arsenic, noise, and the first six standards, known as the ketones, published as part of the Standards Completion Project. With the availability of completed inflationary impact statements, the public hearings phase of the rulemakings for standards proposed in FY 1976 are to be held in 1977, and final standards issued on the basis of the record of rulemaking. New proposals for FY 1977 are expected to include cotton dust, commercial diving operations, migrant housing, hazardous materials labelling, MOCA, and approximately 10-15 others based on NIOSH Criteria Documents as on other initiatives.

Objectives for 1978: Toxic substances or physical agents identified by Criteria Documents or other sources of information as carcinogens or suspected carcinogens, as extremely toxic, or as posing a health hazard to a large number of workers will have priority for new rulemakings. In terms of conventional rulemakings, twenty to twenty-five new proposals and a similar number of final standards are foreseen for FY 1978. However, OSHA is exploring ways to conduct concurrent rulemakings on substances with similar uses or properties, or otherwise grouping substances, to increase the efficiency of the standards development process and to provide incentives for more comprehensive approaches to industrial hygiene and occupational health programs. The legislative intent of sections 6(b)(7) and 8(c)(3) will have been fulfilled for the majority of health standards issued under the Act's 6(a) procedures.

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Compliance (Authority P.L. 91-296)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
2,216	$57,616,000	Indefinite	2,216	$59,151,000

Purpose: This activity provides for the enforcement of occupational safety and health standards by the physical inspection of covered places of employment. Grants are made to the states to assist them in administering and enforcing state programs for occupational safety and health which have been approved by the Secretary. Direct enforcement of Federal standards is provided in states without approved plans for state programs, and in states whose programs have not yet achieved the required level of effectiveness or do not cover specified safety and health issues.

Explanation: Funds provide salaries and expenses for National Office support staff and for enforcement personnel in the field. Funds also provide for matching grants of up to 50 percent of the costs of approved state occupational safety and health operational and statistical programs.

Subactivity 2(a). Federal Inspections (1977, $57,616,000, Pos. 2,216; 1978, $59,151,000, Pos. 2,216)

Accomplishments in 1977: An estimated 75,700 inspections will be conducted. Each inspection will involve a detailed and comprehensive survey of the work environment, and a greater proportion of the inspections will be conducted by OSHA's industrial health teams. A new category of inspections will involve those made in conjunction with the National Emphasis Program (NEP). The NEP involves a compliance strategy for selected high-hazard industries which combines education, information and consultation activities with enforcement and voluntary compliance efforts to substantially reduce the work injuries/illnesses occuring within an industry. A clarification of a classification of a serious violation and a new system for calculating proposed penalties were among the changes made in the OSHA Field Operations Manual early in 1977. It is anticipated that these changes will result in an increase in the number of violations cited as serious, which will reflect more accurately the extent of the safety and health hazards that are now causing deaths, serious injuries or illnesses. Inspection procedures in 1977 have been changed to reflect the limitation contained in 1977 appropriation bill.

Objectives in 1978: An estimated 90,000 inspections will be performed. This increase over the number of inspections in 1977 reflects the new compliance officer positions authorized as a result of Congressional action on the FY 1977 budget request. As new compliance officers complete their training and begin making independent inspections, the rate of inspection activity will increase. However, this increase is not expected to be proportional to the increased field staff since a larger proportion of inspections will continue to be directed towards health hazards. OSHA's overall enforcement goal will be to conduct quality inspections according to a specific strategy of priorities designed to detect and cause to be corrected potential safety and health hazards.

Subactivity 2(b). State Programs (1977, $35,605,000, Pos. None; 1978, $35,605,000, Pos. None)

Accomplishments in 1977: It is estimated that states with approved plans will make 140,000 inspections considered equivalent to Federal OSHA inspections. Although one or two additional state plans may be approved during the year, economic and legislative difficulties may continue to be factors affecting continued participation by some states. Grant requirements for 1977 and 1978 are projected on the basis of 24 states participating. Sone states that have elected not to participate in a full 18(b) operation are considering submitting proposals which would provide job safety and health protection for state employees. These categories of workers cannot otherwise be covered by Federal OSHA activities in non-plan states.

Objectives in 1978: A total of 140,000 state inspections are projected for 1978. The process of completing the developmental steps and the section 18(e) certification process will necessitate extensive monitoring and evaluation of state operations. Plans are being made to minimize the effects of this workload on OSHA's regional staff by staff reassignments and careful programming. Analyses of data developed through state statistical surveys of occupational injuries and illnesses should yield the first measures of the impact of state safety and health programs. Section 18(e) of the Act requires the Secretary to conduct an intensive review of state operations when all developmental phases of the plan have been completed, in order to determine on the basis of actual operations that the criteria for an "as effective as" state program have been achieved. The Secretary may then permit the state to assume exclusive jurisdiction over the safety and health issues covered by its plan, except that the Secretary will continue to monitor state operations. During FY 1978, 16 states will be eligible for 18(e) determinations. The first six states are South Carolina, North Carolina, Minnesota, Iowa, Utah, and Tennessee.

OSHA-30 OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Education, Consultation and Information (Authority P.L. 91-296)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount	Indefinite	Pos.	Amount
176	$18,897,000		176	$19,902,000

Purpose: This activity provides for Federally sponsored or assisted programs of education, consultation and information to aid employers and employees in understanding their obligations under the Act, to stimulate voluntary compliance through joint labor/management cooperation, and to promote private sector efforts to identify and independently deal with safety and health hazards in the workplace. This activity also provides for leadership, guidance and assistance to the heads of Federal departments and agencies in implementing occupational safety and health programs which are consistent with the standards promulgated under the Act, and for conducting short-term training of personnel engaged in work related to the Secretary's responsibilities under the Act.

Explanation: Funds provide salaries and expenses for the staff and functions of the Office of Training and Education, Office of Federal Agency Programs, Office of Information, and training personnel in the field; and for contractual services in support of this activity pursuant to section 7(c) of the Act including reimbursement of 50 percent of the costs of state personnel providing consultation services to employers.

Accomplishments in 1977: OSHA is developing a more definitive policy for providing consultation and education programs for employers and employees in the recognition, avoidance, and prevention of unsafe and unhealthy working conditions. Thus, OSHA's goal is a formal policy to guide the process by which decisions are made on training programs and activities. Federally sponsored or assisted education programs are continuing. On-site consultation services are being provided to employers in 22 states and the Virgin Islands under approved state plans, and through section 7(c)(1) agreements with state agencies in additional states and Puerto Rico.

OSHA's program of training and developing, via a three-year program, its own industrial hygienists is a part of the 1977 internal training program. Development of the second year of the three-year program will be completed in 1977. Plans will be completed for moving the OSHA Training Institute in Rosemont, Illinois to larger facilities and increasing the number of enrolled students as part of a continuing effort to increase the training and upgrade the professionalism of CSHOs. It is anticipated that virtually all of OSHA's field compliance personnel will complete at least one comprehensive training course in 1977.

Objectives for 1978: OSHA will continue to promote the development of highly effective occupational safety and health training materials, public information services, and consultation programs for employers and employees to encourage their use in reducing risks of injury and illness in the workplace. In so doing, OSHA will emphasize training directed toward health protection of the worker with a view toward eventual parity with training in safety protection of the worker. OSHA will also assist participating plan states to strengthen and expand their programs in employer/employee training. The principal approach to be used in meeting these priorities shall be through the development and dissemination of instructional materials and other resources for use by employers, employer groups, and employee groups, rather than by directly supporting the training of individuals. The full three-year curriculum of the training programs to develop industrial hygienists and safety compliance personnel are scheduled for completion in 1978. A single-year program increase of $530,000 is being requested for site rennovation costs associated with relocation and expansion of the OSHA Training Institute.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Safety and Health Statistics (Authority P.L. 91-296)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
51	$6,206,000	Indefinite	51	$6,301,000

Purpose: This activity provides for collecting, analyzing, and disseminating data on occupational fatalities, injuries, and illnesses to identify occupational safety and health problems and to facilitate improvements in the administration of the Act.

Explanation: Funds provide salaries and expenses for the staff and functions of the Bureau of Labor Statistics' Division of Occupational Safety and Health, BLS field personnel, and operation of the OSHA Management Information System.

Accomplishments in 1977: The fifth annual survey of job-related injuries, illnesses, and fatalities is being conducted for calender year 1976 based on 550,000 survey units. As in 1976, small businesses benefit from a recordkeeping exemption applying to employees with 10 or fewer employees. Results of the calendar year 1975 survey, published in December 1976, showed that the incidence rate of job-related injuries and illnesses declined from 10.4 per 100 full-time workers during 1974 to 9.1 per 100 workers during 1975. This is the second such decline in consecutive years. It seems reasonable to assume that the factors chiefly responsible for the reductions were the efforts of labor and management in combination with a climate of job safety and health awareness fostered by OSHA. Injury and illness data were reported for virtually all the Federal civilian workforce. The 1975 incidence rate for Federal employees was 5.7 per 100 full-time workers.

Objectives for 1978: The sixth annual survey of 550,000 reporting units will be conducted. Most State and territorial statistical agencies will be participating with the Federal Government. Causal data derived from State workers' compensation files and State and local government injury/illness experience will augment the basic data from calendar year 1977. Survey results covering calender year 1976 will be published in November 1977.

The results of the annual survey and published data will continue to be primary measures of OSHA's impact. Research projects in 1978 will concentrate on identification of additional data requirements in the areas of enforcement, hazards identification, consultation and training activities, program support for the National Emphasis Program, and completing the identification of data sources which will support the management and evaluation of the entire program.

OSHA-32

OCCUAPTIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

Program Purpose and Accomplishments

Activity: Executive Direction and Administration (Authority: P.L. 91-296)

1977		Authorization	1978 Budget Estimate	
Pos.	Amount		Pos.	Amount
118	$3,671,000	Indefinite	118	$4,879,000

Purpose: This activity provides overall direction and administrative support for the Occupational Safety and Health Administration including coordination of policy planning, review and evaluation, financial management, personnel, and related management functions.

Explanation: Funds provide salaries and expenses for the staff and functions of the Office of the Assistant Secretary, the Offices of the Associate Assistant Secretaries, and the staff for Administrative Programs.

Accomplishments in 1977: The organizational realignment initiated in 1976 will be further implemented. It provides for six new directorates and a new office of field coordination and experimental programs. Work is continuing on advancement of the automated citation processing system. Based on priority of need, installations have already been completed in approximately 80 percent of the area offices. Feasibility studies are being undertaken which will lead to plans for linking area and regional offices with the National Office in an automated citation processing system network.

Objectives for 1978: The impact of the policy shift toward the health area are expected to register measurably in terms of improved utilization of OSHA's resources. The annual survey of occupational injuries and illnesses will continue to gauge further OSHA's impact on the workplace. Continued expansion of the automated citation processing system will be aimed toward on-line data processing capability throughout OSHA. Terminal facilities now available in the regional offices are under the auspices of the Department of Labor and are used by OSHA on a shared-time basis. Planning and administrative support for the National Emphasis Program (NEP) will be continued. No additional positions are requested for this activity in 1978, however, a program increase of $1,000,000 is being requested to provide additional financial resources for research and evaluation of agency programs.

TUESDAY, FEBRUARY 8, 1977.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE, FISCAL YEAR 1978 AND THE WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES, FISCAL YEAR 1977 SUPPLEMENTAL REQUEST

WITNESSES

MRS. BESSIE BOEHM MOORE, VICE-CHAIRMAN, NCLIS
FREDERICK BURKHARDT, CHAIRMAN, NCLIS
ALPHONSE F. TREZZA, EXECUTIVE DIRECTOR, NCLIS
MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR
JERRY MANOLATAS, WHITE HOUSE CONFERENCE PLANNER

Mr. FLOOD. We will take up the National Commission on Libraries and Information Science, and for the attention of the committee, we are going to hear both your regular 1978 request—for the Commission, that is—and your 1977 supplemental request for the White House Conference on Libraries.

In order to expedite the hearings we will combine these two requests into on hearing.

The presentation will be made by Bessie Moore, the Vice Chairman of the NCLIS, and we have a biographical sketch of you which we will place in the record at this point.

[The sketch follows:]

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

BIOGRAPHICAL SKETCH

Name: Frederick Burkhardt.
Position: Chairman, National Commission on Libraries and Information Science.
Birthplace and date: New York, N.Y., September 13, 1912.
Education: Columbia University, 1933, B.A.; Oriel College, Oxford University, 1935, B. Litt.; Columbia University, 1940, Ph. D.; University of Michigan, 1968. LL.D.

EXPERIENCE

1971–Present: Chairman, National Commission on Libraries and Information Science.
1975: President-emeritus, American Council of Learned Societies.
1967: Vice chairman, National Advisory Commission on Libraries.
1957–74: President, American Council of Learned Societies.
1947–1957: President, Bennington College, Bennington, Vt.
1946–1947: Associate Professor of philosophy, University of Wisconsin.
1945–1946: Department of State.
1943–1945: Office of Strategic Services.
1937–1943: Assistant professor of philosophy, University of Wisconsin.
Association memberships: Phi Beta Kappa, American Philosophical Association, American Academy of Arts and Sciences, American Antiquarian Society.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

BIOGRAPHICAL SKETCH

Bessie Boehm Moore.—Vice Chairman, NCLIS, Commissioner since 1970.
Degrees.—BSE State College of Arkansas, Conway, Ark., MA University of Connecticut, Storrs, Conn.

Experience

Chairman, Arkansas Library Commission.
National Advisory Commission on Libraries, 1966–68.
Executive director, Arkansas State Council on Economic Education, State department of Education, 1962– —.
State coordinator of environmental education, State Department of Education, Little Rock, Ark., 1970–74.
State supervisor of economic education, State Department of Education, Little Rock, Ark., 1962–74.
State supervisor of elementary education, State Department of Education, Little Rock, Ark., 1958–65.

Honors

Arkansas women of the year, 1952.
Awarded honorary doctor of laws degree, University of Arkansas, 1958.
Appointed in 1961 by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961–64.
Only woman speaker at Southern Governors Conference at White Sulphur Springs, W. Va., August, 1963.
Awarded Distinguished Service Award, American Association of University Women, May, 1966.
Distinguished Alumni Award, University of Arkansas, 1974.
Member board of directors, First National Bank of Little Rock, 1971– —.
Member of the board, Arkansas Foundation of Associated Colleges, 1975– —.

BIOGRAPHICAL SKETCH

Name: Alphonse F. Trezza
Degrees.—University of Pennsylvania, B.S., 1948, Library Certificate, Drexel, 1949. University of Pennsylvania, M.S., 1950.

Experience

Executive Director, National Commission on Libraries and Information Science, 1975– —.
Director, Illinois State Library, 1970–75.
Associate executive director for administration services, American Library Association, 1967–70.
Associate executive director of American Library Association, and executive secretary, Library Administration Division of American Library Association, 1960–67.

Executive director of the Catholic Library Association, and Editor of "Catholic Library World," 1956–60.
Head, circulation department, University of Pennsylvania Library, 1950–56.
Lecturer, Graduate Department of Library Science, Drexel University, 1951–60.

Honors

Outstanding Alumnus Award, 1963, Drexel Graduate School of Library Science.
Special Librarian's Citation, Illinois Library Association, 1965.
Outstanding Librarian's Citation, Illinois Library Association, 1973.

Mr. FLOOD. Now, you have some people with you you would like to introduce to us?

Mrs. MOORE. Yes, sir, Mr. Chairman. The Chairman of our Commission, Dr. Frederick Burkhardt on my left; Executive Director, Mr. Alphonse F. Trezza on my right, and Mr. Jerry Manolatas, who has been helpful in planning previous White House Conferences, and Mrs. Mary Alice Hedge Reszetar our Associate Director.

They are all here hopefully to answer any questions which the committee has.

Mr. FLOOD. You understand, it's been made very clear to you now, for obvious reasons, we are covering the supplemental and the 1978 request.

And I see you have a prepared statement. How are you going to handle that?

Mrs. MOORE. I will read a brief statement.

Mr. FLOOD. You are going to submit it for the record?

Mrs. MOORE. Submit it for the record, yes.

Mr. FLOOD. Won't you have two statements?

OPENING STATEMENT

Mrs. MOORE. Yes; I will submit them both and make a correction in one of them before I submit it. But let me read the very brief statement about what I plan to do.

Thank you for this opportunity to appear today on behalf of the National Commission on Libraries and Information Science.

We are here today to testify on two budgets: The regular appropriation for support of the National Commission on Libraries and Information Science, and the budget request for the White House Conference on Library and Information Services, and the preceding State conferences, which the National Commission will conduct with the aid of an advisory committee. We have submitted budget justifications for each of the requests. In the interest of saving time, I will not read the testimony I have prepared for the National Commission's regular budget but will summarize the highlights. With the chairman's permission, may we ask that the complete testimony be inserted in the official hearing record.

This year, the Commission's request is for $563,000, a $55,000 increase over fiscal year 1977. The increase includes funds for one additional secretarial position and funds to cover normal cost-of-living increases in salaries and in such items as telephones, postage, maintenance, etc. This committee, last year, approved our request for two additional secretaries. You will recall that in the House-Senate Conference Committee, based on recommendation of the Senate, there was a compromise, and we were allowed only one secretarial position. We

are again requesting the secretarial position because it is very important to efficient operation of our agency.

I would like to state at this point that we have a national constituency which requires a great deal of correspondence in all of the States and territories, in addition to our continuing relations with other Federal agencies, and the regular work of the Commission with its task forces and committees.

The Commission has continued on its work toward implementation of the various objectives of the National Program Document, "Toward a National Program for Library and Information Services: Goals for Action." The written testimony summarizes not only the activity for the current year but describes some of the major activity we intend to undertake during fiscal year 1978.

I do not wish to deal too briefly with the Commission's budget because it is most important, but because of the limited time and unless there are questions, I will now proceed with my testimony on the White House Conference on Library and Information Services.

Before I start with this, for the record, I would like to make a correction.

On page 3 at the end of the first paragraph, I would like to insert this paragraph which I will read.

Mr. FLOOD. Without objection, that will be done, yes.

Mrs. MOORE. It should be noted that the proposed schedule calls for the conference to be held late in 1979. The date set by Public Law 93–568 was 1978, and in 1974 that provided ample time for the States to organize their conferences, and to plan the national conference in which they will culminate. Now, in order to have the planning time we need, it will be necessary to change the date to 1979 and the Commission will request that this be done as soon as this supplemental appropriation is approved by the Congress.

The reason this change was made, of course, was to be able to adequately prepare for the State conference and territorial conferences of which there will be about 57, and the planning time required to have those conferences effectively will necessitate this change.

There are a few States now ready to proceed, but most of them will have conferences in 1978 and will be ready then for the 1979 conference.

I would like to also say, Mr. Chairman, that because of the Commission's work and the fact that we have prepared this National Program Document, and also the studies which the Commission has commissioned, we have a body of materials which will allow for a commonality for the States to study issues that we hope will have them assess where they stand in their library developments as relates to a national network and national program, and by studying the same documents and raising the same issues they will do a far better job than they would if we hadn't had this material.

So really, I think it's quite fortunate we have waited as long as we have in many respects to do this conference, because we think it will contribute better to a national policy.

[The statements follow:]

86-338 O - 77 - 83

STATEMENT OF

BESSIE BOEHM MOORE

VICE-CHAIRMAN

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

BEFORE THE

U. S. HOUSE OF REPRESENTATIVES

COMMITTEE ON APPROPRIATIONS

LABOR-HEW APPROPRIATIONS SUBCOMMITTEE

FEBRUARY 8, 1977

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

List of Witnesses

BESSIE BOEHM MOORE
VICE-CHAIRMAN, NCLIS

FREDERICK BURKHARDT
CHAIRMAN, NCLIS

ALPHONSE F. TREZZA
EXECUTIVE DIRECTOR, NCLIS

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Biographical Sketch

Bessie Boehm Moore Vice Chairman, NCLIS. Commissioner since 1970.

Degrees: BSE State College of Arkansas, Conway, Arkansas
MA University of Connecticut, Storrs, Connecticut

Experience: Chairman, Arkansas Library Commission

National Advisory Commission on Libraries, 1966-68

Executive Director, Arkansas State Council on Economic Education, State Department of Education, 1962-

State Coordinator of Environmental Education, State Department of Education, Little Rock, Arkansas, 1970-74

State Supervisor of Economic Education, State Department of Education, Little Rock, Arkansas, 1962-74

State Supervisor of Elementary Education, State Department of Education, Little Rock, Arkansas, 1958-65

Honors: Arkansas Woman of the Year, 1952

Awarded Honorary Doctor of Laws Degree, University of Arkansas, 1958

Appointed in 1961 by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961-64

Only woman speaker at Southern Governors Conference at White Sulphur Springs, West Virginia, August, 1963

Awarded Distinguished Service Award, American Association of University Women, May, 1966

Distinguished Alumni Award, University of Arkansas, 1974

Member Board of Directors, First National Bank of Little Rock, 1971-

Member of the Board, Arkansas Foundation of Associated Colleges, 1975-

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Biographical Sketch

NAME	:	Frederick Burkhardt
POSITION	:	Chairman, National Commission on Libraries and Information Science
BIRTHPLACE AND DATE	:	New York, New York - September 13, 1912
EDUCATION	:	Columbia University, 1933, B.A. Oriel College, Oxford University, 1935, B.Litt. Columbia University, 1940, Ph.D. University of Michigan, 1968, LL.D.
EXPERIENCE		
1971-Present	:	Chairman, National Commission on Libraries and Information Science
1975	:	President-Emeritus, American Council of Learned Societies
1967	:	Vice Chairman, National Advisory Commission on Libraries
1957-1974	:	President, American Council of Learned Societies
1947-1957	:	President, Bennington College, Bennington, Vermont
1946-1947	:	Associate Professor of Philosophy, University of Wisconsin
1945-1946	:	Department of State
1943-1945	:	Office of Strategic Services
1937-1943	:	Assistant Professor of Philosophy, University of Wisconsin
ASSOCIATION MEMBERSHIPS	:	Phi Beta Kappa American Philosophical Association American Academy of Arts and Sciences American Antiquarian Society

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Biographical Sketch

Alphonse F. Trezza

Degrees: University of Pennsylvania, B.S., 1948
Library Certificate, Drexel, 1949
University of Pennsylvania, M.S., 1950

Experience:

Executive Director, National Commission on Libraries and Information Science, 1975-

Director, Illinois State Library, 1970-75

Associate Executive Director for Administration Services, American Library Association, 1967-70

Associate Executive Director of American Library Association, and Executive Secretary, Library Administration Division of American Library Association, 1960-67

Executive Director of the Catholic Library Association, and Editor of "Catholic Library World," 1956-60

Head, Circulation Department, University of Pennsylvania Library, 1950-56

Lecturer, Graduate Department of Library Science, Drexel University, 1951-60

Honors:

Outstanding Alumnus Award, 1963, Drexel Graduate School of Library Science

Special Librarian's Citation, Illinois Library Association, 1965

Outstanding Librarian's Citation, Illinois Library Association, 1973

National Commission on Libraries and Information Science

1717 K STREET, N.W.
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Mr. Chairman and Members of the Committee,

The National Commission on Libraries and Information Science requests for fiscal year 1978 a budget of $563,000. This will provide for studies, surveys, and other activities as well as for the costs of Commission meetings, task force and study group meetings, necessary travel, and for a permanent staff of nine people. The increase in this request over the fiscal year 1977 budget is $55,000 and includes authorization for one additional secretarial position.

The National Commission on Libraries and Information Science is a very small agency with a very large job. It was created in 1970 by Public Law 91-345 as a permanent, independent agency within the Executive Branch. The charge to the Commission contained in that law is to develop and recommend to the Congress and the President plans for the provision of library and information services and for the coordination of activities at the Federal, State and local levels necessary to meet the library and information needs of the nation more effectively. In fulfillment of that charge, the Commission is enpowered to advise the President and Congress on implementation of national policy. It is authorized to conduct studies, surveys and analyses of the library and informational needs of the Nation, appraise the adequacies and deficiencies of current library and information resources and services, evaluate the effectiveness of current library and information science programs, and promote research and development activities which will

extend and improve the Nation's library and information-handling capability. It is also authorized to advise Federal, State, local, and private agencies regarding library and information sciences.

The Commission spent the first four years of its existence identifying the current problems and developing a national program, a process which included public hearings in all parts of the country, countless meetings and discussions, and voluminous correspondence to obtain input from the library and information science community, legislators at the Federal, State and local levels, administrators, educators, scientists, business and Government executives, and citizens from every walk of life. The product of this effort is the National Program Document, "Toward a National Program of Library and Information Services: Goals for Action," which is based on the needs identified during the Commission's information gathering phase. Officially adopted by the NCLIS in May of 1975, the document was subsequently transmitted to the Congress and to the President. The Program Document describes a long-range program for the development of an integrated national network of libraries and information services to meet the current and foreseeable information requirements of the citizens of this country. Recommendations for action are based on making maximum use of existing resources--human, material and financial. Thus implementation activities can begin immediately in some areas.

In point of fact, a major step toward implementation began several years ago with the proposal to the Continuing Library Education Network and Exchange (CLENE), even before the official adoption of the National Program. Based on an NCLIS-commissioned report and two NCLIS-sponsored planning conferences, this organization has rapidly developed into an independent, self-supporting body devoted to providing the continuing education needed by those library and information service personnel already in the field so that they can maintain their competence in a rapidly changing profession.

With the almost immediate endorsement of the Program Document by the major library and information science professional associations--the American Library Association (ALA), the Association of Research Libraries (ARL), the Special Libraries Association (SLA), the American Society for Information Science (ASIS), the Medical Library Association (MLA), American Association of Law Libraries (AALL), and the National Federation of Abstracting and Indexing Services (NFAIS) providing assurance of community support, implementation activity could begin in earnest.

The National Program establishes the framework for implementation in terms of the following eight objectives:

(1) Ensure that basic minimums of library and information services adequate to meet the needs of all local communities are satisfied.

(2) Provide adequate special services to special constituencies including the unserved.

(3) Strengthen existing statewide resources and systems.

(4) Ensure basic and continuing education of personnel essential to the implementation of a national program.

(5) Coordinate existing Federal programs of library and information services.

(6) Encourage the private sector (comprising organizations which are not directly tax supported) to become an active partner in the development of the national program.

(7) Establish a locus of Federal responsibility charged with implementing the national network and coordinating the national program under the policy guidance of the National Commission.

(8) Plan, develop, coordinate, and implement a nationwide network of library and information service.

The task of implementation is filling in this framework with details and developing specific plans for action. Since the adoption of the National Program Document, much of the Commission's effort has been directed toward either acquiring or disseminating information related to the National Program. In the first instance, the Commission has found throughout its life to date that its efforts have been hampered by the lack of solid information upon which to base recommendations. There is an abundance of opinion, inference, intuition and generalization on library and information problems and solutions, but validated data in sufficient detail are sadly

lacking. Therefore, the early emphasis has been on acquiring this data. In the second instance, in order for the National Program to be implemented effectively, it is imperative that citizens at large as well as the library and information science community, become familiar with the program and understand its recommendations. Therefore, a secondary--but significant--effort has been to increase awareness and understanding of the National Program. Surprisingly, this has not required a great deal of initiative on the part of the Commission. To the contrary, since the publication of the National Program Document, NCLIS has been deluged with invitations from national, state and local library and educational associations and institutions, and others for Commissioners or staff to attend their meetings to discuss the National Program and describe the implementation projects.

The Commission's quest for needed information has been pursued primarily through the use of studies and task forces. Frequently, this has been done in cooperation with or with support from other Government agencies or private institutions. One of the early projects was a study of the near-term role in the national network of the Library of Congress, which, because of the size and generality of its collection and the magnitude of the services that it already provides to the Nation, must be considered a keystone of any national library and information services endeavor. More recently, another

study has been initiated to define the role of authority files (the approved versions of authors' and publishers' names and subject headings) in a national network. The Library of Congress is, of course, also involved in this study. The report of the first study is expected shortly and the second is scheduled for completion in fiscal year 1978.

Another early and crucial study was an updated inventory of library needs. Knowing where we actually are with respect to where we should be is essential to effective planning. The final report of this study has just been received, and its results essentially confirm our fears. Library resources available to the citizens of this country fall far short of their needs. This study estimates that 5% (10 million) of the citizens of this country still do not have access to public library service. This is a great improvement over 1955, the year the Library Services and Construction Act (LSCA) was enacted, when that figure was more like 20%, but that still leaves over 10 million people without public library service. Even when some kind of service is available, it is frequently woefully inadequate, with the estimated cumulative resources some 40% below needs. This study provides fundamental information for Commission planning and for developing the agendas for the state and territorial conferences which will precede the White House Conference on Library and Information Services.

As stated in the Program Document, the Commission has been "firmly committed to the continuation of categorical aid..." In order to assess the validity of this position, NCLIS commissioned a study of the impact and effectiveness of federal funding programs for public libraries. The final report of this study, also just recently received, shows that, indeed, libraries have not fared well in the competition for General Revenue Sharing funds. Less than 2% of available funds are being allocated to library services, with much of that simply substituting for local or state funds, which are then diverted to other agencies, rather than providing additional support for libraries.

Two additional studies are underway. The first of these is a survey to determine the actual volume and characteristics of library photocopying in the United States, and includes a test of a means of royalty payment. This study is being done with the support of the National Science Foundation (NSF) and the Commission on New Technological Uses of Copyrighted Works (CONTU). The second is an inventory of bibliographic resources for nonprint media as a basis for the development of functional specifications for a unified data base. This study is being done in cooperation with the Association for Education Communications and Technology (AECT).

Task forces currently operating include one working on the development of a national periodicals access program and another which is developing computer-to-computer protocols for communication of bibliographic information between different library computer systems. Neither a study nor a task force, but, nonetheless, an essential activity for implementation is the series of management institutes for chiefs of state library agencies and their principal staffs being underwritten by NCLIS. Since state library agencies must serve as the focal points for library and information service coordination in their states, it is important that the agency heads be thoroughly familiar with the National Program and with the latest techniques of planning, evaluation benefit-cost budgeting and management.

Later this year and in early 1978, several additional task forces will be constituted, including a task force on the public/private interface, which will attempt to define the respective roles of the government and private sectors in terms of the Program Document, one on the role of the school library/media centers in the National Program and still another on library services for Native Americans. We also expect to take the first steps toward implementing a national periodicals access program, based on the soon-to-be-released report of the task force referred to above. Fiscal year 1977 and early 1978 will also see us in the start-up phases for the White House

Conference on Library and Information Services and the preceding state and territorial conferences. While this Conference will have its own budget and staff, hiring and orienting that staff will make demands on the NCLIS staff and Commissioners, and, of course, the responsibility for continuing oversight will also occupy some of our resources.

During fiscal year 1978, we will be continuing our support (in cooperation with the National Science Foundation and the Council on Library Resources), of the Committee for the Coordination of National Bibliographic Control, working with the Conference on Resolution of Copyright Issues (a group representing virtually all parties with an interest in the photocopy question, which is jointly chaired by the Chairman of the NCLIS and the Register of Copyright), and closely monitoring the effects of the new Copyright Act (which goes into effect January 1, 1978 and the working of the guidelines for library photocopying prepared by the Commission on New Technological Uses of Copyrighted Works (CONTU).

With such a broad range of responsibilities and limited funds, NCLIS policy has been to maximize the use of available talent and to emphasize practical, readily implementable projects, particularly in areas in which support from other agencies can be obtained. To

balance our implementation effort, we expect to explore areas not yet touched by our activities to date, provided that other agency support and the necessary talent and manpower are available. Some of these areas are noted in the following paragraphs.

One important area is the analysis of the present Federal structure vis-a-vis the library and information services responsibility. This will include an analysis of what can be done by existing agencies under present laws and funding levels; determination of the assignment of responsibility for the national network concepts; and a continuing dialogue on the appropriate roles of local, State, and Federal Governments toward implementing an effective and benefit cost-shared national library and information services network.

Effort will continue to be expended in working with the Library of Congress toward strengthening its leadership role in the emerging national library network. The Library has just recently established a new office: Special Assistant to the Librarian for Network Development, a clear indication of LC's recognition of the importance of library networking; and the Commission will, of course, continue to work closely with that office in its efforts to define national network components, identify appropriate functions for the various components and formulate implementations priorities for the network. While the

Library of Congress represents but one aspect of the Commission's envisioned "full service" network, it is nonetheless, a crucial one, and the Commission expects to devote considerable attention to assisting LC in its additional responsibilities in this area.

Attention will also be given to reexamining the National Program and revising it as necessary to incorporate the results of information developed since the initial publication, effects of new technology, and changes in the various environments in which the National Program must function.

Last summer, the Commission held a conference to obtain for the Committee on the Right of Privacy of the Domestic Council input for the report on national information policy which they were preparing for the President. This conference provided valuable input to the Committee from individual citizens, as well as for-profit and not-for-profit, private and public, and governmental and independent agencies. Last month NCLIS undertook to publish for the Domestic Council the final report of this study, National Information Policy. The Commission will now be soliciting comments from interested parties on how NCLIS can best undertake to implement those portions of the report which deal with library and information services. It is anticipated that another conference to discuss implementation plans will probably be required.

86-338 O - 77 - 84

There is little doubt in our minds that the demands upon the Commission for studies and implementation activities will exceed the resources that can be made available, but we will continue to do the best we can with what we have to maintain steady progress toward the ideal stated in the National Program Document:

> To eventually provide every individual in the United States with equal opportunity of access to that part of the total information resource which will satisfy the individual's educational, working, cultural and leisure-time needs and interests, regardless of the individual's location, social or physical condition or level of intellectual achievement.

We wish to express our thanks to the Committee for its careful consideration of our past budget requests and to express our hope for favorable action on our fiscal year 1978 budget request.

National Commission on Libraries and Information Science

1717 K STREET, N.W.
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Mr. Chairman and Members of the Committee,

The Congress and the President have given their strong support to the White House Conference on Library and Information Services by the passage and signing of the Joint Resolution (Public Law 93-568) in late 1974 authorizing a White House Conference. Further evidence of Congressional interest and support was the action in fiscal year 1975 budget deliberations by Senate approval of the $3.5 million appropriation. At that time, the Administration had not requested the funds and, as a result, the House had taken no action. In the Appropriation's Conference Committee session it was decided that Congressional action on the appropriation be delayed pending the request of the funds by the Administration.

In August of 1976 and again this January, the Administration requested an appropriation of $3.5 million as part of the fiscal year 1977 supplemental appropriation request. Congress did not have an opportunity before adjourning to take action on any supplementary appropriation request.

It seems obvious that the Congress and the Administration agree with the library community on the need and importance of the White House Conference. President Carter, in a statement last fall, stated in part "...If we are to succeed in developing

libraries to their full service potential, we must have the interest and participation of large numbers of the American public. The President is authorized to hold a White House Conference on Library and Information Services not later than 1978 for just this purpose.

"This conference should be the culmination of an extensive process of citizen involvement in library policy making its beginning at the grassroots. Through preliminary conferences in each of the states, the local citizenry can take a close look at their libraries and decide whether perhaps there are overlapping roles and responsibilities of public libraries, new services needed or other changes that need to be made.

"These are decisions that must be approved at the state and local level by an informed and knowledgeable citizenry. The White House Conference process will help to develop a public knowledgeable about alternative ways of providing good library service, and it will help create public support for libraries. Results from the state conferences can be pooled at the White House Conference. We will then have a sound foundation upon which to devise complementary local, state and Federal plans for library and information services in the decade ahead."

The appropriation of $3.5 million will be spent over the next three and a quarter years to: (1) plan and conduct the state conferences which will be held in fiscal year 1977, fiscal year 1978 and fiscal year 1979; (2) hold the National Conference in the last quarter of 1979; (3) write the final report with recommendations to the President and the Congress; and (4) undertake the activities necessary to close down the Conference's operations.

Of the $3.5 million appropriation request about 34% of the funds will go directly to support state conferences; 18% will go for direct costs for the National Conference; and 48% will go for direct support costs (including technical assistance) for both the state and National Conferences. Matching grants to each state (including the District of Columbia) and territory will range from $13,400 to $25,000 and are needed to support their conferences. State matching funds of 40% to 65%, depending on population, will be required as qualification for the grant. The total cost of these grants will be $1,040,000.

The National Conference will be composed of about 500 delegates from the states, the District of Columbia and the territories and will be for four days. The total direct costs for the National Conference is estimated at $608,000. The largest single part of that cost is the $288,000 for the travel and per diem of the delegates. Approximately $305,000 will be needed for rental of conference space, transportation of materials, equipment and other services.

The administrative support costs for the total program (state, territorial and National Conference) totals $1,644,000. Of this total, $815,000 is for salaries which is about one-third the comparable cost of previous White House Conferences. This is the result of a concerted effort to hold down staffing levels and to utilize to the maximum extent possible, staff with previous conference experience. Basic maintenance and operation, including space rental, is estimated to cost $446,000. Support services such as computer costs, accounting, technical service contracts and printing of the final report are estimated at $380,000.

Originally, the authorization in the Senate version of the Bill for the White House Conference on Library and Information Services was $10 million. The $3.5 million figure was agreed to by the House and Senate in Conference with the expectation that staffing levels would be held down, state grants would be modest, and the number of delegates to the National Conference reduced to approximately 500. Greater stress was placed on the importance of the state conferences and matching state funds. In addition, it was anticipated that the National Commission would make a major effort to obtain staff help from other Federal departments, agencies, and the Library of Congress, as provided for in (c)(3)A,B. of P.L. 93-568 which authorizes the White House Conference.

The NCLIS is confident it can plan and conduct a White House Conference that will indeed result in the improvement of the Nation's libraries

and information centers and in more effective and increased use by the public. In addition, the Conference will be a major force in developing a balanced intergovernmental system of services and funding with the appropriate participation at the local, state and Federal levels.

Mr. FLOOD. How long has the Commission been in operation?
Mrs. MOORE. Since 1970.

CHIEF ACCOMPLISHMENT

Mr. FLOOD. In your opinion, what is your chief accomplishment to date?

Mrs. MOORE. Well, I think our chief accomplishment, and I would like for my colleagues to answer, too, has been the writing and preparation of this document, as the basis of putting in place a national plan.

LEGISLATIVE PROPOSALS

Mr. FLOOD. In that justification you mention preparation of, you call it "major legislative proposals" in 1978. What legislative proposals do you have in mind?

Mrs. MOORE. What page is that on, Mr. Chairman? Do you recall?

Mr. FLOOD. Page 4.

Mrs. MOORE. Would you speak to that, Al?

Mr. TREZZA. The Commission's work, besides doing the studies, of course, is to recommend and advise the Congress and the President on national policy and legislative proposals in the area of library and information services.

We have been doing that on a continuous basis now for the last 3 years, dealing with existing library legislation, such as Elementary and Secondary Education Act, and Higher Education Act, the Library Services and Construction Act and we have a number of studies which we are just finishing—one of the effectiveness of the Federal funding of the public libraries, and another which is a national inventory of library and information needs, and a third on copyright and library photocopying patterns.

All of these are going to help us prepare suggestions for legislation for library support.

One of the problems we face is whether the suggestions we might offer in 1978 will be considered by the Congress as they may wish to wait for consideration of the proposals by the library community through the White House Conference. Otherwise, we would not have the support and concurrence of the library community. The White House Conferences at the State level tie into our plans; they will consider ideas such as a proposed omnibus library bill, as some suggest, or whether we need a whole new approach to categorical aid rather than LSCA as we have it today.

It is that kind of activity.

POSITIONS AUTHORIZED

Mr. FLOOD. How many permanent positions are you currently authorized?

Mr. TREZZA. Eight.

Mr. FLOOD. And how many are filled?

Mr. TREZZA. Eight.

Mr. FLOOD. What is the breakdown in your setup between the professional and clerical positions?

Mr. TREZZA. We have four professional and four clerical. The one we are requesting now would make five.

Mr. FLOOD. Do you use temporary or part-time employees?

Mr. TREZZA. Yes. We could not possibly do the work we have to do with our limited staff.

We will sometimes put out a request for a proposal. In that case we sign a contract and buy our expertise. Other times we use a different device which is quicker and less costly, a task force, where we get experts throughout the country who contribute their time. We hire a person on either a 1- or 2-day-a-week basis for a given period of time to actually work on the project.

For example, we have a task force right now with an expert in the area of national periodicals. This task force represents various views, such as the public libraries, research libraries, State agencies; we have our researcher working with them developing a national system.

Mr. BURKHARDT. That is on an ad hoc basis.

HEW ASSISTANCE PROVIDED

Mr. FLOOD. Does HEW handle your basic administrative services for you, budget, accounting?

Mr. TREZZA. They handle that, yes.

Mr. FLOOD. How much do you reimburse them for that?

Mr. TREZZA. In fiscal year 1976 we reimbursed them $7,622.

WHITE HOUSE CONFERENCE

Mr. FLOOD. With respect to that White House Conference on Libraries that you hope to hold, what is magic about that figure you were talking about $3.5 million? That is the full amount authorized. Could you not get along with less than the full amount authorized?

Mrs. MOORE. No, sir, I do not think we can.

We started out with a request for $10 million. This is down to the $3.5 million.

Mr. FLOOD. This is the full amount authorized?

Mr. TREZZA. The White House Conference is a 3-year activity, a single appropriation for the entire time.

Mr. FLOOD. How many White House conferences have there been of one type or another in the last 10 years?

Mr. BURKHARDT. There have been four or five.

Mr. FLOOD. There have been quite a few of them?

Mr. TREZZA. There have been four or five concerning different subjects but none regarding library and information services.

Mr. FLOOD. You know the tangible benefits derived from these are pretty hard to find. Why is this one going to be any better than the others?

Mr. BURKHARDT. They vary, Congressman. The White House Conference on Youth was considered pretty much of a waste of time and a fiasco.

The one on the aged I think was considered a very good and constructive one. It led to a number of very concrete proposals.

I do not think one can generalize about them being good or bad. The important thing I think is that one has to plan them in such a way

and take the time to plan them in a way that will not just produce a list of needs, "We need this, more money, more money."

What we need is to plan to improve services in all quarters.

Mr. FLOOD. I know. But why is this conference going to be any better than the others?

Mrs. MOORE. I think it is going to be better because the core of this White House Conference is the supporting State conferences. We are going to organize those State conferences. Each State will conduct its own conference and only State conference delegates will be approved to be national conference delegates. We have tried to learn from other conferences' mistakes so we will do a better job.

As I said in my testimony, they will all be studying some basic issues.

THREE-YEAR FUNDING

Mr. FLOOD. All right. That being the case, why do you need all of these funds for 3 fiscal years all at one time for a White House Conference?

What would happen if we just appropriated funds for the first 2 years now and then take a look at the rest of it next year? What is wrong with that?

Mr. TREZZA. Our problem is this: Part of the $3.5 million will go directly to the States to help them hold their State conferences. That amount is predicated on the $3.5 million. We cannot commit that amount if we do not definitely have the $3.5 million. If we received, say $2 million, and then we gave out the grants of $1.1 million to the States and we will not get the balance, we could not have a White House Conference.

So there is no way we can do the planning without knowing the total amount of money available to us and to live within the budget and within the ceiling. This means we cannot spend any more for the total time, because it is a one-time approporiation.

The other way, it is conceivable we could come back and say we did not figure right and we need more. It has the great advantage of Congress saying to us, $3.5 million is the limit. We can then definitely commit $1.1 million directly back to the States.

STAFF FOR CONFERENCE

Mr. FLOOD. You are going to have a staff for that White House Conference; is that going to be completely distinct and separate from your regular staff?

Mr. TREZZA. Absolutely.

Mr. FLOOD. How many people are you talking about, that staff?

Mr. TREZZA. That staff will start——

Mr. FLOOD. How many people?

Mr. TREZZA. At any given time it will vary.

Mr. FLOOD. How many maximum?

Mr. TREZZA. At any one time, I would say 24.

Mr. FLOOD. Where are these people coming from?

Mr. TREZZA. From Washington and different parts of the country. Clerical staff will probably come from the Washington area.

Mr. FLOOD. Are you going to phase out that staff after the Conference is over?

Mr. TREZZA. Exactly, it works up to 24 or so, back down to 8, and then zero. It is temporary staff.

Mrs. MOORE. Another thing, too, Mr. Chairman, the matter of recruiting the staff and having the right kind of people to do this job, we need to know; this would be difficult if you gave us money enough only for the State conferences. We need the staff to assist the States, in doing a g ood job with the State conferences.

Mr. FLOOD. I understand that.

LIBRARY SERVICES

Mr. MICHEL. Your statement indicates that library services are often inadequate with the estimated cumulative resources some 40 percent below the needs.

What kind of criteria do you use to come to this kind of conclusion?

Mr. TREZZA. In trying to assess the adequacy or inadequacy of library services, you must depend on the standards developed based on community needs.

Over the years the professional associations of the State, regional, and national levels have developed these standards. We use that as a measuring stick.

Also, there are many user studies. In Illinois, where I used to be director of the State libraries, I know that firsthand. We did a very careful study of the needs and, based on that, we developed a State program of grants with the library system act in Illinois. It has been in effect 10 years. It has been very effective.

So we know from experience it works.

Mr. MICHEL. One of your studies indicates that 95 percent of our people throughout the country have access to library services.

Mr. TREZZA. About 10 million people in our country are still without direct access. The percentage is not high, but there are still a lot of people who do not have it. Of the 95 percent who do have library services, 40 percent of it is inadequate.

Mrs. MOORE. I am from Arkansas, take Arkansas, for example; our service is pretty inadequate in almost all of our State. This White House Conference will help us have concentrated effort and a concentrated look at the inadequacies that those of us who have been working at it a long time know are there.

We hope to have only one-third librarians participating in the State conferences as delegates. The other two-thirds will be public officials, the general public, the people who need library services, the decision-makers, the people who are using the libraries and are not finding what they need.

Mr. MICHEL. In the main, are you not going to find that if your services are inadequate at the State level, the State just did not do what it should have been doing?

Mrs. MOORE. That is the point exactly.

Mr. MICHEL. Don't you think that if we have done a fairly good job in Illinois and that we can convince those people in Arkansas to raise your taxes to provide it, that you will have better service? Do you have to have a conference to prove that; is that not evident on its face right now?

Mr. TREZZA. No.

Mrs. MOORE. I wish you were right, but you are not.

Mr. TREZZA. Unless you involve the people in the decisionmaking and in the understanding of the problem they will not either believe it or do it. If we did not go out and spend 2 years in Illinois stomping the State, selling it to women's groups and all the various groups in the State, we would never have gotten the legislature to go along with the State aid program.

That 95 percent, of that, 40 percent of it is inadequate.

Mr. MICHEL. By the criteria of professionals in the library field?

Mr. TREZZA. Yes.

Mr. MICHEL. So it is not enough to say, well, the libraries are available to 95 percent of the people?

Mr. TREZZA. Right.

What we have to do is say, what is the role at the local level, State level and Federal level? We are trying to develop an intergovernmental philosophy of services and funding, which says at the local level there are certain responsibilities, that is a legitimate local expense, at the State level, the same thing; at the Federal level there are other responsibilities and it is a legitimate Federal expense.

The biggest problem is to determine the proper emphasis and responsibility of funding at each level.

Right now the Federal responsibility for funding is 5 percent, which is inadequate. Local is 85 percent, and is based on the property tax. There has to be some balancing.

These conferences are going to help us determine what the problems are, what the appropriate balance ought to be, so we can come back to you with an intelligent program.

Mrs. MOORE. There are other problems, too.

Let's use Arkansas, for example. In any State it would be difficult if we had a conference just to look at this thing. But as part of a White House conference you get a different type of participant and more interest of the people who should be there who will come to this when they would not if we were not having it as a preparation for the national White House conference.

Mr. MICHEL. Did I hear right that currently only 25 percent of our people avail themselves of library services?

Mr. TREZZA. Between 25 and 30 percent.

Mr. MICHEL. Is that an increase?

Mr. TREZZA. That is used on a relatively continuous basis. A recent Gallup pool undertaken for libraries show 50 percent of the people occasionally use libraries. But a firm, hard figure for regular use is 25 or 30 percent, and that is an increase over the last 15 or 20 years.

Mr. MICHEL. Is there any effort being made to coordinate services provided by school libraries with those of public libraries?

Mr. TREZZA. That is a difficult problem, because here is a case where you have two different jurisdictons, you have the public library local board and the school boards. In trying to work on a national network, the problem is, how do we integrate schools into such a network when schools are inadequate compared with large public and academic libraries?

The Commission is much concerned and has set up a special task force to study the role of school and library media centers, and how

they are going to be able to participate in a national network of library information services.

Mr. MICHEL. Regarding a national library network, we really do not have any at this time, we are simply at the task force stage, is that correct?

Mr. TREZZA. One other study nearing completion is a national inventory of library needs. It actually shows what the school resources are in 1975, what the indicators of needs and standards say they ought to be and then identifies the gaps.

WHITE HOUSE CONFERENCE

Mr. MICHEL. I was going to ask the question, are we going to get just a big laundry list from this White House conference? Because that is my general inclination on all these conferences. I confess I was one of those who said they do not need $10 million, that is right out of the air, let's get down to something more reasonable, because in the end, mark my word, it will end up with a pack of recommendations on how many more programs have to be funded by the Federal Government.

They are simply funding advocates out there in the country ready to besiege us with more requests for dough.

Mrs. MOORE. You may be right about some of that, you may be right, that may happen.

Mr. MICHEL. I will guarantee it is going to happen before one meeting is held.

Mrs. MOORE. You may be right about part of it, but in the process, the States are going to have to look at their own programs and say "this is our responsibility."

For example, a great many States are using LSCA funds to fund their State agencies. That should not be, Federal funds should not be spent to fund essentially what is a State problem.

Out of this conference we hope will come recommendations about good legislation, an improvement of legislation already on the books, or both. That is one example of something that might be recommended.

I will guarantee that the States are going to take a firm look at what they are doing.

DELEGATE SELECTION

Mr. MICHEL. How are these delegates going to be selected at the State level?

Mr. TREZZA. The State agency, in cooperation with the various State associations, will have a planning committee. They will plan the program and be responsible for selecting delegates.

Mr. MICHEL. Are there any guidelines?

Mr. TREZZA. Yes. The guideline first is that two-thirds of the delegates must be nonlibrarians and people who are not committed to libraries already. We need to have business, industry, the local officials represented.

Mrs. MOORE. Labor unions, the whole gamut.

Mr. MICHEL. That was in the statute?

Mrs. MOORE. Yes.

Another point is that we have a good advisory committee which has been appointed. Congressman William Ford represents the House on that committee. We are deeply concerned about getting that advisory committee heavily involved in planning this conference, because they represent a wide variety of interests and abilities.

Mr. MICHEL. Are these delegates at either the State or national level going to be paid?

Mr. TREZZA. They are paid their expenses when they are at the conference itself.

Mr. MICHEL. On a per diem basis?

Mr. TREZZA. Just to offset expenses.

Mr. MANOLATOS. But not any honoraria or anything else.

Mr. MICHEL. Is there any kind of cap or limitation on daily expense?

Mr. TREZZA. Each State will determine its own within the budget for their State conference. The portion they will provide will be somewhere between 40 and 65 percent; the rest is ours. If they want to spend more it is not going to come out from White House Conference funds.

Mrs. MOORE. The proposed formula is in the testimony, but I would like to point out that this is what we think it will be because we do not want to set it absolutely until we have a meeting of the advisory committee, because what are you going to have an advisory committee for if they do not advise.

Mr. MICHEL. Then one final question, will the national delegates be apportioned among the States by population?

Mr. TREZZA. We have not quite figured that out.

Again, there are a lot of ways of doing it. Population is one. You have to have a balance. You have to make sure every State has a reasonable representation and the larger States, because of their larger populations, have more.

That is one of the problems we are planning to discuss with our advisory committee. This does raise a question for us in terms of our schedule.

The advisory committee has been appointed, the final 15 appointments were made just January 17; there are a total of 28 members, and our chairman is also chairman of the advisory committee. Now until we get the appropriation, we have no money to pay for an advisory committee meeting. They get paid for their expenses and also a per diem.

If we are going to get the conference under way to meet the September 1979 deadline, we need to get them together in March.

The dilmma, and the problem that has been thrown in our lap, is, "why can not you, the Commission, call a meeting of this group anyway? Can you not use some of your own meager budget or maybe gift funds and pay for such a meeting"?

We would like to do so. We will not do so until these hearings are over and until we get the sense or feeling that this committee and the Senate committee feel this is acceptable.

Mrs. MOORE. In other words, we do not want to act like we have the money for the conference already. We have this chicken and egg business.

Mr. FLOOD. Mr. Natcher?

COMMISSION MEMBERS

Mr. NATCHER. Did I understand you to say you have 28 members of the Commission?

Mr. BURKHARDT. No, for the White House Conference Advisory Committee.

Mr. NATCHER. How many members?

Mrs. MOORE. On our Commission, there are 14 members plus the Librarian of Congress.

Mr. NATCHER. Do you have any vacancies at the present time?

Mr. TREZZA. Two.

Mr. PATTEN. None are from Kentucky.

Mrs. MOORE. Four from California, one from Illinois.

Mr. NATCHER. My good friend on my left says that you ladies and gentlemen cannot spell the word "Kentucky". Is that correct?

Mrs. MOORE. I was born there.

Mr. NATCHER. Bless your heart. You know how to spell it. I do not see it on the paper.

Mrs. MOORE. I was born in Owensboro.

Mr. NATCHER. That is in the district I represent, Daviess County.

Mrs. MOORE. Daviess County.

Mr. NATCHER. Glad to have you with us.

Mrs. MOORE. My folks live around Southerland.

Mr. NATCHER. Yes, I have been there many times.

How are your Commission members compensated?

Mrs. MOORE. At $138 a day when we work, plus expenses, plus the regular Government rate on per diem, whatever it is, in whatever city we are.

CONTRACTS

Mr. NATCHER. Can you tell me how much of your fiscal year 1976 appropriation was used to pay contractors or consultants of one type or another?

Mrs. MOORE. We might have it right now; if we do not, we will supply it.

I will tell you, the contracts we have let this year, sometimes you get results that are good and sometimes you are disappointed in them. But the ones we have had this year have been good. They have done a good job.

We have a system also where we have two Commission members plus staff who sort of ride herd on the contractors to be certain that they are delivering and are doing what the contract called for.

We are learning as we go along. We have had some fine results this year.

[The information follows:]

Contracts for fiscal year 1976

Name of contractor and title:	Amount
Council on Library Resources, Committee on Coordination of Bibliographic Control	$7,000
Boyd Ladd, 1975 Inventory of Library Needs	40,000
Government Studies and Systems (Rodney Lane), The Effectiveness of Federal Funding of Public Libraries	38,493
King Research, Inc., Analysis of Library Photocopying	25,000
University of Pittsburgh, State Library Agencies and the National Plan: A Management Institute	49,795

MANAGEMENT INSTITUTES

Mr. NATCHER. We see from your statements and justifications to the committee that you are conducting management institutes for State library officials. What is the purpose of this type of procedure and how much do you plan to spend in fiscal year 1978?

Mr. TREZZA. In our national program document, we talk about the fact that any national literary and information network must be based on strong State programs. In each State, the State library agency is the key in that State.

We have found that they are so uneven in terms of the strengths of the agency and the personnel that run them, that it is essential we do something to try to help develop these agencies to be more effective. Over 50 percent of the agency heads are new these past 2 years.

We entered into a contract with the University of Pittsburgh to put on two sessions: We have had one and a second one is coming up in March.

The heads of these agencies come together for 3 days, work on problems of leadership, on problems of how to integrate the State and national programs. For the current year we are spending about $50,000. We do not have an exact amount earmarked for the new budget request.

DELEGATES

Mr. NATCHER. I believe you are planning on 500 delegates to your White House Conference on Libraries?

Mr. TREZZA. That is the national conference.

Mr. NATCHER. Why 500? Why not 350?

Mr. TREZZA. It originally was 1,500. They cut our budget request from $10 million to $3.5 million, and as a result the number of delegates is down to 500. If you do not have enough delegates, you will not have enough representation from the States and territories.

Mrs. MOORE. Fifty-seven States and territories. If you cut it down, some of the smaller States would not get enough representation.

Mr. BURKHARDT. I would think 500, to make it representative of the population of the country, you have to have 500. That is a very minimal figure.

Mr. NATCHER. What is the cost, per diem, for each delegate?

Mr. TREZZA. Coming to the conference?

Mr. NATCHER. Yes.

Mr. TREZZA. It will depend on whatever the Federal allowance is the year we have the Conference, in 1979, for Washington, D.C.; that will be the figure. Right now I think it is $39 a day for per diem.

Mr. EARLY. In your backup data, you say the largest single part of the cost is $288,000 for travel and per diem of the delegates. If you divide that by 500 delegates, it is $1,200 per delegate.

Mr. TREZZA. That would be for transportation, hotel and per diem.

Mr. EARLY. So the cost is $1,200 per delegate?

Mr. TREZZA. I don't believe that is correct. What we are doing is estimating what transportation and per diem will be in 1979, and we are going to have to live with that figure.

Mr. NATCHER. On page 8 of the justifications, you are budgeting $15 per day per delegate for food. This is above and beyond their per diem payment, I believe. Why cannot the delegates pay for the meals out of their per diem payments?

Mr. MANOLATOS. One of the problems you have in a conference like that is delegate control. They are going to be meeting in the morning, there is going to be a luncheon session, an afternoon and an evening session. Most likely there will be speakers and business will be conducted. It is more convenient, instead of giving the money to them and have them give it back to the Conference, to have the Conference make the entire arrangements for the food. It is control to make sure we do not lose them.

To try to get 500 people fed during lunchtime and get them back to work again is next to impossible unless you control the situation.

Mrs. MOORE. I have been a delegate to the Commissioner of Education's conference on teaching citizenship in the public schools. That was the way that conference was handled. We did not lose anybody. We worked from early morning right straight through.

If we had allowed the delegates to go off on their own, they would have lost much of the conference.

Mr. NATCHER. How much are you budgeting for the travel expense of each delegate? Just the travel expense figure.

Mr. TREZZA. We have an estimate of $350, I think, in the budget.

Mr. MANOLATOS. Approximately $350. This is slightly higher than the Government average. The reason is that the Government averages are computed between the major regional cities, whereas these delegates will be coming from every place in the United States. They will incur higher travel expenses coming to Washington.

Mrs. MOORE. It will average out.

Mr. MANOLATOS. From California normally it is computed from San Franicsco where the regional offices are, but they can leave from any place in the State of California, so they will be running into additional expenses.

Mr. BURKHARDT. I must say I am troubled by Congressman Early's point that if you take that number and divide it into the amount, it comes out to $1,200 per delegate. That sounds too high to me.

I wonder if there is not some explanation of this?

Mr. EARLY. This is just on your statement.

Mr. BURKHARDT. I understand, and that is why I am puzzled. I cannot understand how we arrived at $1,200.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten?

Mr. PATTEN. How would you feel if the subcommittee voted to omit this money from this budget and saved some $3.5 million?

Mr. TREZZA. Say that again, please. If you did not support the $3.5 million?

Mr. PATTEN. If we do not appropriate the money.

Mr. TREZZA. Personally, I would be very upset and shocked because it is so important. We have worked for this conference since 1957. The whole library community has been working at it, Congress has already expressed itself by overwhelmingly voting for it. The President signed it, Mr. Carter is on record in favor of it.

Mr. MOORE. There is a very strong statement by President Carter.

Mr. TREZZA. I would be very surprised and shocked.

Mr. PATTEN. I would agree. The people paid $135 billion last year for health services. What do the American people pay for library services and books?

Mr. TREZZA. Do you mean nationwide?

Mr. PATTEN. What impact does the related work have?

Mr. TREZZA. Do you mean how much are people spending nationwide for all kinds of library services?

Mr. PATTEN. Yes; that which adds to the quality of living.

Mr. TREZZA. If you take local, State, and Federal funds, everything, it comes out to $3.5 billion.

Mr. PATTEN. How about private publishers, what are their sales?

Mr. TREZZA. I do not have a figure. It would be a guess. I know they publish just in the English language something like 25,000 books a year; that does not count all the reports and scientific information. That would be a tremendous figure.

Mr. PATTEN. Somebody just published a book on William Faulkner's life, his private letters. I did not like to see it. It left me with a mixed feeling.

Mr. BURKHARDT. He would not have wanted it either.

Mrs. MOORE. No.

Mr. BURKHARDT. He specifically told his widow-to-be not to do it.

Mr. PATTEN. Well, it was nice to have you here. I hope your conference is a success.

Mr. TREZZA. Thank you.

Mr. PATTEN. And I hope it will do for America what all of us always hoped it would do.

Mrs. MOORE. May I make a final statement for just a second?

It was in 1957 when I was the president of the American Library Trustees Association that the first suggestion for this conference came about. A man by the name of Channing Bete from Greenfield, Mass., suggested a White House conference be planned. I have been working on that since that time.

So now for 20 years I have been hoping we could have this conference and working on it. I want to know, I guess after this committee acts and the Senate, I will know whether I have been tilting at windmills.

To quote one of your favorite authors, "to be or not to be."

Mr. FLOOD. When that situation arises we shall endeavor to deal with it.

Mr. O'Brien?

Mr. O'BRIEN. I share Mr. Patten's view, just to let you know where O'Brien stands.

CONFERENCE TIMETABLE

In connection with that, are you satisfied we are on track and it will occur in 1979?

I am getting mail from my librarians and they are concerned about it for the very reasons you explained so well.

So you are satisfied that we are all set for 1979?

Mrs. MOORE. I think we are. The quicker the action we could get from the committee, the better.

If we could start May 1 it would be better. Certainly we must start by June 1 if we are going to meet the deadline.

Mr. TREZZA. This schedule is based on the starting date of no later than June 1. We have planned it on that basis, hoping that the appropriation process would be finished and the Treasury would certify funds so that we could start.

Mr. BURKHARDT. As a matter of interest, Mr. Chairman, which committee would decide about changing the date from the authorization we now have which specified 1978?

Mr. FLOOD. Education and Labor.

Mr. BURKARDT. We would go to them.

Mr. O'BRIEN. Is this a year-long affair?

Mr. TREZZA. The State conference will start this fall and all 58 of them will run between this fall and the early months of 1979, that entire period, all over the country.

Mr. O'BRIEN. Then the national Conference?

Mr. TREZZA. Will be in September of that year.

Mr. BURKHARDT. Very end of that fiscal year.

Mrs. MOORE. Then 6 months to wind it down, write the report and get the recommendations together.

FEDERAL FUNDING NEEDED

Mr. O'BRIEN. I will try to fit my Appropriations Committee membership hat back on, leaning toward Mr. Early, and his factual remarks.

You have budgeted $278,000 for transportation or travel for the national conference. I thought you mentioned that the States were to supply about 35 percent of expenses. That works out to something like $500,000 for 500 people.

Mr. TREZZA. No. Two different things.

The States are going to supply part of the funds to run their State Conferences and we are supplying part of the funds for their State Conferences. We supply all of the funds for the national conference.

Mr. O'BRIEN. I see, for the whole shebang?

Mr. TREZZA. Right.

Mr. O'BRIEN. You must have some reason for it. Is it absolutely necessary that the Federal Government foot the bill?

Mr. TREZZA. It is the tradition. If you are going to get the people who are busy, the people you really want, if you cannot somehow support their coming, you just do not get them.

Mr. O'BRIEN. And the local communities apparently will not do it?

Mr. TREZZA. Well, they do not have the funds.

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Early?

Mr. EARLY. As former chairman of ways and means in Massachusetts, I was extremly amenable to library spending, and I still am. The numbers do not bother me at all. I am just concerned that we are spending our limited moneys on libraries in the best possible way.

You suggest you are going to give grants, which is 35 percent of the money, 35 percent of the $3.5 million to the individual States, of which all States must participate with at least 50–50 percent funding.

Mr. TREZZA. Right.

Mr. EARLY. I really feel that is going in the right direction; I have no qualms about that.

CONFERENCE EXPENSES

However, I would like more of a clarification on your backup notes on page 8. You suggest that travel is going to be on the average of $350 per delegate, for 500 delegates. You suggest $288,000 for travel.

Now, how does that average out to $350?

Mr. MANOLATOS. I think it is the way you read it.

The 500 delegates will be receiving a per diem for the 5 days they are there. The travel will be $350 on the average.

Mr. EARLY. So the answer to my question is $45 a day?

Mr. MANOLATOS. That is the present $39 rate increased by roughly 6 percent between now and the time the conference occurs.

There are no firm figures?

Mr. EARLY. I do not think that includes the rent for the hotel. You have an item down further for the hotel. I want to get an answer to that one also, but why do we have to spend $100,000 at a hotel that we are going to put 500 people in?

I am not being critical. Why are we going to spend $100,000 for rental, communications, and utilities of a hotel when we are putting 500 delegates there? If you hold a convention at the Shoreham——

Mr. MANOLATOS. One of the problems we are having from strictly the logistics point of view is that generally there are only three or four major hotels in Washington that can handle 500 people, plus additional observers, staff and everything else.

One of the major hotels will be torn down by then. There is an overload situation flowing to the remaining hotels. I am not sure that we can use a single hotel. We will probably have to go into two hotels, which means when you do that, you do not use their entire facilities or have them available.

Some portion of this $100,000, not necessarily the whole amount, I can supply it, will have to be rented.

Mr. EARLY. You have not set a date for the conference yet?

Mr. TREZZA. The exact dates are not. It is supposed to be the last week in September. We had to do that to nail down the hotel space. We will get some meeting space as part of the deal for the rooms, some we will have to pay for.

Part of the problem is planning this far ahead, you do not know what the rates are going to be, what they will give you free and what they will charge for; it is hard to judge.

You have to use your best estimate based on experience.

Mr. EARLY. I can appreciate that; I just do not accept the numbers. Libraries do not have any money to provide the real function they perform in their State which is so important, which contributes so much to our society. We are going to hold this event. You have something scheduled.

I do not think the members could see paying $100,000 to rent space when they are all staying at the hotel. I do not understand how you could not get into one hotel. If you are in two hotels, they should supply the space for nothing.

Mr. TREZZA. There is more to that; rent, communications, utilities, as well as hotel space.

Mr. EARLY. What else is it?

Mr. TREZZA. Telephone, running the staff.

Mr. EARLY. I certainly think you have to restrict something. You know we are in priority spending here, as far as $3.5 million.

Mr. MOORE. Maybe we have not done a good job on explaining the budget, that is possible. I do not mean the total amount. I mean maybe we have not correctly broken-out the items.

Mr. EARLY. I do not like to be critical in my questioning because I think you do a super job. It is so important, I think, but to look down the line when we know we are going to be forced to cut back the budget, where do they look first to cut?

Libraries. If some opponent of libraries can say "Wait a minute, they did not have a convention, they had a real wing-dinger down here," these are the highest figures per delegate that I have seen to fund any of the conventions since I have been here. So if you will doublecheck the numbers and submit a letter to the chairman or the staff, that you are satisfied that they are not excessive, it would be fine.

Mr. TREZZA. Incidentally, I did my arithmetic.

For each delegate it is $575 for the transportation and the per diem, times 500; it comes out to $287,500. That is where that figure comes from.

Mr. EARLY. $288,000 is for what?

Mr. TREZZA. Five hundred delegates at $585 apiece for transportation, room and board, altogether.

Mr. BURKHARDT. Five days at $45 a day plus an average of $350 travel.

Mr. TREZZA. That makes it 575.

Mr. BURKHARDT. $575 per delegate for the 5-day conference, getting them to it, staying there and going back home.

Mr. EARLY. Wait a minute; you are saying that the $45 per day is the——

Mr. BURKHARDT. To pay their hotel expenses.

Mr. MANOLATOS. That is based on the $39 present per diem, increased 6 percent per year.

Mr. EARLY. Will that include the $15 you talked to Mr. Natcher about for food?

Mr. MANOLATOS. No.

Mr. BURKHARDT. The $15 a day is what you are going to lay out in order to serve them lunch and dinner.

Mr. MANOLATOS. Right. Instead of including it in the per diem, we put it down as a separate line item.

Mr. EARLY. Where is it in your backup material on page 8?

Mr. MANOLATOS. Under "Other Services", it will probably be a contractor for food for the 4 days.

It is about the seventh item down there.

[The following was submitted for the record:]

In response to Congressman Early's question about the budget lines for rental, communications and utilities for $100,000, the following breakdown is supplied:

Space rental for storage of bulk material for conference, 10,000 ft.² at $7/ft² at downtown District of Columbia location for 1 year	$70,000
Rental of space at hotels, not otherwise supplied, for meetings, conferences, etc	10,000
Cost for mailings to delegates prior to conference, and telephone and telegraph calls prior to conference	10,000
Rental of specialized equipment, not otherwise available, projectors, wheelchairs, tables, podiums, etc	10,000
Total	100,000

Mr. EARLY. How do you get that as far as food, $15 per day per delegate for 4 days, $30,000?

Mr. BURKHARDT. That is what you pay a hotel. But I think what you want to know, Mr. Early, is that if you give them $45 a day for hotel expenses and you give them two meals on you, what are they going to spend the $45 for?

Their hotel room, which might be, my room at the Statler, which is about a 6- by 8-foot room, is costing me $39 a night.

Mr. MANOLATOS. That's the problem.

Mrs. MOORE. I really am concerned, I can understand Mr. Early's questions, and I am very anxious to answer them. I have just come from a convention at the Shoreham and I paid $10 for lunch every day, and I am on a diet, as you can tell I need to be. But this really annoyed me, to pay $10. Well, I don't know what dinner would be if we had dinner. We didn't have a dinner because it cost too much. $15 probably is what I would pay for one meal.

Mr. MANOLATOS. The $45 per day will probably cover the cost of their room and breakfast. We can get some economy by blocking off 500 hotel rooms, but lunches, simply because of the fact we are seating the whole group and simply because we can't let 500 people loose to hit the local restaurants and get back in time, will be handled strictly by contract with the hotel, and seating everybody.

Mr. EARLY. As a final comment, Mrs. Moore, I just don't want to see someone use this convention as an excuse to strike library moneys on the House floor.

Mrs. MOORE. We better get a better description of our budget is your point, I think. We will do it.

APPROPRIATION LANGUAGE

Mr. FLOOD. You are asking here that this $3.5 million "remain available until expended". Is that in your appropriation language?

Ms. RESZETAR. Yes, sir. "Such sums shall remain available for obligation until expended."

Mr. FLOOD. It's not in your justification here.

Mr. BURKHARDT. It's what the joint resolution says.

Ms. RESZETAR. It's in the law 93–568.

Mr. FLOOD. It's not in the appropriation language.

Mr. BURKHARDT. It's in the authorization language.

Mr. FLOOD. But not in your appropriation language you have here. The point is that what you are saying——

Mrs. MOORE. Shouldn't it be put in there, is that your point?

Mr. FLOOD. I don't know. What are you asking us for?

Mr. TREZZA. We will give you a revised appropriation language.

STATE CONFERENCES

Mr. FLOOD. Now, talking about the State conferences, how much of this money is going to the State conferences?

Mr. TREZZA. Approximating $1.1 million in direct grants.

Mr. FLOOD. How much are the States going to put up to match that?

Mr. TREZZA. It depends on the size of the State.

For example, Pennsylvania's conference budget is estimated at $70,000. They will get $25,000 from the formula. They will put up $45,000. If you go to the other end, take a very small State like Montana; it will cost them amout $25,000. They will get about $13,000 now from this grant, and they have to put up the $12,000.

CLOSEOUT OF CONFERENCE

Mr. FLOOD. Why is it going to take 8 months to close out the White House Conference, and how many people are you going to close out the White House Conference with?

Mr. TREZZA. That's for writing the report at the end of the Conference.

Mr. FLOOD. Why 8 months?

Mr. TREZZA. Well, that is based on previous experience in conferences.

Mr. FLOOD. Is that good?

Mr. MANOLATAS. It's about average time. During that 8 months there will only be a minimal staff on board.

Mr. FLOOD. I don't doubt that. That's why I raise the question.

Mr. MANOLATAS. About a 4-month period for writing the reports. That is written into the law.

Mr. FLOOD. Why?

Mr. MANOLATAS. The law provides within 120 days after the conference. Then generally the bills trickle through, it's cleaning up the final administrative arrangements and at that point there will be a minimal staff on board, one or two people at the most, answering responses, sending out inquiries, things of this sort. But it will be a minimal staff on board during that period.

Mr. FLOOD. How much is that going to cost to close this out?

Mrs. MOORE. Not very much.

Mr. FLOOD. Well, how much?

Mr. MANOLATAS. We don't have it separated out.

Mr. BURKHARDT. We better give you that for the record. We will supply the exact amount.

Mr. FLOOD. OK, you do that for the record.

[The information follows:]

The following is a breakdown of closeout costs as requested by Congressman Flood:

Closeout Costs—October 1979–May 1980

Total	$140,000
Printing of 5,000 copies of final report	50,000
Staff costs. Ten staff on board October 1979 through January 1980 to write final report. Five staff on board February 1980 through May 1980 to closeout administrative activities, audit and pay bills, answer mail concerning conference and report, et cetera	70,000
Support costs for staff, office space rental, communications, postage, supplies, et cetera	20,000

Mr. FLOOD. Thank you very much.

Mrs. MOORE. We thank you, Mr. Chairman.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

QUESTIONS BY EDWARD R. ROYBAL

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

(1) In your statement, you indicate that 5 percent of the citizens do not have access to public library services. Are most of these people located in urban or rural settings?

This data is derived from a survey conducted under the auspices of the American Library Association and is based on the finding of that survey that 297 counties throughout the country do not have a public library within their boundaries. The statistics gathered do not break this down further to indicate whether the counties are urban or rural. Interpreting the data rather broadly, however, one could conclude that the majority of the unserved are located in rural settings. Four States, for example, each with more than 30 counties not having public libraries, are Indiana, South Dakota, North Dakota, and Missouri.

(2) There was an experiment a few years ago called "books on wheels" where libraries were packed on trucks and brought to the people. Is this experiment continuing? Could it help the 5 percent who do not have access to books?

The experiment you mentioned, which I believe is the "Biblioteca Ambulante" has now been picked up by local funding, and is, to the best of our knowledge, still on-going.

Many other libraries also use the same concept, providing bookmobile service to their constituencies. It is important to remember, however, that the provision of books is just one service libraries can and should provide. Libraries also provide information on where and how to obtain help and services in education, health care, home maintenance, and legal matters. Much of this can be more effectively provided through telephone reference, cable TV, or, for example, teletype machines for the deaf. Thus, our concern is not so much with bookmobiles, per se, but with provision of the full range of information services by a wide variety of means. As was indicated in the response to Mr. Conte, bookmobiles may be uneconomical in sparsely populated areas, but a variety of other means are available for providing service to those for whom access to a library building is unavailable or inconvenient.

(3) You indicate that there is a lack of solid data on which to premise the recommendations in your national program. How are you going about developing such hard data. Since you did not have hard data on which to base your conclusions, does this undermine the effectiveness of your conclusions?

We should have been more specific in that statement. What we should have said is that our efforts have been hampered by the lack of hard data upon which to base specific recommendations for corrective action. There is more than ample data upon which to base the conclusion that the libraries and information services of the country are in desperate trouble and to identify, in general terms as we have with our eight objectives, what needs to be done. The difficult arises when you want to take concrete steps toward achieving those objectives. Then you have to have very specific information about precisely what the gap is between needs and resources, what resources are available, where are they coming from, how are they being applied, and so on. When the data is not available, and we cannot persuade—or cannot wait for—another organization, such as the National Center for Education Statistics or the American Library Association, to get it for us, we contract for a study. The National Inventory of Library Needs and the just-completed study on the Effectiveness of Federal Funding for

Public Libraries are typical of this kind of study. Project Mediabase, which will inventory bibliographic resources for nonprint media and propose functional specifications for a common bibliographic record, is another. Our national program document, "Toward a National Program for Library and Information Services: Goals for Action," provides ample support for the validity of the eight objectives of our program; where we need additional, more detailed data is in implementing these broad objectives.

(4) What are you doing to increase resources and community services which are geared toward the needs and interests of persons of Hispanic origin, blacks, and other minorities? Have you developed a program to meet the unique needs of bilingual Americans?

The Commission, in its national program document, states as one of its major objectives: "The need to provide adequate service to special constituencies, i.e., the poor, the illiterate, the blind, the physically handicapped, ethnic minorities, American Indians on reservations, senior citizens, the blacks."

Funds to stimulate and support programs in these areas are only available through the Library Services and Construction Act. The Commission is on record as strongly favoring the extension and revision of LSCA. For example, the need for a new title to help the libraries in the urban cities is essential if we are to improve resources and community services to those special constituencies described above.

WHITE HOUSE CONFERENCE

(1) What will the White House Conference on Library and Information Services accomplish that couldn't be accomplished by your conference sending out a letter or questionnaire?

The White House Conference on Library and Information Services has, essentially, three purposes: (1) To develop a consensus on the nature and extent of library and information needs of the Nation's populace; (2) to increase the awareness of the populace to services already available; and (3) to bring to the attention of municipal, State and Federal legislative and fiscal bodies the vital nature of information services, and the need for their adeqaute financial support. While the first of these objectives might be met through an iterative Delphi-like exercise, obviously neither a letter nor a questionnaire would be as effective in achieving the second and third objective as will the impact of interactive dialog shared among the many constituencies expected to participate in the conference. Moreover, the White House Conference will be preceded by conferences in each of the 58 States and territories. The importance of these to the success of the White House Conference cannot be overstated; to achieve the purposes of the White House Conference, it is imperative that direct and personal involvement be as extensive as possible, and this can only be achieved by providing participation to our constituency at local level—within the States and territories. To be effective, the findings of the White House Conference must be publicly arrived at through broad collective interaction. Since we are not seeking finite data, questionnaires will not achieve our purpose, and form letters sent to individuals simply cannot generate the sense of shared community commitment so essential to the success of our conference.

(2) I note that the biggest expense for the Conference is airfare, and I wonder if what we'll get from personal testimony is sufficient to justify the cost.

The amount given in our budget to cover the expenses of the delegates includes airfare for hotel accommodations. The interaction by the delegates on issues that were originally identified and discussed at the State conference will make it possible to develop suggestions for solutions to library problems, not only by legislative means, but through existing agencies and institutions.

(3) I note on page 3 that you talk of State conferences. Does this imply that each State will hold its own conference? What will these conferences hope to accomplish and how will they be different from the national conference?

For this White House Conference the State conferences will provide the most important ingredient. Each State is being asked to hold a State conference at which it will discuss the problems in library and information services which affect that State. They will use their 5-year long-range program plan which they have developed over these past few years. They will then try to relate the State problems with the proposed national network. At the national conference, the delegates who attended the State conferences will come together and try to help develop a program which will be closely coordinated between the local, State and Federal level. If a national program is to be viable at all, it must have local and State input and should not be imposed from the top.

QUESTIONS BY CONGRESSMAN CONTE

(1) Who comprises the delegation to the White House Conference? Are they librarians?

Only one-third of the delegates to the White House Conference will be librarians. The other delegates must represent individuals in the public and private sector including, among others, industry, business, law makers at the local and State level, consumer groups, parents, homemakers, etc.

(2) Will the $288,000 earmarked for travel expenses be used to transport all of the 500 delegates? Why haven't the local communities taken any of the responsibility for these expenses?

The $288,000 is divided between travel expenses and hotel rooms. It is estimated that the average cost of travel will be $350 and the average hotel cost will be $225 for a total of $575 for each of he 500 delegates.

The local community, along with the State, will assume the major share of the costs for the delegates attending the State conferences.

(3) Will the Federal Government also be footing the bill for boarding these delegates?

Yes. This amount is covered in the $288,000 figure discussed above.

(4) What are some of these pilot programs you have initiated and what progress has been made with them?

The model for our pilot programs might be the Continuing Library Education Network and Exchange (CLENE). Several years ago, we recognized that one of the more pressing needs of the library community was updated education on new technology and management techniques for people who are already working in the field. Since these are the people who will be operating the libraries and information centers of the National Network for the next 10 to 15 years, it is important that they be kept up-to-date on new developments. We commissioned a study to develop a design for a mechanism to accomplish this, and when it was complete, we circulated it for comment and sponsored an implementation conference, to which representatives from all concerned constituencies were invited. This conference endorsed the proposed mechanism and immediately begun putting the mechanism together. The following year, we sponsored an organizational conference, which finished the work started by the first. With the help of a planning grant from the Office of Education, a staff was assembled, memberships solicited and work begun. At this point, the Commission stepped back, and CLENE is now a separate, self-supporting entity and growing rapidly. We have maintained a continuing liaison with the CLENE Board of Directors. A second program we have actually gotten underway is a Management Seminar for heads and senior staff of State library agencies. It is a more targeted continuing education effort with leaders who have the basic responsibility for developing multitype library systems in each state. We are now in the process of setting up initial operations of the National Periodicals Access Program, working with the Library of Congress, and that will be, we hope, our next pilot program.

(5) Explain the duties of your task force.

Task forces are used where the problem to be considered requires very broad input and participation and a much wider and higher level of expertise than we could hope to assemble inhouse or have a contractor provide We try to bring together the very best people from all of the concerned communities on a volunteer basis. We pay only expenses. We arrange for a discussion leader, who may be a Commissioner, a member of staff, a consultant, or someone borrowed from another agency. We provide a statement of the problem, which may be taken from a report, as in the case of the Periodicals Task Force, or from work which has been started by someone else, as in the case of the Computer-to-Computer Protocols Task Force. Their task then is to bring their particular viewpoints and expertise to bear on the problem and develop recommendations for a solution. They meet as often as necessary to get the task accomplished with a specified period, usually about one year, and produce a report, which the Commission evaluates and uses as a basis for further action. This action may be a pilot operation, such as the National Periodicals Access Program, mentioned earlier, or in the case of the Computer-to-Computer Protocol Task Force, it will probably be a referral of the results to national standardization organizations, such as the American National Standards Institute and the American Library Association. The value of the task force approach is that by using interested volunteers, we can obtain better participation on a much higher level than we could afford to buy.

(6) It seems that you are waiting for the close of the White House Conference in 1979 to make your major requests for amendments in library resources legislation. If this is true, a major decrease in funding may be difficult to provide all at once. What can you do about proposing an annual program request which may be a little easier to swallow?

The Commission is not waiting for the close of the White House Conference to make recommendations to amendments in present library legislation. We have, for example, recommended specific changes in the current discussions on the extension of LSCA. We also recommended the changes which were considered by the Congress in the last session for the Higher Education Act.

(7) Will you explain the workings of the National Periodicals Program and how the country's libraries will benefit from its implementation?

The purpose of the National Periodicals Program is to provide an efficient means for making articles from the periodicals available to those who request them, regardless of the location of the requestor or of the issue of the periodical within which that article is printed. It is no longer plausible—if, indeed, it ever was—for even the largest libraries to obtain, and provide service from, the burgeoning universe of periodicals today being published throughout the world. This is due both to the soaring costs of periodicals and the proliferation of new titles being published—as well as to the ever-increasing costs of space, staff, maintenance, and so forth. Thus, to meet the needs of the information seeker, new alternatives to the out-moded concept of the "well-stocked" library must be found, and this is exactly what the National Periodicals Program proposes.

(8) On page 4 of your justifications, you refer to "increased activity." What are your increased activities? Also on that page you refer to increased support in task forces and pilot projects. Where will these increases be going?

We can answer both of these questions together. A good part of our increased activity will be undertaken by the task force method. During this fiscal year we expect to have task forces operating in the areas of School Library/Media Centers, Service to Native Americans, and the Public/Private Interface. More task forces require more support. One current project is a small study directed toward developing the methodology for what will probably be a major study to be undertaken late this year or early in 1978. What we do each year is based upon what we accomplished the previous year, and until the results of some current efforts are available—and until we know what resources will be available—we don't know precisely what all of our activities will be next year.

(9) How many people in this country are out of reach of a well-equipped library, in your estimation? Have you done anything along the lines of a mobile library or bookmobile?

According to the figures available to us, about 10 million persons are unserved by a local library and another 40 percent are inadequately served. This does not necessarily mean they are "out of reach;" some of this 5 percent may be quite close to a library, but not be eligible to use it because they are not members of the community the library is franchised to serve.

While bookmobiles do fill a need for recreational reading and for some informational needs, they simply cannot meet the increasing demand for the many new information dissemination services libraries are being asked to provide. And, of course, there are many sparsely populated areas of the country in which the use of bookmobiles is not economically viable.

We view the use of bookmobiles as a local library option and believe that the local library is in a far better position to determine the utility and practicality of a bookmobile (or any other service) program than the Commission. We believe our mission is to insure that the local libraries receive adequate and continuous funding to enable them to provide whatever services they deem most appropriate to the need of their clientele.

(10) What recent legislative recommendations have you made?

Thus far, the Commission has limited its current legislative suggestions by making recommendations for the amendment of LSCA, HEA and ESEA. The new title C of HEA, for example, is based on the Commission's recommendation. On February 16, the Commission will be testifying on the extension of LSCA.

JUSTIFICATION OF THE BUDGET ESTIMATES

Supplemental Appropriation Estimate

Fiscal Year 1977

White House Conference on Library and Information Services

National Commission on Libraries and Information Science

Salaries and Expenses

For necessary expenses of the White House Conference on Library and Information Services, established by the Act of December 31, 1974 (Public Law 93-568), [$1,500,000].

January 1977

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

National Commission on Libraries and Information Science

Program Purpose and Accomplishments

	(In Thousands) FY 1977	FY 1978	FY 1979-80	TOTAL
State Conferences	$609	$622	$17	$1,248
National Conference	--	--	608	608
Administrative and Support Activities for State Conferences	449	668	527	1,644
	$1,058	$1,290	$1,152	$3,500

Purpose: On December 31, 1974, the President signed into law S.J. Res. 40 (Public Law 93-568). This Resolution, authorized the President to call a White House Conference on Library and Information Services not later than 1978. Section (2) of this law dealt with the privacy of parents and students. This justification, however, only covers the proposed conference as defined in Section (1) of that law.

The National Commission on Libraries and Information Science (NCLIS), a permanent, independent agency in the Executive Branch, is charged in Public Law 93-568 with the responsibility for planning and conducting the Conference, which is designed to develop recommendations for the further improvement of the Nation's libraries and information centers and their use by the public in accordance with the policies set forth in the preamble of the Joint Resolution (see Appendix C).

Explanation: The National Commission on Libraries and Information Science, in accordance with its responsibility under Public Law 93-568, plans to call together representatives of local, statewide, regional and national institutions, agencies, organizations, and associations; representatives of educational institutions, persons with special knowledge in the technology for improving library and information services; and representatives of Federal, state, and local governments, professional and lay people and other members of the general public. In planning and conducting the Conference, the law authorizes the Commission to request assistance from other Federal departments, to make technical and financial assistance available to the states, and to prepare and make available background material for use of the delegates to the Conference and associated state conferences.

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This budget request is for $3,500,000 in order to plan and conduct state conferences in FY 1977, FY 1978, and FY 1979, the holding of a National Conference in the last quarter of FY 1979, and the writing of the final report.

Conference planning and implementation is divided into three general phases:

Phase I - Planning (6 months). This phase will be devoted to acquiring the staff for the Conference, holding a series of regional planning meetings for the state conferences, writing, approving and distributing guidelines, and letting grants to the states.

Phase II - State and National Conferences (21 months). During this period the Conference staff will be providing technical assistance to the states, guiding and monitoring the progress of the fifty-plus state conferences, gathering the results of state conferences and converting them to formats suitable for use in the National Conference, planning and holding a National Conference.

Phase III - Final Report and Closeout (8 months). This phase encompasses the writing of the final report with recommendations, submission to the President and Congress and the activities necessary to close down the Conference's operations.

The detailed plans which follow outline the activities by fiscal year for the three phases described above. Within the $3,500,000 requested, matching grants to each state and territory ranging from $13,400 to $25,000 will be made to support the state and territorial conferences. The National Conference will be composed of about 500 delegates from the states and territories and will be for four days. About 34% of the funds will go directly to support state conferences; 18% will go on direct costs for the National Conference; and 48% on indirect support costs (including technical assistance) for both the state and National Conferences.

The table below summarizes the funds requested by object class and fiscal year. Funds for the eight months closeout period--October 1979 through May 1980--are included with the FY 1979 data. Since the funds are authorized to be available until expended, the exact date in the fall of FY 1979 for the National Conference has not been set, and it is difficult at this time to predict the exact obligation rate during that period.

Summary by Object Class and Fiscal Year

(in thousands)

		FY 1977	FY 1978	*FY 1979-80	Total
11.	Personnel compensation	257	279	178	814
12.	Personnel benefits	16	34	23	73
21.	Travel	53	58	328	439
22.	Transportation	5	10	30	45
23.	Rent, communications & utilities	88	88	188	364
24.	Printing and reproduction	49	50	60	159
25.	Other services	40	90	305	435
26.	Supplies and materials	10	30	20	60
31.	Equipment	20	30	20	70
41.	Grants	520	520	--	1,040
	Total by Fiscal Year	$1,058	$1,290	$1,152	$3,500
	Outlays	$1,058	$1,290	$1,152	

* Includes 8 months closeout period starting about October 1979.

Justification

Salaries and Expenses

	1977		1978		1979-80	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and Benefits.....	8	$273,000	29	$313,000	10	$201,000
Other Expenses.....	-	785,000	-	977,000	-	951,000
Total.....	8	$1,058,000	29	$1,290,000	10	$1,152,000

General Statement

The state and territorial conferences (including the District of Columbia) are the single most vital part of the White House Conference. These state conferences will call together a cross-section of interested parties from the local and state levels to focus on and define the library and information services situation, enumerate the state and Federal resources available, determine problems, and highlight successful areas. In sum, the state conferences will seek to lay out a state plan for allocation of their library and information services resources which can be used as part of a large countrywide analysis in the National Conference.

The planning for the state and territorial conferences will begin with a series of regional state planning conferences which will serve to provide information to the Conference staff regarding the intended timing, duration, subject matter, technical assistance requirements, funding, etc., of the state conferences. Likewise the states will be given information on the technical assistance and support available to them from the National Conference staff. These conferences will be held in the regional areas, last from one to three days, and will total $15,000 in FY 1977 and $22,000 in FY 1978 and 1979.

Technical assistance will be provided the states in two ways. First, background material will be supplied, upon request to the states on subject matter pertinent to their conferences. Secondly, technical expertise will be made available to the states by the Conference staff. This cost is included as part of the general administration costs in Administrative Support Costs. The background material (printing & supplies) will require a total of $54,000 in FY 1977, $70,000 in FY 1978, and $5,000 in FY 1979.

In order to enable the states to fund the conferences, each state and territory will be given a grant to assist them to hold their conference.

The level of the grant will be determined by a formula* and is expected to range from $13,400 to $25,000 per state. State matching fund of 40% to 65%, depending on state population, will be required as qualification for the grant. The total cost of these grants will be $1,040,000 and be split in FY 1977, FY 1978 and early in FY 1979.

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* Proposed formula provides a base grant of $10,000 for each state, plus an additional 25% of the balance of the state conference costs. Two examples: (1) Pennsylvania has estimated cost of state conference--$70,000. Base grant--$10,000; balance--$60,000; 25% is $15,000. Total grant to Pennsylvania--$25,000. Pennsylvania matching funds--$45,000. (2) Idaho estimated cost of state conference--$25,000. Base grant--$10,000; balance--$15,000; 25% is $3,750. Total grant to Idaho--$13,750. Idaho matching funds--$11,250.

DIRECT COSTS

STATE CONFERENCES

FY 1977-79

(in thousands)

		FY 1977	FY 1978	FY 1979-80*	
11.	Personnel compensation	1/	1/	1/	
12.	Personnel benefits	1/	1/	1/	
21.	Travel	25	12	12	For planning meetings
22.	Transportation	1/	1/	1/	
23.	Rent, communications and utilities	1/	1/	1/	
24.	Printing and reproduction	49	50	-	For printing of "backup" material to state conferences
25.	Other services	1/	1/	1/	
26.	Supplies and materials	5	20	5	Specialized supplies for state conferences
31.	Equipment	10	20	-	Equipment used by the conference staff to track and monitor state conferences
41.	Grants	520	520	-	Approximately $20,000 per state on a matching ratio, formula to be determined later.
	Total by fiscal year	609	622	17	
	Grand total			$1,248	

1/ These object classes are part of the General Administrative cost of the conference and cannot be specifically identified.

* Includes 8 months closeout period starting about October 1979.

The National Conference, to be held in the fall of calendar year 1979, will be the cumulation of the efforts begun with the state conferences. As part of the general administrative support covered in Administrative Support Costs, the staff of the Conference will consolidate the data from the state conferences into formats usable by the delegates to the National Conference. The state conferences will, therefore, form the basis for the deliberations at the National Conference and a logical progression will be made from local to state to Federal recommendations.

The total direct costs for the National Conference is estimated at $608,000. The largest single part of that cost is the $288,000 for the travel and per diem of the approximately 500 delegates to the National Conference. The per diem costs were computed for five days--1/2 day to travel to the Conference, four days for the Conference, and 1/2 day to return. Travel costs were based upon a $350.00 per person average (assuming that inflation of air fares will continue at 7-10% until FY 1979).

Approximately $305,000 will be needed for rental of conference space, transportation of materials, equipment and the miscellaneous "operational" items listed under Other Services in the preceding table. These items for the National Conference were based upon the experience of previous conferences.

DIRECT COSTS

NATIONAL CONFERENCE

(in thousands)

		FY 1977	FY 1978	FY 1979-80	
11.	Personnel compensation	1/	1/	1/	
12.	Personnel benefits	1/	1/	1/	
21.	Travel	-	-	288	Cost for 500 delegates for 5 day conference @$45.00 per day plus average travel of $350.00
22.	Transportation	-	-	20	Movement of materials, partitions, equipment, etc.
23.	Rent, communications and utilities	-	-	100	Rental of meeting space at hotel/auditorium plus miscellaneous costs
24.	Printing and reproduction	-	-	10	Printed material--1,000 sets at $10.00 per set
25.	Other services	-	-	175	See below*
26.	Supplies and materials	-	-	5	Supplies--1,000 units at $5.00 each
31.	Equipment	-	-	10	Specialized audio-visual equipment for meetings
	Total by fiscal year	-	-	$608	
	Grand total			$608	

Other services--

Messenger service	2,000	A-V aids	6,000
Typewriter rental	5,000	Conf. suites	10,000
Security service	20,000	P.A. systems	5,000
Photo services	5,000	Press releases	10,000
Staff travel	2,000	Bus shuttles	15,000
Transcribing (contract)	20,000	Signs, placards	5,000
Food ($15 per day per delegate for 4 days)	30,000	Telephone	10,000
Xeroxing	5,000		$175,000
Reproduction services	5,000		
Pipe and Draping	20,000		

1/ This object class is covered under General Administrative Support and costs cannot be allocated at this time.

The administrative support costs for the total program (state, territorial, and National Conferences) totals $1,644,000. Of this total, $815,000 is for salaries which is about 1/3 the comparable cost of previous conferences. This is a result of a concerted effort to hold down staffing level and to utilize, to the maximum extent possible, staff with previous conference experience. Appendix A supplies the detail of the staffing costs by position for the three phases of the conference. Appendix B shows the staffing plan for the conference.

The basic "maintenance and operation" costs to support the conference staff total $446,000 for FY 1977-80 of which $264,000 will be needed for transfer to GSA for space rental under provisions of Public Law 92-313.

Fifty thousand dollars will be set aside for printing of the final report and recommendations. This is sufficient funds for about 5,000 copies of a two volume report for distribution to Congress, Federal, state and local interested parties and delegates.

Other services total $330,000 for the period FY 1977-80 and will be used for computer time for accounting, budget, delegate control and grant monitoring systems, contracts for technical assistance services for states, expert and consultant services, etc. The use of computerized controls for grants, management and accounting systems will be higher than previous conferences due to the small size of the conference staff.

An eight-month closeout period to write the final report and end conference activities is planned. Since the new fiscal year begins October 1st, and the exact date of the conference is to be in the fall of FY 1979, the closeout costs were combined with the FY 1979-80 data to facilitate analysis.

ADMINISTRATIVE SUPPORT COSTS

		(in thousands) FY 1977	FY 1978	FY 1979-80*	
11.	Personnel compensation	257	380	178	Salaries of permanent staff
12.	Personnel benefits	16	34	23	Benefits of staff
21.	Travel	28	46	28	Staff travel not allocable directly to national or state conferences
22.	Transportation	5	10	10	Unallocable. Transportation costs of materials for state conferences
23.	Rent, communication and utilities	88	88	88	Cost of space rental for conference staff
24.	Printing and reproduction	-	-	50	Printing of 5,000 copies of final report
25.	Other services	40	90	130	Computer time, contracts, experts, consultants, name lists, etc., in support of state and national conferences
26.	Supplies and materials	5	10	10	Letterhead, paper supplies, etc., in support of state and national conferences
31.	Equipment	10	10	10	
	Total by fiscal year	$449	$668	$527	
	Grand total			$1,644	

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* Closeout costs for conference added to FY 1979-80 total.

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

Salaries and Expenses

Amounts Available for Obligation

	1977	1978	1979-80
Appropriation (total, obligations).....	$3,500,000		

Obligations by Activity

	1977 Estimate Amount	1978 Estimate Amount	1979-80 Amount
White House Conference on Library and Information Services--Salaries and Expenses.....	$1,058	$1,290	$1,152

Obligations by Object

	1977 Estimate	1978 Estimate	1979-80
Total number of positions.....	8	29	10

OBLIGATIONS BY OBJECT CLASS AND PROGRAM ACTIVITY

	FY 1977	FY 1978	FY 1979-80
Object class 11 - Personnel compensation	257	379	178
Object class 12 - Benefits	16	34	23
Object class 21 - Travel			
Staff travel*	20	30	20
Advisory board meetings	8	16	8
Regional planning meetings	25	12	12
National conference	-	-	288
Subtotal	53	58	328
Object class 22 - Transportation			
General administrative support*	5	10	10
National conference	-	-	20
Subtotal	5	10	30
Object class 23 - Rent, Communications and Utilities			
Conference space - Admin. staff*	52	52	52
Communications (phone, telegraph, etc.)	12	12	12
Utilities (gas, light, heat, etc.)	12	12	12
Specialized equipment rental	12	12	12
National conference	-	-	100
Subtotal	88	88	188
Object class 24 - Printing and Reproduction			
State conference support	49	50	-
National conference	-	-	10
Printing of final report	-	-	50
Subtotal	49	50	60

* General administrative costs in support of state and national conferences--cannot be allocated by activity at this time.

OBLIGATIONS BY OBJECT CLASS AND
PROGRAM ACTIVITY (Continued)

	FY 1977	FY 1978	FY 1979-80
Object class 25 - Other Services			
General Admin.*	10	20	40
Computer services - Mailings, name lists, etc.	20	35	35
Contracts (state support)	10	25	30
National conference	-	-	175
Consultants (contract)	-	10	25
Subtotal	40	90	305
Object class 26 - Supplies and Materials			
General Administrative*	5	10	10
State conference support	5	20	5
National conference	-	-	5
Subtotal	10	30	20
Object class 31 - Equipment			
General Administrative*	10	10	10
State conference support	10	20	-
National Conference	-	-	10
Subtotal	20	30	20
Object class 41 - Grants			
State conference support	520	520	-
Total by fiscal year	$1,058	$1,290	$1,152

GRAND TOTAL - $3,500

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* General administrative costs in support of state and national conferences--cannot be allocated by activity at this time.

Authorizing Legislation

	1977	
	Authorized	Appropriation Requested
Legislation		
White House Conference on Library and Information Services (Public Law 93-568).....	$3,500,000	$3,500,000

APPENDIX A

WHITE HOUSE CONFERENCE
ON
LIBRARY AND INFORMATION SERVICES

Personnel Compensation and Benefits Estimate
July 1977 through May 1980

(in thousands)

	GS	Phase I Planning #	$	Phase II Conferences #	$	Phase III Closeout #	$
Conference Coordinator	15	1	15	1	55	1	16
Administrative/Operations Group							
Operations Officer (Budget)	15	1	15	1	55	1	16
Administrative Assistant	11	1	8	1	33	1	9
Accountant	11	-	-	1	45	1	9
Secretary and messenger	5	1	4	2	33	2	9
Subtotal		3	27	5	166	5	43
Logistics Group							
Logistics Officer	12	1	9	1	35	-	-
General Services Specialists (trans., housing)	11	-	-	2	62	-	-
Travel Officer	9	-	-	1	25	1	8
Travel Clerks	5	-	-	2	10*	-	-
Subtotal		1	9	9	132	1	8
Conference Planning Group							
Chief Planning Officer	15	1	15	1	55	1	16
Assistant Planning Officer	13	1	11	1	45	1	12
Planning Specialists	12	-	-	4	137	2	-
Consultants	-	-	-	5	10	-	-
Secretary	5	1	4	2	35	1	5
Subtotal		3	30	14	282	3	33
Subtotal		8	79	29	635	10	100
Plus benefits @9%		-	7	-	57	-	9
TOTAL		8	86	29	692	10	109

GRAND TOTAL - $887

* Employed only four months during Phase II and two months in Phase III

Note:

Phase I - Six month initial planning period -- July 1977 - December 1977.

Phase II - Twenty-one month period (January 1978 - September 1979) to hold 58 State and territorial conferences plus the national conference in Washington, D.C. (States must complete conferences by March 1979.)

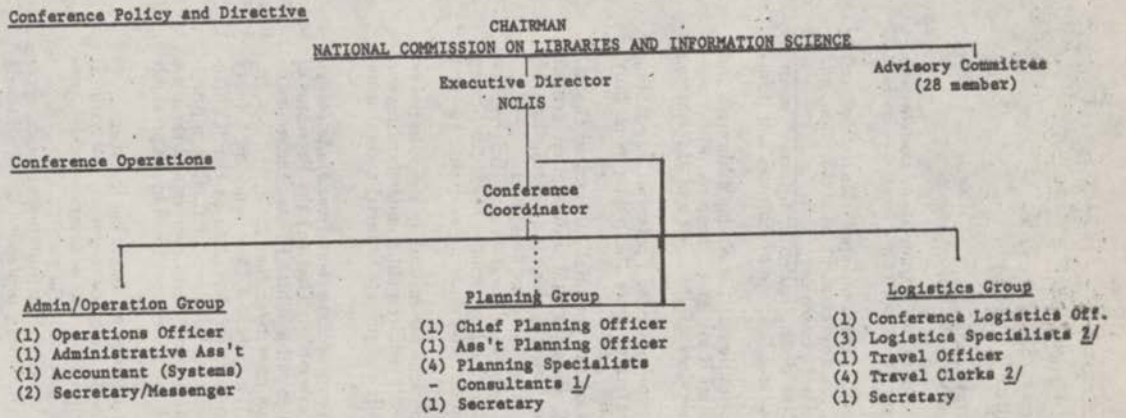
Phase III - Eight month conference follow-up period --October 1979 - May 1980.

Average Grade - Permanent Core Staff:

Four year average 8.7

APPENDIX B

STAFFING



1/ Short term 30-90 day consultants. No more than three on board at any given time.

2/ Would only be acquired during the four months prior to the national conference.

APPENDIX C

Public Law 93-568
93rd Congress, S. J. Res. 40
December 31, 1974

Joint Resolution

To authorize and request the President to call a White House Conference on Library and Information Services not later than 1978, and for other purposes.

Whereas access to information and ideas is indispensable to the development of human potential, the advancement of civilization, and the continuance of enlightened self-government; and 88 STAT. 1855

Whereas the preservation and the dissemination of information and ideas are the primary purpose and function of libraries and information centers; and 88 STAT. 1856

Whereas the growth and augmentation of the Nation's libraries and information centers are essential if all Americans are to have reasonable access to adequate services of libraries and information centers; and

Whereas new achievements in technology offer a potential for enabling libraries and information centers to serve the public more fully, expeditiously, and economically; and

Whereas maximum realization of the potential inherent in the use of advanced technology by libraries and information centers requires cooperation through planning for, and coordination of, the services of libraries and information centers; and

Whereas the National Commission on Libraries and Information Science is developing plans for meeting national needs for library and information services and for coordinating activities to meet those needs; and

Whereas productive recommendations for expanding access to libraries and information services will require public understanding and support as well as that of public and private libraries and information centers: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the President of the United States is authorized to call a White House Conference on Library and Information Services not later than 1978.

White House Conference on Library and Information Services. Authorization.

(b)(1) The purpose of the White House Conference on Library and Information Services (hereinafter referred to as the "Conference") shall be to develop recommendations for the further improvement of the Nation's libraries and information centers and their use by the public, in accordance with the policies set forth in the preamble to this joint resolution.

(2) The Conference shall be composed of, and bring together—

(A) representatives of local, statewide, regional, and national institutions, agencies, organizations, and associations which provide library and information services to the public;

(B) representatives of educational institutions, agencies, organizations, and associations (including professional and scholarly associations for the advancement of education and research);

(C) persons with special knowledge of, and special competence in, technology as it may be used for the improvement of library and information services; and

(D) representatives of Federal, State, and local governments, professional and lay people, and other members of the general public.

(c)(1) The Conference shall be planned and conducted under the direction of the National Commission on Libraries and Information Science (hereinafter referred to as the "Commission").

(2) In administering this joint resolution, the Commission shall—

(A) when appropriate, request the cooperation and assistance of other Federal departments and agencies in order to carry out its responsibilities;

(B) make technical and financial assistance (by grant, contract, or otherwise) available to the States to enable them to organize and conduct conferences and other meetings in order to prepare for the Conference; and

(C) prepare and make available background materials for the use of delegates to the Conference and associated State conferences, and prepare and distribute such reports of the Conference and associated State conferences as may be appropriate.

(3)(A) Each Federal department and agency is authorized and directed to cooperate with, and provide assistance to, the Commission upon its request under clause (A) of paragraph (2). For that purpose, each Federal department and agency is authorized to provide personnel to the Commission. The Commission shall be deemed to be a part of any executive or military department of which a request is made under clause (A) of paragraph (2).

(B) The Librarian of Congress is authorized to detail personnel to the Commission, upon request, to enable the Commission to carry out its functions under this joint resolution.

(4) In carrying out the provisions of this joint resolution, the Commission is authorized to engage such personnel as may be necessary, without regard for the provisions of title 5, United States Code, governing appointments in the competitive civil service, and without regard for chapter 51, and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

5 USC 101 et seq.
5 USC 5101, 5301.

(5) The Commission is authorized to publish and distribute for the Conference the reports authorized under this joint resolution.

Travel expenses, per diem.

(6) Members of the Conference may, while away from their homes or regular places of business and attending the Conference, be allowed travel expenses, including per diem in lieu of subsistence, as may be allowed under section 5703 of title 5, United States Code, for persons serving without pay. Such expenses may be paid by way of advances, reimbursement, or in installments as the Commission may determine.

Report to President, transmittal to Congress.

(d) A final report of the Conference, containing such findings and recommendations as may be made by the Conference, shall be submitted to the President not later than one hundred and twenty days following the close of the Conference, which final report shall be made public and, within ninety days after its receipt by the President, transmitted to the Congress together with a statement of the President containing the President's recommendations with respect to such report.

Advisory committee, establishment.

(e)(1) There is hereby established a twenty-eight member advisory committee of the Conference composed of (A) at least three members of the Commission designated by the Chairman thereof; (B) five persons designated by the Speaker of the House of Representatives with no more than three being members of the House of Representatives; (C) five persons designated by the President pro tempore of the Senate with no more than three being members of the Senate; and (D) not more than fifteen persons appointed by the President. Such advisory committee shall assist and advise the Commission in planning and conducting the Conference. The Chairman of the Commission shall serve as Chairman of the Conference.

(2) The Chairman of the Commission is authorized, in his discretion, to establish, prescribe functions for, and appoint members to, such advisory and technical committees as may be necessary to assist and advise the Conference in carrying out its functions.

(3) Members of any committee established under this subsection who are not regular full-time officers or employees of the United States shall, while attending to the business of the Conference, be entitled to receive compensation therefor at a rate fixed by the President but not exceeding the rate of pay specified at the time of such service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime. Such members may, while away from their homes or regular places of business, be allowed travel expenses, including per diem in lieu of subsistence, as may be authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. Compensation. 5 USC 5332 note.

(f) The Commission shall have authority to accept, on behalf of the Conference, in the name of the United States, grants, gifts, or bequests of money for immediate disbursement by the Commission in furtherance of the Conference. Such grants, gifts, or bequests offered the Commission, shall be paid by the donor or his representative to the Treasurer of the United States, whose receipts shall be their acquittance. The Treasurer of the United States shall enter such grants, gifts, and bequests in a special account to the credit of the Commission for the purposes of this joint resolution.

(g) For the purpose of this joint resolution, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands. "State."

(h) There are authorized to be appropriated without fiscal year limitations such sums, but not to exceed $3,500,000, as may be necessary to carry out this joint resolution. Such sums shall remain available for obligation until expended. Appropriation.

Approved December 31, 1974.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 93-1056 (Comm. on Education and Labor) and
No. 93-1619 (Comm. of Conference).
SENATE REPORTS: No. 93-521 (Comm. on Labor and Public Welfare) and
No. 93-1409 (Comm. of Conference).
CONGRESSIONAL RECORD:
Vol. 119 (1973): Nov. 20, considered and passed Senate.
Vol. 120 (1974): Dec. 12, considered and passed House, amended.
Dec. 13, Senate concurred in House amendment with an amendment.
Dec. 16, Senate reconsidered and concurred in House amendment with an amendment.
Dec. 19, House and Senate agreed to conference report.

APPENDIX D

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

ADVISORY COMMITTEE

John H. M. Chen
Dean of Libraries and Learning Resources
Alabama State University
Montgomery, Alabama 36101

Walter W. Curley
President
Gaylord Brothers, Inc.
Liverpool, New York 13088

Ann Heidbreder Eastman
Director of Admissions
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Pittsburgh, Pennsylvania 15232

Oscar E. Everhart
Librarian
Miami Beach Public Library
Miami Beach, Florida 33139

The Honorable William D. Ford
U. S. Representative from Michigan
Washington, D. C. 20515

Mirian G. Gallagher
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Oklahoma Department of Libraries
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Alice Ihrig
Member, American Library Association Executive Board, Library Consultant
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The Honorable Jacob K. Javits
U. S. Senator from New York
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Iowa Commission for the Blind
President of the National Federation for the Blind
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Mr. Louis A. Lerner
Publisher
Lerner Home Newspapers
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Michael Arthur McCarroll
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Samuel Jackson Martz
Chairman of the Board
Memorial Bibles International, Inc. and Chairman of World Records, Inc.
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President
J. C. Redd Pest Control
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Elizabeth F. Ruffner
Chairman
City-County Library Advisory Board
Prescott Public Library
Prescott, Arizona 86301

Gene Shalit
Panelist on NBC's Today Show
New York, New York 10020

John T. Short
Past President
American Library Trustee Association
Avon, Connecticut 06001

Joseph F. Shubert
Librarian
The State of Ohio
Columbus, Ohio 43215

Jeanne Hurley Simon
Former Legislator, Illinois General Assembly
Potomac, Maryland 20854

Mr. John E. Velde, Jr.
Businessman, Formerly Library Trustee
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Margaret Warden
State Senator and Library Trustee
Great Falls Public Library
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Martha S. Williams
Communication Arts
Foch Middle School
Board of Education
Detroit, Michigan 48203

Viginia Young
Chairman
Missouri Coordinating Board for Higher Education
Columbia, Missouri 65201

Dr. Frederick Burkhardt, Chairman
Presient-Emeritus
American Council of Learned Societies and Chairman, National Commission on Libraries and Information Science
Bennington, Vermont 05201

Public Law 93-568 specifies that the National Commission on Libraries and Information Science will plan and conduct the White House Conference, and a 28-member advisory committee is to be appointed to assist the Commission. The advisory committee is to be composed of:

-- five persons appointed by the President Pro Tempore of the Senate;
-- five persons appointed by the Speaker of the House;
-- at least three members of the National Commission, appointed by the Chairman; and
-- no more than 15 persons appointed by the President of the United States.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

Fiscal Year 1978

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

For necessary expenses of the National Commission on Libraries and Information Science, established by the Act of July 20, 1970 (Public Law 91-345), /$508,000/ $563,000.

January 1977

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

Program Purpose and Accomplishments

1977		1978		
			Budget	Estimate
Pos.	Amount	Authorization	Pos.	Amount
8	$508,000	$750,000	9	$563,000

Purpose: The National Commission on Libraries and Information Science (NCLIS), a permanent, independent agency in the Executive Branch, is charged in Public Law 91-345 with the responsibility for advising the President and the Congress on the development and implementation of national policy, developing overall plans for meeting national library and information needs, and coordinating activities at the Federal, state and local levels in meeting those needs.

Explanation: In order to fulfill this responsibility, NCLIS is authorized and directed to: appraise the adequacies and deficiencies of current library and information resources and services; evaluate the effectiveness of current library and information science programs; conduct studies, surveys and analyses of library and informational needs and the means for fulfilling them; and promote research and development activities which will extend and improve the nation's library and information-handling capability. Based on extensive hearings, research, review, and analysis, the Commission developed an overall program for meeting the library and information needs of the nation. With the official adoption and publication of this document, "Toward a National Program for Library and Information Services: Goals

for Action," the Commission, in fulfilling its continuing responsibility, shifted its emphasis to implementation, seeking to acquire and develop the information and experience needed to prepare specific recommendations for cooperative implementation of this program by individual libraries, local, state and regional library and information systems, and by the Executive and Legislative Branches of the Federal Government. In this effort, NCLIS is using studies, task forces, conferences, pilot projects and cooperative ventures with other government agencies, professional associations and other agencies in both the public and private sector.

Accomplishments in 1977: The early months of 1977 saw several efforts which had been initiated in 1976 come to fruition. Among these are a report on the impact of Federal funding programs on public libraries, in which several Congressional leaders, including Representative Brademas, have expressed a strong interest; a National Inventory of Library Needs, 1975, which gives an updated and more complete picture of the status of the resources available with respect to the resources needed; and a report of a study on the near-term role of the Library of Congress in the emerging National Program. These reports are now being evaluated by the Commission. It is expected that the impact study will provide a basis for recommendations for amending current Federal library support legislation and form the basis for the development of new legislation. The inventory will be of great value to the states in their conferences preceding the White House Conference; and the Library of Congress study will help the LC establish its priorities in meeting its role as a national library, as defined in the Commission's National Program Document.

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It will also help the LC and the Commission in integrating their program and planning and assure close coordination.

The Commission has also held the first of several planned management institutes for Chief Officers of State Library Agencies and their principal staffs. These institutes are designed to update state agency personnel on the latest management techniques, such as planning, evaluation, benefit cost budgeting, etc., the use of new technology, and the integration of their state programs into the National Program. Reports are expected shortly from the Task Force on a National Periodicals System, which will recommend means for providing effective access to articles from scholarly journals; and from a study of the LC authority files, which is expected to define their functions in the national system, establish requirements and propose an overall design for maximum effectiveness. Several new efforts have been initiated in the areas of: library services for Native Americans; bibliographic control of nonprint media; the role of the school library/media center in the National Program; and the interface between the public and private sectors. Ongoing projects from 1976 which will be completed toward the end of 1977 or early 1978 include a study of the volume and patterns of library photocopying and a task force on the development of computer-to-computer protocols for communicating bibliographic information among different systems. The Commission continues its support of the Committee for Coordination of Bibliographic Control, the Continuing Library Education Network and Exchange (CLENE), and also continues its efforts to improve communication links with other government agencies at the Federal, state and local levels, as well as with professional associations in the library/information community.

Current Objectives for Fiscal Year 1978: To date, the Commission's legislative actions have been largely confined to testifying before the appropriate Committees of Congress on legislation pertaining to libraries and to recommendations for revisions to existing legislation or implementing regulations. In 1978, it is anticipated that the Commission will be preparing major legislative proposals, based on the impact study and the National Inventory just completed. Discussions with the Library of Congress, begun in 1977, on its role as manager and coordinator of the National Periodicals Program are expected to lead to the first steps toward implementation of that system during 1978. The reports of the studies of photocopying and bibliographic control of nonprint media which will be received in late 1977 or early 1978 will be analyzed and appropriate action will be taken to acquire additional information or begin implementing the recommendations. Similarly, the reports of the task forces on computer-to-computer protocols, library services for Native Americans, school library/media centers, and the public/private interface will almost certainly produce recommendations for action which the Commission will be examining or even taking action on in 1978.

With the revised Copyright Law going into effect on January 1, 1978, the Commission will be closely monitoring its impact on library sharing and networking activities, as well as journal publishing. The 1977 photocopy study will provide a base against which changes in these patterns can be compared.

A review of the status and effectiveness of the computerized library programs already in operation at the state and regional levels, such as the Library of Congress, the Ohio College Library Center, Stanford's Ballots system, and the Washington State Library's automated bibliographic system will be undertaken.

Attention will also be given to reexamining the National Program and revising it as necessary to incorporate the results of information developed since the initial publication, effects of new technology, and changes in the various environments in which the National Program must function.

Another area of importance is the analysis of the present Federal structure vis-a-vis the library and information services responsibility. This will include an analysis of what can be done by existing agencies under present laws and funding levels; determination of the assignment of responsibility for the national network concepts; and a continuing dialogue on the appropriate roles of local, state, and Federal Governments toward implementing an effective and benefit cost-shared national library and information services network.

The Commission, by Public Law 93-568, is responsible for directing the planning of the state and territorial conferences to ensure that the recommendations of the public become an essential concern for the White House Conference on Library and Information Services. The state conferences will require each of the states to evaluate their own library programs and to engage in systematic statewide planning in order to be able to bring

to the White House Conference on Library and Information Services coherent suggestions with respect to the Federal, state and local roles in providing and financing effective library and information services.

Justification

Salaries and Expenses

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and Benefits.....	8	$312,000 1/	9	$338,000	+1	+$26,000
Other Expenses.....	-	196,000	-	225,000	-	+29,000
Total.....	8	$508,000 1/	9	$563,000	+1	+$55,000

1/ Includes $15,000 in FY 1977 supplemental for October 1976 civilian pay raise.

General Statement

To operate the National Commission on Libraries and Information Science $563,000 and a total of nine positions are requested. These sums represent an increase in FY 1978 of $55,000 in obligational authority and one person for secretarial support.

The budget provides for salaries and expenses for Commissioners and staff and for the expenses of Commission meetings and activities. These activities include Commission committee meetings, research studies and projects, and the preparation of reports and publications, as well as implementation activities such as the assembly and direction of task forces, cooperative efforts with other governmental agencies and professional and private institutions, support of pilot studies, monitoring technological, procedural and administrative developments and changes affecting library and information services and maintaining continued liaison with the professional, industrial, academic, user, and governmental communities to maintain mutual awareness and understanding of progress and goals.

Because of the complexity and magnitude of the Commission's task, regular and sustained policy planning sessions are needed. With a limited professional and clerical staff, the need for an active working Commission is essential.

As stated in the enabling legislation (Public Law 91-345), Sec. 5(a)(2), the Commission, in carrying out its responsibilities, shall "conduct studies, surveys and analyses of the library and informational needs of rural areas and of economically, socially or culturally deprived persons and the means by which these needs may be met through the libraries of elementary and secondary schools and institutions of higher education and through public, research, special and other types of libraries."

The Commission's continuing legal responsibility is to work toward ways and means of implementing the goals and objectives expressed in its official National Program Document, "Toward a National Program for Library and Information Services: Goals for Action." The National Program was adopted, published and submitted to the President and the Congress in the fall of 1975. The following list provides some examples of the activities which must be undertaken. Since budgetary constraints preclude significant actions in all of these areas, the Commission will consider them within the framework of accomplishments in fiscal year 1976, the fiscal year 1977 authorization, and the needs of the library and information science communities in order to assign realistic priorities on a continuous evaluation and planning mode.

Nonprint Media Resources and Needs--To measure the needs nationwide for access to nonprint media and the resources available to meet those needs, and to develop the functional and technical specifications required for a system to accommodate these needs.

Standards Required for a National Network--Working with the National Bureau of Standards, the Federal Communications Commission and the Library of Congress in identifying areas where standards required are inadequate or nonexistent (e.g., computer hardware and software, telecommunications codes and hardware, micrographics, etc.), and development of a categorized list of needed standards projects.

National Bibliographic Control--Exploration of the principal components necessary for developing national bibliographic control. These components include unique identification of items of recorded information in various media (book, tape, disc, reel, film, etc.); mechanisms necessary to provide intellectual access to each such item of information; and the standardization necessary to make meaningful communication possible among those that provide information, those who process and store it, and those who use it. National Bibliographic Control does not imply control of the content or dissemination of information, but only concerns those elements described above.

Federal Library Network Study--To determine the extent to which the 2,000 plus Federal libraries can become a cooperative network and develop an implementation plan.

Bibliographic System--A study of core and national bibliographic systems and their relations to the Library of Congress' Machine Readable Cataloging (MARC) system.

Expansion of Capacity for Producing a National Bibliographic Data Base--To explore means of certifying bibliographic records produced by other institutions for inclusion in the Library of Congress' MARC data base so as to accelerate its growth.

Manpower and Educational Program Needs (1978 through 1985)--To determine the manpower needs in the context of a national network over the next decade and the educational programs and resources required to provide both basic and continuing education to meet those needs.

Non-MARC Records--Study of the problems of using non-MARC records in a national system, including an analysis of the Library of Congress' Comarc Project.

Exploration of Federal/State Funding Formulas--To develop intergovernmental funding formulas for incorporation in revised or new legislation to promote more even development of resources and encourage intrastate networking.

Needs Assessment and Requests for Correction by Special Constituencies--Using the American Indian problem as an example, develop procedures for special constituencies to determine their needs and request special assistance.

The Public/Private Interface in Library and Information Service--To clarify the respective roles of the public and private sectors in the area of information policy, creation and distribution within the context of the National Program, and develop specific legislative language spelling out the optimum relationships.

Monographic Resource Centers--To develop specific implementation plans for providing access to books and monographs.

National Periodicals Center--To work with the Library of Congress in the design, development and beginning operation of a dedicated periodical center which represents the core level of a national periodicals system.

To accomplish the functions set forth in Sec. 5(a)(3) and (4) of Public Law 91-345, to "appraise the adequacies and deficiencies of current library information resources and services and evaluate the effectiveness of current library and information science programs" and to "develop overall plans for meeting national library and informational needs and for the coordination of activities at the Federal, state and local levels, taking into consideration all of the library and information resources of the nation to meet those needs," the suggested studies above, as well as many others, are essential.

Developing and maintaining close and effective working relationships with Federal agencies that have library and information programs, including such agencies as the National Science Foundation, National Endowment for the Humanities, National Library of Medicine, Domestic Council's Committee on Privacy, Office of Education's Bureau of Libraries and Learning Resources, Library of Congress, etc.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

Amounts Available for Obligation

	1977	1978
Appropriation (total, obligations)	$508,000	$563,000

Obligations by Activity

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
National Commission on Libraries and Information Science--Salaries & Expenses	8	$508,000	9	$563,000	+1	$55,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	8	9	+1
Full-time equivalent of all other positions	3	3	-
Average number of all employees	11	12	+1
Personnel compensation:			
Permanent positions	$204,000	$220,000	+$16,000
Positions other than permanent	85,000	93,000	+8,000
Subtotal, personnel compensation	289,000	313,000	+24,000
Personnel benefits	23,000	25,000	+2,000
Travel and transportation of persons	65,000	70,000	+5,000
Standard level user charges	21,000	24,000	+3,000
Other rent, communications, and utilities	23,000	26,000	+3,000
Printing and reproduction	40,000	45,000	+5,000
Other services	40,000	51,000	+11,000
Supplies and materials	6,000	8,000	+2,000
Equipment	1,000	1,000	-
Total, obligations by Object	$508,000	$563,000	$+55,000

Summary of Changes

1977 Estimated Obligations.....$508,000

1978 Estimated Obligations..... 563,000

Net Change.....+$55,000

	Base 1977	Change From Base
Increases:		
A. Built-in:		
1. Within-grade increases.....		+$4,093
2. Increase in benefits (permanent staff).....	$23,000	+2,000
B. Program:		
1. Increase in permanent personnel		+11,907
2. Increased activity of personnel other than permanent (Commissioners)		+8,000
3. Travel and transportation of persons..	65,000	+5,000
4. Standard level user charges.....	21,000	+3,000
5. Other rent, communications and utilities.....	23,000	+3,000
6. Printing and reproduction.....	40,000	+5,000
7. Other services.....	40,000	+11,000
8. Materials and supplies.....	6,000	+2,000
Total, net change		+$55,000

Explanation of Change

Increases:

A. Built-in:

1. The increase of $4,093 will provide for personnel scheduled to receive within-grade increments.

2. The increase of $2,000 will provide for mandated increases in personnel benefits and for benefits for new staff.

B. Program:

1. The increase of $11,907 will be required to pay salary for an additional secretarial support position.

2. The reevaluation and revision of the National Program Document and increased participation on task forces and advisory committees will require more workdays for Commissioners.

3. Increased activity of Commissioners and task forces.

4. Additional space for meetings and additional staff.

5. Increased cost of communications and utilities, including postage, telephone, machine rentals, photocopying, etc.

6. Increased costs of printing and increased publication of reports of studies and task forces.

7. Increased support of task forces and pilot project(s).

8. Increased activity and increased costs of materials.

Authorizing Legislation

	1978	
	Authorized	Appropriation Requested
Legislation		
National Commission on Libraries and Information Science Act (Public Law 91-345).....	$750,000	$563,000

Public Law 91-345
91st Congress, S. 1519
July 20, 1970
As amended by Public Law 93-29, Section 802, May 3, 1973

An Act

To establish a National Commission on Libraries and Information Science and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Commission on Libraries and Information Science Act". National Commission on Libraries and Information Science Act.

STATEMENT OF POLICY

SEC. 2. The Congress hereby affirms that library and information services adequate to meet the needs of the people of the United States are essential to achieve national goals and to utilize most effectively the Nation's educational resources and that the Federal Government will cooperate with State and local governments and public and private agencies in assuring optimum provision of such services.

COMMISSION ESTABLISHED

SEC. 3. (a) There is hereby established as an independent agency within the executive branch, a National Commission on Libraries and Information Science (hereinafter referred to as the "Commission").

(b) The Department of Health, Education, and Welfare shall provide the Commission with necessary administrative services (including those related to budgeting, accounting, financial reporting, personnel, and procurement) for which payment shall be made in advance, or by reimbursement, from funds of the Commission and such amounts as may be agreed upon by the Commission and the Secretary of Health, Education, and Welfare.

84 STAT. 440
84 STAT. 441

CONTRIBUTIONS

SEC. 4. The Commission shall have authority to accept in the name of the United States grants, gifts, or bequests of money for immediate disbursement in furtherance of the functions of the Commission. Such grants, gifts, or bequests, after acceptance by the Commission, shall be paid by the donor or his representative to the Treasurer of the United States whose receipts shall be their acquittance. The Treasurer of the United States shall enter them in a special account to the credit of the Commission for the purposes in each case specified.

FUNCTIONS

SEC. 5. (a) The Commission shall have the primary responsibility for developing or recommending overall plans for, and advising the appropriate governments and agencies on, the policy set forth in section 2. In carrying out that responsibility, the Commission shall—

(1) advise the President and the Congress on the implementation of national policy by such statements, presentations, and reports as it deems appropriate; Advice to President and Congress.

(2) conduct studies, surveys, and analyses of the library and informational needs of the Nation, including the special library and informational needs of rural areas, of economically, socially, or culturally deprived persons, and of elderly persons, and the means by which these needs may be met through information centers, through the libraries of elementary and secondary schools and institutions of higher education, and through public, research, special, and other types of libraries; Studies, surveys, etc.

(5) appraise the adequacies and deficiencies of current library and information resources and services and evaluate the effectiveness of current library and information science programs;

(4) develop overall plans for meeting national library and informational needs and for the coordination of activities at the Federal, State, and local levels, taking into consideration all of the library and informational resources of the Nation to meet those needs;

(5) be authorized to advise Federal, State, local, and private agencies regarding library and information sciences;

(6) promote research and development activities which will extend and improve the Nation's library and information-handling capability as essential links in the national communications networks;

Report to President and Congress.

(7) submit to the President and the Congress (not later than January 31 of each year) a report on its activities during the preceding fiscal year; and

(8) make and publish such additional reports as it deems to be necessary, including, but not limited to, reports of consultants, transcripts of testimony, summary reports, and reports of other Commission findings, studies, and recommendations.

Contract authority.

(b) The Commission is authorized to contract with Federal agencies and other public and private agencies to carry out any of its functions under subsection (a) and to publish and disseminate such reports, findings, studies, and records as it deems appropriate.

Hearings.

(c) The Commission is further authorized to conduct such hearings at such times and places as it deems appropriate for carrying out the purposes of this Act.

(d) The heads of all Federal agencies are, to the extent not prohibited by law, directed to cooperate with the Commission in carrying out the purposes of this Act.

84 STAT. 441

84 STAT. 442

MEMBERSHIP

Appointments by President.

SEC. 6. (a) The Commission shall be composed of the Librarian of Congress and fourteen members appointed by the President by and with the advice and consent of the Senate. Five members of the Commission shall be professional librarians or information specialists, and the remainder shall be persons having special competence or interest in the needs of our society for library and information services, at least one of whom shall be knowledgeable with respect to the technological aspects of library and information services and sciences, and at least one other of whom shall be knowledgeable with respect to the library and information service and science needs of the elderly. One of the members of the Commission shall be designated by the President as Chairman of the Commission. The terms of office of the appointive members of the Commission shall be five years, except that (1) the terms of office of the members first appointed shall commence on the date of enactment of this Act and shall expire two at the end of one year, three at the end of two years, three at the end of three years, three at the end of four years, and three at the end of five years, as designated by the President at the time of appointment, and (2) a member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term.

Terms of office.

Compensation, travel expenses.

(b) Members of the Commission who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Commission or otherwise engaged in the business of the Commission, be entitled to receive compensation at a rate fixed by the Chairman, but not exceeding the rate specified at the time of such

service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service. 35 F.R. 6247. 83 Stat. 190.

(c)(1) The Commission is authorized to appoint, without regard to the provisions of title 5, United States Code, covering appointments in the competitive service, such professional and technical personnel as may be necessary to enable it to carry out its function under this Act. Professional and technical personnel, appointment. 80 Stat. 378.

(2) The Commission may procure, without regard to the civil service or classification laws, temporary and intermittent services of such personnel as is necessary to the extent authorized by section 3109 of title 5, United States Code, but at rates not to exceed the rate specified at the time of such service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are hereby authorized to be appropriated $500,000 for the fiscal year ending June 30, 1970, and $750,000 for the fiscal year ending June 30, 1971, and for each succeeding year, for the purpose of carrying out the provisions of this Act.

Approved July 20, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-240 accompanying H.R. 10556 (Comm. on Education and Labor) and No. 91-1226 (Comm. of Conference).
SENATE REPORT No. 91-195 (Comm. on Labor and Public Welfare).
CONGRESSIONAL RECORD:
Vol. 115 (1969): May 23, considered and passed Senate.
Vol. 116 (1970): April 20, considered and passed House, amended, in lieu of H.R. 10556.
June 29, House agreed to conference report.
July 6, Senate agreed to conference report.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1972 Supplemental	$200,000	1/	$200,000	$200,000
1973	406,000	$406,000	406,000	406,000
1974	406,000	406,000	406,000	406,000
1975	502,000	409,000	409,000	409,000
1976	502,000	409,000	468,000	468,000
1977	517,000	517,000	493,000	493,000
1977 Supplemental	15,000 2/			
1978	563,000			

NOTE: Amounts for prior years reflect comparability with the 1976 estimate.

1/ Not considered by the House.

2/ Requested in fiscal year 1977 supplemental to reflect October 1976 civilian pay raise.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

New Positions Requested

	Grade	Number	Annual Salary	Total Salaries
National Commission on Libraries and Information Science				
Secretary	GS-7	1	$11,907	$11,907
Total new positions		1	$11,907	$11,907

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Dr. Frederick Burkhardt (Chairman)
President-Emeritus
American Council of Learned Societies
Bennington, Vermont

Mr. Joseph Becker
President, Becker and Hayes, Inc.
Los Angeles, California

Mr. Daniel Boorstin (Ex Officio)
The Librarian of Congress
The Library of Congress
Washington, D.C.

Mr. Daniel W. Casey
Past President
American Library Trustee Association
Syracuse, New York

Dr. Carlos A. Cuadra, Manager
Education and Library Systems
System Development Corporation
Santa Monica, California

Dr. Martin Goland, President
Southwest Research Institute
San Antonio, Texas

Mr. Louis A. Lerner
Publisher
Lerner Home Newspapers
Chicago, Illinois

Mrs. Marian P. Leith
Assistant Director and
Federal Programs Director
Division of State Library
Raleigh, North Carolina

Mrs. Bessie B. Moore (Vice Chairman)
Coordinator of Economic and
Environmental Education
State Department of Education
Little Rock, Arkansas

Mr. Ralph A. Renick
Vice President/News Director
WTVJ
Miami, Florida

Mr. John E. Velde, Jr.
2008 La Brea Terrace
Hollywood, California

Mrs. Mildred E. Younger
Member, Board of Directors
Los Angeles Library Association
Los Angeles, California

Mrs. Julia Li Wu
Head Librarian
Virgil Junior High School
Los Angeles, California

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