366

ECONOMY IN GOVERNMENT

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BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETIETH CONGRESS

FIRST SESSION

PART 2

Supplementary Materials

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CONTENTS

APPENDIX I

Questions and answers: Page
- General Accounting Office 257
- Department of Defense 259
  - Relationship of Norfolk and Oakland NSC's to DSA and GSA 266
  - GAO report pending 266
  - Extent of short-shelf-life item disposal 267
  - Program under Budget Circular A-76 268
  - Naval Academy dairy 269
- General Services Administration 270
  - Questions from Chairman William Proxmire to GSA 271
  - Questions from Representative Martha W. Griffiths to GSA 274
- Bureau of the Budget 281

APPENDIX II

Correspondence relating to Buy American Act:
- R. J. Velepec Company, Inc., Rochester, N.Y 288
- Upson Bros., Inc., Rochester, N.Y 289
- Vlchek Tool Co., Cleveland, Ohio 289
- Dictaphone Corp., Rye, N.Y 290
- Wyatt, Hon. Wendell, Member of Congress, Oregon 292
- Reed & Prince Manufacturing Co., Worcester, Mass 293
- Donohue, Hon. Harold D., Member of Congress, Massachusetts 293
- Conte, Hon. Silvio O., Member of Congress, Massachusetts 294
- Service Tools Institute, New York, N.Y 295
- Lausche, Hon. Frank J., U.S. Senator, Ohio 296
- S-K Wayne Tool Co., Chicago, Ill 297
- Bolton, Hon. Frances P., Member of Congress, Ohio 298
- Milbar Corp., Cleveland, Ohio 298
- Ayres, Hon. William H., Member of Congress, Ohio 299
- Wright Tool & Forge Co., Barberton, Ohio 300
- Morse, Hon. Wayne, U.S. Senator, Oregon 300
- P. & C. Tool Co., Portland, Oregon 300
- Proto Tool Co., Jamestown, N.Y 301
- Pendleton Tool Industries, Inc., Los Angeles, Calif 302
- Langen, Hon. Odin, Member of Congress, Minnesota 303
- Owatonna Tool Co., Owatonna, Minn 303
- Pryor, Hon. David, Member of Congress, Arkansas 304
- Duplex Manufacturing Corp., Fort Smith, Ark 304
- Hutchinson, Hon. Edward, Member of Congress, Michigan 305
- Midwest Tool and Cutlery, Co., Inc., Sturgis, Mich 305

APPENDIX III

Government in business:
- National Retail Merchants Association 306
- Mathias, Hon. Charles McC., Jr., Member of Congress, Maryland 306
- R. D. Marshall & Co., Inc., Albany, N.Y 307

APPENDIX IV

Improved management of Federal real property:
- Materials supplied by Representative Thomas B. Curtis, Missouri, member of the subcommittee 308

APPENDIX V

	Page
Followup action on GAO report on cost of sales of surplus property and disposition of proceeds	311
Letter: Assistant Secretary of Defense, Paul R. Ignatius, to Hon. Elmer B. Staats, Comptroller General	311
Letter: C. M. Bailey, Acting Director, Defense Accounting and Auditing Division, General Accounting Office, to Assistant Secretary Ignatius	313
Letters:	
J. L. Brewer, Jr. (for George W. Bergquist, Deputy Assistant Secretary of Defense) to Representative Curtis	314
Paul H. Riley, Deputy Assistant Secretary of Defense (Supply and Services) to C. M. Bailey	314
J. L. Brewer, Jr., to Representative Curtis	315
Representative Curtis to Elmer Staats	315
Paul H. Riley to C. M. Bailey	315

APPENDIX VI

GAO report on various methods of financing agency programs by the Comptroller General of the United States, May 1967	317

APPENDIX VII

Additional views on procurement of typewriters:	
G. L. Snider, director of Federal marketing, Royal Typewriter Co., Inc., to Chairman Proxmire	401
Lawson B. Knott, Jr., Administrator, GSA, to Chairman Proxmire	403

APPENDIX VIII

Executive program to improve management of automatic data processing equipment (ADPE):	
Letter: Budget Director Charles L. Schultze, to GSA Administrator Lawson B. Knott, Jr.	404
Policy guidance to the General Services Administration in the implementation of Public Law 89–306	404
Letter: Budget Director Charles L. Schultze to GSA Administrator Lawson B. Knott, Jr.	407
Letter: Phillip S. Hughes, Acting Director, Bureau of the Budget, to Hon. John T. Connor, Secretary of Commerce	407
Policy guidance to the Department of Commerce (National Bureau of Standards) in the implementation of Public Law 89–306	408
White House memorandum for heads of departments and agencies, June 28, 1966	410
Bureau of the Budget progress report on use and management of electronic computers	413
Bureau of the Budget Circular No. A–83	415
Bureau of the Budget: ADP management information system, attachments	418

ECONOMY IN GOVERNMENT—SUPPLEMENTARY MATERIALS

Appendix I

QUESTIONS AND ANSWERS

(The following letter was sent to Comptroller General Staats subsequent to the hearings which concluded May 16, 1967:)

MAY 23, 1967.

Hon. ELMER B. STAATS,
Comptroller General of the United States,
Washington, D.C.

DEAR MR. STAATS: At the conclusion of the hearings of the Subcommittee on Economy in Government of the Joint Economic Committee on May 16, 1967, permission was granted to the members to submit additional questions to the witnesses so the answers might be placed in the official printed hearings.

The following questions have been directed to your agency. May we have the answers for the record by May 31, 1967.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

QUESTIONS FOR GENERAL ACCOUNTING OFFICE

From: Chairman William Proxmire.

During field investigations, staff noted that the DCAS is having difficulty with discount vouchers. Some companies state "½% discount-10 days" on invoices which causes DCAS in some cases to spend what seems to be excessive overtime pay to try to meet this condition. Could GAO work with DCAS on this to arrive at a practical solution?

It was also noted that contract administration officials found that the lack of standardization in contract forms and conditions cause excessive work and expense by both the Government and the contractors. Whose responsibility is this?

(Response by Comptroller General Staats to the foregoing follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 2, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government,
Joint Economic Committee.

DEAR MR. CHAIRMAN: Reference is made to your letter dated May 23, 1967, requesting answers to two questions for inclusion in the official printed hearings of the Subcommittee on Economy in Government of the Joint Economic Committee.

The first question is whether the General Accounting Office could work with the Defense Contract Administration Services to arrive at a practical solution relating to excessive overtime costs in trying to pay contractor invoices offering one-half percent discount—10 days. The General Accounting Office will make every effort to assist the Defense Contract Administration Services to resolve this matter.

In our recent report to your Subcommittee on the Survey of the Defense Contract Administration Services (B-161328, May 8, 1967), we noted the need for improvement in the payment of contractors' invoices. We said that there were indications that delays were being experienced in paying invoices and that cash discounts available to the Government were not being taken. We also reported that the Defense Supply Agency's internal auditors planned to complete reviews of cash discounts in all regional offices by the fall of 1967.

We agree that if contractors are specifying minor discounts for short discount periods, efforts by the paying offices to take such discounts may result in unnecessary expenditures being incurred by the Government. It is our position that efforts should be made by the paying offices to take discounts offered by the contractors. However, where discounts are offered for payment of contractors' invoices, the costs incurred by the Government, such as overtime, should be carefully considered so they do not outweigh the benefits of such discounts to the Government.

The Armed Services Procurement Regulation Committee is currently considering various revisions to regulations on the payment of contractors' invoices. One of the revisions concerns the establishment of more realistic discount periods for consideration in bid evaluations. Such revision may reduce the number of minor short period discounts offered by contractors for prompt payment of invoices.

The second question relates to whose responsibility it is to standardize contract forms and conditions so that excessive work and expense by both the Government and contractors may be eliminated.

The Assistant Secretary of Defense (Installations and Logistics), Department of Defense, is responsible for the standardization of Department of Defense contract forms and conditions. Currently, the Armed Services Procurement Committee in his organization is considering requiring that clauses be included in contracts by direct reference to the standard clauses in the Armed Services Procurement Regulation and by using prescribed numbers for each clause. It appears that, if such requirement is provided, it could eliminate the lack of contract uniformity. Standard contract forms and conditions required for Government-wide use are the responsibility of the General Services Administration.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

(The letters which follow were sent by Chairman Proxmire to Secretary Ignatius:)

MAY 17, 1967.

Hon. PAUL R. IGNATIUS,
Assistant Secretary of Defense,
Department of Defense, Washington, D.C.

DEAR MR. SECRETARY: The members of the Subcommittee on Economy in Government has been given permission to submit additional questions to the witnesses who appeared before our Subcommittee on May 8, 9, 10, and 16, 1967. These will be available for distribution within a few days.

It occurs to me that you might wish to make an additional statement for inclusion in the hearings as to your reactions to any reports of the Comptroller General that you feel you or your staff had not reviewed sufficiently before your appearance on May 9.

Should you have such a statement, please submit it within the next week or ten days so we may refer it to the Comptroller General for comments before placing it in the printed hearings.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

MAY 23, 1967.

Hon. PAUL R. IGNATIUS,
Assistant Secretary of Defense,
Installations and Logistics, Washington, D.C.

DEAR MR. IGNATIUS: At the conclusion of the hearings of the Subcommittee on Economy in Government of the Joint Economic Committee on May 16, 1967, permission was granted to the members to submit additional questions to the witnesses so the answers might be placed in the official printed hearings.

The following questions have been directed to your agency. May we have the answers for the record by May 31, 1967.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

QUESTIONS FOR DEPARTMENT OF DEFENSE

From: Chairman William Proxmire.

For some items, the Navy buys wholesale from DSA and GSA, then warehouses the supplies in their facilities at Norfolk and Oakland from where they supply the ships. Could not this overlap be eliminated or reduced?

What was the cost of short-shelf-life material destroyed, or declared surplus by DOD for this fiscal year ending 6/30/66?

Describe the DOD program under A-76 for the current calendar year?

What is the current status of the Navy Dairy farm at Gambrills, Maryland?

(The reply from Assistant Secretary of Defense Ignatius appears below:)

ASSISTANT SECRETARY OF DEFENSE,
(INSTALLATIONS AND LOGISTICS),
Washington, D.C., June 3, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: We appreciate the opportunity provided in your letter of May 17 to comment upon draft reports of the Comptroller General and the other subjects discussed during the recent hearing of your Committee.

The attached material, presented for your consideration and inclusion in the record, is responsive to the questions forwarded with your letter of May 23 and contains our observations on subjects discussed during the hearings.

Sincerely,

PAUL R. IGNATIUS.

SURVEY OF PROCUREMENT OF AERONAUTICAL SPARE PARTS IN THE DEPARTMENT OF DEFENSE

The issues presented in the report on Aeronautical Spare Parts are under study by the Defense Department, and comments will be furnished to GAO in the near future. However, we do wish to comment on the matters raised in the report on our competitive procurement statistics, particularly in the light of the extensive questioning and testimony on this subject. We believe it is essential that this aspect of the report be placed in proper perspective.

The GAO survey pointed out that some negotiated purchases of aeronautical spare parts of $2,500 or more in value were being reported as competitive under circumstances that led the GAO to believe that effective competition in fact was not present. In particular, GAO believed that in instances where only one offer was received, although more than one offerer was solicited, the procurements in question should have been reported as competitive.

We have considered whether or not we should revise our regulations to eliminate from our statistics on competition all instances wherein one bid is actually received, notwithstanding the fact that several companies may have been solicited. In considering the question, we recognized that the rule must apply to procurements placed by formal advertising as well as by negotiation.

Procurement by formal advertising should never be employed in the first place unless a competitive environment exists and there is the likelihood of receipt of competitive proposals. This threat of competition is the controlling factor in the receipt of a competitive price, notwithstanding the receipt in a few instances of only one bid. We do not believe that either the GAO or the Committee would suggest a change in this area. Accordingly, we do not feel it is either necessary or desirable to change our present rules with respect to formal advertising.

In our judgment, the same circumstances are present in the area of competitive negotiation, although, admittedly, the situation is not as clear-cut as in the case of formal advertising. Certainly, for example, if there has been realistic price competition in prior procurements of a military item, the fact that only one offer is received on a subsequent procurement does not render the latter noncompetitive—providing, of course, all competitors were given an opportunity to respond to the Government's solicitation. The critical point is whether a company submits its offer under competitive pressure; that is under the assumption that competitors will respond to the solicitation. This is the basis of our present reporting rule.

The GAO report does not challenge the reporting rule in all contract awards where only one offer is received. Specifically, the GAO recommends that the criteria and the format for reporting negotiated contracts on the basis of price competitiion should be revised. The revision should consider the elimination of the criteria that price competition can be determned solely by the number of companies solicited. The GAO recommends that additional guidance should be provided to contracting officers for evaluating the extent of price competition and the competitive conditions under which contracts are awarded, such as the number and content of responses, the procurement history of the items procured and other relevant information which indicate the conditions of the procurement.

We will undertake a reappraisal of our reporting rules, giving particular attention to the circumstances under negotiated procurement where more than one offerer is solicited but only one offer is received. The Department of Defense is as anxious as the Committee and the GAO to insure that its reported data on competitive procurement is accurate and complete. The views expressed by Committee Members and the report of the GAO have been helpful to us in calling attention to areas that may require changes in present reporting procedures.

The GAO survey at four military installations also reflects that: Some negotiated purchases under $2,500 each were improperly classified as competitive because the system of accumulating and reporting small purchase information authorized these purchases to be recorded as competitive.

The GAO report recommended that competitive and noncompetitive procurements under $2,500 be identified and reported separately in an appropriately revised reporting format.

The accumulation of management statistics for any opertaion involves a choice from among several alternatives. Since 1959 the Department of Defense has followed the practice of reporting all procurements under $2,500 as competitive. We could have treated these small purchase transactions in other ways. For example, all of them could have been reported as noncompetitive. If this had been done, we would have understated the extent of competition actually achieved.

Another alternative would have been to automatically exclude all transactions under $2,500 from the base used to determine the percent of competition. If this alternative had been followed over the past six years, the results would have been as shown in the following table:

Price competition excluding small purchases

[Dollar amounts in millions]

Fiscal year	Published reports including small purchases				Excluding small purchases		
	Total procurement	Price competition		Small purchases	Total procurement	Price competition	
		Amount	Percent			Amount	Percent
1961	$24,703.4	$8,128.9	32.9	$918.7	$23,784.7	$7,210.2	30.3
1962	28,099.0	10,003.2	35.6	1,069.4	27,029.6	8,933.8	33.1
1963	29,032.3	10,763.5	37.1	1,280.3	27,752.0	9,483.2	34.2
1964	28,234.3	11,029.0	39.1	1,337.7	26,896.6	9,691.3	36.1
1965	27,384.6	11,883.9	43.4	1,393.0	25,991.6	10,490.9	40.4
1966	37,228.6	16,538.9	44.4	1,704.9	35,523.7	14,834.0	41.8

The above figures show that the total defense procurement which was price competitive increased by 11.5 percentage points from 1961 to 1966, whether the figures include or exclude small purchases. With small purchases included, the 1961 base figure is 32.9%, with them excluded this base figure is 30.3%. In either case, the change from 1961 to 1966 is an 11.5 percentage point increase, reflecting the great emphasis the Military Departments have placed on increasing competitive procurement.

Still another alternative would have been to invest in the manhours necessary to classify each of the millions of transactions involved in this category as either competitive or noncompetitive. This may have been feasible at some of the large central buying offices such as the inventory control points where the GAO performed its surveys. However, most of the Defense small purchase activity takes place at smaller field buying offices in support of posts, camps and stations. These activities typically purchase commercial-type items from local wholesale and retail outlets. Our regulations are formulated to require these open market purchases to be made in a manner which approximates commercial business practice, seeking competition to the extent that it is necessary and appropriate and, at the same time, minimizing the paperwork burden for ourselves and for the local businessman.

The Defense Department decided that of the several alternatives available to it, the most reasonable one under the circumstances was to report all procurements under $2,500 as competitive. This appeared to be a businesslike course of action and one which, if consistently followed (as has been done) would in no way misrepresent the increase that has occurred in the amount of our procurement placed competitively.

Notwithstanding this, in view of the questions raised by the Committee and the GAO, we will take another look at our reporting procedures. It may well be that we should consider different treatment for purchases of $250 and under, as opposed to those in the $250 to $2,500 category. In the latter category, individual transaction reporting may be administratively feasible, particularly at our larger procurement offices of the type visited by GAO in the course of its survey.

Government-owned property in possession of contractors

We are anxious to make any improvements that may be required in the control over Government-owned property in possession of Defense contractors. Although considerable progress has been made in Department of Defense property management, additional actions are underway. We are addressing ourselves to the immediate problems and also initiating action to obtain some permanent and far-reaching improvements. Four actions are in progress.

First, a Department of Defense Task Group was established to review the GAO report in detail, and to develop a responsive program. The Group will continue surveillance over the implementation of an improved property management program.

Second, we have asked the Military Departments and the Defense Supply Agency to investigate and act on those deficiencies reported by the GAO. Among the matters to be investigated by the Departments and reported to this office are the circumstances surrounding any unauthorized use of industrial plant equipment and the status of recovery actions where money may be due the Government. We will initiate action to recover any monies owed the Government for such unauthorized use.

Third, we are staffing a new Defense Procurement Circular on Property Management. It will focus on improved compliance with existing DoD directives.

Finally, we are publishing some major changes to the Armed Services Procurement Regulation. These changes were developed in cooperation with the GAO to tighten up controls over Government-owned property in possession of Defense contractors. We will continue the close coordination with GAO and close internal surveillance until these problems are solved.

Defense Contract Administration Services

At the time of the hearing we had not had an opportunity to review the GAO's comments of May 1967 regarding Defense Contract Administration Services, Defense Supply Agency. We have now reviewed the report and action is underway to effect improvement in the areas cited. An official response is in preparation. We were very pleased to note that the report recognized the many accomplishments made by the Defense Supply Agency in the very short time that Defense Contract Administration Services has been in operation. Since the report, improvements have continued. The percentage of delinquent contracts and the number of unpaid contractor invoices have been reduced considerably. We intend to continue this type of progress in all areas.

Public Law 87–653

I would like to comment briefly on the DoD implementation of P.L. 87–653—the "Truth in Negotiation Law." As I stated in my testimony, we are of the opinion that we are in compliance with the basic elements of this law. First, we are requiring contractors to submit cost or pricing data necessary to do an effective cost and price analysis. This data is being audited. It is being analyzed by functional specialists and by contracting officers as a basis for negotiating fair and reasonable contract prices, which is the primary purpose of getting this data in the first place. Second, we are requiring and obtaining certificates of cost or pricing data from contractors. Third, we are including clauses in contracts which give us the contractual right to request price adjustments from contractors in cases where it is subsequently determined that they did not furnish accurate, current and complete data.

What the Comptroller General apparently is concerned with, and I am referring to his report, is that our people have not left an adequate descriptive record of exactly what cost or pricing data was reviewed and relied upon. This cost or pricing data is not the contract cost or the contractor's cost estimates. It consists of such items as the contractor's historical cost experience on other contracts, or current quotations from suppliers for this contract, which formed the basis upon which the future costs were estimated. It is not the estimates or the pricing decisions which are at issue. In summary, it appears to me that the issue is not—

whether cost data is being obtained for pricing purposes;

whether this data is being analyzed and used;

whether the contract price is being fairly and reasonably negotiated consistent with the Government interest;

whether the cost and pricing certificates are being obtained; or

whether adjustment clauses are being included in the contract.

These things are being done.

In my opinion, the issue is:

(1) What data is considered adequate for proper implementation of Public Law 87–653 to permit a later judgment as to whether or not action should be initiated against the contractor under the certificate, and

(2) Whether our contracting officers and the Defense contractors have described the underlying data in their file memoranda so that it may be readily identified if and when future questions of reliance upon it are raised.

The documentation that is necessary to show the linkage between the amount and kind of data that was submitted by the contractor and relied upon by the negotiator is necessarily a matter of judgment. Basic source accounting documents are not submitted to substantiate the elements of a contractor's price, such as time cards for direct labor. Negotiation and bargaining takes place on the basis of summary data and price analysis, with audit review of the contractor's detailed accounting records to establish the validity and relevance of the cost elements submitted in the proposal. This environment, not fully understood by many, is set forth in more detail in our letter to the GAO, dated 17 December 1964, which is quoted below.

What constitutes the amount of documentation necessary to permit others later to follow the essential elements of the decision is, and must continue to be, a matter of judgment. It is possible that GAO and DOD are using different standards as to what constitutes adequate documentation. Accordingly, it seems clear that a better understanding is required as to what these standards should be. Toward this end, we intend to hold discussions with the Comptroller General at an early date. We are very desirous of evolving a realistic and practical resolution of this issue.

DECEMBER 17, 1964.

Hon. JOSEPH C. CAMPBELL,
Comptroller General of the United States,
General Accounting Office, Washington, D.C.

DEAR MR. CAMPBELL: Certain recent statements of the General Accounting Office raise a basic question about price negotiation techniques in Defense contracting: Should we negotiate fixed-price type contracts to obtain separate agreements on each individual cost element and profit element that may be involved in the price rather than one agreement on the total contract price? Thus, your report B–118663, submitted to the Congress last June stated "Because the total price negotiated is only as sound and equitable as the individual cost elements that make up the total price, we believe that this case illustrates the need for adequate records evidencing the agreements which were reached by the parties with respect to the elements of the negotiations."

Again, your Defense Accounting and Audit Division's draft report of 3 September 1964 on Contract AF 04 (647)–714, with the Boeing Company, states that the Government's interests are not protected where price negotiation "is concluded on a total price basis and questions on significant elements of cost are unresolved * * *." The implication is that contract prices should always be supported by specific agreements on each "significant" cost element, as though we were negotiating dozens of separate prices rather than a single price. We strongly disagree.

We are convinced that it would often be impossible to negotiate on the basis you suggest and that contract negotiations on a total price basis will, in most cases, far better protect the Government's interests than would insistence on separate agreements on individual cost elements. For reasons that will be shown below, negotiation of a meaningful separate agreement on each significant cost element would often be impractical and almost always be uneconomical. Moreover, contract prices will generally tend to be lower if negotiated on a total price basis, since total price negotiation results in one over-all contingency factor and avoids contractor insistence on a separate contingency allowance for each cost element. Although it is impossible in any particular case to prove absolutely that total price negotiation resulted in a lower price, since there is no way of establishing that a price negotiated on one basis would have been different if it had been negotiated on another basis, it is the judgment of our most able negotiators and—we believe—that of experienced price negotiators and purchasing agents in other agencies and private industry that insistence on separate agreements on individual cost elements would generally lead to significantly higher prices. Not infrequently, contractors have agreed to very substantial over-all reductions in their "last best offers" even though adamant that their cost estimates and projections on each cost element were at rock bottom.

To put the matter in perspective, consider the nature of the negotiation process in pricing fixed-price type contracts where neither adequate price competition nor an established catalog or market price is available and the negotiation must be largely based on cost or pricing data. Insofar as costs are concerned, both the buyer and the seller start from their separate understandings of two things: first, cost experience (i.e., relevant data showing what it has cost in the past to accomplish tasks comparable to the contract work), and second, forecasts of what it should cost to perform the contract, the forecasts generally being based in large part on projections of the relevant cost data in the light of contingencies which may affect future costs. The first is essentially factual and is normally based on the contractor's cost or pricing data, which is required to be current, accurate, and complete. The second is essentially a matter of applying judgment to the possibility of various contingencies occurring and involves recognizing the degree to which these contingencies will be within the control of the buyer, the seller, or neither. The first depends heavily, in most cases, on the contractor's books and accounting records, which reflect past costs by individual cost elements; whether the books and records accurately reflect costs in a way that will not mislead is the proper concern of accountants and auditors. The second depends not only on cost trends and projections based on past costs, which again are of concern to accounts and auditors, but also on assessments of how risks should best be distributed between seller and buyer, how much potential there is for reducing costs by controlling contingencies, and how pricing can best be used to exploit this potential—assessments that call for judgments outside the normal sphere of accountants and auditors on matters that cut across individual cost elements and may be entirely unrelated to any specific cost element.

Insofar as cost experience is involved in price negotiations, we expect our negotiators and the contractor to reach a mutual understanding as to facts on each significant cost element. In this area, as noted above, we are concerned with facts rather than judgment. There is no intrinsic reason for the parties to differ on what costs have been experienced or on how these costs should be distributed to individual cost elements. Insofar as forecasts of what it should cost to perform the contract are concerned, the situation is very different. We are here concerned with judgment—not facts. There are intrinsic reasons for the parties to differ on how to provide for contingencies—reasons as valid as they are elementary. On the one hand, we expect our negotiators to work toward a negotiation objective which would require maximum effort by the contractor to earn a fair profit; our negotiators will tend to minimize contingencies. On the other hand, the contractor will tend to maximize contingencies and work toward a negotiation objective that reflects his fear that most, if not all, unfavorable contingencies will become realities before contract performance is complete. Thus, we do not expect our negotiators to agree with the contractor's forecasts, nor him with ours, but rather that both forecasts will be founded on the same factual basis and that both parties will bargain in the understanding that the total of all forecasts is a sum of possibilities—not certainties—and that compromise of extremes may be necessary to a fair settlement.

Viewed in the perspective outlined above, as it should be, it becomes clear that the negotiation of fixed-price type contracts would be severely hampered if we insisted on separate agreements on each cost element. Separate agreements would be deterimental to the interests of the Government in the following respects:

1. In practice, even if not in theory, separate agreements would usually be consecutive rather than concurrent, making it extremely difficult to give proper weight to those contingencies that cut across cost elements. Further, negotiators would tend to lose sight of important relationships between cost elements; for instance, manufacturing costs and subcontracting costs may be so interrelated that it would be unreasonable to agree to one without simultaneously agreeing to the other. We wish to avoid the wasteful and time-consuming process of agreeing on cost element "A" only to find in negotiating cost element "B" that there are factors which cause us to try to re-open "A" and then, having agreed to "A" and "B," find in negotiating "C" that we must again re-open "A" and also "B," and so forth through dozens of "significant" elements.

2. A requirement for separate agreements would frequently involve substantial delays in negotiations, in addition to those just indicated, in that separate bargaining impasses on a number of separate cost elements would be likely to result. Reasonable trade-offs would be discouraged, with contractors insisting on contingency allowances for each cost element rather than a reasonable contingency factor applicable to all. We tend to lose our bargaining power in areas where the contractor is unyielding if we have already agreed on those where he is relatively acquiescent.

3. Separate agreements on individual cost elements would prevent us from reaching a proper balance of all the other elements of the contract pricing agreement-type of contract, profit, ceiling, and sharing arrangement—all of which are interrelated and each of which is also related to the total cost estimate. The balancing of all elements is necessary to sound prices.

4. Separate agreements would be apt to lead to bad pricing. The end result would be a seductively flawless package of discrete cost elements with the cost experience and cost forecast factors (including contingencies) in each element precisely defined. All that is needed is addition of a profit element, and the price is complete. Herein lies the seduction: everything adds up so precisely that there is no apparent need for the powerful negotiating leverage which price analysis and total price negotiation so often provide. The fact is that the sum of cost estimates and profit, no matter how carefully drawn and analyzed, may widely miss being a sound and equitable price. This is shown time after time when we manage to introduce competition (either direct price competition or indirect competition between different but comparable products) into a previously sole source situation. Analysis of value and cost effectiveness, as opposed to cost anlysis, can lead to over-all price objectives which are substantially lower than those indicated simply by adding up the separate cost and contingency elements. A technique of negotiating separate agreements on each cost element, with its attendant forced compartmentalization of contingencies, points in the opposite direction.

Against the foregoing detriments of requiring agreements on individual cost elements, what benefits should be considered? Apparently, the only "benefits" are those suggested by the following excerpt from your Defense Accounting and Audit Division's recent draft report on the pricing of Contract AF 04 (647)-714: "Where * * * negotiation of a * * * price is concluded on a total price basis and questions on significant elements of cost are unresolved, the Air Force may believe that the reduction negotiated from the contractor's proposed price pertained to specific individual elements of cost which it had questioned. However, the contractor may have understood that the negotiations were concluded on an entirely different basis. Subsequently, when an adjustment to the price becomes necessary * * * because the contractor's cost estimates were overstated, the amount of cost originally included in the price for the area of contract performance to be adjusted is indeterminable."

Thus, it is suggested that separate agreements on individual cost elements are necessary so that accurate adjustments in the contract price can be made if it is later discovered that a part of the contractor's cost data was overstated.

Even if the separate cost element agreement technique would greatly facilitate price adjustments determinations in the event that cost data overstatements were later discovered, this benefit would be far outweighed by the detriments outlined above. Certainly it is important that we should make proper price adjustments in such cases, but we should not become so pre-occupied with simplifying price adjustments as to deny to ourselves those negotiation techniques best calculated to achieve a sound price when the contract is first agreed to. It is far more important that the contract price be the lowest reasonable price which can be obtained than that possible determinations of future adjustments (which will almost always involve but a small fraction of the total price) be made as easy as possible to compute. We should not surrender our total price bargaining power, and therefore agree to higher over-all prices, merely to simplify possible price adjustments for which the need may never arise.

Separate agreements on each significant cost element would not, however, resolve the problem of how to determine the proper price adjustment when a cost data overstatement is discovered. This becomes clear upon close examination of the nature of the problem. Price adjustments should be made where—in the words of Public Law 87–653—the "price was increased *because* the contractor * * * furnished cost or pricing data which * * * was inaccurate, incomplete, or noncurrent * * *." (Emphasis added.) Accordingly, if an overstatement of cost data is discovered, the first question is: Did the overstatement *cause* an increase in the contract price? And the second question: If so, how much? Separate agreements on each significant cost element would *not* normally provide answers to these questions.

To illustrate, suppose that a contractor furnishes us cost data showing that his experienced costs on a given vendor item have been running at $100 per unit for six months prior to the price negotiations. Assuming that we are attempting to negotiate to agreement on each individual cost element, the next step is to reach agreement on the contingency factor for this element. The contractor may press for an additional $25, citing—for instance—rising materials cost trends or wage trends in the vendor's industry. The Government will bargain downward, citing—perhaps—learning curves or price trends for different but functionally comparable items. Eventually, a deal is struck for $105. Sometime later, after the contract is executed, it is discovered that the contractor had actually bought the vendor item for $90 per unit during the month prior to price negotiation—a cost data overstatement of $10 per unit. Then the questions arise: Did the overstatement cause an increase in the contract price? If so, how much? The important point here is that the answers may be anything but obvious, even though the separate cost element agreement technique was used. It may be that we would have agreed to $105 even if the $90 price had been known. Under some circumstances, what an item has cost in the past is but a poor guide to what it should cost in the future, and it is the latter that counts in forward pricing. The contractor might have had reasons for not agreeing to less than $105 that were as good, in his view, regardless of whether his cost experience was $100 or $90. The Government's maximum of $105 may have derived from an analysis which did not depend on the experienced costs for the item. Or the $90 price might not have had any real significance for the future—as in the case of an extraordinary distress sale. In short, the separate agreement on this cost element involved an implied understanding that the contingency factor was $5 so long as the cost experience factor was assumed to be $100, but this understanding did not and could not necessarily imply that the $5 contingency factor would hold good if the cost experience factor had been $90 or some other amount, since the contingency factor in forward pricing is the result of bargaining rather than the product of a mathematical calculation.

To fix correctly the effect, if any, that an overstatement of cost data had on a contract price, it is necessary for the Government's price negotiator to determine to what extent—in his best judgment—the agreed price would have been different if the cost data had been properly disclosed. We do not suggest that negotiation of separate cost element agreements, if otherwise practicable and consistent with the Government's interests, would not simplify the difficulties of making such determinations in some cases. We simply point out that the separate agreement technique would not eliminate these difficulties and that—as shown above—it is generally impracticable and inconsistent with the Government's interests.

In conclusion, let us reiterate that the right to price adjustments to compensate for defects in contractor cost data is important; we have every intention of exercising it fully whenever it arises. But this does not mean that we should try to force price negotiations into rigidly separate cost-element agreements for the sole purpose of making it easier to invoke the right to price adjustment if defects should later appear. It would be equally wrong to deny ourselves use of our most effective negotiating techniques simply to facilitate after-the-fact audit. The requirements for accurate, complete, and current cost or pricing data and for price adjustment provisions were intended to aid sound pricing techniques—not to stifle them.

Sincerely,

Graeme C. Bannerman,
Deputy Assistant Secretary of Defense (Procurement).

Depot inventories

We agree that inventory control is one of our most important functions. Accuracy of stock records and physical inventories have an impact on the accuracy with which we are able to compute our requirements. The Department of Defense will continue to emphasize its review of this important function. We always welcome the suggestions of the Comptroller General. In many instances in the past his conclusions and recommendations have confirmed our own earlier findings and the improvement actions which we had already initiated. We shall make a full and detailed response to the Comptroller General within the 60-day review period.

We feel that one point especially in the Comptroller General's statement before your Committee gives a misleading impression of depot inventory management, and thus unfairly criticizes the performance of DOD supply managers. His statement referred to an average gross annual inventory adjustment of $2.4 billion. This figure apparently comes from a statement on page 38 of the GAO draft report which shows gross adjustments of $3 billion in 1965, and $1.8 billion in 1966, for an average annual gross adjustment of $2.4 billion. However, this table similarly shows that the net adjustments were only $100 million in 1965 and $166 million in 1966, or an average annual net adjustment of $133 million, which is about 1% of the inventory sampled by the GAO staff. Private industry generally uses a net rather than a gross inventory adjustment figure in accounting for its material. Most of the large chain department stores have annual net inventory adjustments of from one to three percent. The GAO analysis shows that the Department of Defense net adjustment has been averaging only about 1%. This compares very favorably with the record of private industry. We intend to continue strong efforts to reduce the amount of required adjustments insofar as possible. It must be recognized that it would be virtually impossible to achieve perfection in this area but we do intend to seek to continue a record of performance that equals or excels that of private industry.

(The following pages contain answers to the questions forwarded by Chairman Proxmire on May 23, 1967:)

RELATIONSHIP OF NORFOLK AND OAKLAND NSC'S TO DSA AND GSA

Question. For some items, the Navy buys wholesale from the Defense Supply Agency (DSA) and the General Services Administration (GSA), then warehouses the supplies in their facilities at Norfolk and Oakland from where they supply the ships. Could not this overlap be eliminated or reduced?

Answer. The question mistakenly assumes that DSA and GSA commodities are managed identically at Navy Supply Centers (NSCs). They are not. DSA items are pre-positioned at the NSCs by the Defense Supply Centers (DSCs) which are integrated materiel managers for the Department of Defense (DoD). The stocks so positioned are carried on the books of the DSC, and have the same force and effect as if they were located at the Principal Distribution Depots (PDDs) of DSA. In DSA's distribution system, the NSCs are identified as Specialized Support Depots (SSDs). The operation of the SSD differs from the operation of the PDD in the important respect that while issues from PDDs are centrally directed from the DSCs, issues from SSDs may either be centrally directed from the DSC or may be released on requisitions submitted by customers directly to the NSC.

By contrast, the relationship between the NSCs and GSA is that of buyer-seller. Navy's requirements for GSA material are requisitioned from GSA, and ownership passes to Navy. GSA, as inventory manager, does not continue cognizance over the material and thus lacks "visibility" as to the current asset and demand position. This is the same relationship that exists between any wholesale and retail/supply system.

GAO REPORT PENDING

The GSA/Navy relationship is the subject of a current GAO letter report, "Navy's Practice of Stocking, for Further Distribution, Common-Use Material Managed, and also Stocked by the General Services Administration," (OSD case #2588). This case has not been thoroughly reviewed and no final position can be taken at this time.

EXTENT OF SHORT-SHELF-LIFE ITEM DISPOSAL

Question. What was the cost of short shelf-life materiel destroyed, or declared surplus, by DoD for this fiscal year ending June 30, 1966?

Answer. For the calendar year 1966, $9.8 million of shelf-like property, or one percent of the shelf-like item inventory, was earmarked for disposal. We do not have data on shelf-life property that was destroyed. Its lack at this time is a manifestation of a procedural weakness we are correcting in the new system prescribed in DoD Instruction 4140.27 dated November 18, 1966, subject: "Identification, Control, and Utilization of Shelf-Life Items." As indicated in my statement, we expect to have this system and its controls installed by November 1, 1967.

In the meantime we have taken all possible practical steps to acquire information about our shelf-life inventory.

In view of the interest of the Subcommittee in the shelf-life area, I would like to take this opportunity to introduce the following material into the record:

Analysis of DoD's current shelf-life inventory

The total shelf-life inventory, excluding ammunition, petroleum products, and subsistence items, numbers 40,913 items, distributed among 262 classes, with an extended evaluation of over $990 million. This total value is considerably higher than last year's—which was estimated to be $770 million—because of an expansion of inventory to meet the anticipated needs of SEA. There may be another reason for the increase—the inventory reporting system introduced for this report has made a more complete and reliable accounting possible. This was probably as good a report as we could get until the new system is fully implemented.

Of the total, 11,949 (or 29.2%) of the items are classified as "reparables." These are value at $685.6 million, or about 70% of the value of the total inventory.

The classification of reparables as shelf-life items is open to question. Perhaps they should not be counted in the shelf-life inventory. There are two major reasons for doubt:

1. Reparable items (for the most part mechanical assemblies) are susceptible to restorative actions which in most instances serve to extend the shelf-life—in some cases almost indefinitely. The assigned shelf-life in these cases refers only to the time between tests or the restorative procedures and not to the maximum storage-life of the item.

2. A large part of the reparable inventory is classified shelf-life only because the item contains parts or components which are deteriorative—say, a rubber seal or an "O" ring. Replacement of those parts permits the restoration of the full shelf-life of the larger assembly.

In computing the value of the DoD shelf-life inventory, the total value of the assembly—not just the cost of its deteriorative parts—has been included. Without a doubt, this procedure has led to a vastly overstated inventory value. The alternative—computing only the cost of deteriorative parts and the labor required to replace them—presents so many difficulties for inventory managers that the present system is to be preferred and has, therefore, been continued. While the inventory is large, the losses in the reparable category are small, for the reasons just cited. Any problem that exists in shelf-like management is centered in the remaining 30% of the shelf-life inventory where current value is approximately $300 million.

Some other key indicators drawn from our shelf-life profile may be of interest to the Subcommittee:

(*a*) Involvement in shelf-life item management breaks out as follows:

	Items
Navy	18,357
DSA	9,960
Army	7,732
Air Force	4,604
Marine Corps	260

(*b*) The Navy manages 9,863 or 53.7% of its shelf-life items as reparable, Air Force is second with 1,369 or 29.7%.

(*c*) 1,160 items generate 90% of total issues.

(*d*) Two items (propellers and parachutes) generate 30% of the total issues.

(*e*) 40% of the total range of items is concentrated in five classes:
5330—Packing and gasket materials.
1650—Aircraft hydraulic vacuum and deicing system components.
2915—Engine fuel system components.
4720—Hose and tubing, flexible.
6750—Photographic supplies.

(*f*) The largest class, 5330, with 15% of the item range makes up only .3 of 1% of the inventory value.

(*g*) 1,549 or 3.8% of the items are valued at less than $10 each, but 16,714 or 40% are valued at over $500 each.

(*h*) 484 or 1.2% of the items have shelf-life of less than one year; by contrast, 10,134 or 25% have shelf-life exceeding five years.

Observations concerning the management of shelf-life materiel

We are now able to say with confidence that we are in a good position to assure control of our shelf-life inventory in a way that will minimize losses which have in the past been found "attributable to deficient supply management practices," and to the absence of coordination among the several Federal Agencies concerned.

Our experience in gaining this posture has been a learning process. We have learned that not all of the losses in this sort of inventory can be attributed to wasteful or inefficient mnaagement practices. A good share is the result of circumstances over which there are no reasonable practical controls for application in the military environment. Some examples of this kind of "attrition" are:

Technological advances.—The improvement of all items in the supply inventory is a constant and desirable thing. DoD Instruction 4140.27 directs that improved items should be phased into the supply system in such a way that remaining stock of the item being replaced will be issued first. This is not always possible or desirable, however, and we are prepared to make exceptions to the general policy. For example, we would not deny our fighting forces an improved product affecting health, safety or fighting effectiveness. Against a big gain of that type, to say nothing of the effect on morale of the troops, the cost involved in disposal of the remaining stock of obsolete items is not unreasonable price to pay.

Cost effective losses.—Technological improvements can also create a situation in which it is less expensive, from a long-range cost perspective, to dispose of an obsolete inventory than to continue using it. Of course, we would never expect total losses, and would hope that somewhere within the Government a cost effective use of the obsolete equipment could be found during the screening process that precedes any disposition of materiel.

Service unique items.—Our analysis shows that many of the items in the shelf-life inventory are used by only one military service. This, of course, restricts our opportunities for transferring excess items to other use, and correspondingly the potential for use anywhere in the Federal Government is appreciably reduced. This condition quite effectively leads to higher disposal rates than is experienced on the inventory taken as a whole and makes all the more necessary that "before-use" actions—cataloging, standardization, shelf-life coding, requirements determination, storage, and physical inventory be accurately performed.

To sum up this exposition of the shelf-life problem, let me repeat that, in response to the guidance and urging of the Subcommittee and the GAO, we have taken responsible action to establish control. We know more about our shelf-life inventory than ever before, and have established procedures that will permit close monitoring.

PROGRAM UNDER BUDGET CIRCULAR A–76

Question. Describe the DOD program under A–76 for the current calendar year.

Answer. The basic organizational arrangements for carrying out the policies and procedures provided in BOB Circular No. A–76 have been established in the Office of the Secretary of Defense and in each of the Military Services. The Secretary of Defense has assigned overall responsibility for assuring that the guidelines are correctly applied to the Assistant Secretary of Defense (Installations and Logistics) and responsibility for implementing these guidelines is assigned to the Secretaries of the Military Departments and Directors of Defense

Agencies. The Assistant Secretary of Defense (Installations and Logistics) is also responsible for control of "New Starts" in accordance with the Circular and for approving any exceptions which are proposed under Section 7. c. (1) of the Circular. Each of the Secretaries of the Military Departments and Directors of Defense Agencies has assigned overall responsibility for this program to his Assistant Secretary (Installations and Logistics) or to an official of equivalent rank. We anticipate no important changes in these organizational arrangements.

In order to proceed systematically with the reviews of existing commercial and industrial activities which are required by the Circular, we have divided them into 53 functional areas. A schedule for completion of the reviews has been established which provides that reviews for 28 of these functional areas should be completed by December 31, 1967. This group includes guard services, packing and crating operations, repair of electrical and miscellaneous equipment and furniture, janitorial services, etc. Other functional areas are scheduled to be completed during the remainder of FY 1968. Reviews are under way for more than 200 installations. The Military Departments and Defense Agencies are now accelerating the rate at which reviews are being conducted. We have made no changes in the schedule for completion of the reviews but we plan to reexamine this phase of the program soon when the Navy's inventory is completed.

A substantial amount of our effort since the Circular was issued has been devoted to resolution of long-standing issues involving specific commercial and industrial activities in which various elements of industry and the Congress have expressed interest. These have included administrative telephone systems and other communications facilities, production of liquid oxygen, operation of tracking ships for the space program, loading and unloading of ships at military installations and a wide variety of contract technical services involving not only the provisions of Circular No. A–76, but also the Civil Service laws and regulations. We are also cooperating with task forces assigned from the General Accounting Office to study the Circular as it is being applied in the Department of Defense, and with staff of the Bureau of the Budget who are studying various proposed amendments to the Circular. We anticipate that these types of specific problems will continue to constitute a significant part of our work in this area.

NAVAL ACADEMY DAIRY

Question. What is the status of the Naval Academy Dairy?

Answer. Last fall, Chairman Rivers and the House Armed Services Committee approved a subcommittee report recommending retention and Chairman Dawson of the House Government Operations Committee requested a current cost analysis and raised a number of questions about the Naval Academy Dairy. Chairman Dawson also asked the Navy to defer action on the proposed closure until after his Committee had had an opportunity to hold hearings and make a report to the 90th Congress. Thereafter, it was agreed that no significant actions leading toward closure would be taken until the Department had had an opportunity to evaluate the report to be submitted by the Government Operations Committee as well as all other factors bearing on the continued operation of the Dairy. The situation remains the same today.

(The letter of Chairman Proxmire to Administrator Knott of the General Services Administration follows:)

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
May 23, 1967.

HON. LAWSON B. KNOTT, Jr.,
Administrator, General Services Administration,
Washington, D.C.

DEAR MR. KNOTT: At the conclusion of the hearings of the Subcommittee on Economy in Government of the Joint Economic Committee on May 16, 1967, permission was granted to the members to submit additional questions to the witnesses so the answers might be placed in the official printed hearings.

The following questions have been directed to your agency. May we have the answers for the record by May 31, 1967.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

79–459 O—67—pt. 2——2

QUESTIONS FOR GENERAL SERVICES ADMINISTRATION

From: Chairman William Proxmire.

What results has GSA obtained when it actively participated in rate cases before regulatory bodies as compared to negotiation for rates with the utilities?

Does GSA have any authority to survey the real property holdings of executive agencies and report to Congress or the President as to the extent of use of the property and recommendations for improvements?

Does GSA maintain listings of all Federal real properties by States or other political sub-divisions? Explain.

What will be the role of GSA under the new Budget circular A–2?

What criteria does GSA use for direct delivery purchases: for storage and issue; for use of open-end supply schedules?

With respect to the charge that Government agencies fail to distinguish properly between "price" and "cost", will you supply figures showing all elements of cost for GSA "storage and issue" of common type supplies, i.e., purchasing, transportation, warehousing, losses from various causes, packaging, disposals, etc. etc.

In previous years there was agreement between DOD and GSA witnesses that Small Business fared better under advertised competitive bidding than under negotiated buying. Do your statistics still bear this out? Roughly what do they reveal?

We also found that when items are standardized as to specifications that it helped competitive bidding and hence Small Business. Is this right?

What progress has been made in developing Federal Specs this past year? What are future goals?

I am also of the opinion that Small Business obtains greater participation when buying is decentralized and hence is procured in smaller quantities. Is this correct? Do you have any statistics on this?

From: Representative Martha W. Griffiths.

Senator Metcalf mentioned in his testimony the extraordinarily high rate of return (11.32%) of Houston Lighting and Power, which serves a major NASA facility. What has GSA done to reduce electricity costs to the Federal Government in the area served by Houston Lighting and Power?

Does GSA consider the effect of excess residential rates on Federal employee salaries?

How many formal utility rate cases has GSA been a party to since 1960? Please furnish the Subcommittee with the name of the utility involved, year in which action by GSA was initiated, and the outcome of the case.

What formal rate cases is the GSA a party to at this time?

Which utilities is GSA currently negotiating with for rate decreases? Please list by type of utility—communications, electric, gas, sewage, steam.

Which other Federal agencies are working with you toward reduction of costs of utility services? In each case, please indicate what utility or state commission the agency is negotiating with, and also indicate whether the agency is a party in a formal rate case.

What is the annual electricity bill paid by the Federal Government to each of the Class A and B electric utilities?

What is the annual communications bill paid by the Federal Government to the American Telephone and Telegraph Company and each of its subsidiaries?

(The following was submitted by the General Services Administration in response to the foregoing:)

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 1, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: As requested in your letter of May 23, 1967, we are pleased to provide the attached answers to the additional questions submitted at the conclusion of the hearings of the Subcommittee on Economy in Government of the Joint Committee on May 16, 1967.

If we can be of further service, please advise.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*

QUESTIONS FROM CHAIRMAN WILLIAM PROXMIRE

Question. What results has GSA obtained when it actively participated in rate cases before regulatory bodies as compared to negotiation for rates with utilities?

Answer. Specific results obtained from active participation in cases before regulatory bodies are listed in the response to the 3rd question asked by Representative Griffiths. Comparison of these results with the results of negotiaitons for rates with utilities shows that both negotiations and cases before regulatory bodies in which GSA has actively participated have resulted in significant economies. Expressed in terms of total dollars, the GSA negotiation and representation effort has resulted in annual savings of approximately $11,500,000 during the 1960–1967 period. The outcome of rate cases entered before regulatory bodies during that period represents approximately two-thirds of this total. The negotiation and representation effort is a coordinated one, with each phase contributing to the success of the other. As a matter of policy, GSA prefers the negotiated approach with resort to litigation only where negotiation efforts have been exhausted without satisfactory results.

Question. Does GSA have any authority to survey the real property holdings of executive agencies and report to Congress or the President as to the extent of use of the property and recommendations for improvements?

Answer. Section 202(b) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 483, imposes upon each executive agency (not the General Services Administration) the responsibility to survey its property continuously to determine which is excess to its needs and to promptly report any such excess to the Administrator of General Services.

It should be noted that if GSA were required to undertake the task of surveying the real property holdings of the other Federal agencies, it would require a substantial increase both in appropriations and personnel.

Question. Does GSA maintain listings of all Federal real properties by States or other political sub-divisions? Explain.

Answer. GSA maintains an inventory of Federal real property throughout the world. The real property inventory was established primarily to serve as a ready reference within the Federal Government to all of the Government's holdings. As a byproduct, copies of the worldwide detailed inventory listings, arranged both geographically and by reporting agency, are on file and available for public inspection (except classified data on Department of Defense military installations) in the central office of the General Services Administration in Washington, D.C. Copies are also available in each GSA regional office. Copies of the worldwide detailed inventory listings are also furnished to the Senate and House Committees on Appropriations and the Senate and House Committees on Government Operations, Bureau of the Budget, General Accounting Office, and each of the contributing Federal agencies.

Question. What will be the role of GSA under the new Budget Circular A–2?

Answer. The General Services Administration will make an annual survey and report of the real property holdings under its jurisdiction as presecribed by BOB Circular A–2 and will transmit its report and the reports of other agencies to the Bureau of the Budget.

Question. What criteria does GSA use for direct delivery purchases: for storage and issue; for use of open-end supply schedules?

Answer. Criteria for direct delivery purchases:

(*a*) The items shall be equipment or supply items of such a character that it is feasible to forecast requirements for delivery to specific use points; and

(*b*) Conditions exist where any of the following factors requires purchasing of such items for direct delivery to use points—

(1) Where greatest price advantage, both direct and indirect costs considered, is obtainable through large definite quantity purchasing;

(2) Where an item is of special manufacture or design and is not readily available from commercial sources;

(3) Where contracts for production quantities are necessary to secure timely deliveries and advantageous prices; and

(4) Where the quantity is large enough to assure lowest transportation costs or, conversely, where transportation costs for small quantity redistribution are so excessive that it is not feasible to store and issue the items.

Criteria for storage and issue:

(*a*) The item shall be physically adaptable to storage and issue and of such a character that it is feasible to forecast overall requirements of the use points served with reasonable accuracy;

(*b*) Rate of use and frequency of ordering at use points shall be sufficient to warrant storage and issue;

(*c*) The rate of deterioration or obsolescence shall be sufficiently low to avoid unnecessary loss; and

(*d*) Conditions exist where any of the following factors require supply through storage and issue (except that dangerous commodities of high weight and density, or commodities highly susceptible to damage normally should not be considered for supply through storage and issue unless one or more of such factors are determined to be of overriding importance)—

(1) Where price advantage through bulk buying is sufficient to render storage and issue more economical, all costs, both direct and indirect, considered;

(2) Where close inspection or testing is necessary to secure quality, or where repetitive inspection and test of small lots are prohibitive from the standpoint of cost or potential urgency of need;

(3) Where advance purchase and storage are necessitated by long procurement leadtime;

(4) Where an item is of special manufacture or design and is not readily available from commercial sources;

(5) Where an adequate industry distribution system does not exist to assure availability at use point;

(6) Where volume purchases are necessary to secure timely deliveries and advantageous prices;

(7) Where market conditions are such that supply through storage and issue is required to assure adequate supply; and

(8) Where stocking of supplies and equipment necessary for implementation of emergency plans is required for an indefinite period.

Criteria for use of open-end supply schedules:

(*a*) The items shall be such a character that—

(1) Handling on a storage and issue basis is not economically sound;

(2) Rate of use and frequency of ordering at use points is estimated to be sufficient to warrant the making of indefinite quantity requirement contracts; and

(3) It is either not feasible to forecast definite requirements for delivery to specific use points (as in the case of new items initially being introduced into a supply system), or no advantage accrues from doing so; and

(*b*) Industry distribution facilities are adequate properly to serve the use points involved; and

(*c*) Conditions exist where any of the following factors requires the maintaining of indefinite quantity requirements contracts—

(1) Advantage to the Government is greater than would be secured by definite quantity procurements by individual offices or agencies (the determining consideration being one of overall economy to the Government, rather than one of direct comparison of unit prices of individual items obtained through other methods of supply); or no known procurement economies would be effected but the requirements of offices or agencies can best be served by indefinite quantity requirements contracts;

(2) Acute competive bidding problems exist because of highly technical matters which can best be met on a centralized contracting basis; and

(3) The item is proprietary or so complex in design, function, or operation as to be noncompetitive and procurement can best be performed on a centralized contracting basis.

Question. With respect to the charge that Government agencies fail to distinguish properly between "price" and "cost", will you supply figures showing all elements of cost for GSA "storage and issue" of common type supplies, i.e., purchasing, transportation, warehousing, losses from various causes, packaging, disposals, etc., etc.

Answer. Elements of cost to GSA during FY 66 for storage and issue of common type supplies per $100 of sales totaled $9.57 or about 9½% and break down into categories as follows:

	Per $100 sales
Procurement and inventory management	$1.75
Distribution including warehouse space costs	6.05
Inspection testing and contract administration	.73
Administrative operations (accounting, legal, etc.)	1.04
Total	9.57

In addition out bound transportation which is included in on selling prices amounts to $4.30 per $100 of sales and inventory losses from all causes amounted to slightly more than ½% of 1% of sales.

Question. In previous years there was agreement between DOD and GSA witnesses that Small Business fared better under advertised competitive bidding than under negotiated buying. Do your statistics still bear this out? Roughly what do they reveal?

Answer. Since 83 percent of the procurement dollars expended by GSA were expended on a publicly advertised competitive bid basis we are unable to support statistically our strong conviction that Small Business fares better under advertised competitive bidding than under negotiated buying.

Question. We also found that when items are standardized as to specifications that it helped competitive bidding and hence Small Business. Is this right?

Answer. The use of Federal Specifications and standards, broadens the base of competition and is, in our view, advantageous to Small Business concerns, since they are able to determine in advance what is required and prepare accurate cost estimates on which to base their bids or offers. This is particularly advantageous when a Small Business manufacturer is entering a new product area or considering bidding on a product which varies from their normal production.

Question. What progress has been made in developing Federal Specs this past year? What are future goals?

Answer. We now have about 5,000 specifications indexed with new ones being added each year. Specification actions during FY 66 and those planned for FY 67 and FY 68 are:

	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
New	487	569	493
Revisions	685	974	830
Total	1,172	1,543	1,323

Our future plans include a 3-year cylic review of specifications and standards in use which will nearly double our current output. We expect to achieve these increased goals in this highly significant area as rapidly as resources permit.

Question. I am also of the opinion that Small Business obtains greater participation when buying is decentralized and hence is procured in smaller quantities. Is this correct? Do you have any statistics on this?

Answer. Under GSA's operating supply programs "centralization" and "decentralization" of procurement are not absolute alternatives. Total procurements made through GSA's supply support programs involve the purchase of over $2 billion per year. Of this volume, approximately 80 percent is delivered directly from the producers or distributors to the using agencies without being physically handled by GSA. Of the 80 percent, the majority of the deliveries are made under Federal Supply Schedule contracts, where the ordering process is completely "decentralized."

While national Federal Supply Schedule contracts represent a form of centralized contracting, many national schedule contractors distribute through local jobbers and dealers, and in all cases the product moves directly from industry outlets to the point of use.

Completely centralized procurement methods are limited to a small number of commodities, where requirements are consolidated and purchased in definite quantities at a single point. Delivery is made direct to the point of use by the contractor.

We also contract centrally for many items required to replenish our stores stock system where more advantageous prices can be expected from production sources. Every effort consistent with industry practice is made in all such procurements to award contracts on a zone basis. This is particularly advantageous to Small Business suppliers who do not have national distribution.

It is our policy to select the right methods of supply and to maximize Small Business advantages and minimize any disadvantages under that method. Buying activities give maximum consideration to Small Business interests, in the drafting of invitations for bids, and the possibilities of set-asides are always considered.

When valid supply considerations such as standardization, uniformity, and availability, can be met through each regional GSA office procuring its own requirements, we normally will authorize such purchase. However, uncoordinated regional procurement is frequently not in the best interest of Small Business Manufacturers, since requirements are split into less than economical production runs, or reasonable lots, and thus do not meet the criteria for Small Business set-asides. Small Business set-asides, when they can be made, insure the award of a contract for the product of a Small Business manufacturer.

Questions From Representative Martha W. Griffiths

Question. Senator Metcalf mentioned in his testimony the extraordinarily high rate of return (11.32%) of Houston Lighting and Power, which serves a major NASA facility. What has GSA done to reduce electricity costs to the Federal Government in the area served by Houston Lighting and Power?

Answer. GSA has just recently assisted the National Aeronautics and Space Administration in a negotiation with the Houston Lighting and Power Company. Completion of the negotiation resulted in an estimated savings of $125,000 per year plus a one-time credit of $18,000. Later, conversations with NASA staff members at the Houston Manned Space Craft Center indicate that the actual annual savings will be substantially higher than is shown above due to related operational savings made possible by the provisions of the new contract. Also pending are two additional negotiations with this Company referred to in the answer to the sixth question.

Question. Does GSA consider the effect of excess residential rates on Federal employee salaries?

Answer. GSA has neither authority nor responsibility in the area of residential utility rates, and therefore cannot and does not consider the effect of such rates on Federal employees salaries. Under the Federal property and Administrative Services Act of 1949, as amended, the Administrator of General Services is authorized to represent Executive agencies in negotiations with utilities and in proceedings before Federal and State regulatory bodies only with respect to utility services for the use of such agencies.

Question. How many formal utility rate cases has GSA been a party to since 1960? Please furnish the Subcommittee with the name of the utility involved, year in which action by GSA was initiated, and the outcome of the case.

Answer.

UTILITIES CASES

Entered	*Outcome*
F.Y. 1961 (July 1, 1960–June 30, 1961):	
VEPCO, N.C. Utilities Commission No. E–22, Sub. 46.	$160,000 annual savings.
Montana Power Co., Montana PSC No. 4997	Rates to Great Falls Gas Co. held subject to approval (See Docket 5085 below).
F.Y. 1962 (July 1, 1961–June 30, 1962):	
Application of Great Falls Gas Co. for authority to increase its rates and charges for Natural Gas Service, Montana PSC Dkt. 5085.	$81,500 annual savings.
Washington Gas Light Co., submission of new schedule "I"—Interruptible rate—Large Volume, D.C. PUC No. 3675, Formal Case 480.	No change.
Application of Idaho Power Co., for approval of rates, rules, and regulations comprising proposed tariff No. 101, Idaho PUC No. 14 and Idaho PUC No. U–1006–42 Proposed rates for special contract customers.	$91,500 annual savings.
Application of Utah Power & Light Co. for a change of depreciation and approval of its proposed electric rate schedules, and electric service regulations, Utah PSC No. 5129.	$54,000 annual savings.
Alabama-Tennessee Natural Gas Co. (FPC Dkts. Nos. G–5471, G–17218 and G–19984 and G–11982.	Flow through of tax savings from liberalized depreciation ordered.
F.Y. 1963 (July 1, 1962–June 30, 1963):	
Puget Sound Power & Light Co., Wash. Utilities & Transportation Commission Cause No. U–9423.	$6,930 annual savings.
Investment Tax Credit under 1962 amendment to Internal Revenue Code; Accounting Treatment by Public Utilities, Licensees, and Natural Gas Companies, FPC Dkt. No. R–232.	Initial year flow through of tax reduction ordered by FPC; order rendered moot by Revenue Act of 1964.
F.Y. 1964 (July 1, 1963–June 30, 1964):	
Consolidated Edison Co. of N.Y., Inc., NY PSC Case No. 22815 (Electric rates).	No change.
Potomac Electric Power Company, D.C. PUC No. 3477/4, Formal Case No. 491.	Do.
Utah Power & Light Company, Idaho PUC No. U–1009-32.	$6,033 annual savings.
Consolidated Edison Company of N.Y., Inc., NY PSC Case No. 22992 (Gas rates).	No change.
F.Y. 1965 (July 1, 1964–June 30, 1965):	
Uniform Systems of Accounts for Public Utilities, Licensees and Natural Gas Pipeline Companies and Annual Report Forms, FPC Dkt. No. R–264.	Pending.
Florida Power & Light Co., Florida PUC Dkt. No. 7759–EU.	$860,900 annual reduction.
F.Y. 1966 (July 1, 1965–June 30, 1966):	
Potomac Electric Power Co., application for a determination of its authorized rate of return, D.C. PSC No. 511.	No change.
F.Y. 1967 (July 1, 1966–May 31, 1967):	
None	

COMMUNICATIONS CASES

Entered	*Outcome*
F.Y. 1961:	
U.S. v. American Telephone & Telegraph Co.	$35,000 reparations payment to the Government.
Western Union Increases, FCC	$62,000 annual savings.
AT&T (Farmers Mutual, Lynden, Wash.), FCC.	No change.
AT&T (General Tel. Co. of Iowa), FCC	$756 annual saving.
AT&T (Peninsula Tel. & Tel.), FCC No. 13781.	No change.
Pacific Tel. & Tel. Co., Calif. PUC No. 6950	Do.
AT&T (United Tel. Co. of Ohio), FCC	Do.
AT&T (Assembly Delay Tariff), FCC	Do.
Home Tel. Co. of Condon, Oregon, FCC	Do.
Interstate SAGE, FCC	Pending.
AT&T Tariff FCC No. 250, TELPAK, FCC 14251.	Do.
F.Y. 1962:	
The New York Telephone Company, N.Y., PSC Case No. 21984.	$60,000 annual savings.
Domestic Telegraph Service, FCC, Dkt. No. 14650.	Pending.
F.Y. 1963:	
Western Union Telegraph Co. proposed new and increased rates for Telegraph messages of tieline customers, FCC Dkt. 14754.	$62,500 annual savings.
Pacific Telephone & Telegraph Co., Calif. PUC Case 7409.	$840,000 annual savings.
Class A, B, and C Tèlephone Companies; Radiotelegraph Carriers; Wire-Telegraph and Ocean-Cable Carriers, FCC Dkt. No. 14850.	Flow through accounting ordered for investment tax credit savings; order rendered moot by Revenue Act of 1964.
The New York Telephone Co., N.Y. PSC Case No. 22626 (CENTREX Service).	No change.
In the Matter of Amer. Tel. & Tel., Co., Regulation and charges for developmental line switched service, FCC 14154 (WADS) and Amer. Tel. & Tel. Co., (TWX) FCC Dkt. 15011.	$330,000 annual savings.
Western Union Tel Co., Tariff FCC No. 232, FCC.	No change.
Mountain States Tel. & Tel. Co. before Montana PSC (SAGE).	Pending.
F.Y. 1964:	
In the Matter of Overseas Leased Circuits, FCC.	Do.
C. & P. Tel. Co. Application, D.C. PUC No. 3718, Formal Case 494.	$4,366,000 annual savings.
C. & P. Tel. Co., Md. PSC Cases Nos. 5902 and 5904.	$15,000 annual savings.
Southwestern Bell Tel Co., Kansas State Corp. Commission Dkt. No. 73,268–U.	No change.
Amer. Tel. & Tel. Co., FCC (Dollars and Cents Tariffs).	Pending.
F.Y. 1965:	
Southern Bell Tel. & Tel. Co., Fla. PUC Dkt. No. 7756–TP.	$400,000 annual savings.
Amer. Tel. & Tel. FCC Dkt. 16072 (Service Point Case).	Pending.
F.Y. 1966:	
FCC 16058, ComSat Authorized User	Pending.
FCC 16258, Bell System Interstate & Foreign Service.	Do.
Calif. PUC 8169 and 8176, WATS	$190,000 annual savings.

COMMUNICATIONS CASES—Continued

Entered	Pending
F.Y. 1967 (to May 31, 1967):	
FCC 16979, Computer & Communications Service.	Pending.
P.T. & T., Cal. PUC 8608, Application No. 49142.	Do.

Question. What formal rate cases is the GSA a party to at this time?

Answer.

UTILITIES

Accounting for Liberalized Depreciation—FPC Docket No. R-264.

General Investigation of Rates, Charges and Earnings—*Florida Power and Light Company* (Fla. PUC Docket No. 7759-EU).

COMMUNICATIONS

Pacific Telephone and Telegraph Co. (Cal. P.U.C. Case No. 8608; Application No. 49142)

Investigation of AT&T Data Transmission Rates—FCC Docket No. 12194

Investigation of AT&T Common User Group Rates—FCC Docket No. 13514

United States v. *American Telephone and Telegraph Company, et al*, Docket No. 14040

AT&T TELPAK Services and Channels, FCC Docket No. 14251

Domestic Telegraph Service—FCC Docket No. 14650 (Western Union and AT&T)

Communications Satellite Corp. (COMSAT), FCC Docket No. 16058

AT&T Interstate and Foreign Services (FCC Docket No. 16258) FCC Docket No. 15011.

Petition for Declaratory Ruling (AT&T Interstate SAGE)

Mountain States Tel. and Tel. Co.

AT&T Tariff FCC No. 134, 20th Revised Page 18 (FCC Docket No. 16072)

Interdependent use of Computers and Communications Services and facilities. FCC Docket No. 16979

Question. Which utilities is GSA currently negotiating with for rate decreases? Please list by type of utility—communications, electric, gas, sewage, steam.

Answer. The General Services Administration is currently engaged in negotiations with the following listed utilities with respect to rates of facilities costs. Where the negotiation involves only one other Agency of the Government we have identified the Agency.

Electric service

Potomac Electric Power Company (three items).

Virginia Electric Power Company.

Baltimore Gas & Electric Company.

Public Service Co. of Colorado (for GSA, Air Force and Atomic Energy Commission).

City of Ketchikan, Alaska.

Alaska Light and Power Company.

Golden Valley Electric Cooperative.

Puget Sound Power and Light Company.

Dayton Power and Light Company.

Minnesota Power & Light Co. or Northern Electric Cooperative (for Bureau of Mines).

Pennsylvania Power Company.

Potomac Edison Company of Pennsylvania.

West Penn Power Company.

City of Lakeland, Florida.

Menard Electric Cooperative.

Gas service

Washington Gas Light Company (two items).

Wisconsin Gas Company (for Veterans Administration).

Citizens Utilities Company (for Veterans Administration)

Iron Ranges Natural Gas Company (for Bureau of Mines).

Water and/or sewer service

Washington Suburban Sanitary Commission (three items).
County of Fairfax, Virginia.
Port of Tillamook Bay, Oregon (for Bureau of Land Management).

Question. Which other Federal agencies are working with you toward reduction of costs of utility services? In each case, please indicate what utility or state commission the agency is negotiating with, and also indicate whether the agency is a party in a formal rate case.

Answer. In addition to direct negotiations, GSA is frequently requested by other agencies to assist in negotiations with utilities in an advisory or consultive capacity. The following are currently in process:

Electric service

Atomic Energy Commission with Duquesne Light Company.
Coast Guard with the City of Alameda, California.
National Aeronautics & Space Administration with Southern California Edison Company.
Atomic Energy Commission with Commonwealth Edison Company.
National Aeronautics & Space Administration with Houston Lighting & Power Company (two items).

Gas service

Coast Guard with Pacific Gas and Electric Company.

Sewer service

Forest Service with the County of Madera, California.

DELEGATED

Application of Arizona Public Service Company for Increased Gas and Electric Rates, Arizona Corporation Commission Docket No. U–1345.

In the Matter of Southern Bell Telephone and Telegraph Company, Louisiana Public Service Commission Docket No. 8875 (Centrex Service).

Application of Cities Service Gas Company for Increased Gas Rates, FPC Docket No. RP64–9.

In the Matter of the Issuance of a Show Cause Order Concerning Certain Pipeline Companies, Kansas State Corporation Commission Docket No. 73,100.

In the Matter of RCA Communications, Inc., Tariff F.C.C. No. 77, Original Page 12.

In the Matter of RCA Communications, Inc., Tariff FCC No. 67, 1st Revised Page 10C.

In the Matter of Hawaiian Telephone Company, Tariff FCC No. 4, 5th Revised Page 10D.

In the Matter of Investigation of American Telephone and Telegraph Company, Tariff FCC No. 135, Revised Page 23CC.

In Re General Investigation of the Rates, Charges, and Earnings of Florida Power Corporation, Docket No. 7767–EU.

Electric and Communications Public Utilities' Extension Rules and Aesthetics and Economics of Facilities (Case No. 8209).

Question. What is the annual electricity bill paid by the Federal Government to each of the Class A and B electric utilities?

Answer. GSA does not have current data on the annual electricity bill paid by the Federal Government to each of the 215 Class A and B electric utilities. GSA electric utility rate reviews and its negotiation and representation effort emphasize areas of significant Federal interest and in the course of this activity we have developed approximate annual billing figures from 137 electric utilities. A tabulation of these utilities and the estimated Federal bills is attached. In general, these amounts are conservative since they do not include billings below $5,000 per year.

APPROXIMATE ANNUAL GOVERNMENT BILLINGS FOR ELECTRIC SERVICE

Utility	*Billing*
Alaska Electric Light & Power Company	$37,000
Arizona Public Service Company	1,098,000
Tucson Gas & Electric Company	980,000
Southern California Edison Company	7,110,000
United Illuminating Company	263,000
Delmarva Power & Light Company	20,000
Potomac Electric Power Company	18,200,000
Florida Power Corporation	838,000
Florida Power & Light Company	6,500,000
Gulf Power Company	2,458,000
Tampa Electric Company	513,000
Georgia Power Company	3,835,000
Savannah Electric & Power Company	398,000
Hawaiian Electric Company	4,633,000
Hilo Electric Light Company	96,000
Kauai Electric Company	161,000
Idaho Power Company	1,521,000
Central Illinois Light Company	698,000
Central Illinois Light Company	164,000
Illinois Power Company	803,000
Indiana & Michigan Electric Company	88,000
Indianapolis Power & Light Company	688,000
Northern Indiana Public Service Company	96,000
Public Service Company of Indiana	825,000
Southern Indiana Gas & Electric Company	11,000
Interstate Power Company	7,000
Iowa Electric Light & Power Company	192,000
Iowa-Illinois Gas & Electric Company	70,000
Iowa Power & Light Company	195,000
Iowa Public Service Company	210,000
Iowa Southern Utilities Company	36,000
Kansas Gas & Electric Company	509,000
Kansas Power & Light Company	2,153,000
Western Power & Gas Company	74,000
Kentucky Power Company	41,000
Kentucky Utilities Company	349,000
Louisville Gas & Electric Company	1,422,000
Central Louisiana Electric Company	105,000
Louisiana Power & Light Company	814,000
New Orleans Public Service Company	1,471,000
Central Maine Power Company	26,000
Maine Public Service Company	249,000
Delmarva Power & Light Company of Maryland	6,000
Potomac Edison Company	615,000
Susquehanna Electric Company	270,000
Boston Edison Company	2,261,000
Brockton Edison Company	57,000
Cambridge Electric Light Company	20,000
Cape & Vineyard Electric Company	627,000
Fall River Electric Light Company	7,000
Massachusetts Electric Company	238,000
New Bedford Gas & Light Company	59,000
New England Power Company	441,000
Western Massachusetts Electric Company	364,000
Consumers Power Company	966,000
Upper Peninsula Power Company	80,000
Minnesota Power & Light Company	310,000
Northern States Power Company	1,127,000
Mississippi Power Company	1,279,000
Mississippi Power & Light Company	482,000
Empire District Electric Company	11,000
Kansas City Power & Light Company	2,280,000

APPROXIMATE ANNUAL GOVERNMENT BILLINGS FOR ELECTRIC SERVICE—continued

Utility	*Billing*
Missouri Power & Light Company	$38,000
Missouri Public Service Company	629,000
St. Joseph Light & Power Company	24,000
Montana Power Company	412,000
Nevada Power Company	1,030,000
Sierra Pacific Power Company	307,000
Concord Electric Company	6,000
Granite State Electric Company	60,000
Public Service Company of New Hampshire	814,000
Atlantic City Electric Company	552,000
Jersey Central Power & Light Company	1,679,000
New Jersey Power & Light Company	205,000
Public Service Electric & Gas Company	1,744,000
Rockland Electric Company	33,000
Public Service Company of New Mexico	133,000
Central Hudson Gas & Electric Company	41,000
Long Island Lighting Company	555,000
N.Y. State Electric & Gas Corporation	281,000
Orange & Rockland Utilities, Inc.	248,000
Rochester Gas & Electric Corporation	85,000
Carolina Power & Light Company	4,380,000
Duke Power Company	261,000
Nantahala Power & Light Company	27,000
Montana-Dakota Utilities Company	177,000
Ottertail Power Company	64,000
Cleveland Electric Illuminating Company	527,000
Columbus & Southern Ohio Electric Company	487,000
Dayton Power & Light Company	2,078,000
Ohio Edison Company	581,000
Ohio Power Company	238,000
Toledo Edison Company	70,000
Oklahoma Gas & Electric Company	1,753,000
Public Service Company of Oklahoma	356,000
California-Pacific Utilities Company	135,000
Pacific Power & Light Company	437,000
Portland General Electric Company	146,000
Pennsylvania Electric Company	172,000
Pennsylvania Power Company	14,000
Potomac Edison Company of Pennsylvania	438,000
West Penn Power Company	224,000
Blackstone Valley Electric Company	10,000
Narragansett Electric Company	568,000
Newport Electric Corporation	1,122,000
South Carolina Electric & Gas Company	1,403,000
Black Hills Power & Light Company	233,000
Northwestern Public Service Company	13,000
Kingsport Power Company	14,000
Central Power & Light Company	1,528,000
Community Public Service Company	28,000
Dallas Power & Light Company	337,000
El Paso Electric Company	2,321,000
Gulf States Utilities Company	144,000
Southwestern Electric Power Company	621,000
Southwestern Electric Service Company	39,000
Southwestern Public Service Company	1,590,000
Texas Electric Service Company	1,617,000
Texas Power & Light Company	1,638,000
West Texas Utilities Company	679,000
Utah Power & Light Company	1,327,000
Central Vermont Public Service Corporation	57,000
Green Mountain Power Corporation	32,000
Delmarva Power & Light Company of Virginia	309,000
Potomac Electric Power Company of Virginia	1,809,000
Virginia Electric & Power Company	8,565,000

APPROXIMATE ANNUAL GOVERNMENT BILLINGS FOR ELECTRIC SERVICE—continued

Utility	*Billing*
Puget Sound Power & Light Company	$719,000
Washington Water Power Company	277,000
Appalachian Power Company	276,000
Monongahela Power Company	166,000
Potomac Edison Company of West Virginia	47,000
Wheeling Electric Company	12,000
Madison Gas & Electric Company	263,000
Northern States Power Company of Wisconsin	78,000
Wisconsin-Michigan Power Company	37,000
Wisconsin Power & Light Company	75,000
Wisconsin Public Service Corporation	108,000

Question. What is the annual communications bill paid by the Federal Government to the American Telephone and Telegraph Company and each of its subsidiaries?

Answer. The total annual communications bill paid to the American Telephone and Telegraph Company and each of its subsidiaries is approximately $356,000,000.

(The letter and questions which follow were directed to the Bureau of the Budget by Chairman Proxmire:)

MAY 22, 1967.

Hon. CHARLES L. SCHULTZE,
Director, Bureau of the Budget,
Washington, D.C.

DEAR CHARLIE: At the conclusion of the hearings of the Subcommittee on Economy in Government of the Joint Economic Committee on May 16, 1967, permission was granted to the members to submit additional questions to the witnesses so the answers might be placed in the official printed hearings.

The following questions have been directed to your agency. May we have the answers for the record by May 31, 1967.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

QUESTIONS FOR BUREAU OF THE BUDGET

From: Chairman William Proxmire.

Progress is reported in reducing the amount of short-shelf-life supplies destroyed, made excess and surplus, donated, sold, etc. Can this be shown statistically? For example, how did the FY 1966 figures compare with those of FY 1965?

The subcommittee has long been interested in coordinating common activities in the Government when practicable as a means of eliminating overlapping, duplication and waste. But first we must identify common activities. Secretary McNamara has special authority to organize and operate common supply and service activities. Some notable achievements have been made in the DOD. It would seem that a similar effort should be made government wide in many areas—poverty programs, construction, conservation, communications, hospital management, lending activities, health programs, aging, geodetic and other surveys, etc. The GAO has recently reported on military recruiting, timber appraisals, and on some types of construction.

Has the BOB attempted to identify and analyze the many common-type activities in the Government? Do you have a listing of these? If so supply.

In developing the National Supply System, we are advised that the procurement of certain items will be transferred from civilian procurement to the DOD and vice versa. When this is done will the differential policy under the Buy American Act of the transferor or transferee agency be utilized?

With respect to the use of differentials under the Buy American Act, is the Budget Bureau's primary concern about "balance of payments" or "balancing the budget"?

From: Representative Thomas B. Curtis.

Last year we had a discussion as to the use of the 'pumpkin fund' in the DOD to finance sales operations. Under authority in the DOD Appropriation Act, the receipts from sales of surplus property are used to finance sales and preparation of sales. Since that authority was granted a number of years ago the cost of DOD sales has gone up and up and now use 77.2% of sales receipts. What control does BOB exert over the use of these receipts?

We asked the GAO to give us some idea of the various kinds and the scope of program financing arrangements other than through direct appropriations that are in use. A draft report gives a list that is impressive though not all-inclusive.

Does the BOB have standards or criteria as to when special methods of program financing should or should not be used—use of sales receipts, revolving funds, use of custom receipts, proceeds from fees, etc. etc.?

(The Bureau of the Budget responded as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 31, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government, Joint Economic Committee, Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letters dated May 22 and May 24, 1967, to the Director requesting answers to additional questons from members of the Subcommittee on Economy in Government of the Joint Economic Committee following the hearings on May 16, 1967.

Answers to each of the questions included in your two letters are covered in the attachment.

Sincerely,

PHILLIP S. HUGHES, *Deputy Director.*

ANSWERS OF THE BUREAU OF THE BUDGET TO QUESTIONS OF THE SUBCOMMITTEE ON ECONOMY IN GOVERNMENT, JOINT ECONOMIC COMMITTEE

Question. We asked the GAO to give us some idea of the various kinds and the scope of program financing arrangements other than through direct appropriations that are in use. A draft report gives a list that is impressive though not all-inclusive.

Does the BOB have standards or criteria as to when special methods of program financing should or should not be used . . . use of sales receipts, revolving funds, use of custom receipts, proceeds from fees, etc., etc.?

Answer. The Bureau of the Budget has criteria to be followed in determining the advisability of special methods of program financing such as revolving funds, use of sales receipts, and proceeds from sales of property. In general, the presumption is that receipts should go to the general fund, unearmarked, and that programs should be financed through regular appropriations. Proposals for special financing are approved in budget examination and legislative clearance only when there is a clear and convincing demonstration that such earmarking is decidedly in the public interest. (It should be noted that special funding arrangements may, but need not, remove a program from budget review and control.)

Earmarking of receipts generally

The following general criteria are used in determining that earmarking of receipts would be in the public interest, and weighed against the considerations of budgetary control and policy evaluation:

1. The need for expenditures fluctuates directly with variations in a highly unpredictable volume of receipts. It is difficult for general fund appropriations to provide adequately for unpredictable requirements.

2. Lump sum expenditures are to be made in a fixed proportion to receipts. Where a percentage of receipts from a given source is to be paid to the States in lump sum payments, there is no particular need for annual appropriation action by Congress, since the payments of shared revenue are relatively uncontrollable.

3. The work involved, somewhat beyond the normal functions of the Government, is an appropriate undertaking on a user charges basis. It may be appropriate for the Government to carry on an activity as a convenience to a special group, to be paid for by those benefiting.

4. Earmarking is necessary to preserve equity among certain groups of citizens. This may be a factor in earmarking receipts from the sale of personal property which is being replaced.

5. Earmarking of receipts will bring in a greater income in relation to expenditures. Where general fund expenditures are based on carrying out a service at a level in excess of that for which those benefited are willing to pay, the substitution of earmarking for general fund appropriations may bring about a reduction in expenditures and a net saving.

6. It is important to demonstrate to a payer that his payment is being used for a particular purpose. This may be necessary if the Government is either acting as an agent or is engaged in a cooperative arrangement with States, etc.

Public enterprise funds

All revolving funds involve the earmarking of receipts; generally the receipts are available without further action by Congress. The primary characteristic of a public enterprise fund is that certain receipts from the public for products or services are used to finance the related costs of a commercial-type activity or some other cycle of operations. Proposals for new public enterprise revolving funds generally should provide for annual appropriation review, subject to such limitations and allowances for flexibility as are deemed appropriate. When the arguments for a public enterprise fund are stronger than the disadvantages of earmarking, and when all or part of the following criteria are applicable, the establishment of a public enterprise revolving fund may be advisable.

1. There is a continuing cycle of operations in which expenditures generate receipts.

2. The fund is substantially self-sustaining.

3. The program involves many transactions of a business nature. When this criterion is applicable, the enterprise may qualify for a revolving fund even though it is not self-sustaining. A program for loan guarantees may properly be handled as a revolving fund even if not self-sustaining, because it involves transactions such as the forfeiture of collateral, the management of properties, and sales of property.

4. A systematic disclosure of the relationship between revenue and expense and the subsidy, if any, supplied by the Government is desirable. This criterion is applicable only when revenues are substantial in relation to expenses. Where revenues generate expenses only incidentally or vice versa, there is usually no need for refined data on the relationship between revenues and expenses.

5. There is substantial need for flexibility to meet unforeseen requirements. A significant advantage of a revolving fund is its flexibility, since an unforeseen and necessary increase in expenses is related to business volume and the related revenue increase ordinarily can finance the increased workload without going back to Congress for a deficiency appropriation. The need for flexibility, however, is not a sufficient reason in itself to create a revolving fund.

Intragovernmental revolving funds

The criteria involved in determining the advisability of creating an intragovernmental revolving fund are quite different from those considered in the creation of a public enterprise revolving fund. An intragovernmental revolving fund, whether primarily for use within an agency or for use between agencies, has no receipts from the public or such receipts are only incidental; hence the question of earmarking receipts from the public is not pertinent. Rather, the questions are closely connected to problems of appropriation pattern and structure: To what agency should the appropriation be made to pay for a particular activity? What should be the scope of each appropriation item? How can the volume of an activity best be controlled through the budget process? The following primary criteria are considered:

1. Accurate distribution of the costs of a common operation among two or more appropriations is desirable and significant. Most intragovernmental revolving funds involve the joint use of inventory or common services that can be administered more economically and effectively by one unit for an entire department or several functions, with the costs charged to the respective benefiting appropriations or organization units. This criterion is not applicable where there is only one appropriation with which the fund will deal.

2. It is important to place responsibility for justifying costs on the officials who benefit therefrom. Consideration should be given to the respective responsibilities of the officials who conduct the operation and those who benefit from it, particularly with respect to justifying the proposed operating volume.

3. It is desirable to indicate clearly whether the pricing policies used for interagency charges are on a cost or profit basis. An intragovernmental revolv-

ing fund, with a systematic display of its profit or loss, discloses overpricing or underpricing in a manner which is impossible under the appropriation reimbursement method.

4. Flexibility in the time purchases are made is desirable. A revolving fund permits more economical procurement through use of the fund's working capital to purchase in volume and at a time when prices are favorable.

Question. In developing the National Supply System, we are advised that the procurement of certain items will be transferred from civilian procurement to the DOD and vice versa. When this is done will the differential policy under the Buy American Act of the transferor or transferee agency be utilized?

With respect to the use of differentials under the Buy American Act, is the Budget Bureau's primary concern about "balance of payments" or "balancing the budget"?

How much additional cost under the Buy American Act has each agency of the Government incurred over the last years?

Answer. Items that are transferred from one agency to another under the National Supply System will be purchased under the Buy American regulations and differential policy of the agency doing the purchasing.

With respect to the use of differentials under the Buy American Act, the Bureau of the Budget's primary concern is an attempt to balance off the budgetary costs, possible savings in the balance of payments, and the U.S. objective of promoting liberal trade policies throughout the world.

There is no information readily available to answer the question. We have asked the Defense Department and GSA for information on this subject. We will also be examining the other principal agencies involved. The results of this study will be available to the Committee.

Question. Has the BOB attempted to identify and analyze the many common-type activities in the Government? Do you have a listing of these? If so, supply.

Answer. The operation of the budgetary process is the Bureau of the Buget's principal means of identifying, analyzing, and providing for coordination of common-type activities in the Federal Government. Information on some of the more significant common activities of Federal agencies is published annually in the Special Analyses, Budget of the United States. Your attention is invited particularly to the following special analyses which identify and describe major Federal programs:

Special Analysis E on Federal Credit Programs
Special Analysis F on Federal Activities in Public Works
Special Analysis H on Federal Health Programs
Special Analysis I on Federal Research, Development, and Related Programs
Special Analysis K on Federal Statistical Programs

The Bureau of the Budget's directive system includes Bureau Circulars which are employed to communicate various instructions of a continuing nature to executive departments and establishments. These Circulars provide agencies with specific direction in carrying out various aspects of the budgetary process and the Bureau's management improvement program. They are used also as a means of promulgating regulatory material derived from the Bureau's various statutory responsibilities. Of the 83 Circulars in effect currently the following provide policy guidance to agencies in areas of common activities:

A–2. Utilization, retention, and acquisition of Federal real property
A–7. Standardized Government Travel Regulations
A–16. Coordination of surveying and mapping activities
A–18. Policies on construction of family housing
A–22. Limousines, heavy sedans, and medium sedans in agencies of the executive branch
A–25. User charges
A–27. Policies and responsibilities on the sharing of electronic computer time and services in the executive branch
A–29. General policy covering the furnishing of quarters, subsistence, and laundry services to civilian employees of the Federal Government in Federal hospitals and domiciliary homes
A–30. Federal Employees Uniform Allowance Act
A–45. Policies governing charges for rental quarters and related facilities
A–54. Policies on selection and acquisition of automatic data processing (ADP) equipment

A–56. Regulations governing payment of travel and transportation expenses of civilian officers and employees of the United States

A–57. Review of proposed construction or acquisition of Federal hospitals and domiciliary homes

A–61. Guidelines for appraising agency practices in the management of automatic data processing (ADP) equipment in Federal agencies

A–62. Policies and procedures for the coordination of Federal meteorological services

A–68. Establishment of central supporting service facilities in headquarters and field service locations

A–71. Responsibilities for the administration and management of automatic data processing activities

A–76. Policies for acquiring commercial or industrial products and services for Government use

In furtherance of the goals of its management improvement program the Bureau becomes involved in detailed review and analysis of specific areas of common activity from time to time. For example, the Bureau issued instructions to all agencies inviting their sustained cooperation in the establishment and operation of the Federal Telecommunications System. Also Bureau staff are currently conducting a preliminary analysis of land acquisition organization and practices in the executive branch. The Bureau reviews specific programs under Circular A–68 to provide centralized administrative support services to agencies. GSA has the primary responsibility for furnishing specific operating guidelines for establishment of these support services which include such common activities as:

office and storage space;
self-service supply stores;
transportation services;
health units; and
printing and duplicating plants.

Finally, the grouping of common-type activities in logical organizational settings has been a prime consideration in the Bureau's participation in the President's programs for improving the organization of the executive branch. This is illustrated by reorganizations which resulted in the creation of the Environmental Science Services Administration within the Commerce Department, the creation of the Department of Transportation, the transfer of Community Relations Service from the Commerce Department to the Department of Justice, and the transfer of the Federal Water Pollution Control Administration from the Department of Health, Education, and Welfare to the Department of the Interior.

Question. Last year we had a discussion as to the use of the "punkin fund" in the DOD to finance sales operations. Under authority in the DOD Appropriation Act, the receipts from sales of surplus property are used to finance sales and preparation of sales. Since that authority was granted a number of years ago the cost of DOD sales has gone up and now use 77.2% of sales receipts. What control does BOB exert over the use of these receipts?

Answer. With respect to receipts from sales of DOD surplus personal property, these operations are subject to the normal financial and manpower controls applicable to Defense activities generally. No special controls are applied by the Bureau. Bureau staff have, however, worked with personnel of the Department of Defense in connection with the management problems in this area. Tighter management and cost controls will be placed in effect with greater responsibilities to be assumed by the Defense Supply Agency for central direction of the program.

It should be recognized that disposal proceeds and the costs chargeable thereto are not directly comparable. For example, in fiscal year 1966, a total of $6.4 billion (acquisition cost) of personal property moved through DOD utilization and disposal programs. Administrative and handling expenses in connection with all this property are charged to disposal proceeds. However, over $2.7 billion of this property (acquisition cost) was transferred within the Federal Government or donated, with no revenue resulting. Less than $3.7 billion worth of property (at acquisition cost) was sold, and most of this is scrap. The volume of reutilization, which produces no revenue in this account, has nearly doubled in recent years, while the volume of property available for sale has steadily decreased.

79–459 O—67—pt. 2——3

Question. How much surplus personal property has the Government disposed of in the last 10 years? What was its cost value, and how much did the Government receive at the time of sale?

Answer. The General Services Administration accumulates statistics reflecting the volume of surplus personal property donated, sold, or otherwise disposed of and the amount of proceeds from sales. The following table shows this data for the past 10 years.

Disposal of surplus property

Fiscal year	Acquisition cost in millions of dollars				Proceeds in millions of dollars		
	Donated	Sold	Abandoned or destroyed	Expended to scrap	Proceeds from sales (other than scrap)	Proceeds from sales of scrap	Total proceeds
1957	212.8	1,098.6	39.6	(1)	84.0	61.4	145.4
1958	289.0	1,918.8	52.9	(1)	91.4	48.4	139.8
1959	361.0	2,114.0	84.8	(1)	99.6	66.0	165.6
1960	412.8	2,055.4	50.6	(1)	105.0	62.2	167.2
1961	387.7	1,560.4	45.4	(1)	88.4	57.1	145.5
1962	350.7	1,027.7	38.7	(1)	68.8	43.9	112.7
1963	343.8	706.9	67.9	2,076.8	45.6	29.6	74.2
1964	392.5	768.9	107.1	3,369.8	45.0	38.0	83.0
1965	407.8	787.4	117.3	2,542.5	50.6	47.4	98.0
1966	429.2	608.3	106.4	2,212.6	61.3	44.1	105.4

[1] Statistics not accumulated prior to fiscal year 1963.

Question. Progress is reported in reducing the amount of short-shelf-life supplies destroyed, made excess and surplus, donated, sold, etc. Can this be shown statistically? For example, how did the FY 1966 figures compare with those of FY 1965?

Answer. Statistics are not available for comparing the total volume of short-shelf-life supplies disposed of in FY 1965 and FY 1966. The short-shelf-life problem arose primarily because items of supply having limited shelf life were not sufficiently identified to prevent loss through deterioration before issue. Since these items were not specifically designated as short-shelf-life supplies, data were not separately collected for FY 1965 and FY 1966 with respect to their disposition. We understand that in response to the Subcommittee's request the DOD is submitting information with respect to some short-shelf-life supplies. Data for FY 1965 and FY 1966, however, are available with respect to the civilian defense medical stockpile inventory. The following data, prepared by the General Services Administration, indicates progress in the utilization and destruction of the civilian defense medical stockpile inventory:

Utilization and destruction of civil defense medical stockpile by Federal agencies

[Millions of dollars]

	Fiscal years		
	1965	1966	1967
I. UTILIZATION ACTION			
(a) Loaned to Federal agencies:			
DOD	0.8	5.7	1.5
VA	0	.2	0
PHS	0	.3	.05
AID	0	.2	.15
Total loaned	.8	6.4	1.7
(b) Excess utilized or referred:			
DOD	0	0	12
AID	0	0	.3
Various agencies (United States and States)	0	1.9	0
Total utilized or referred	0	1.9	12.3
(c) Total utilization by fiscal year	.8	8.3	14
II. DESTRUCTION			
Property identified as being unfit for use and destroyed	.3	6.8	17.5

III. PLANNED UTILIZATION

The civilian defense medical stockpile inventory has been reviewed and 186 items with a value of $42.5 million, have been identified as having a shelf life which will expire on or before December 31, 1968. These items have been referred to DOD and VA for utilization by rotation to the extent those agencies have requirements prior to the expiration of the useful life of the inventory items.

The GSA and the DOD have worked together to resolve the short life problem and have agreed on and issued comparable procedures for the identification, designation of useful life, and establishment of controls for shelf-life items to minimize loss and insure maximum use prior to deterioration. The data which will be gathered under these procedures will be carefully reviewed as a measure of the effectiveness of the actions which are being taken to obtain maximum utilization of short-shelf-life supplies.

Appendix II

Buy American Act

(Correspondence relating to the Buy American Act follows:)

Congress of the United States,
House of Representatives,
Washington, D.C., April 10, 1967.

Hon. William Proxmire,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

Dear Sir: In behalf of my constituent, who is identified in the attached letter copy, I should like to request your consideration of this matter.

Thank you for whatever information and assistance you can provide. I look forward to your reply.

With kindest personal regards, I am
Sincerely,

Frank Horton,
Member of Congress.

(An identical copy of the following letter was also sent to Representative Horton by Douglas R. Velepec, executive vice president, R. J. Velepec Company, Inc., Rochester, N.Y.:)

Upson Bros., Inc.,
Rochester, N.Y., April 6, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

Hon. Frank J. Horton,
House of Representatives,
Washington, D.C.

Dear Congressman Horton: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the Hand Tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers while the General Services Administration is allowed to use a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential, which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same type program. Obviously, if this lack of policy continues, the already substantial loss of business by American Hand Tool manufacturers which results will continue to increase. It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Also, please contact Charles L. Schultze, Director of the Bureau of the Budget, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the Sub-Committee on Federal Procurement (now the Sub-Committee on Economy in Government) as contained on Page 188 of its report of Hearing held in Washington, D.C. on March 24, 1966.

The welfare of this company and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Yours sincerely,

H. H. VELEPEC, *Executive Vice President.*

APRIL 14, 1967.

Hon. FRANK HORTON,
House of Representatives,
Congress of the United States,
Washington, D.C.

DEAR FRANK: Reference is made to your letter of April 10, 1967 concerning the lack of uniformity in the application of differentials by the Department of Defense and the General Services Administration under the Buy American Act.

This problem will be considered by the Subcommittee on Economy in Government of this Joint Economic Committee at hearings scheduled for May 8–15, 1967.

If your constituent has no objection we will place his letter in the record. Please let me know.

With best wishes,

WILLIAM PROXMIRE, *Chairman.*

UPSON BROS., INC.,
Rochester, N.Y., May 1, 1967.

Hon. FRANK HORTON,
House of Representatives,
Washington, D.C.

DEAR MR. HORTON: It is a great satisfaction to know we have a Representative in Congress who follows through for his constituents. Thank you for the attention given to the matter of preferential differentials used in purchasing by GSA and DOD.

Referring to last paragraph of letter addressed to you from Chairman William Proxmire, we have no objections to having our correspondence placed in the Record.

Sincerely,

H. H. VELEPEC, *Executive Vice President.*

APRIL 10, 1967.

Mr. E. F. HOWARD,
President, Vlchek Tool Co.,
Cleveland, Ohio.

DEAR MR. HOWARD: Senator Lausche has requested me to acknowledge your letter of April 6th concerning the improper application of the Buy American Act in government purchasing.

The contents of your letter were carefully noted, and the Senator has asked me to tell you that he appreciates your writing to him concerning this matter.

He will make inquiry of the Joint Economic Committee as well as the several government agencies involved and when he has received information on the subject, we will correspond with you further.

Please be assured that your letter was welcome.

Sincerely yours,

RAY M. WHITE,
Administrative Assistant to Senator Frank J. Lausche.

(Copy of Mr. Howard's letter to Senator Lausche follows:)

VLCHEK TOOL CO.,
Cleveland, Ohio, April 6, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

Hon. FRANK J. LAUSCHE,
Senate Office Building, Washington, D.C.

DEAR SENATOR LAUSCHE: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the Hand Tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers while the General Services Administration is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential, which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same type program. Obviously, if this lack of policy continues, the already substantial loss of business by American Hand Tool manufacturers which results will continue to increase. It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Also, please contact Charles L. Schultze, Director of the Bureau of the Budget, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the subcommittee on Federal Procurement (now the subcommittee on Economy in Government) as contained on page 188 of its report of hearing held in Wahsington, D.C. on March 24, 1966.

Vlchek Tool Company was the second lowest bidder on a very substantial volume of GSA requirements. The business was awarded to imported tool suppliers—with the resultant reduction in jobs in our plants in 1966. Current studies of competitive bidding would indicate a further reduction in 1967. Therefore, the welfare of this company and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Yours very truly,

E. F. HOWARD, *President*.

APRIL 14, 1967.

Hon. FRANK J. LAUSCHE,
U.S. Senate, Washington, D.C.

DEAR FRANK: Reference is made to your letter of April 10, 1967 concerning the lack of uniformity in the application of differentials by the Department of Defense and the General Services Administration under the Buy American Act.

This problem will be considered by the Subcommittee on Economy in Government of this Joint Economic Committee at hearings scheduled for May 8–15, 1967.

If your constituent has no objection we will place his letter in the record. Please let me know.

With best wishes,

WILLIAM PROXMIRE, *Chairman*.

MAY 12, 1967.

Mr. LOUIS J. DUBUQUE III,
Vice president, Sales, Dictaphone Corp.,
Rye, N.Y.

DEAR MR. DUBUQUE: I am in receipt of your letter of May 3, 1967, concerning the variation in the use of differentials under the Buy American Act by GSA and DOD as it applies to the procurement of various items required by the Government.

Chairman Proxmire of the Subcommittee on Economy in Government, of which I am a member, assures me that this subject will be under discussion when the GSA and BOB appear before the Subcommittee on May 16, 1967, 10:00 a.m., Room AE–1 (S–407), The Capitol.

It is my hope and expectation that procedures leading to uniformity in the use of the differentials will evolve from these hearings.

I am asking the Chairman to insert your letter in the printed hearings.

Sincerely,

WRIGHT PATMAN.

Mr. Dubuque's letter follows:

DICTAPHONE CORP.,
Rye, N.Y., May 3, 1967.

Subject: Improper application of Buy American Act in Government purchasing—GSA.

Hon. WRIGHT PATMAN,
Vice Chairman, Joint Economic Committee, Subcommittee on Economy in Government, New Senate Office Building, Washington, D.C.

DEAR MR. PATMAN: On behalf of this Company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of Buy American Act by the Bureau of the Budget in the case of two Government Departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the dictating machine buying policy of the Department of Defense, which permits 50% differential in favor of American manufacturers, while the G.S.A. is allowed to use only 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from G.S.A. with its 6% differential which would not be possible if the procurement were made by D.O.D. In other words, the American producer gets the award if Agency A (D.O.D.) does the buying but loses it if Agency B (G.S.A.) is the purchaser for the same type program.

If the Bureau of the Budget continues this inconsistent policy, the already substantial loss of business by the domestic dictating machine industry as evidenced by the enclosed figures, will continue to increase. It is imperative to the industry and beneficial to our country's balance of payments that the G.S.A. differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense. As a matter of interest, recently the G.S.A. did extend this 50% differential to overseas buying, but still applies the 6% level here in the United States, which is unreasonable and inequitable.

We would be most appreciative if you would, when you have the opportunity, point out to members of the Joint Economic Committee, The Bureau of the Budget, and the Government Operations Committee ,this inconsistent policy.

Your assistance would be greatly appreciated.

With best regards,

LOUIS J. DUBUQUE III, *Vice President, Sales.*

Dictating machine industry, U.S.A., units shipped 1953, 1963–66

	U.S.A.-Made machine	Foreign-made machine	Total	Foreign as percent of total
1966	[1] 130,000	[1] 100,000	230,000	43.5
1965	[1] 125,000	81,727	206,727	39.5
1964	121,723	68,851	190,574	36.1
1963	130,147	43,768	173,915	25.2
1953	99,099		99,099	0

[1] Estimated.

Source: U.S.A.-made machines series M35R, Department of Commerce Reports on Office Computing and Accounting Machines; foreign-made machines, Department of Commerce FT125 and Journal of Import Bulletin Data.

(The preceding letter was also sent to Senator Sparkman, whose response follows:)

MAY 17, 1967.

Mr. LOUIS J. DUBUQUE III,
Vice President of Sales,
Dictaphone Corp., Rye, N.Y.

DEAR MR. DUBUQUE: With reference to your letter of May 3, 1967, I am sure that you are aware of the fact that the Subcommittee on Economy in Government of the Joint Economic Committee spent considerable time discussing this subject of differential under the Buy American Act with witnesses from the GSA and BOB on May 16, 1967.

The Subcommittee hearings should be available for distribution in the near future, and also the report thereon.

Sincerely,

JOHN SPARKMAN,
U.S. Senator.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 24, 1967.

Hon. WILLIAM E. PROXMIRE,
Chairman, Subcommittee on Economy in Government,
Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: In connection with hearings your Subcommittee will be holding on May 8, 9, 10 and 16 on government procurement, I would appreciate my following statement being considered by your Subcommittee.

American hand tool manufacturers are threatened by a very substantial loss of business because the General Services Administration in its purchases for the various Federal Agencies is allowed to use only a 6% differential in favor of American manufacturers. As you know, the hand tool buying policy of the Department of Defense permits a 50% differential in favor of American manufacturers. To me, it is vital, in the best interests of the United States, that we maintain and preserve the strong American hand tool manufacturing industry. This industry deserves and should receive from the General Services Administration the same treatment afforded American suppliers by the Department of Defense, namely, a 50% differential in favor of American manufacturers. As you undoubtedly know, foreign bidders are obtaining awards from the General Services Administration when the same tools, bid at the same price, would not have been accepted by the Department of Defense. This inconsistency is working a real and severe hardship on our American hand tool manufacturers who are hard put enough as it is to compete with cheaply produced foreign manufactured tools. I urge with all the power at my command that your Committee recommend approval of legislation to remedy this situation.

Thank you for your cooperation.

Sincerely yours,

WENDELL WYATT,
Member of Congress.

APRIL 28, 1967.

Hon. WENDELL WYATT,
U.S. House of Representatives,
Congress of the United States, Washington, D.C.

DEAR CONGRESSMAN WYATT: Thank you for your letter of April 24 concerning inconsistent government purchasing policies under the Buy American Act.

We will certainly consider your statement during our May hearings, and I will make sure that your letter is included in the hearing record.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C. April 10, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: I am enclosing a copy of the self-explanatory letter sent to me by Vice President James F. Convery of the Reed & Prince Manufacturing Company in my home city of Worcester, alleging improper application of the Buy American Act.

I shall very deeply appreciate your comments on the contents of Mr. Convery's correspondence and any other advice or recommendations you may feel warranted in the matter from your Committee experience.

Many thanks for your courtesy and best personal wishes.

Sincerely,

HAROLD D. DONOHUE.

REED & PRINCE MANUFACTURING CO.,
Worcester, Mass., April 6, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

Hon. HAROLD D. DONOHUE,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DONOHUE: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the Hand Tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers while the General Services Administration is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential, which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same type program. Obviously, if this lack of policy continues, the already substantial loss of business by American Hand Tool manufacturers which results will continue to increase. It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Also, please contact Charles L. Schultze, Director of the Bureau of the Budget, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the Sub-Committee on Federal Procurement (now the Sub-Committee on Economy in Government) as contained on Page 188 of its report of Hearing held in Washington, D.C. on March 24, 1966.

The welfare of this company and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Yours sincerely,

JAMES F. CONVERY,
Vice President, Sales.

APRIL 18, 1967.

Hon. HAROLD D. DONOHUE,
House of Representatives, Congress of the United States,
Washington, D.C.

DEAR HAROLD: The attached (1966) hearing and report of the Subcommittee on Federal Procurement and Regulation contain considerable information on the question of differentials under the Buy American Act which is the concern of your letter of April 10, 1967.

The Subcommittee on Economy in Government of which I am Chairman will pursue this matter with the Budget Bureau and General Services Administration at hearings scheduled for May 15, 1967.

I am requesting our staff Consultant, Mr. Ray Ward, to discuss this matter with you further in case you wish to submit a statement for the hearing.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 3, 1967.

JOINT ECONOMIC COMMITTEE,
Subcommittee on Federal Procurement and Regulations,
U.S. Congress, Washington, D.C.

DEAR COLLEAGUES: I have followed closely and have been very interested in the question of the application of the Buy American Act to the hand tool industry in this country.

As you are aware there presently exists a substantial difference between the protection provided to the domestic hand tool manufacturers under the regulations of the General Services Administration and that which would be afforded to them under the regulations of the Department of Defense. In 1964 the general procurement of hand tools after much discussion was transferred from the Defense Department to GSA where it remains today.

GSA procurement results in a six percent preference for American produced hand tool items as well as other American products with a maximum of twelve percent under certain conditions. The formula adopted by the Department of Defense, because of the balance-of-payments problems we have been experiencing, permits a fifty percent differential in favor of American manufactured products.

The inconsistency of a policy, where one government agency has one standard for procurement under the Buy American Act while a second government agency has another standard, is obvious on its face and creates serious and significant government procurement problems.

The importance of eliminating this incongruous situation has been apparent to your Subcommittee on Federal Procurement for some time now. At hearings held on March 23 and 24, 1966 this question was considered and the Subcommittee's conclusions were set forth in your report entitled "Economic Impact of Federal Procurement—1966" dated May 1966.

It was "strongly recommended" in the Report that the Bureau of the Budget take steps to apply uniform differentials under the Buy American Act for the same items regardless of which federal agency does the buying for the government.

In spite of this clear mandate from your Subcommittee the Bureau of the Budget made no move to rectify the situation and in the first week of November, 1966 both Representative Curtis, a member of your Subcommittee and myself wrote to the Bureau of the Budget urging, in accordance with your recommendation, the development of uniform standards and procedures to be applied in administering the Buy American Act.

The Bureau of the Budget rejected this position stating that they did not feel it was in our interest for agencies to change their procurement practices at this time.

It is my understanding that hearings will be held shortly by your Subcommittee at which this matter may again be considered. We are still hampered today by inequitable procurement procedures because of the failure of the Bureau of the Budget to take appropriate action.

Your report pointed out that to the extent that GSA takes a different course from the Defense Department in making awards to foreign producers, the balance of payments program of the Defense Department is being undermined. Of further significance to this problem is a trade agreement entered into last fall with Japan, a leading competitor in the hand tool industry, which provides for reductions in tariffs on hand tools.

This will result in more difficulty for our domestic industry in competing with foreign producers and therefore in even less effectiveness for Defense's balance of payment program as long as the GSA regulations remain in force.

Because of the importance of this matter, the recommendations of your Subcommittee last year, and the basic need to eliminate an unjust and inconsistent policy I strongly urge that your Subcommittee take all steps within its power to bring about the adoption of uniform standards and procedures under the Buy American Act and to eliminate the difference in hand tool industry protection which exists today only because procurement for hand tools was switched from the Defense Department to GSA in 1964.

With my warm regards, I am

Cordially yours,

SILVIO O. CONTE,
Member of Congress.

MAY 5, 1967.

Hon. SILVIO O. CONTE,
House of Representatives,
Washington, D.C.

DEAR SILVIO: I am in receipt of your letter of May 3, 1967, concerning the inconsistencies in the use of differentials under the Buy American Act. This letter will be brought to the attention of the Subcommittee on Economy in Government of the Joint Economic Committee at hearings beginning May 8, 1967, and will also be placed in the printed hearings.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

SERVICE TOOLS INSTITUTE,
New York, N.Y., April 12, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee, New Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: Representing the domestic manufacturers of hand tools, including those in the State of Wisconsin, we respectfully request and urge that your Committee take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget, in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer to the hand tool buying policy of the Department of Defense which permits a 50 percent differential in favor of American manufacturers while the General Services Administration is allowed to use only a 6 percent differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6 percent differential, which would not be possible if the procurement were made by DOD. Obviously, if this policy continues, the already substantial loss of business by American hand tool manufacturers will continue to increase and the USA balance of payments will worsen further. *It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50 percent, the same as the Department of Defense.*

We would also like to bring to your attention the attached article from the Wall Street Journal of Monday, April 10, 1967 announcing the adoption of a 50 percent purchasing differential in favor of American manufacturers on purchases of goods and services for Government civilian installations abroad, but not on purchases for shipment to U.S. Depots.

This announcement raises the question as to why the GSA cannot also be permitted to allow the same 50 percent differential on purchases for shipment to U.S. Depots. This correction, when made, would eliminate the unfair advantage now given foreign manufacturers of low-wage cost tools under the present 6 percent GSA differential referred to above.

May we also remind you that after a Hearing of the subcommittee on Federal Procurement and Regulation (now the Subcommittee on Economy in Government) on March 24, 1966, the following report and recommendation was forwarded by that Subcommittee to the Bureau of the Budget.

"The testimony given to the Subcommittee was to the effect that DOD was using a 50 percent differential to help the balance-of-payments problem by awarding business to American producers at an added cost through fiscal 1965 of $67.5 million. To the extent that GSA takes a different course and makes awards to foreign producers, the DOD Balance of Payments program is underminded as is any existing trade agreement.

"*Recommendation.*—The Subcommittee strongly recommends that, the Bureau of the Budget take steps to apply uniform differentials under the Buy American Act for the same items regardless of which Federal Agency does the buying for the Government."

It is our understanding that to date no action of any kind has been taken by the Bureau of the Budget on this recommendation.

We shall appreciate your including this letter in the record of the next Hearing of your Subcommittee on Economy in Government which we understand will be held in the early part of May, 1967.

Respectfully submitted on behalf of our Member Companies.

Yours sincerely,

GEORGE P. BYRNE, Jr., *Secretary.*

GSA MOVES TO ENSURE THAT AGENCIES ABROAD FAVOR U.S. PRODUCTS

[From the Wall Street Journal]

WASHINGTON.—The U.S. Government is moving to strengthen its policy of giving American businesses an advantage over foreign competitors in supplying goods and services to Government civilian installations abroad.

The General Services Administration, the Government's housekeeping agency, announced it will assume responsibility for ensuring that U.S. agencies don't contract with a foreign concern unless the foreign price is at least 50% lower than the price quoted by a domestic concern.

In announcing the move, which changes procedure rather than policy, GSA said it hopes to ease the U.S. balance-of-payments drain and also to aid small businesses in this country.

The Agency for International Development and the Defense Department, both of which follow "Buy American" policies, won't be affected by the GSA changes, it was stated.

APRIL 20, 1967.

Mr. GEORGE P. BYRNE,
Secretary and Legal Counsel, Service Tools Institute,
New York, N.Y.

DEAR MR. BYRNE: I am in receipt of your letter of April 12, 1967 concerning the Buy American Act with the clipping from the Wall Street Journal attached. Both will be placed in the hearings of the Subcommittee on Economy in Government which are scheduled for May 8, 9, 10 and 16, 1967.

At that time we will endeavor to determine the status of the application of differentials under the Buy American Act, the scope and trend in making awards to foreign bidders and related matters.

It is suggested that representatives of the Service Tools Institute be present at the hearings particularly on the 16th for your information and in case additional data may be required by the Subcommittee.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
April 14, 1967.

Hon. FRANK J. LAUSCHE,
U.S. Senate, Washington, D.C.

DEAR FRANK: Reference is made to your letter of April 10, 1967 concerning the lack of uniformity in the application of differentials by the Department of Defense and the General Services Administration under the Buy American Act.

This problem will be considered by the Subcommittee on Economy in Government of this Joint Economic Committee at hearings scheduled for May 8–15, 1967.

If your constituent has no objection we will place his letter in the record. Please let me know.

With best wishes,

WILLIAM PROXMIRE,
Chairman.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
April 24, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR BILL: Thanks very much for your letter of April 14th, a copy of which is attached, concerning the application of the Buy American Act.

I have contacted my constituents in Ohio concerning your proposal to place their letters in the record of the forthcoming hearings and have received their consent to do so. I am enclosing copies of their letters for this purpose. In addition, I am enclosing copies of letters which I have received from other interested parties on this same subject and request that these also be included in the record.

Your prompt reply to my inquiry of April 10th and your cooperation are deeply appreciated.

With best regards.

Sincerely yours,

FRANK J. LAUSCHE.

APRIL 26, 1967.

Hon. FRANK J. LAUSCHE,
U. S. Senate,
Washington, D.C.

DEAR FRANK: This is to acknowledge and thank you for your letter of April 24 enclosing letters from your constituents for the record. These will be included in the record of our hearings on defense procurment which begin on May 8. We are very pleased to have these submissions.

Best regards.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

S–K WAYNE TOOL CO.,
Chicago, Ill., April 11, 1967.

Subject: Misapplication of Buy American Act in Government procurement

Hon. FRANK J. LAUSCHE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LAUSCHE: On behalf of our Company and its employees, we respectfully urge you to take prompt action to correct an improper application of the Buy American Act by the Bureau of the Budget involving two Federal agencies: the Department of Defense and General Services Administration.

Specifically, in the procurement of hand tools G.S.A. is authorized to use only a 6% differential in favor of American manufacturers whereas the D.O.D. permits a 50% differential on the same items. As a result, foreign bidders are obtaining awards from G.S.A. which they would not obtain if the D.O.D. was the procuring agency. In other words, the American producer gets the business if Agency A (D.O.D.) does the buying, but loses it if Agency B (G.S.A) purchases.

If this inconsistent practice continues the already substantial loss of business by American manufacturers will be compounded, and a domestic industry vital to our Defense Establishment will be even more seriously weakened.

Will you please contact immediately all members of the Joint Economic Committee and urge immediate steps to correct this inconsistency. Also, please inquire of Charles L. Schultze why his Budget Bureau has chosen to ignore the recommendation of the Sub-Committee on Federal Procurement on Page 188 of its Report of Hearing held in Washington March 24, 1966.

Your prompt assistance will be much appreciated.

Sincerely,

R. W. SHERWOOD, *Vice President.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 14, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building.

SIR: The attached communication is sent for your consideration. Please investigate the statements contained therein and forward me the necessary information for reply, returning the enclosed correspondence with your answer.

Yours truly,

FRANCES P. BOLTON,
Member of Congress.

Enclosure.—Letter from Mr. J. A. Bares, president, Milbar Corp., 2800 East 116th Street, Cleveland, Ohio, relative to application of Buy American Act in certain purchases by GSA and Defense.

APRIL 18, 1967.

Hon. FRANCES P. BOLTON,
House of Representatives,
Congress of the United States, Washington, D.C.

DEAR MRS. BOLTON: The attached (1966) hearing and report of the Subcommittee on Federal Procurement and Regulation contain considerable information on the question of differentials under the Buy American Act which is the concern of your constituent's letter of April 14.

The Subcommittee on Economy in Government of which I am Chairman will pursue this matter with the Budget Bureau and General Services Administration at hearings scheduled for May 15, 1967.

If your constituent has no objection we will place his letter in the Record. Please let me know.

With best wishes,

WILLIAM PROXMIRE, *Chairman.*

(The following letter was sent to both Senator Lausche and Representative Bolton:)

MILBAR CORP.,
Cleveland, Ohio, April 11, 1967.

Re improper application of Buy American Act in Government purchasing.

Hon. FRANK J. LAUSCHE,
Senator Office Building,
Washington, D.C.

DEAR MR. LAUSCHE: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the Hand Tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers while the General Services Administration is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential, which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same type program. Obviously, if this lack of policy continues, the already substantial loss of business by American Hand Tool manufacturers which results will continue to increase. It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Also, please contact Charles L. Schultze, Director of the Bureau of the

Budget, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the Sub-Committee on Federal Procurement (now the Sub-Committee on Economy in Government) as contained on Page 188 of its report of Hearing held in Washington, D.C. on March 24, 1966.

The welfare of this company and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Very truly years,

J. A. BARES, *President.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 25, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: The enclosed letter from my Constituent is forwarded to your Committee with my request for any information that may be helpful.

Thanks for anything you can do.

Sincerely yours,

WILLIAM H. AYRES.

(The letter which follows was sent to Senator Lausche and Representative Ayres:)

WRIGHT TOOL & FORGE CO.,
Barberton, Ohio, April 30, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

Senator FRANK J. LAUSCHE,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LAUSCHE: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the Hand Tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers while the General Services Administration is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential, which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same type program. Obviously, if this lack of policy continues, the already substantial loss of business by American Hand Tool manufacturers which results will continue to increase. It is, of course, obvious that the GSA differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Also, please contact Charles L. Schultze, Director of the Bureau of the Budget, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the Sub-Committee on Federal Procurement (now the Sub-Committee on Economy in Government) as contained on Page 188 of its report of Hearing held in Washington, D.C. on March 24, 1966.

The welfare of this company and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Yours sincerely,

W. M. NONNAMAKER, *Assistant to the President.*

APRIL 27, 1967.

Hon. WILLIAM H. AYRES,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN AYRES: In reference to the letter from Mr. W. M. Nonnamaker concerning discriminatory government purchasing under the Buy American Act, I have written to advise him that the Subcommittee on Economy in Government, of which I am Chairman, will be considering this problem in hearings next month.

I will also be happy to see that your constituent's letter is placed in the hearing record.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

APRIL 28, 1967.

Mr. W. M. NONNAMAKER,
Assistant to the President, Wright Tool & Forge Co.,
Barberton, Ohio.

DEAR MR. NONNAMAKER: Congressman Ayres has contacted me about your letter of April 20 regarding improper application of the Buy American Act in government purchasing.

The Subcommittee on Economy in Government of the Joint Economic Committee, of which I am Chairman, will be considering this problem during hearings scheduled for May 8, 9, 10 and 16.

I will be pleased to see that your letter is included in the hearing record.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

UNITED STATES SENATE,
Washington, D.C., April 20, 1967.

Hon. WILLIAM PROXMIRE,
Vice Chairman, Joint Economic Committee,
U. S. Senate, Washington, D.C.

DEAR SENATOR: Enclosed is a letter which I have received from Mr. B. H. McClain on a matter recently studied by the Joint Economic Committee.

Mr. McClain requests that I contact your committee for comments on this matter and I would appreciate any report you might be able to give me, suitable for transmittal to Mr. McClain.

With kindest regards.

Sincerely,

WAYNE MORSE.

APRIL 20, 1967.

Mr. B. H. MCCLAIN,
President, P. & C. Tool Co.,
Portland, Oreg.

DEAR MR. MCCLAIN: Thank you very much for your letter of April 17 concerning what you feel is an improper application of the "Buy American Act" by the Bureau of the Budget.

In an effort to be of assistance I am communicating with the appropriate Federal officials and am asking that they give this matter serious prompt consideration.

I am also asking for a complete report with specific reference to the points outlined in your letter. As soon as I receive this report I shall write to you again.

In the meantime, I send kindest regards,

Sincerely,

WAYNE MORSE.

Re Improper application of Buy American Act in Government purchasing.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: We urge your consideration of what appears to us to be a grossly improper application of the "Buy American Act" by the Bureau of the Budget in the case of two government departments, namely General Services Administration and the Department of Defense.

At present the hand tool buying policy of the Department of Defense permits a 50% differential in favor of American manufacturers.

The General Services Administration, on the other hand, is allowed to use only a 6% differential on the same items.

As a result, foreign bidders are obtaining awards for GSA with its 6% differential which would not be possible if the procurement was made by the Department of Defense.

You can appreciate that this lack of policy poses a real problem to American hand tool manufacturers, and we recommend that the GSA differential in favor of American manufacturers be resolved to 50%, the same as with the Department of Defense.

This matter was considered by the Joint Economic Committee, and on page 188 of this committee's report of hearing held on March 24, 1966 in Washington, D.C., a recommendation was made to the Bureau of the Budget in this matter.

We would appreciate your contacting members of the Joint Economic Committee, recommending immediate steps to correct this inconsistent policy.

We would also appreciate contact being made with Mr. Charles L. Schultze, Director of the Bureau of the Budget, regarding the recommendation of the Joint Economic Committee which has not been followed.

Your assistance in this matter will be greatly appreciated by our company and by our employees whose jobs are at stake.

Yours sincerely,

P. & C. TOOL CO.,
B. H. MCCLAIN, *President.*

APRIL 24, 1967.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR WAYNE: In reference to the letter from Mr. B. H. McClain concerning government purchasing under the Buy American Act, this problem will be considered by our Subcommittee on Economy in Government of which I am Chairman at hearings scheduled for May 8–15.

I will see that your constituent's letter is placed in the hearing record.

With best wishes,

WILLIAM PROXMIRE, *Chairman.*

APRIL 24, 1967.

Mr. H. S. TULLOCH,
Vice President and Division Manager,
Proto Tool Co.,
Jamestown, N.Y.

DEAR MR. TULLOCH: Congressman Patman has asked me to respond to your letter of April 18th concerning government purchasing under the Buy American Act.

This problem will be considered by the Subcommittee on Economy in Government of the Joint Economic Committee at hearings scheduled for May 8–15.

I will be pleased to see that your letter is included in the hearing record.

Sincerely yours,

JOHN P. STARK, *Executive Director.*

PROTO TOOL CO.,
Jamestown, N.Y., April 18, 1967.

Hon. WRIGHT PATMAN,
The House of Representatives,
Washington, D.C.

DEAR MR. PATMAN: In behalf of the employees of this company, the company, and the community, we respectfully request your co-operation in taking prompt action to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two government departments, namely, General Services Administration and the Department of Defense.

Specifically, we are referring to the Hand Tool buying policy presently in existence. The Hand Tool buying policy of the Department of Defense permits a 50% difference in favor of American manufacturers, while the General Services Administration is allowed to use only a 6% differential on the same items.

79-459 O—67—pt. 2——4

Due to this policy, foreign manufacturers are receiving awards from General Services Administration due to the 6% differential, which would not be possible if the procurement were made by the Department of Defense. Stated otherwise, an American producer would receive the award if the Department of Defense is doing the buying, but would lose it if General Services Administration is the purchaser for the same type item. Without question, if this lack of policy continues, the substantial loss of business already as suffered by American Hand Tool Manufacturers will continue to increase substantially. Our recommendation is that the General Services Administration differential in favor of American manufacturers should be 50% which is the same policy as that used by the Department of Defense.

We request and urge you to please contact immediately all Joint Economic Committee members and urge them to take immediate action to correct this inconsistent policy. Would you also please contact Charles L. Schultze, Director of the Bureau of the Budget explaining concern over this matter and inquiring why the Budget Bureau has ignored the recommendations of the Sub-Committee of Federal Procurement as contained on Page 188 of its report of Hearing held in Washington, D.C. on March 24, 1966.

Your immediate assistance will be greatly appreciated as the welfare of this company, the employees, and the community are at stake.

Very truly yours,

H. S. TULLOCH,
Vice President and Division Manager.

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
April 27, 1967.

Mr. MORRIS B. PENDLETON,
President, Pendleton Tool Industries, Inc.,
Los Angeles, Calif.

DEAR MR. PENDLETON: Congressman Patman has asked me to respond to your letter of April 18th concerning inconsistent government purchasing policies under the Buy American Act.

The Subcommittee on Economy in Government of the Joint Economic Committee has scheduled hearings for May 8, 9, 10, and 16, at which time this problem will be considered.

I will be pleased to see that your letter is included in the hearing record.

Sincerely yours,

JOHN R. STARK, *Executive Director.*

PENDLETON TOOL INDUSTRIES, INC.,
Los Angeles, Calif., April 18, 1967.

Subject: Inconsistent policies of Buy American Act in Government purchasing.

Hon WRIGHT PATMAN,
Joint Economic Committee,
House Office Building,
Washington, D.C.

GREETINGS: It is our understanding that the 1967 Joint Economic Committee (JEC) Hearing of the Sub Committee on Economy in Government, is expected to be held sometime in May 1967.

In 1966, Hearings before the Subcommittee on Federal Procurement and Regulation of the JEC were held on January 24; March 23 and 24, 1966. A Report of the findings and recommendations was issued on May 27, 1966.

As a manufacturer and supplier of hand tools to the Government, we are specifically concerned with the hand tool buying policy of the Department of Defense which permits a 50% differential in favor of American manufacturers, while the General Services Administration is allowed to use only a 6% differential on the same items.

We respectfully refer you to pages 9 and 10 of the May 1966 Report wherein it states: "The subcommittee strongly recommends that the Bureau of the Budget take steps to apply uniform differentials under the Buy American Act for the same items regardless of which Federal agency does the buying for the Government." It is our understanding that the Bureau of the Budget does not intend to take any early action to adopt uniform hand tool differentials resolving this inequity.

We are most concerned that the Bureau of the Budget has apparently ignored your subcommittee's recommendation.

In the past year, we have not been awarded some items on General Services Administration contracts because of what has been determined by the JEC to be a grossly improper application of the Buy American Act. Since the welfare of this company and the jobs of our employees are at stake, your immediate assistance that will result in prompt action by the Bureau of the Budget will be greatly appreciated.

Respectfully,

MORRIS B. PENDLETON,
President.

MAY 12, 1967.

HON. ODIN LANGEN,
House of Representatives,
Washington, D.C.

DEAR ODIN: I am in receipt of your letter of April 21, 1967, with a copy of a letter from Mr. W. G. Eggers, Manager, Owatonna Tool Company, Owatonna, Minnesota. Mr. Eggers' letter concerns the apparent inconsistencies in the application of differentials under the Buy American Act.

We expect to review this subject with witnesses of the General Services Administration and the Bureau of the Budget at hearings of the Subcommittee on Economy in Government on May 16, 1967, Room AE-1 (S-407), The Capitol, at 10:00 a.m.

A copy of Mr. Eggers' letter will be placed in the printed hearings of our proceedings.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 21, 1967.

HON. WILLIAM E. PROXMIRE,
Chairman, Joint Economic Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This office is in receipt of a letter from the Owatonna Tool Company of Owatonna, Minnesota, registering concern regarding application of the Buy American Act.

Copy of their letter is enclosed for the information and consideration of your Committee.

With kindest personal regards,

Sincerely,

ODIN LANGEN,
Member of Congress.

OWATONNA TOOL CO.,
Owatonna, Minn., April 18, 1967.

Subject: Improper application of Buy American Act in Government purchasing.

HON. ODIN LANGEN,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN LANGEN: In behalf of this company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of the Buy American Act by the Bureau of the Budget in the case of two government departments; namely, General Services Administration and the Department of Defense.

Specifically we refer to the hand tool buying policy of the Department of Defense which permits a 50% differential in favor of American Manufacturers while the General Services Administration is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from GSA with its 6% differential which would not be possible if a procurement were made by DOD. For example, the American producer gets the award if Agency A (DOD) does the buying, but loses it if Agency B (GSA) is the purchaser for the same item. A substantial loss of business by American hand tool manufacturers has already occurred and obviously if this lack of policy continues, it will become much larger.

Will you please, therefore, contact at once all members of the Joint Economic Committee and urge them to take immediate steps to correct this inconsistent policy. Mr. Charles L. Schultze, Director of the Bureau of the Budget, should also be contacted, expressing concern over this matter and inquiring why the Budget Bureau has ignored the recommendation of the Sub-Committee on Federal Procurement (now the Sub-Committee on Economy in Government) as contained on page 188 of its report of hearing held in Washington, D.C. on March 24, 1966.

The welfare of this company, which is considered a small business by Government Procurement Agencies, and the jobs of our employees are at stake. Your immediate assistance will be greatly appreciated.

Sincerely yours,

W. G. Eggers, *Manager, Government Sales.*

May 5, 1967.

Hon. David Pryor,
U.S. House of Representatives,
Washington, D.C.

Dear Congressman Pryor: In reference to the letter from Mr. C. E. Dawes concerning inconsistent application of the Buy American Act, our Subcommittee on Economy in Government, of which I am Chairman, will be considering this problem in hearings scheduled for May 8, 9, 10, and 16.

I will be happy to see that your constituent's letter is placed in the hearing record.

Sincerely,

William Proxmire, *Chairman.*

Congress of the United States,
House of Representatives,
Washington, D.C., April 25, 1967.

Hon. William Proxmire,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

Dear Senator: The attached communication which I recently received from Mr. C. E. Dawes of the Duplex Manufacturing Corporation, Fort Smith, Arkansas, is self-explanatory.

I would appreciate your providing me with information which will be helpful in properly responding to the writer.

With kindest regards,

Sincerely yours,

David Pryor,
Member of Congress.

Duplex Manufacturing Corp.,
Fort Smith, Ark., April 20, 1967.

Hon. David Pryor,
U.S. House of Representatives,
Washington, D.C.:

In behalf of our company and its employees I feel it appropriate to call to your attention an inconsistency in the application of the Buy American Act.

The Department of Defense applies a 50% differential in favor of American manufacturers in its Hand Tool Procurement Program. In contrast the General Services Administration is limited in practice to only a 6% differential. As a result foreign bidders are obtaining awards from GSA that they would not get if the Department of Defense were buying. As a result a greater and greater amount of the Hand Tool business is being lost to American manufacturers who support higher wages for employees plus a substantial portion of the tax load.

I urge you to contact the Joint Economic Committee and insist that they take immediate steps to correct the inconsistency and to favor American manufacturers as the Department of Defense is doing.

Over a hundred Duplex employees will be grateful for your positive action.

Sincerely,

C. E. DAWES, *President.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 25, 1967.

Hon. WILLIAM PROXMIRE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PROXMIRE: Thank you for your letter of April 13th with regards the inquiry of my constituent, Mr. Peter K. Jackson, of Sturgis, Michigan, concerning the lack of uniformity in the application of differentials by the Department of Defense and the GSA under the Buy American Act.

I will appreciate the inclusion of Mr. Jackson's letter in the printed hearings of the Subcommittee, as suggested in your letter.

With my thanks for your courtesy and consideration,

Sincerely,

EDWARD HUTCHINSON.

MIDWEST TOOL & CUTLERY CO., INC.,
Sturgis, Mich., April 7, 1967.

Hon. EDWARD HUTCHINSON,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN HUTCHINSON: On behalf of this company and its employees, I ask that you take immediate steps to correct an improper application of the Buy American Act by the Bureau of the Budget in the case of two Government departments—G.S.A. and the Department of Defense.

I refer to the Hand Tool buying policy of the D. O. D. which permits a 50% differential in favor of the American manufacturer, while G.S.A. is allowed to use only a 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from G.S.A. with its 6% differential which would not be possible if the procurement were made by DOD. In other words, the American producer gets the award if DOD does the buying, but loses it if GSA does the buying. If this lack of unified policy continues, the present substantial loss of business by American hand tool manufacturers can only grow greater. Obviously, the GSA differential should be 50%—the same as that of the DOD. Too, this would be in line with our National policy of reducing our unfavorable balance of trade.

Please contact all members of the Joint Economic Committee at once and urge them to take immediate steps to correct this inconsistant policy. Also, please contact Charles L. Schultze, Director of the Bureau of the Budget, and ask him to explain why the Bureau has ignored the recommendation of the Sub-Committee of Federal Procurement (now the Sub-Committee on Economy in Government) as contained on Page 188 of its report of Hearing held in Washington on March 24, 1966.

I am deeply concerned, as the welfare of this company and the jobs of our employees are at stake. Your help will be greatly appreciated.

Sincerely,

PETER K. JACKSON, *Vice President.*

Appendix III

Government in Business

(The following correspondence was received for the record relative to the subject of the Government in business:)

National Retail Merchants Association,
March 7, 1967.

Senator William Proxmire,
4327 New Senate Office Building,
Washington, D.C.

Dear Senator Proxmire: I have noted your comments in regard to your concern over the commercial activities of government agencies.

The retail industry has, for many years, tried to induce the military establishment to reduce the size of the military stores operations. Initially, PX's were designed to provide articles of "convenience and necessity" for members of the armed forces. However, in recent years, these operations have grown at a rapid rate not only in the lines of merchandise handled, but in volume. The National Industrial Conference Board two years ago revealed that sales at military stores had gone above the $1 billion figure.

It should be made clear that retailers feel that an adequate PX is necessary, but the highly promotional aspects of the modern military store presents unhealthy competition for nearby tax-paying retail stores.

Recently the military stores have secured contracts from apparel producers for prices equal to those of the largest retail buyers.

While it may not be practical to try to scale down these operations to where they were prior to World War II, we do believe that efforts should be made to prevent further expansion as to the lines of merchandise handled and to curtail operations near adequate shopping areas.

Respectfully yours,

John C. Hazen,
Vice President, Government.

April 18, 1967.

Hon. Charles McC. Mathias, Jr.,
House of Representatives,
Congress of the United States, Washington, D.C.

Dear Mac: With reference to your letter of March 28, 1967, our plans have now materialized to the point where scheduled hearings of the Subcommittee on Economy in Government are firm.

Comptroller General Staats and his staff will testify on May 8, 1967 (hearing room to be announced) and we will discuss the President's program on Government Competition with Business and the related problem of the release of unneeded Government properties to the tax rolls. The General Accounting Office report on the Navy Academy Dairy at Gambrills, Maryland will be considered at that time and your statement will be welcomed.

Sincerely yours,

William Proxmire, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 28, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR: Thank you very much for your letter of March 14th about the hearings on Government properties and operations to be held in May by the Subcommittee on Economy.

I would like to submit a statement during the hearings, and would appreciate being notified when the Naval Academy Dairy Farm will be under consideration.

With high regard.

Sincerely,

CHARLES McC. MATHIAS, Jr.

(NOTE: Representative Mathias appeared as a witness on the opening day of the hearings, Monday, May 8, 1967.)

R. D. MARSHALL & CO., INC.,
Albany, N.Y., May 12, 1967.

Congressman THOMAS B. CURTIS,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN CURTIS: Permit me to say again how much we appreciated the opportunity to testify in our capacity as Chairman of the Board of the National Association of Wholesalers before the Subcommittee on Economy in Government of the Joint Economic Committee in Washington on May 10. One point occurred to me during the hearing, but the opportunity to bring it up did not appear, but I should like to pass it on to you at this time.

We were discussing the savings to be realized by our government if the existing inventories in the hands of wholesalers in every state were to be drawn upon by the government for those commercially available items stocked by the various commodity line wholesalers. We are certain that this savings in cost is large as our testimony documented. The other side of the coin is attractive, too, for government purchasing at the local level is bound to stimulate the economy of that area.

It is not hard to recall federal programs for local assistance which are an outright drain on the national budget, but this simple plan to have governmental agencies buy commercially available items from local suppliers would result not only in a savings for the national budget but would improve local economies.

This is a point which we believe has not been sufficiently emphasized and we are grateful for the opportunity of presenting it to you for your consideration.

Very sincerely yours,

R. DOUGLAS MARSHALL,
Chairman of the Board, National Association of Wholesalers.

Appendix IV

Improved Management of Federal Real Property

(The materials included herein were supplied by Representative Thomas B. Curtis, ranking minority member of the committee:)

October 11, 1966.

Mr. Lawson B. Knott, Jr.,
General Services Administration,
Washington, D.C.

Dear Mr. Knott: Enclosed is a tearsheet from the Congressional Record of October 10. I would appreciate learning from you what action, if any, has been taken concerning the Subcommittee's recommendation of last May, as I wish to pursue this matter at some length during the next session of Congress.

Sincerely,

Thomas B. Curtis.

(The following is reprinted from the Congressional Record—Appendix, Oct. 10, 1966, pp. A5202, A5203:)

Federal Property Holdings Should Bear Local Property Tax

EXTENSION OF REMARKS OF HON. THOMAS B. CURTIS, OF MISSOURI, IN THE HOUSE OF REPRESENTATIVES, MONDAY, OCTOBER 10, 1966

Mr. Curtis. Mr. Speaker, throughout the country there is a great deal of federally owned property being improperly used and causing unnecessary hardship on various local and State governments. These Federal landholdings often cause economic problems in the locale in which they are situated because they erode the tax base of the area. On the other side of the coin, precisely because these Federal landholdings are not subjected to the economic discipline of local governmental taxation, they are often not utilized to their highest potential.

Last May the Subcommittee on Federal Procurement and Regulation, of the Joint Economic Committee, issued a report calling attention to this problem and recommending the appointment of a high level commission or committee to identify such Federal properties and to recommend their proper utilization. Today I am inserting in the Record an excellent editorial which appeared in the Washington Star of September 21, entitled "Bolling's Future" pointing out underutilization of the Bolling-Anacostia area. I wrote to the editor of the Star commending him on the editorial and suggesting further thoughts for his consideration. The editorial and my letter follow:

[From the Washington (D.C.) Star, Sept. 21, 1966]

BOLLING'S FUTURE

The language in the new military construction act prohibiting any use of the Bolling-Anacostia area for urban renewal purposes until 1971 is a senseless, capricious restriction, which Congress should never have approved. But the provision was enacted, leaving President Johnson the choice of accepting it or vetoing the entire billion-dollar construction measure. Faced with this decision, the President found a third way out.

He has made plain, in signing the bill, that he does not share the narrow view of Representative Rivers, the House Armed Services Committee chairman, that the military should retain control over land clearly excess to its needs. He instructed that urban renewal planning for the area proceed as rapidly as possible in order to determine the land's "best use." And if that use cannot be carried out within the limits of River's restriction, he said, "I shall not hesitate to request and work for a change in the law."

Well, there is no doubt that the President will be called upon to do just that. The military, as it happens, is in complete agreement with the city's planners that a substantial portion of the old airfield should be developed, in accordance with an urban renewal plan, primarily as a residential community.

The absence of a completed plan, however, has proved to be a severe detriment in trying to sell that sound idea. While pleading with Congress to reject the Rivers ban, for example, Washington's official and civic leaders were handicapped by their inability to say precisely what the plan would provide. Moreover, some civil rights leaders, perhaps for purposes of simplification, have spoken of the re-use broadly in terms of "public housing." That is not the idea at all. The premise on which the planners are proceeding is that the new community will provide a broad range of various types of housing, and possible major public uses as well.

There is a danger now, in view of the moratorium, that the planning effort may relax. It must not. Even given the normal problems and inepitudes of the planning process in Washington, there is no reason why a definite plan for the area should not be in hand within a year. The aim should be to present it to the next Congress—accompanied by the President's promised request for a change in the law.

EDITOR,
The Washington Star,
Washington, D.C.

DEAR SIR: Your excellent editorial of September 21, 1966, entitled "Bolling's Future" renders a distinct public service in highlighting an acute and growing economic problem facing local and state bodies. These bodies suffer fiscal difficulties aggravated in part by the erosion of the tax base by the Federal government which holds numerous poorly utilized pieces of potentially valuable real property throughout the nation.

The Subcommittee on Federal Procurement and Regulation of the Joint Economic Comimttee, on which I serve under the Chairmanship of Senator Paul H. Douglas of Illinois, issued a report in May, 1966, calling attention to this problem, and recommending that a high level committee or commission be appointed, first to identify all such federal properties, and, second, to recommend their highest public use under current circumstances.

Undoubtedly the tax base can be greatly helped by this recommendation, federal expenditures reduced and the general economy strengthened.

A further thought worthy of serious consideration would be to make Federal properties subject to local taxation as was done under the RFC Act in order to help local bodies which render police, water and other services to Federal agencies. But perhaps more importantly to exert a fiscal pressure to insure that unneeded Federal properties be declared excess.

Sincerely,

THOMAS B. CURTIS.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 17, 1967.

HON. THOMAS B. CURTIS,
House of Representatives,
1336 Longworth House Office Building,
Washington, D.C.

DEAR MR. CURTIS: Thank you for your letter of October 11, 1966, enclosing a tearsheet from the Congressional Record of October 10 containing your views on the need to improve the management of Federal real property.

You may recall from the Bureau's testimony last year before the Subcommittee on Federal Procurement and Regulation of the Joint Economic Committee, we shared your concern in the need to assure a stronger sustained effort to achieve better utilization of real property and to speed the return to local tax rolls of unneeded properties. At the time of the hearings we advised that we were studying the problem and were discussing recommendations for improvement of our procedures with the agencies. Our studies have been completed and the Bureau has recently issued guidelines to the heads of Federal agencies which we believe will improve the management of Federal real property.

Enclosed for your information is a copy of Bureau of the Budget Circular No. A–2, Revised, dated April 5, 1967, which contains the Government's policy on the utilization, retention, and acquisition of Federal real property. This directive replaces one originally issued in October 1955 which was limited to providing guidelines for the identification of excess real property.

Federal agencies are required, by the new directive, to develop criteria to achieve effective and economical use of their real property to meet the needs of each of their programs. The Circular prescribes systematic reviews of agencies' holdings in accordance with guidelines in the Circular and criteria established by the agency.

The new Circular provides that before agencies acquire new property they must determine that the best use is being made of their existing holdings and attempt to fulfill their needs by using property under their jurisdiction. If the need cannot be met by using existing holdings, efforts must be made to determine if other satisfactory existing Federal holdings are available. Procedures are provided for notifying General Services Administration and the Bureau of Land Management, Department of the Interior, as appropriate, to ascertain if excess, surplus, or unreserved public domain lands are available which might fill the need. When none of these are available, agencies then must consider the possibility of joint use of real property held by other agencies before action can be instituted to condemn, purchase, construct, or lease.

Each agency is required to report on the results of its annual review. This new requirement in the regulation will enable us to keep currently informed of the effectiveness of agencies' reviews and will alert us to the need for initiating follow-up action.

We appreciate your interest in the program to improve the management of Federal real property.

Sincerely,

PHILLIP S. HUGHES, *Deputy Director.*

APRIL 20, 1967.

Hon. CHARLES L. SCHULTZE,
Director, Bureau of the Budget,
Executive Office Building,
Washington, D.C.

DEAR CHARLIE: This will acknowledge Mr. Hughes' letter of April 17, 1967, enclosing BOB Revised Circular A–2 of 4–4–67, on the Utilization, Retention and Acquisition of Federal Real Property.

I am pleased to receive this material and will wish to discuss it at considerable depth at the time you appear before the Subcommittee on Economy in Government, which I understand will be May 16, 1967.

From a quick reading of the Circular, I feel that some progress will follow its implementation. However, I believe one of the principal features of the Subcommittee's recommendation on page 12 of the May 1966 Report should have been followed, namely: the establishment of a high level economic policy committee to review agency holdings.

I will also want to discuss with you the idea of imposing some form of taxes on industrial type property and perhaps others to provide assistance to local governments and act as a leverage against unneeded retention of the properties.

Sincerely,

THOMAS B. CURTIS.

(For full text of Bureau of the Budget Revised Circular A–2, April 4, 1967, see pt. 1 of these hearings, p. 234.)

Appendix V

FOLLOWUP ACTION ON GAO REPORT ON COST OF SALES OF SURPLUS PROPERTY AND DISPOSITION OF PROCEEDS

ASSISTANT SECRETARY OF DEFENSE,
INSTALLATIONS AND LOGISTICS,
Washington, D.C., June 17, 1966.

B-140389.

Hon. ELMER B. STAATS,
Comptroller General of the United States,
General Accounting Office.

DEAR ELMER: Reference is made to your letter dated March 18, 1966, which transmitted copies of your report to Congressman Thomas B. Curtis on Cost of Sales of Surplus Property and Disposition of Proceeds (OSD Case #2430). The survey on which you reported was directed toward the use of sales proceeds to reimburse the Military Departments and the Defense Supply Agency (DSA) for expenses incurred in disposal operations and to determine whether proceeds have been diverted for nonauthorized purposes.

Your report indicated that approximately $1 million was not available for return to the Treasury at the end of Fiscal Year 1965 because of alleged improper withholding of disposal proceeds and/or improper reimbursement of disposal expenses. Most of the specifics cited in the report were based on the opinion that the actions taken were contrary to DoD policy as expressed in applicable Directives and Instructions.

Your report has been reviewed by the Military Departments and the Office, Secretary of Defense and it has been concluded that most of the actions cited in the report were fully in accord with established DoD policy. Specific explanations follow:

1. *Withholding of sales proceeds by Navy industrial fund.*—The report cited the improper withholding from the deposit fund of $329,000 in sales proceeds, which represented about 50 percent of the transactions tested. Your conclusion was based on the interpretation that DoD Instruction 7310.1 requires that property must be "owned" by an industrial fund before proceeds from disposal sale can be withheld from the deposit fund and credited to the industrial fund. This is not the case. Both DoD Instructions 7310.1 and 5410.4 use the term "generated" by industrial funds, not "owned" by industrial funds. The intent of both of these Instructions is that proceeds from the sale of scrap *generated* in the course of rebuild, modification, or overhaul should be offset against the cost of doing the work, thereby resulting in reduced billings to the customer. With prior approval, this same procedure is authorized for nonindustrial fund activities by subpararaph VI3 of DoD Instruction 7310.1. The DoD position is that the Navy policy on this matter and the specific actions taken are in agreement with DoD policy.

2. *Improper reimbursement for disposal expense.*—

(*a*) *Reimbursement of costs for processing industrial fund scrap.*—Your report cites as improper the reimbursement to the Norfolk Naval Shipyard, for disposal expenses on the basis that the Shipyard also received the proceeds from the sale. DoD policy is that an industrial fund should receive all proceeds from sale if it bears the cost of disposal and only the net proceeds from the sale, i.e., gross proceeds less all expense of disposal, if it does not bear the costs of disposal. Since it is impractical to determine disposal expense for each transaction, the DoD uses an estimated amount of 10 percent of gross proceeds as representing the costs of disposal.

In the case cited, the Norfolk Naval Shipyard did not bear the costs of disposal since the work was performed under a reimbursable service order. Accordingly, the industrial fund was entitled to only the "net" proceeds, which would amount to 90 percent of the gross proceeds. The report does not bring out the fact that the industrial fund received credit for only 90 percent of the gross proceeds with the remaining 10 percent being credited to the DSA deposit fund to cover the estimated disposal costs. Assuming that the 10 percent did represent the actual disposal costs, then the final effect of the transactions was that the industrial fund received only "net" proceeds from sale, which is in agreement with DoD policy.

(*b*) *Reclamation and modification of usable items.*—Your report cited, as improper, the reimbursement for costs of removing parts from end-items on the basis that this action was not essential to the disposal process, as required by DoD Instruction 7310.1. The point of contention appears to hinge on the interpretation of the word "essential." It is true that the items cited could have been disposed of without removing the parts. However, since it is the policy of the Department of Defense to remove all required parts from end-items before disposition, it is "essential" to the disposal process that these parts be removed. This is the interpretation that was intended by DoD Instruction 7310.1 and, accordingly, the specific actions cited are considered to be in accord with DoD policy.

Your report also cited two cases where work performed at the Yorktown Naval Weapons Station and at the Tooele Army Depot was related to modification of ammunition and not disposal. To the extent that these installations received reimbursement for modification work, an adjustment will be made because such actions would be contrary to DoD criteria.

(*c*) *Costs related to transfer of excess material to property disposal offices.*—Your report cites inconsistent practices of Military Departments pertaining to the practice of reimbursing for predisposal costs, implying that disposal costs incurred prior to the delivery of such material to the property disposal office should not be reimbursed. Department of Defense Instruction 7310.1 intended to make all disposal costs reimbursable. Specifically, the instruction provides that such costs as reporting excess personal property to the Defense Supply Agency (DSA) and to the General Services Administration (GSA), and utilization screening functions performed by DSA are reimbusable. Also, the instruction specifically cites the cost of packing, handling and crating excess and surplus materials as being reimbursable. It is the intent of DoD Instruction 7310.1 that the types of costs being reimbursed to the Navy were to be reimbursable. To the extent that Army, Air Force, and DSA practices are at variance with DoD policy, appropriate corrective action will be taken.

* * * * * * *

Your report also stated that there is a need for improving (1) the identification of disposal costs, (2) the reporting of disposal operations, and (3) the review of disposal activities by internal auditors. As a result of your report, a Defense-wide audit of disposal activities has been initiated. This audit will cover, in depth, the issues raised in your report and will provide a basis for taking corrective action as required.

You suggested four measures for improving disposal operations, i.e., strengthening of DSA's supervisory role, implementing a uniform cost accounting system, establishing an improved reporting system, and validating the propriety of disposal expenses through internal audit. With regard to the first suggested measure, DSA's role as the property disposal program manager was strengthened by Deputy Secretary of Defense memorandum dated November 27, 1964, subject: "Implementation of Secretary of Defense Project 26 as it Relates to the Management of the Department of Defense Property Disposal Program" was was further strengthened by the December 9, 1965 revision of DSA's basic charter (DoD Directive 5105.22, subject: "Defense Supply Agency"). It is believed that sufficient guidance has been provided to enable DSA to manage and control the disposal program. With regard to your other suggestions, it is considered desirable to await the results of the Defense-wide audit before determining the extent of corrective measures required and initiating specific actions. We will be happy to advise you of the results of our audit and of the additional actions we will take, about the end of the year.

Sincerely,

PAUL R. IGNATIUS.

U.S. GENERAL ACCOUNTING OFFICE,
DEFENSE ACCOUNTING AND AUDITING DIVISION,
Washington, D.C., December 8, 1966.

Hon. PAUL R. IGNATIUS,
Assistant Secretary of Defense, Installations and Logistics.

DEAR MR. IGNATIUS: Reference is made to your letter of June 17, 1966, commenting on our report to Congressman Thomas B. Curtis on the cost of sales of surplus property and disposition of proceeds (OSD Case #2430).

We were pleased to learn that as a result of our report you have initiated a Defense-wide audit of disposal activities which will cover in depth the issues raised in the report and provide a basis for corrective action as required. We will appreciate being advised of the results of your audit and of the corrective actions you take.

On August 31 and September 1, 1966, we discussed with representatives from your office and the Office of the Assistant Secretary of Defense (Comptroller) the matters covered in the report and commented on in your letter. These discussions were very helpful towards a mutual understanding of the presentations made in both the report and in the letter. As a result of these meetings, several practices in connection with the accounting for surplus sales proceeds and the reimbursing of disposal expenses should be brought to your attention for further consideration when corrective actions in the disposal area are being prescribed.

The two principal matters that have been discussed involve the withholding of scrap sales proceeds from the Deposit Fund Account by the Norfolk Naval Shipyard and the reimbursing from the Deposit Fund Account of scrap processing costs incurred by the shipyard. Regarding the withholding of proceeds, we, as well as the Disposal Program Manager (DSA), interpreted that portion of DOD Directive 7410.4 which states that—"Proceeds from sale of scrap shall be deposited to the industrial fund when such property is held in the industrial fund"—to mean that proceeds from "rip-out" materiel removed from vessels undergoing overhaul should be remitted to the Deposit Fund rather than to the Shipyard Industrial Fund. However, your letter and the recent discussions with Defense representatives indicated that such proceeds should be offset against specific customer orders to provide a more realistic determination of the costs of end-items and programs. The Norfolk Naval Shipyard did not follow this practice. Scrap sales proceeds are used to reduce general overhead charges applied to all types of shipyard work. Defense officials at our meetings indicated that such practice is not in accord with DOD policy.

We understand that when "rip-out" materiel cannot be identified to specific customer orders, it is permissive to use the proceeds to reduce overhead expenses. It would seem, though, that this latter practice would be followed only in cases where minor quantities of "rip-out" materiels are involved instead of the instances we reported. We believe that with the intimate knowledge that the Shipyard must have as to what must be done to accomplish specific work assignments, it is feasible for the Shipyard to identify and estimate the extent of "rip-out" materiel that will be generated, and estimate the corresponding cost reductions that can be made to customer orders. Therefore, we suggest that you consider having the Norfolk Naval Shipyard revise its curent practice of routinely treating the sales proceeds from "rip-out" materiel as a reduction in general overhead costs of the shipyard.

With regard to reimbursing the Shipyard from the Deposit Fund for cost of processing scrap materiel for which sales proceeds were retained by the Shipyard, we understand from our recent meetings with Defense officials that it is DOD policy to have the Industrial Fund bear an equitable portion of the total cost incurred in realizing scrap sales proceeds. This is the position expressed in our report. The Shipyard, while retaining net proceeds from scrap sales of more than $657,000 during fiscal year 1965, did not bear any of the scrap preparation costs which totaled more than $325,000. The 10 percent retained from sales proceeds by the Defense Surplus Sales Office for the Deposit Fund covers only the estimated selling expenses of that organization rather than the scrap preparation costs of the Shipyard.

Since we have learned that the Shipyard Industrial Fund is permitted to retain proceeds from "rip-out" materiel for the purpose of crediting customer accounts, we believe scrap processing costs incurred in this connection should be borne by the Industrial Fund rather than the Deposit Fund. Therefore, we are revising our estimate of reimbursed expenses which should have been borne by the Industrial Fund from $52,000, which excluded "rip-out" scrap, to $237,000 based on the relationship of the weight of Industrial Fund scrap to the weight of all scrap received for processing during 1965. We suggest that you consider actions that should be taken to prevent further reimbursements from the Deposit Fund of scrap processing costs incurred by the Industrial Fund.

We trust that these additional comments will assist you in clarifying policy matters and effecting corrective action as may be required. If we can be of further assistance, please advise.

Sincerely yours,

C. M. BAILEY, *Acting Director.*

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., February 14, 1967.

Hon. THOMAS B. CURTIS,
House of Representatives.

DEAR MR. CURTIS: Enclosed, on behalf of the Secretary of Defense, are two copies of the letter that has been sent to GAO concerning the Comptroller General's report of March 18, 1966 to the Congress on "Sales of surplus property and disposition of proceeds," B-140389 (OSD Case #2430).

Copies of any supplemental comments, which are sent to GAO concerning this report, will also be sent to you.

Sincerely,

J. L. BREWER, Jr.
(For George W. Bergquist, Deputy Assistant Secretary of Defense).

ASSISTANT SECRETARY OF DEFENSE,
INSTALLATIONS AND LOGISTICS,
Washington, D.C., February 8, 1967.

Mr. C. M. BAILEY,
Acting Director, Defense Accounting and Auditing Division, General Accounting Office, Washington, D.C.

DEAR MR. BAILEY: Reference is made to your letter of December 8, 1966 in which you furnished additional comments and suggestions concerning items contained in your report dated March 18, 1966 to Congressman Thomas B. Curtis on the cost of sales of surplus property and disposition of proceeds, and our reply thereto dated June 17, 1966 (OSD Case #2430).

The Defense-wide audit of disposal activities, which we initiated as a result of your report, was completed the latter part of December 1966. The audit findings are currently being reviewed within the Department of Defense. We will advise you of the findings and our actions pertaining thereto at the earliest possible date.

In regard to the two suggestions presented in your December 8, 1966 letter, the following comments are furnished:

1. *Application of proceeds from sale of "rip-out" material to reduce general overhead costs of industrial-fund activities.*—We are in accord that the proceeds from the sale of "rip-out" scrap generated by industrial-fund activities should be applied, wherever possible, as a reduction in the cost of specific customer orders. The Navy will be advised to take appropriate action to assure compliance with the overall DoD policy in this area.

2. *Prevention of reimbursement from the deposit fund account of scrap processing costs incurred by industrial-fund activities.*—It is our understanding that this suggestion primarily concerns the scrap processing costs which are incurred by disposal activities reimbursed from the Deposit Fund Account. It appears that the problem concerns the equitability of the current policy of withholding ten percent of sales proceeds to offset processing costs incurred by disposal and sales activities. We are considering a proposal whereby the Defense Supply Agency will be assigned the responsibility for determining the equitable percentages or percentages to be withheld from proceeds as the expense of disposal in all cases where total proceeds are not credited to the Deposit Fund. In addi-

tion, we are in the process of implementing an improved cost accounting and reporting system for all disposal activities. This system will assist DSA in performing the above mentioned responsibility.

We appreciate your concern in the above matters and are grateful for your assistance in their resolution.

Sincerely,

PAUL H. RILEY
Deputy Assistant Secretary of Defense (Supply and Services).

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., February 14, 1967.

Hon. THOMAS B. CURTIS,
House of Representatives.

DEAR MR. CURTIS: Enclosed, on behalf of the Secretary of Defense, are two copies of the letter that has been sent to GAO concerning the Comptroller General's report of March 18, 1966 to the Congress on "Sales of surplus property and disposition of proceeds," B-140389 (OSD Case #2430).

Copies of any supplemental comments, which are sent to GAO concerning this report, will also be sent to you.

Sincerely,

J. L. BREWER, Jr.
(For George W. Bergquist, Deputy Assistant Secretary of Defense).

OCTOBER 21, 1966.

Hon. ELMER B. STAATS,
Comptroller General of the United States,
General Accounting Office Building,
Washington, D.C.

DEAR ELMER: I am very much interested in your excellent Report on Cost of Sales of Surplus Property and Disposition of Proceeds—Department of Defense (B-140389, dated 3-18-66).

To my mind this report indicates a situation which appears to be growing whereby an agency is permitted to create its own appropriation through the disposition of federal receipts which should be deposited to the general fund and then appropriated by regular process. The instant case, so-called "Punkin" fund merely illustrates a rather widespread situation.

In order that we may take a broader look at the problem at the next session of Congress as a part of the work of the Subcommittee on Procurement and Regulation, I would appreciate it if your office could compile for me a complete list of programs under which agencies utilize receipts to create working capital funds. Included in this listing would be stock funds, industrial funds, so-called Section 32 funds, etc. I recall there was a listing some years ago of so-called "back-door" financing which should be included in your general listing also. I would suggest that this information be made available to me by February 15, 1967.

With best wishes,

Sincerely,

THOMAS B. CURTIS.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., May 5, 1967.

Mr. C. M. BAILEY,
Associate Director, Defense Accounting and Auditing Division,
General Accounting Office, Washington, D.C.

DEAR MR. BAILEY: Reference is made to our letter of February 8, 1967 in which we stated we would advise you of the results of the Defense-wide audit of personal property disposal activities and of any actions pertaining thereto (OSD Case #2430).

The report of the audit review contained findings indicating a need for: (1) improving the identification and reporting of disposal expenses; (2) conducting periodic audits of expenses charged to the disposal fund at all locations where expenses are incurred; (3) establishing a more meaningful method of measuring cost effectiveness and efficiency of the disposal operations; (4) specifying expenses to be withheld for disposal of special types of property (industrial fund scrap, Military Assistance Program (MAP) and exchange/sale property) and centralizing disbursement of the net proceeds from the sale of such property; (5) considering the establishment of a single manager to administer the disposal program, including the control over all resources; and (6) initiating at the Office of the Secretary of Defense (OSD) level the positive management of the military services' lumber and timber programs.

You will recall that in our letter of February 8 we mentioned that we were in the process of implementing an improved cost accounting and reporting system for all disposal activities. This new system, which has a July 1, 1967 target date for implementation, was developed after special consdieration of the findings and recommendations reflected in both your report of March 18, 1966 and the DoD audit review report. Specifically, the new system will establish a uniform cost accounting structure and provide uniform procedures for accumulating and reporting cost and performance data pertaining to all disposal operations. The new cost definitions will provide more detailed descriptions of expenses authorized for reimbursement than existed previously.

We believe that this new system of accounting and reporting, once implemented, will provide the basis and means for improving the management and efficiency of the disposal operation within the DoD. For instance, this new reporting system, in providing more detailed definitions of reimbursable expenses, will allow all management levels, and particularly the Defense Supply Agency (DSA), the program administrator, to compare and appraise financial data in sufficient detail to permit a meaningful evaluation of program operations. Such evaluation will tend to ensure the financing of only those functions which are properly chargeable, and to focus attention to those activities requiring increased management attention.

The finding that the financial and fiscal aspects of disposal operations should be audited periodically will be implemented. With reference to the finding concerning the management of lumber and timber programs, an office has been established within this organization for the specific purpose of managing this program.

In general, we believe that most of the past deficiencies in this program have been operational and procedural rather than of a policy nature, and that the new system will enable us to remedy them. We also believe that DSA can effectively administer the program under the authority it now possesses, and with the additional and more specific guidance which will be provided by the new cost accounting system.

Your continuing interest in the surplus personal property disposal program is appreciated.

Sincerely,

PAUL H. RILEY,
Deputy Assistant Secretary of Defense
(Supply and Services).

Appendix VI

GAO Report on Various Methods of Financing Agency Programs

79–459 O—67—pt. 2——5

REPORT ON
VARIOUS METHODS OF FINANCING
AGENCY PROGRAMS

BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES

MAY 1967

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-140389

Dear Mr. Curtis:

In accordance with your request of October 21, 1966, we have developed a list of Federal agency programs which are classified into various categories. The listing was compiled from publications and records of the Bureau of the Budget, the Treasury Department, and other Government agencies and through discussions with various Federal officials. Time did not permit the inclusion in our listing of all programs; however, we believe that our report covers most programs of significant dollar amounts.

On December 5, 1966, we met with Mr. Ray Ward, Economic Consultant to the Subcommittee on Economy in Government of the Joint Economic Committee, to reach agreement on the various types of programs to be listed in our report. Our listing is divided into program categories which reflect the specific items mentioned in your letter and those programs discussed with Mr. Ward.

In your letter, you requested that we include in our report a listing of "back-door" financing that you recalled seeing some years ago. We discussed the identification of this listing with Mr. Ward who indicated that it may have been presented by Congressman Thomas M. Pelly during hearings on the Area Redevelopment Bill. In our research, we found only one such listing that we could attribute to Congressman Pelly. That listing is presented below and is also shown on page 2626 of the Congressional Record of February 23, 1961.

Emergency Housing Act
Export-Import Bank Lending Authority
Small Business Investments
Community Facilities
Depressed Areas
Mineral Subsidy
Airport Grants
Housing Act of 1958
Navaho-Hopi Rehabilitation

B-140389

Highway Act of 1958
Education Bill
Writeoff of Losses Under Defense Production Act
Borrowing Authority
Direct Veterans Loans
TVA Borrowing Authority
Capitol Power Plant Construction
Maritime Academy Act of 1958
Bretton Woods Agreement Act
Housing Act of 1959
Highway Act of 1959
College Housing Loans
Public Facilities Loans
Highway Act of 1960

The above programs are substantially identified in the enclosures to this letter, which provide information for each of the program categories on which we are reporting.

Although your letter did not specifically request the program dollar amounts, we have included them upon the request of Mr. Ward. The addition of the dollar figures to the listed programs will give you some impression of their magnitude. We have not verified the accuracy of dollar figures or of narrative descriptions which appear in the enclosures, nor have we performed an evaluation of the merits of the various financing methods.

A brief description of the various program categories follows, with details on specific agency programs contained in the respective enclosures.

AUTHORIZATION TO SPEND DEBT RECEIPTS

This method of financing is also known as "Treasury borrowing." It first came into use in 1932 to finance the Reconstruction Finance Corporation and has since been used numerous times to finance various other Government programs. As of June 30, 1966, Federal agencies had

B-140389

available over $29 billion of unused borrowing authority. A more detailed explanation of this method of financing is presented in enclosure I.

REVOLVING FUNDS

Revolving funds are authorized by specific provisions of law to finance a continuing cycle of operations in which expenditures generate receipts and the receipts are available for expenditure. As of June 30, 1966, the Treasury Department showed 117 such funds with cash and fund balances of over $11 billion, investments in securities of over $2 billion, and budgetary authorizations of about $23 billion. The budgetary authorizations include balances of authority to expend from public debt or corporate debt receipts and unfunded contract authorizations. Information on selected revolving funds is given in enclosure II.

CONTRACT AUTHORIZATIONS

Contract authorizations represent grants of authority by the Congress to incur obligations prior to the enactment of appropriations. A contract authorization does not, in itself, permit the spending of money. It must be followed by an appropriation to permit payment of the obligations incurred thereunder. As of June 30, 1966, unfunded contract authorizations of over $5 billion were outstanding in the administrative budget accounts. At the same point in time, trust fund accounts had unfunded contract authorizations of nearly $11 billion. More detailed information concerning this method of financing is shown in enclosure III.

SPECIAL FUND RECEIPTS AND APPROPRIATIONS

Special funds are those which are established to account for receipts that are earmarked by law for a specific purpose. Some special funds are subject to annual appropriation by Congress while others are automatically available under the laws which create the funds. During fiscal year 1966, special fund receipts were $606 million and special fund appropriations were $548 million. Detailed information on special funds is given in enclosure IV.

B-140389

USER CHARGES PROGRAM

Statutory authority for the user charges program was provided with the enactment of title V of the Independent Offices Appropriation Act of 1952 (5 U.S.C. 140) which itemized numerous types of activities that the Congress believed should be "self-sustaining to the full extent possible." The general rule is that collections made for these services are deposited into the general fund of the Treasury as miscellaneous receipts. However, with proper legal authority, agencies may deposit user charges receipts to trust funds, revolving funds, or appropriations which finance the activities involved. During fiscal year 1965, about $1.4 billion was collected under the various user charges programs of which $0.6 billion was deposited to other than miscellaneous receipts. Additional details concerning user charges are contained in enclosure V.

GOVERNMENT CORPORATIONS

There are a number of Federal organizations which take the form of corporations. As such, they operate in a manner similar to that of commercial enterprises in that they have governing bodies in the form of boards of directors which have broad powers to take action. More detailed information on corporations is given in enclosure VI.

PERMANENT APPROPRIATIONS

A permanent appropriation is one which is automatically renewed each fiscal year over a period of time, by virtue of standing legislation, without annual action by the Congress. Payment of interest on the public debt which amounted to $12 billion in fiscal year 1966 accounts for the bulk of money expended under permanent appropriations. One of the major programs financed by permanent appropriations is the Removal of Surplus Agricultural Commodities (section 32 funds) which you specifically mentioned in your letter of October 21, 1966. Examples of permanent appropriations are presented in enclosure VII.

FOREIGN CURRENCY PROGRAMS

Foreign assistance programs of the United States result in the acquisition of substantial amounts of foreign currencies. There are a

B-140389

number of laws pertaining to the utilization of these currencies by the United States. A description of foreign currency transactions is given in enclosure VIII.

ECONOMY ACT TRANSACTIONS

The phrase "Economy Act Transactions" refers to interagency supply of goods and services. The authority of an agency head to deal with other Government agencies is provided for in section 601 of the Economy Act (June 30, 1932, 31 U.S.C. 686). This section provides that, if funds are available and if it is determined to be in the interest of the Government to do so, a Government agency may place orders with any other Federal agency for materials, supplies, equipment, work, or services. As agreed with Mr. Ward, we merely point out that agencies deal with each other in transacting business.

We would like, also, to call your attention to Senate Document 73, Eighty-ninth Congress, first session, entitled "Legislation Authorizing Appropriations and Establishing Revolving Funds." This document contains listings of legislation authorizing appropriations and establishing stock funds classified by agency. As such information is related to the subject matter of this report, we furnished Mr. Ward with a copy of the document.

We trust that this letter contains the required information. We plan to make no further distribution of this report unless copies are specifically requested, and then copies will be distributed only after your approval has been obtained or public announcement has been made by you concerning the contents of this report.

Sincerely yours,

Comptroller General
of the United States

Enclosures--8

The Honorable Thomas B. Curtis
House of Representatives

AUTHORIZATION TO SPEND DEBT RECEIPTS

The "authority to expend from public debt receipts" is a term identified with legislative authorizations to use, for specific purposes, Government funds realized from the sale of public debt securities. This method of funding agency activities came into use in 1932 to finance the Reconstruction Finance Corporation, and has since been used numerous times to finance various Government programs.

Authority to expend from debt receipts requires approval by the Congress. When contained in appropriation legislation, consideration is given by the Committees on Appropriations; when included in substantive legislation, consideration is given by those committees having jurisdiction over the particular area of law involved. Legislation containing this authority has the same force and effect as an appropriation and is so treated in Treasury accounts and reports and in the annual Budget Document.

Generally, authority to borrow from the Treasury is without fiscal year limitation; however, a limitation is usually provided as to the maximum amount of borrowings repayable to the Treasury that can be outstanding at any one time. The amount so authorized, together with collections and earnings realized under the program, remains available to the agency for an indefinite period. The amounts of borrowings are generally credited by the Treasury to a revolving fund account for the borrowing agency; repayments of borrowings reduce the agency's operating funds and restore the authorization for additional borrowings. However, some repayments are nonrestoring and thus act to reduce the agency's borrowing authority.

From 1932 through June 30, 1966, the Congress, through numerous acts, authorized borrowing authority of $107.6 billion for agencies and also reduced borrowing authority by $35.5 billion. Appropriations Committees handled $13.3 billion of the authorizations and $4.2 billion of the decreases. Other congressional committees handled $94.3 billion of the authorizations and $31.3 billion of the decreases. Agency nonrestoring payments since 1932 amount to $8.4 billion. Annual agency borrowing from the Treasury since fiscal year 1960 has ranged from $7.2 billion to $9 billion. During this same period, annual repayments by the agencies to the Treasury, which served to restore borrowing authority, have ranged from $5.5 billion to $10.1 billion.

As of June 30, 1966, agencies had unused borrowing authority of $29.5 billion and owed the Treasury $34.2 billion. The following table presents an agency breakdown of the unused borrowing authority and amounts due the Treasury as of June 30, 1966.

Status of Agency Borrowing Authority
June 30, 1966

	Unused borrowing authority	Borrowings due Treasury
	(millions)	
Funds appropriated to the President	$ 5,991	$ 2,713
Department of Agriculture	3,961	17,438
" " Commerce	-	7
" " Defense	10	-
" " Housing and Urban Development	8,630	4,609
Department " the Interior	11	43
Veterans Administration	205	1,730
Export-Import Bank of Washington	5,822	178
Federal Deposit Insurance Corporation	3,000	-
" Home Loan Banks	1,000	-
" Savings and Loan Insurance Corporation	750	-
Saint Lawrence Seaway Development Corporation	15	125
Smithsonian Institution	15	-
Tennessee Valley Authority	50	100
United States Information Agency	6	22
District of Columbia Stadium Sinking Fund	-	1
Capital stock subscriptions:		
Export-Import Bank	-	999
Federal National Mortgage Association	-	142
International Bank for Reconstruction and Development	-	635
International Finance Corporation	-	35
International Monetary Fund	-	2,325
Foreign loan credit to the United Kingdom	-	3,149
Total	$29,467[a]	$34,249[a]

[a]Details do not add due to rounding.

REVOLVING FUNDS

Revolving funds are authorized by specific provisions of law to finance a continuing cycle of operations in which expenditures generate receipts, and the receipts are available for expenditure. As of June 30, 1966, the Treasury Department classified 117 Federal agency funds as "revolving and management funds." Summary financial data pertaining to these 117 funds follow.

Revolving and Management Funds
Fund and Obligation Status
June 30, 1966

	(Millions of dollars)
Unexpended balances:	
Cash and fund balances	$11,661
Investments in public debt and guaranteed securities	2,426
Budgetary authorizations	22,829[a]
Total	$36,916
Obligation status:	
Net obligations outstanding	$18,511
Unobligated balances	18,405
Total	$36,916

[a]Budgetary authorizations include balances of authority to expend from public debt or corporate debt receipts and unfunded contract authorizations.

Information on selected revolving and management funds is given below.

LEGISLATIVE BRANCH

Government Printing Office Revolving Fund

The Government Printing Office executes orders for printing, binding, and blankbook work, placed by the Congress and the various agencies of the Federal Government, and furnishes, on order, blank paper, inks, and similar supplies. Operations are subject to the authority of the Joint Committee on Printing (44 U.S.C. 63). The fund is reimbursed by the customer agencies, and net operating income is retained for reuse by the fund.

The sale of publications program of the Superintendent of Documents also is financed through the revolving fund, and receipts from sales of publications are deposited therein. All profits accruing from these transactions are transferred to the general fund of the Treasury.

Government Printing Office Revolving Fund
Financial Condition, June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$ 8
Accounts receivable	22
Work in process	29
Commodities for sale	6
Supplies, etc.	11
Fixed assets	10
Total	$86
Liabilities and Government equity:	
Accounts payable	$19
Capital	44
Retained earnings	23
Total	$86

FUNDS APPROPRIATED TO THE PRESIDENT

Alliance for Progress Development Loans Fund

The Alliance for Progress was established in 1962 as a cooperative effort of the United States and Latin American countries to promote the economic and social development of Latin America through development loans. Fiscal year 1966 obligations were $524 million, and new obligational authority of $435 million was received.

Alliance for Progress Development Loans
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$1,056
Loans receivable, net	799
Other	11
Total	$1,866
Government equity:	
Capital, start of year	$1,417
Appropriations	435
Retained earnings	14
Total	$1,866

Development Loans--Revolving Fund

The Foreign Assistance Act of 1961, as amended, authorized an 8-year $8.8 billion program of development loans to be administered by the Agency for International Development. Loans are made to promote the economic development of less-developed countries and areas, usually to assist in financing long-range development plans and programs.

Development Loans Revolving Fund
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$1,826
Loans receivable	2,273
Other	7
Total	$4,106
Government equity:	
Non-interest-bearing capital:	
Start of year	$3,447
Appropriations	618
Other	6
Retained earnings	35
Total	$4,106

Foreign Investment Guarantee Fund

Under sections 221 through 224 of the Foreign Assistance Act of 1961, as amended, the Congress has authorized three investment guarantee programs.

1. Specific political risks against (a) inconvertibility of foreign currency, (b) loss by expropriation or confiscation, and (c) loss due to war, revolution, or insurrection.
2. Extended risk guarantees which cover up to 75 percent of both political and business risks.
3. Extended risk guarantees up to 100 percent of losses on certain housing projects.

Foreign Investment Guarantee Fund
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$92
Government equity:	
Non-interest-bearing capital	$58
Retained earnings	34
Total	$92

Foreign Military Sales Fund, Executive

This revolving fund was established under the authority of section 201 of the Foreign Assistance Act of 1965. The fund directly finances the sales of defense articles and defense services to foreign countries and international organizations on cash or credit terms, guarantees public and private credit for sales of defense articles and defense services, and absorbs gains and losses resulting from sales of defense articles and defense services under fixed-price negotiations.

The capital of the fund is provided by transfer of loans outstanding and appropriations from the military assistance appropriation, as authorized by the Foreign Assistance Acts of 1965 and 1966 (22 U.S.C. 2316).

Foreign Military Sales Fund
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$164
Loans receivable	135
Portion financed by Export-Import Bank	-92
Total	$207
Liabilities and Government equity:	
Deferred credits	$ 23
Government equity	184
Total	$207

Defense Production Act Revolving Fund

Under the Defense Production Act of 1950, as amended, designated agencies are authorized, with Presidential approval, to incur obligations and make expenditures to expand production of critical materials for programs certified by the Office of Emergency Planning as essential to the national defense. The program is conducted primarily through a revolving fund financed by borrowing from the Treasury. The amount borrowed may not exceed $2.1 billion outstanding at any one time.

Defense Production Act Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 121,143
Accounts receivable, net	26,531
Advances	2
Deferred charges	68
Commodities for sale	1,181,580
Loans receivable, net	2,918
Land, structures, and equipment, net	101
Total	$1,332,343
Liabilities and Government equity:	
Accrued interest payable	$ 203,250
Accounts payable and accrued liabilities	247
Deferred credit	1,122
Interest-bearing capital	2,023,241
Non-interest-bearing capital	515
Deficit	-896,033
Total	$1,332,343[a]

[a]Details do not add due to rounding.

DEPARTMENT OF COMMERCE

Maritime Administration, Vessel Operations
Revolving Fund

This fund finances direct operation and charter of cargo vessels for transport of military and Government impelled cargo. It is also used for the operation of Government-owned experimental vessels (46 U.S.C. 1205).

Vessel Operations Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 5,264
Accounts receivable	20,253
Other	11,743
Total	$37,260
Liabilities and Government equity:	
Liabilities	$19,215
Equity	18,045
Total	$37,260

National Bureau of Standards
Working Capital Fund

This fund finances all operations of the National Bureau of Standards, except major construction projects, from advances and reimbursements.

National Bureau of Standards
Working Capital Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 13,719
Accounts receivable	15,153
Fixed assets	157,290
Other	5,979
Total	$192,141
Liabilities and Government equity:	
Current liabilities	$ 26,286
Equity	165,855
Total	$192,141

DEPARTMENT OF DEFENSE

Industrial funds

Department of Defense industrial funds, which were established pursuant to the National Security Act of 1947, as amended in 1949, finance industrial and commercial types of activities on a reimbursable basis (10 U.S.C. 2208). Since the industrial funds were established, a total of $1,113 million has been received for working capital. This capital has been provided by the transfer, with congressional approval, of the unexpended balances of appropriations within the military departments. Since July 1, 1949, cash capital no longer required by the industrial funds in the amount of $357 million has been returned to the United States Treasury and $406.9 million has been transferred, with congressional approval, to other appropriations of the Department of Defense.

Industrial fund programs are supported by orders citing the customers' appropriations. Costs are initially financed by the industrial funds' working capital and subsequently billed to customers' appropriations. The Army industrial fund is currently used to finance 20 activities engaged in research, development, test, engineering, transportation and traffic management, limited quantity production and major overhaul of weapons, munitions, missiles, and other military equipment. The Navy industrial fund finances 9 shipyards, 34 printing plants, 6 ordnance plants, 7 aircraft overhaul and repair facilities, 7 public works centers, 3 research activities, and the Military Sea Transportation Service. The Air Force industrial fund currently finances 10 printing plants, 37 laundries, and the Military Airlift Command. The Defense industrial fund finances the Defense Clothing and Textile Supply Center and the communications services activity. The following statement shows the combined position of Department of Defense industrial funds.

Department of Defense Industrial Funds
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Cash--available Treasury balance	$1,990.1
Accounts receivable	355.1
Inventories	288.2
Other assets	50.4
Total	$2,683.8
Liabilities:	
Accounts payable	$ 186.7
Accrued expense	353.9
Prepayments from customers	1,766.9
Other liabilities and reserves	48.5
Total	2,356.0
Capital of the fund:	
Appropriations and reappropriations	349.2
Assets capitalized less liabilities	-38.0
Accumulated operating results	16.6
Total capital of the fund	327.8
Total liabilities and capital	$2,683.8

79-459 O - 67 - pt. 2 - 6

The relative size of the individual funds is shown by the following breakdown of combined assets.

Department of Defense Industrial Funds
Assets
June 30, 1966

	(Millions of dollars)
Army	$ 655.2
Navy	1,825.6
Air Force	142.3
Defense	60.8
Total	$2,683.8[a]

[a]Details do not add due to rounding.

Stock funds

The Department of Defense stock funds, which were established pursuant to the National Security Act of 1947, as amended in 1949, finance the acquisition of inventories of material and supplies for resale and mobilization (10 U.S.C. 2208). These inventories are stocked and sold at designated defense activities worldwide. To reimburse the several stock funds for purchases made by customers, the DOD charges their various appropriation accounts or funds. The following statement shows the combined position of Department of Defense stock funds.

Department of Defense Stock Funds
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Available Treasury cash balance	$ 547.1
Accounts receivable	596.5
Inventories	5,850.0
Undistributed charges/credits (net)	280.0
Other assets	75.0
Total assets	$7,348.6
Liabilities and capital:	
Accounts payable	$ 790.2
Other liabilities	6.7
Total liabilities	796.9
Capital of the fund	6,551.7
Total liabilities and capital	$7,348.6

The following table summarizes the value of the reimbursable issues of each stock fund for the past 4 fiscal years.

Department of Defense Stock Funds
Reimbursable Issues

Fiscal year	Combined total	Army	Navy	Marine Corps	Air Force	Defense stock fund
	(millions)					
1963	$6,108	$1,768	$1,252	$124	$1,325	$1,639
1964	6,311	1,882	1,228	128	1,335	1,738
1965	6,822	2,271	1,198	135	1,344	1,874
1966	9,125	3,198	1,391	193	1,423	2,920

Defense Production Guarantees

The Defense Production Guarantees Program is financed by a public enterprise type of fund. Guarantees are given on loans made by public and private financing institutions by the Army, Navy, Air Force, and Defense Supply Agency to facilitate performance of defense production contracts. When necessary, loans may be purchased by the Government. Administrative expenses are financed from guarantee fees and interest on loans receivable. Funds in excess of program requirements may be transferred to miscellaneous receipts of the Treasury. Net earnings are retained to purchase loans when required under guarantee commitments and to cover possible future losses (50 U.S.C. app. 2091).

Defense Production Guarantees Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$17,535
Loans receivable, net	15,196
Total	$32,730[a]
Government equity:	
Retained earnings	$32,730

[a]Details do not add due to rounding.

Naval Academy laundry service

The Naval Academy laundry is operated for the benefit of midshipmen and other military personnel of the Naval Academy. The charges collected for laundry service are available for operating expenses (10 U.S.C. 6971(b)).

Naval Academy Laundry Service Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$122
Accounts receivable, net	55
Fixed assets, net	161
Total	$338
Liabilities and Government equity:	
Current liabilities	$ 58
Retained earnings	280
Total	$338

Civil Defense Procurement Fund

This fund finances the central procurement of civil defense materials toward which contributions to the States are authorized on a matching fund basis. The fund is reimbursed for purchases from Office of Civil Defense appropriations and from funds provided by the States (65 Stat. 61).

Civil Defense Procurement Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$1,499
Accounts receivable, net	1
Total	$1,500
Government equity:	
Capital	$1,500

Army Management Fund

This fund was created to simplify the financing and accounting for operations supported by two or more appropriations (10 U.S.C. 2209). Activities presently financed through the fund are (1) Defense telephone service, Washington, D.C., (2) transportation services, and (3) construction activity, Europe.

Army Management Fund
Programs and Financing
Fiscal Year 1966

	(Thousands of dollars)
Program obligations:	
Defense telephone service, Washington, D.C.,	$ 10,658
Transportation services	445,847
Construction activity, Europe	2,377
Total	$458,882
Financing:	
Unobligated balance, start of year	$ 2,197
Receipts from administrative budget accounts	459,148
Receipts from non-Federal sources	194
Available funds	461,539
Unobligated balance, end of year	−2,657
Total	$458,882

Navy Management Fund

This fund was created to facilitate the financing of operations supported by two or more appropriations (10 U.S.C. 2209). The principal activity financed through the fund is the Polaris ballistic missile program. Reimbursable orders for the Polaris program are issued to the fund from Navy appropriations for Procurement; Operations and Maintenance; and Research, Development, Test, and Evaluation.

Navy Management Fund
Programs and Financing
Fiscal Year 1966

	(Thousands of dollars)
Program obligations:	
Special projects	$ 539,708
Transportation of things	388,992
Inspection of naval material	8,650
Incentive awards	1,362
Departmental administrative services	492
Armed Services Board of Contract Appeals	639
Total	$ 939,842[a]
Financing:	
Unobligated balance, start of year	$ 946,923
Receipts from administrative budget accounts	470,194
Receipts from trust funds	17
Available funds	1,417,134
Unobligated balance lapsing	−3,931
Unobligated balance, end of year	−473,362
Total	$ 939,842[a]

[a]Details do not add due to rounding.

Air Force Management Fund

This fund was created to facilitate the financing of activities supported by two or more appropriations (10 U.S.C. 2209). The corpus of the fund is $1 million which is being retained to provide the means for financing appropriate activities in the future. There were no program obligations made in fiscal year 1966.

Naval Working Fund

This fund represents advances received for goods or services furnished to foreign governments and private parties (31 U.S.C. 643). Authorized individuals and organizations requesting goods or services are required to advance amounts to cover the estimated value to this fund. These advances are then used to reimburse the Operation and Maintenance, Navy appropriation for the value of goods provided or services rendered.

Naval Working Fund
Program Obligations and Financing
Fiscal Year 1966

	(Thousands of dollars)
Program obligations	$14,276
Financing:	
Unobligated balance, start of the year	$ 4,496
Receipts from administrative budget accounts	359
Receipts from non-Federal sources	13,931
Available funds	18,786
Unobligated balance, end of year	-4,510
Total	$14,276

Revolving Fund, Corps of Engineers

This fund provides for the acquisition, operation, and maintenance of floating and land-based plant and equipment used in civil works functions; for temporary financing of services finally chargeable to civil works appropriations; and for the furnishing of facilities and services for the military functions of the Department of the Army and other governmental agencies and private persons (67 Stat. 199). Initial capital of the fund was provided by assumption of the assets, liabilities, and obligations of the plant accounts as carried on the records of the Corps of Engineers, Civil, at June 30, 1953, and by an appropriation from the general fund of $100. Capital (Government equity) of the fund amounted to $140.9 million at June 30, 1966, and is limited to $149 million by the Public Works Appropriation Act of 1967.

Revolving Fund, Corps of Engineers
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 27,381
Accounts receivable	34,913
Inventories	8,039
Deferred and undistributed items	3,838
Plant, properties, and equipment, net	141,475
Total	$215,647[a]
Liabilities and Government equity:	
Current liabilities	$ 57,120
Unfunded liability for annual leave	14,006
Reserve for self-insurance	3,647
Capital	117,040
Retained earnings	23,835
Total	$215,647[a]

[a]Details do not add due to rounding.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Revolving Fund for Certification and Other Services, Food and Drug Administration

The Food and Drug Administration tests and certifies batches of antibiotics, insulin, and color additives for use in food, drugs, or cosmetics; it also establishes tolerances for residues of pesticide chemicals in or on raw agricultural products and for color additives in foods, drugs, and cosmetics. These services are financed wholly by fees paid by the industries for which the tests are conducted (77 Stat. 229).

Revolving Fund for Certification
and Other Services
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$2,020
Accounts receivable	36
Equipment	658
Total	$2,714
Liabilities and Government equity:	
Current liabilities	$ 435
Customer advances	314
Retained earnings	1,965
Total	$2,714

Service and Supply Fund
Public Health Service

This fund finances medical supply and service operations of the Public Health Service (PHS). It is reimbursed from the appropriations supporting the programs benefited. The principal activities of the fund are carried out at (1) the Supply Service Center at Perry Point, Maryland, which maintains inventories of medical stock and supplies to meet, in whole or in part, the requirements of PHS and requisitions of other Government organizations, (2) the National Institutes of Health, Bethesda, Maryland, which maintains a central supply of scientific and general-use materials, supplies, and special equipment and also provides services such as animal production, statistical processing, and instrumentation for the Institutes, and (3) the Division of Finance, Washington, D.C., which finances accounting, auditing, and data processing services for bureaus and divisions of PHS. Earnings are retained to meet possible future losses (42 U.S.C. 231).

Service and Supply Fund
Public Health Service
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$1,955
Accounts receivable	951
Commodities for sale	2,072
Other	181
Total	$5,159
Liabilities and Government equity:	
Current liabilities	$2,078
Capital	2,549
Retained earnings	532
Total	$5,159

DEPARTMENT OF THE INTERIOR

Fisheries Loan Fund

This fund is used for making loans to segments of the fishing industry unable to obtain commercial loans on reasonable terms for financing or refinancing the cost of purchasing, constructing, equipping, maintaining, repairing, or operating new or used commercial fishing vessels or gear. Appropriations of $13 million provide capital for the fund. Additional financing is provided from repayments and interest on outstanding loans.

Fisheries Loan Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 6,847
Loans receivable	5,876
Other	89
Total	$12,812
Liabilities and Government equity:	
Current liabilities	$ 16
Capital	13,000
Deficit	−204
Total	$12,812

Upper Colorado River Storage Project

This fund, financed by appropriations, defrays the cost of advance planning, construction, operation, and maintenance of the Colorado River storage project and participating projects (43 U.S.C. 620d).

Upper Colorado River Storage Project
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 7,038
Accounts receivable	1,423
Fixed assets	637,820
Other	8,085
Total	$654,366
Liabilities and Government equity:	
Current liabilities	$ 6,147
Capital, start of year	598,347
Appropriations	45,312
Other equity amounts	4,690
Deficit	-130
Total	$654,366

DEPARTMENT OF LABOR

Advances to Employment Security Administration Account, Unemployment Trust Fund

This fund established by the Employment Security Act of 1960 (74 Stat. 970) makes advances without fiscal-year limitation to the Employment Security Administration Account in the Unemployment Trust Fund. The purpose of this fund is to finance the Federal and State administrative costs of the employment security programs on a repayable basis from the beginning of the fiscal year until the Federal employment tax receipts become available in February of the same fiscal year.

Advances to Employment Security Administration Account
Unemployment Trust Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$305,096
Government equity:	
Capital	$288,000
Retained earnings	17,096
Total	$305,096

POST OFFICE DEPARTMENT

Postal Fund

The revenues of the Department are deposited in the Postal Fund, which was established as a revolving fund in 1950 (39 U.S.C. 2202). The aggregate of postal revenues is less than the obligations authorized for payment from the Postal Fund. An appropriation is made from the general fund of the Treasury to make up the difference.

Postal Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 547,309
Accounts receivable	95,034
Fixed assets	809,383
Other	53,399
Total	$1,505,125
Liabilities and Government equity:	
Liabilities	$ 711,112
Equity	794,013
Total	$1,505,125

DEPARTMENT OF STATE

Working Capital Fund

The Working Capital Fund was established pursuant to the provisions of the United States Code (5 U.S.C. 170(u)) which provided for transfer of properties and other assets to the fund for the purpose of providing capital. The act provided also that, in addition to receipts for services performed, the fund be credited with receipts from sale or exchange of property or from payment for loss or damage to property held by the fund. The act provided further that there be transferred into the Treasury as miscellaneous receipts, as of the close of each fiscal year, earnings which the Secretary determines to be excess to the needs of the fund. A limitation of $750,000 was established for the net assets to be transferred to the fund for the purpose of providing capital.

The fund finances, on a reimbursable basis, certain common services, including duplicating, editorial, microfilming, telephone, motorpool, laborers, supply, and dispatch. The fund is used for the financing of the procurement of certain representational furnishings, both initial and replacement.

Department of State
Working Capital Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 82
Accounts receivable	1,911
Inventories	438
Fixed assets	259
Total	$2,690
Liabilities and Government equity:	
Liabilities	$2,049
Equity	641
Total	$2,690

TREASURY DEPARTMENT

Bureau of Engraving and Printing Fund

The Bureau of Engraving and Printing Fund is a revolving fund and is used to pay the expenses incurred in the manufacture of United States currency, Federal Reserve notes, various public debt instruments, and most of the other evidences of a financial character issued by the Federal Government, such as postage, internal revenue, and saving stamps. The fund's major source of income is from the sale of engraving and printing items (31 U.S.C. 181a).

Bureau of Engraving and Printing Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 6,587
Accounts receivable, net	1,855
Commodities for sale	5,728
Supplies and prepaid expenses	1,216
Deferred charges	114
Fixed assets, net	16,365
Total	$31,865
Liabilities and Government equity:	
Current liabilities	$ 6,689
Capital	25,251
Deficit	-75
Total	$31,865

DEPARTMENT OF TRANSPORTATION

Coast Guard Supply Fund

The Coast Guard Supply Fund is a revolving fund which finances, on a reimbursable cost basis, the procurement of uniform clothing, commissary provisions, general stores, and technical materials (14 U.S.C. 650).

Coast Guard Supply Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 3,419
Accounts receivable, net	2,229
Advances	8
Clothing for sale	763
Commissary supplies	1,503
General stores	4,591
Total	$12,513
Liabilities and Government equity:	
Current liabilities	$ 3,532
Capital	8,981
Total	$12,513

Coast Guard Yard Fund

The Coast Guard Yard Fund, a revolving fund, finances all direct and indirect costs of industrial operations at the Coast Guard Yard, Curtis Bay, Maryland. The fund is financed by advances or reimbursements received principally from Coast Guard appropriations and also from other Government agencies and non-Government sources (14 U.S.C. 648).

Coast Guard Yard Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$12,434
Accounts receivable, net	1,323
Finished goods	154
Raw materials	2,247
Fixed assets, net	7,515
Total	$23,673
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$14,273
Deferred credits	61
Capital	9,301
Retained earnings	38
Total	$23,673

Alaska Railroad Revolving Fund

The Alaska Railroad is authorized to perform generally all the usual duties of a common carrier by railroad so as to best aid in the development of agricultural, mineral, and other resources of Alaska (48 U.S.C. 301-308).

Alaska Railroad Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 7,282
Accounts receivable	3,034
Selected assets	3,743
Long-term receivables	1,178
Clearing accounts	482
Undistributed charges	9,276
Deferred assets	27
Fixed assets	115,818
Total	$140,840
Liabilities and Government equity:	
Current liabilities	$ 3,777
Capital, start of year	134,892
Appropriation	4,100
Donated assets, net	45
Write-off of disaster losses, depreciable fixed property	407
Write-off of disaster losses, non depreciable fixed property	-59
Write-off of disaster restoration costs	-165
Retained earnings	-2,157
Total	$140,840

GENERAL SERVICES ADMINISTRATION

Buildings Management Fund

This fund finances, on a reimbursable basis, building management activities consisting of management, rental, operation, and protection of Government owned and leased space in and outside the District of Columbia for housing Federal agencies; modernization and recurring repairs to Government-owned space under jurisdiction of General Services Administration; protection and maintenance of excess and surplus properties; maintenance of sites acquired for future construction of Federal buildings; uniforms and uniform allowances; and other related building services (40 U.S.C. 490).

Earnings resulting from operations, after making provision for prior year losses, if any, are paid into the Treasury as miscellaneous receipts.

Buildings Management Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 14,913
Accounts receivable, net	17,628
Advances	2
Work in process	130,644
Inventories, supplies	3,698
Deferred charges	433
Fixed assets, net	7,718
Total	$175,036
Liabilities and Government equity:	
Current liabilities	$160,944
Unfunded leave liability	8,675
Non-interest-bearing capital	7,884
Capitalization of assets	3,398
Provision for unfunded leave liability	-8,004
Retained earnings	2,139
Total	$175,036

General Supply Fund

This fund finances, on a reimbursable basis, a national supply depot system and a system of ordering supplies for direct delivery to agencies. Supplies or services are sold from the fund at cost to other agencies and the District of Columbia. Related operating expenses are provided for under the appropriation "Operating Expenses, Federal Supply Service." Also financed by the fund and reimbursed by using agencies are the operations of interagency motor pools established in areas of high vehicle density, the rehabilitation and repair of furniture and equipment, and administrative equipment used in the General Services Administration services and staff offices (5 U.S.C. 630g).

Surplus earnings, after making provision for prior year losses, if any, are paid into the Treasury as miscellaneous receipts.

79-459 O - 67 - pt. 2 - 7

General Supply Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 83,794
Accounts receivable, net	146,256
Advances	3,207
Commodities for sale	190,935
Supplies, deferred charges	948
Fixed assets	76,041
Total	$501,181
Liabilities and Government equity:	
Current liabilities	$205,264
Unfunded leave liability	141
Capital	292,586
Retained earnings	3,190
Total	$501,181

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Operations, College Housing Loan Fund

This revolving fund finances loans to public or private nonprofit colleges and public or private nonprofit hospitals to finance the construction of housing and other educational facilities for students and faculties. The fund is financed by an authorization to borrow from the Treasury (12 U.S.C. 1749).

Operations, College Housing Loan Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 88,334
Accounts receivable, net	18,427
Loans receivable	2,241,625
Total	$2,348,386
Liabilities and Government equity:	
Current liabilities	$ 37,845
Interest-bearing capital	2,304,581
Retained earnings	5,960
Total	$2,348,386

Housing for the elderly or Handicapped Fund

This revolving fund finances loans to private nonprofit corporations and consumer cooperatives for the construction of rental housing and related facilities for elderly persons as authorized by the Housing Act of 1959, as amended (12 U.S.C. 1701q et seq.). The fund is financed by direct appropriations.

Housing for the Elderly or Handicapped Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$180,183
Accounts receivable	1,651
Loans receivable, net	145,983
Total	$327,817
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 243
Non-interest-bearing capital	325,000
Retained earnings	2,575
Total	$327,817[a]

[a]Details do not add due to rounding.

Public facility loans

This is a public enterprise type of fund which finances loans to municipalities and other subdivisions and instrumentalities of States and Indian tribes for construction of public facilities (42 U.S.C. 1492).

Public Facilities Loans
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 39,270
Accounts receivable, net	2,557
Loans receivable, net	206,322
Total	$248,149
Liabilities and Government equity:	
Accounts payable and other accrued liabilities	$ 4,984
Interest-bearing capital	253,568
Deficit	−10,404
Total	$248,149[a]

[a]Details do not add due to rounding.

Urban Renewal Fund

The Urban Renewal Fund is a revolving fund financed through Treasury borrowings. The fund provides local municipalities with interim financing until permanent project funds are provided (42 U.S.C. 1452). Program and financing data relating to the capital grants portion of the Urban Renewal Program are shown in the following table.

Urban Renewal Fund, Capital Grants
Programs and Financing
Fiscal Year 1966

	(Thousands of dollars)
Program obligations:	
Capital outlay (grants):	
Projects	$ 306,798
Code enforcement	337
All other	13,249
Subtotal	320,384
Changes in selected resources	450,125
Total	$ 770,509
Financing:	
Unobligated balance available, start of year:	
Contract authorization (reserved)	$1,588,686
" " (unreserved)	185,968
Contract authorization (new obligation authority)	675,000
Available obligation authority	2,449,654
Unobligated balance available, end of year:	
Contract authorization (reserved)	−1,548,906
" " (unreserved)	−130,239
	$ 770,509

Program and financing data relating to the loans and planning advances portion of the Urban Renewal Program are shown in the following table.

Urban Renewal Fund, Loans and Planning Advances
Programs and Financing
Fiscal Year 1966

	(Thousands of dollars)
Program obligations:	
Planning advances	$ 32,957
Temporary loans	251,965
Subtotal	284,922
Change in selected resources	89,911
Total capital outlay--obligations	374,833
Operating costs, funded:	
Interest on borrowings	8,470
Site representation and audit expense	3,539
Total obligations	$386,842
Financing:	
Unobligated balance available, start of year:	
Authorization to spend public debt receipts	$424,760
Fund balance	43,657
Receipts and reimbursements from non-Federal sources:	
Planning advance repayments	22,705
Temporary loan repayments	235,745
Definitive loan repayments	3
Revenue	8,874
Site representation and audit fees	3,539
Appropriation	13,745
Available financial authority	753,028
Unobligated balance available, end of year:	
Authorization to spend public debt receipts	−352,441
Comparative transfer to other accounts	−13,745
Total	$386,842

VETERANS ADMINISTRATION

Direct Loan Revolving Fund

The Direct Loan Revolving Fund was established by Public Law 475, Eighty-first Congress. The purpose of the direct loan program is to provide credit assistance to qualified veterans for the purchase of homes or farms in rural areas where private capital is unavailable for Veterans Administration (VA) guaranteed loans. The Veterans Readjustment Benefits Act of 1966 (38 U.S.C. 1818) extended direct loan availability to eligible veterans who served in the Armed Forces after January 31, 1955.

From the beginning of the direct loan program in 1950 through June 30, 1966, about $1.73 billion has been advanced by the Treasury, of which about $3 million has been returned to the Treasury as miscellaneous receipts and about $306 million has been transferred to the Loan Guaranty Revolving Fund.

Direct Loan Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$1,002,271
Accounts receivable--regular, net	6,724
Interest collections on deposit	5,939
Equity in loans receivable	478,574
Principal collections in escrow	6,467
Equity in real property	4,687
Total	$1,504,662
Liabilities and Government equity:	
Accrued interest payable	$ 9,135
Accounts payable and accrued liabilities	35,013
Deferred credits	197
Interest-bearing capital	1,424,360
Retained earnings, end of year	35,957
Total	$1,504,662

Loan Guaranty Revolving Fund

The Loan Guaranty Revolving Fund was established on July 1, 1961, by Public Law 86-665. The fund is used to pay the guaranty or insurance claims of holders of defaulted guaranteed loans and to pay for the acquisition of properties which were the security for defaulted loans.

Expenses incurred in the maintenance, management, and selling of acquired properties are also paid from this fund, as are all other expenses (except administrative expenses) incidental to operations, such as payment of real estate taxes and the repurchase of loans previously sold. Initial funding was obtained through capitalization of funds and property of the already existing loan guaranty program.

Loan Guaranty Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$182,750
Accounts receivable, regular, net	3,633
Equity in loans receivable	534,084
Principal collections in escrow	702
Advances for bidding at public sales	100
Claims receivable, net	6,300
Equity in real property	148,223
Total	$875,792
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 16,633
Deferred credits	139
Non-interest-bearing capital	955,206
Deficit	-96,186
Total	$875,792

Supply Fund

The VA Supply Fund was created by the act of July 6, 1953, Public Law 149, Eighty-third Congress, for the operation and maintenance of a supply system for the VA including procurement of supplies, equipment, and services, to be used by all VA operating departments. The initial financing of the fund was accomplished by the capitalization of inventories on hand at June 30, 1953.

Veterans Administration Supply Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 3,086
Accounts receivable, net	4,915
Advances	2,520
Commodities for sale	34,939
Fixed assets, net	525
Total	$45,985
Liabilities and Government equity:	
Current liabilities	$ 6,652
Non-interest-bearing capital	39,986
Decapitalization of inventories	−762
Retained earnings	110
Total	$45,985[a]

[a]Details do not add due to rounding.

CIVIL SERVICE COMMISSION

Investigations Revolving Fund

This fund finances full field personnel security investigations. Federal agencies reimburse the fund for investigations made at rates estimated by the Civil Service Commission to be adequate to recover the expenses of operations (66 Stat. 43).

Investigations Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$2,242
Accounts receivable, net	1,536
Unfilled customers' orders	1,575
Advances	50
Equipment, net	193
Total	$5,596
Liabilities and Government equity:	
Current liabilities	$1,593
Non-interest-bearing capital	4,000
Retained earnings	3
Total	$5,596

SMALL BUSINESS ADMINISTRATION

Revolving Fund

This fund financed business and disaster loans and prime contracting activities as authorized by the Small Business Act, as amended (15 U.S.C. 631 et seq.). Public Law 89-409, approved May 2, 1966, provided for the establishment of two separate revolving funds to replace this fund: (1) a Disaster Loan Fund and (2) a Business Loan and Investment Fund. The financial condition as of June 30, 1966, of the Revolving Fund follows.

Small Business Administration
Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 718,201
Accounts receivable, net	18,998
Interest collections on deposit	3,517
Deferred charges	352
Equity in loans receivable	875,994
Investments in small business investment companies, net	29,906
Acquired security and collateral, net	4,288
Judgments, notes, and other receivables, net	3,521
Total	$1,654,777
Liabilities and Government equity:	
Current liabilities	$ 73,652
Interest-bearing capital	891,313
Non-interest-bearing capital	908,687
Accountability for RFC loans	3,043
Deficit	-221,918
Total	$1,654,777

UNITED STATES INFORMATION AGENCY

Informational Media Guarantee Fund

This fund operates under the authority of section 1011 of the United States Information and Education Exchange Act of 1948, as amended (Public Law 80-402). The Informational Media Guaranty Program makes it possible for commercial exporters of selected American books, periodicals, motion pictures, recordings, etc., to sell their materials in certain soft-currency countries. The fund is financed primarily by Treasury borrowing.

Informational Media Guarantee Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 317
Foreign currency obtained from operations	268
Total	$ 585
Liabilities and Government equity:	
Current liabilities	$ 147
Interest-bearing capital	22,056
Deficit	−21,618
Total	$ 585

DEPARTMENT OF AGRICULTURE

Farmers Home Administration
Emergency Credit Revolving Fund

This fund is authorized by subtitle C of the Consolidated Farmers Home Administration Act of 1961 to finance emergency loans in areas where agricultural credit is not readily available because of natural disasters.

Emergency Credit Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 27,440
Accounts receivable, net	3,622
Loans receivable, net	100,830
Acquired security or collateral	133
Judgments, net	192
Total	$132,217
Liabilities and Government equity:	
Current liabilities	$ 158
Non-interest-bearing capital	235,858
Deficit	−103,799
Total	$132,217

Farmers Home Administration
Direct Loan Account

This account was established on October 16, 1961, pursuant to section 338(c) of the Consolidated Farmers Home Administration Act of 1961. The program provides real estate and operating loans to farmers, ranchers, and agricultural associations unable to obtain credit from other sources at reasonable rates.

Direct Loan Account
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 115,340
Accounts receivable, net	39,285
Loans receivable, net	1,010,909
Property acquired through foreclosure	473
Land and improvements	38
Judgments, net	632
Total	$1,166,677
Government equity:	
Interest-bearing capital	$ 597,959
Non-interest-bearing capital	484,326
Retained earnings	84,392
Total	$1,166,677

Forest Service Working Capital Fund

This fund is a self-sustaining revolving fund which provides services to national forests; to experimental stations; to other Federal agencies, when necessary; and, as provided by law, to State and private agencies which cooperate with the Forest Service in fire control and other programs. Fund receipts are derived primarily from administrative budget accounts.

Forest Service Working Capital Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 8,119
Accounts receivable, net	2,442
Advances	3
Deferred charges	9
Inventories	5,349
Fixed assets, net	26,091
Total	$42,013
Liabilities and Government equity:	
Current liabilities	$ 4,333
Capital	29,993
Retained earnings	7,687
Total	$42,013

CONTRACT AUTHORIZATIONS

Contract authorizations represent grants of authority by the Congress to incur obligations prior to the enactment of appropriations. A contract authorization does not, in itself, permit the spending of money. It must be followed by an appropriation to permit payment of the obligations incurred thereunder. The extent of this method of financing in the administrative budget accounts during fiscal year 1966 is shown in the following table.

Administrative Budget Accounts
Contract Authorizations, Fiscal Year 1966

	(Millions of dollars)
Unfunded contract authorizations, June 30, 1965	$5,397
Authorizations	2,283
Rescissions, cancellations, adjustments	-31
Appropriations to liquidate	-2,447
Unfunded contract authorizations, June 30, 1966	$5,202

A breakdown by agency of the unfunded contract authorizations as of June 30, 1966, follows:

	(Millions of dollars)
Legislative branch	$ 7
Department of Agriculture	1,167
Department of Commerce	198
Department of Defense	383
Department of the Interior	116
Department of Health, Education, and Welfare	100
Department of Housing and Urban Development	3,231
Total	$5,202

The extent of contract authorization activity reflected in trust fund accounts for fiscal year 1966 is as follows:

Trust Fund Accounts
Contract Authorizations, Fiscal Year 1966

	(Millions of dollars)
Unfunded contract authorizations, June 30, 1965	$ 9,982
Authorizations	5,439
Rescissions, cancellations, adjustments	−25
Appropriations to liquidate	−4,613
Unfunded contract authorizations, June 30, 1966	$10,783

A breakdown of the unfunded contract authorizations existing for trust fund programs as of June 30, 1966, follows:

	(Thousands of dollars)
Advances, foreign assistance, executive	$ 1,974,160
Bureau of Public Roads:	
Federal-aid highways	8,800,577
Cooperative work, forest highways	49
Advances from Alaska	400
Equipment for cooperating countries	4,475
Technical assistance, U.S. dollars advanced from foreign governments	3,064
Total	$10,782,725

SPECIAL FUND RECEIPTS AND APPROPRIATIONS

Special funds are those which are established to account for receipts that are earmarked by law for a specific purpose. Some special funds are subject to annual appropriation by Congress while others are automatically available under the laws which created the funds. The extent to which agency activities are financed through special funds is shown by the following table.

Administrative Budget Accounts
Status of Special Fund Receipts
June 30, 1966

	(Thousands of dollars)
Balance, June 30, 1965	$ 472,553
Receipts, fiscal year 1966	605,717
Total	$1,078,270
Appropriations, fiscal year 1966	-547,887
Adjustments	6,099
Balance, June 30, 1966	$ 536,482

Brief descriptions of special fund programs follow. It is to be noted that, in some cases, dollar amounts do not total due to rounding.

LEGISLATIVE BRANCH

Contributions and Interest, Oliver Wendell Holmes Devise Fund

The fund was established to (1) prepare a history of the Supreme Court of the United States, and, if deemed advisable, (2) finance an annual lecture or series of lectures, and (3) publish a memorial volume of Justice Holmes' writings (69 Stat. 533). The fund is financed from contributions and from interest on the principal of the fund.

The unobligated fund balance as of June 30, 1965, was $219,000. The fiscal year 1966 appropriation was $11,000 and obligations were $19,000. The unobligated fund balance as of June 30, 1966, was $211,000.

THE JUDICIARY

Referees' Salary and Expense Fund

Salaries and expenses of bankruptcy referees are paid from a special fund in the Treasury to which are deposited payments of fees and charges by parties to bankruptcy proceedings (11 U.S.C. 68).

79-459 O - 67 - pt. 2 - 8

The unappropriated receipts balance as of June 30, 1965, was $10.7 million. The fiscal year 1966 receipts were $9.9 million and appropriations were $10.9 million. The unappropriated balance as of June 30, 1966, was $10 million.

DEPARTMENT OF DEFENSE

Wildlife Conservation, etc., Military Reservations

Proceeds from the sale of fishing and hunting permits on military reservations are used to carry out a program of development, conservation, and rehabilitation of fish and wildlife on military reservations (63 Stat. 759 and 74 Stat. 1053).

The unobligated fund balance as of June 30, 1965, was $158,000. The fiscal year 1966 appropriation was $198,000 and obligations were $158,000. The unobligated fund balance as of June 30, 1966, was $198,000.

Corps of Engineers, Payments to States, Flood Control Act of 1954

Three fourths of the money received from lease of Federal land acquired for flood control, navigation, and allied purposes is paid to the State in which such property is situated to be used for public schools, roads, or other expenses of county government (33 U.S.C. 701c-3).

The unobligated fund balance as of June 30, 1965, was $2 million. The fiscal year 1966 appropriation was $2.4 million and obligations were $2 million. The unobligated fund balance as of June 30, 1966, was $2.4 million.

Corps of Engineers, Civil Special Expense Funds

Fees paid by mine operators in the Sacramento and San Joaquin Basins for depositing mine debris in restraining works are used for maintenance (33 U.S.C. 683). License fees are levied by the Federal Power Commission for private construction, operation, and maintenance of dams, conduits, and reservoirs. Half the fees collected are used for maintenance and operation of Federal dams and other navigation structures and for improvement of navigable water (31 U.S.C. 725c).

The unobligated fund balance as of June 30, 1965, was $154,000. The fiscal year 1966 appropriation was $3.2 million and obligations were $172,000. The unobligated fund balance as of June 30, 1966, was $3.2 million.

Department of the Air Force, Receipts, Alaska Communication System

The Department of Defense Appropriation Act, 1963, provided in part that "*** in addition, not to exceed 15 per centum of the current fiscal year receipts of the Alaska Communication System may be merged with and used for the purposes of this appropriation and charges for station agent agreements may be paid from receipts of the Alaska Communication System."

The unappropriated receipts balance of the account "Receipts, Alaska communication system" as of June 30, 1965, was $24.7 million. The fiscal year 1966 receipts were $10 million and there was no appropriation. The account balance as of June 30, 1966, was $34.7 million.

DEPARTMENT OF THE INTERIOR

Receipts, Reclamation Fund, Special Fund

This fund is derived from repayments and other revenue from irrigation and power facilities, together with certain receipts from sales, leases, and rentals of Federal lands in the 17 western States and is available for expenditure pursuant to authorization contained in appropriation acts (43 U.S.C. 391).

The unappropriated receipts fund balance as of June 30, 1965, was $150.4 million. The fiscal year 1966 receipts were $160.6 million, $0.8 million of unobligated balances was returned to unappropriated receipts, and appropriations were $143.2 million. The unappropriated receipts fund balance as of June 30, 1966, was $168.7 million.

Bureau of Land Management, Permanent Appropriations

Permanent appropriations arise from receipts of (1) timber sales, (2) grazing land leases, (3) oil and gas royalties, (4) Coos Bay Wagon Road grant lands, (5) Oregon and California land-grant funds, (6) sale of public land and public land products, (7) bonuses, royalties, and rentals resulting from development of mineral resources, and (8) forfeiture-of-timber-purchases bonds. The receipts are used to (1) cover cost of sales, (2) manage grazing lands, (3) make payments to States and counties, (4) improve forests, and (5) maintain roads. (41 Stat. 202, 53 Stat. 1196; 43 U.S.C. 315m; 43 U.S.C. 315i; 44 Stat. 740; 53 Stat. 753-754; 39 Stat. 218, 50 Stat. 876; 43 U.S.C. 315j; 31 U.S.C. 711; 43 U.S.C. 315b; 43 U.S.C. 315; 30 U.S.C. 191; 30 U.S.C. 285; 7 U.S.C. 1012; 74 Stat. 507-508).

The unobligated balances relating to the above programs as of June 30, 1965, totaled $1 million. The fiscal year 1966 appropriations amounted to $69 million and obligations were $69.3 million. The unobligated balances as of June 30, 1966, totaled $0.8 million.

Land and Water Conservation Fund

Receipts from fees charged for entrance to and use of recreation facilities, motorboat fuel taxes, and sale of surplus real property are used for acquisition and development of State and Federal recreation areas. Funds allocated to States must be equally matched by States.

The unobligated fund balance as of June 30, 1965, was $14.3 million. The fiscal year 1966 appropriation was $122.1 million and obligations were $29.1 million. The unobligated fund balance as of June 30, 1966, was $107.1 million.

Office of the Territories
Internal Revenue Collections for Virgin Islands

The local revenue collected annually by the Government of the Virgin Islands is matched by a payment from the annual internal revenue taxes collected by the United States on Virgin Island products transported to the United States (26 U.S.C. 7652(b) (3)).

The fiscal year 1966 payment was $10.4 million.

Federal Aid in Wildlife Restoration

Assistance is given to States, Puerto Rico, Guam, and the Virgin Islands by appropriation of funds equal to revenue from the 11 percent excise tax on the manufacture of firearms and ammunition (16 U.S.C. 669-669j).

The unobligated fund balance as of June 30, 1965, was $5.1 million. The fiscal year 1966 appropriation was $20.2 million and obligations were $18.1 million. The unobligated fund balance as of June 30, 1966, was $7.2 million.

Pribilof Island Fund

This fund is derived from sales of fur sealskins and other wildlife products of the Pribilof Islands and is available for appropriation for administration of the Pribilof Islands and payment to Alaska from Pribilof Islands receipts as required by law (72 Stat. 339).

The unappropriated receipts fund balance as of June 30, 1965, was $1.8 million. The fiscal year 1966 receipts were $2.8 million and appropriations were $2.5 million. The unappropriated receipts fund balance as of June 30, 1966, was $2.2 million.

Migatory Bird Conservation Account

Receipts from the sale of Federal hunting stamps are set aside in the migratory bird conservation fund (16 U.S.C. 718).

The account balance as of June 30, 1965, was $1.6 million. The fiscal year 1966 appropriations were $12.2 million, $0.9 million of prior year obligations was recovered, and obligations were $14.1 million. The account balance as of June 30, 1966, was $0.5 million.

Southwestern Power Administration Continuing Fund

This fund, accumulated from sales of power, is available permanently for emergency expenses and to insure continuity of service. It is also available in such amounts as may be approved annually in appropriation acts to cover costs in connection with the purchase of electric power and the rentals of facilities for transmission and distribution of power (16 U.S.C. 825s-1).

The unobligated fund balance as of June 30, 1965, was $0.3 million. The fiscal year 1966 appropriation was $4 million and obligations were $1.8 million. During fiscal year 1966, program authority of $2.3 million lapsed. The unobligated fund balance as of June 30, 1966, was $0.3 million.

Bonneville Power Administration Continuing Fund

A continuing fund of $500,000, maintained from power receipts, is used to defray expenses incurred under emergency conditions and to insure continuous operation of the Bonneville Power Administration transmission system (16 U.S.C. 832).

The unobligated fund balance as of June 30, 1965, was $515,000. The fiscal year 1966 obligations were $15,000 and no money was appropriated. The unobligated fund balance as of June 30, 1966, was $500,000.

Colorado River Dam Fund
Boulder Canyon Project

Revenue from Boulder Canyon project operations is placed in this fund. The fund is available for annual appropriation for payment of expenses of operation and maintenance of the project. It is available without further appropriations for payment of interest on amounts advanced from the Treasury for annual payments of $300,000 each to Arizona and Nevada and for repayment of advances from the Treasury for construction or other purposes (43 U.S.C. 617a).

The unappropriated receipts fund balance as of June 30, 1965, was $1.8 million. The fiscal year 1966 net receipts were $5 million and appropriations were $5 million. The fund balance as of June 30, 1966, was $1.9 million.

Colorado River Development Fund

This fund is also derived from revenue of the Boulder Canyon project and is available for appropriation for general investigations (43 U.S.C. 618a).

The fund balance as of June 30, 1965, was $16,000. The fiscal year 1966 receipts and appropriations were $500,000. The fund balance as of June 30, 1966, was $16,000.

Payment from Proceeds, Sale of Water,
Mineral Leasing Act of 1920

When lessees or operators drilling for oil and gas on public lands strike water, water wells may be developed by the Department from proceeds from the sale of water from existing wells (30 U.S.C. 221-229).

The unobligated balance available as of June 30, 1965, was $17,000. No obligations were incurred during fiscal year 1966 and the year-end unobligated balance available was $17,000.

National Park Service,
Miscellaneous Permanent Appropriations

1. Revenues received from the collection of park visitor fees are used to provide educational facilities to dependents of park personnel (62 Stat. 338).

2. Park visitor fees are used to compensate the State of Wyoming for tax losses on Grand Teton National Park lands (64 Stat. 851).

3. Some of the buildings on lands acquired for establishment of Independence National Historical Park, Philadelphia, Pennsylvania, were rented pending their conversion to park purposes or demolition. Some of the cleared sites are being used temporarily as parking lots from which income is also realized. The income is used for management and maintenance of the rental properties and for demolition of buildings (65 Stat. 644).

The unobligated balance available for the above programs as of June 30, 1965, was $86,000. The fiscal year 1966 appropriation was $26,000 and obligations were $107,000. The unobligated fund balance as of June 30, 1966, was $4,000.

Bureau of Indian Affairs
Miscellaneous Permanent Appropriations

1. Acquisition of lands and loans to Indians in Oklahoma, act of June 26, 1936--Revenues derived from mineral deposits underlying certain

lands purchased in Oklahoma are used for the acquisition of lands and loans to individual Indians, associations, or corporate groups of Indians, residing in Oklahoma (25 U.S.C. 507).

2. Indian arts and crafts--Fees charged for use of Government trademarks attesting to genuineness and quality of Indian products are used to stimulate sales of Indian arts and crafts (25 U.S.C. 305 a, c).

3. Operation and maintenance, Indian irrigation systems--Revenues derived from charges for operation and maintenance of Indian irrigation projects are used to defray in part the cost of operating and maintaining these projects (60 Stat. 895).

4. Power systems, Indian irrigation systems--Revenues collected from the sale of electric power by the Colorado River, Flathead, and San Carlos power systems are used to operate and maintain these systems (60 Stat. 895; 65 Stat. 254).

The unobligated balances available for the above activities as of June 30, 1965, totaled $3.8 million. The fiscal year 1966 appropriation was $6.8 million and obligations were $6.6 million. The unobligated balances available as of June 30, 1966, were $4 million.

DEPARTMENT OF STATE

Educational Exchange Permanent Appropriations

Payments by Finland on its World War I debt are used to finance programs authorized by the Mutual Educational and Cultural Exchange Act of 1961 in relation to Finland and the people of Finland (75 Stat. 532).

The unobligated balance available as of June 30, 1965, was $154,000. The fiscal year 1966 appropriation was $353,000 and $4,000 of prior year's obligations was recovered. Obligations were $409,000. The unobligated balance available as of June 30, 1966, was $102,000.

Replacement of Passenger Vehicles Sold Abroad

Proceeds from sales abroad of passenger motor vehicles of the Foreign Service are available for the replacement of such vehicles (40 U.S.C. 481 (c)). Beginning in 1967, this appropriation account is being discontinued and the proceeds will be credited to salaries and expenses.

Fiscal year 1966 program expenditures were $395,000.

TREASURY DEPARTMENT

Bureau of the Mint Permanent Appropriations

The coinage profit fund and silver profit fund are used to cover the costs of (1) alloy metal used in making 900 fine subsidiary silver coins, (2) wastage and recoinage losses, and (3) distribution of coins. The funds are financed from a portion of the gains resulting from manufacturing coins.

The unobligated balances available for the above activities as of June 30, 1965, totaled $2.5 million. The fiscal year 1966 appropriation was $455,000 and obligations were $1.8 million. The unobligated balances as of June 30, 1966, were $78,000. Obligational authority of $1.1 million lapsed during fiscal year 1966.

Internal Revenue Collections for Puerto Rico

Taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and either transported to the United States or consumed on the island are paid to Puerto Rico (26 U.S.C. 7652).

Fiscal year 1966 collections and the corresponding appropriation totaled $51.7 million.

Miscellaneous, Permanent Appropriations

1. Expenses of administration of settlement of War Claims Act of 1928--Funds from the German Deposit Fund are deposited in a receipt account and appropriated for a portion of the administrative expenses incurred in paying awards under the settlement of the War Claims Act of 1928 (50 U.S.C. App. 9 note).

2. Federal control of transportation systems--Expenditures are for compensation payments to former employees (or survivors) of the railroads who were injured during the period of Federal control in World War I (41 Stat. 468 (e)).

The unobligated balance available for the two programs above as of June 30, 1965, was $36,000. The fiscal year 1966 appropriations were $15,000 and obligations were $37,000. The unobligated balance as of June 30, 1966, was $14,000.

GENERAL SERVICES ADMINISTRATION

Expenses, Disposal of Surplus Real and Related Personal Property

Section 204(b) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 485), requires that proceeds from GSA's dispositions of surplus real and related personal property be set aside in a special fund in the Treasury. GSA may receive from this fund an amount, to be determined by the Director, Bureau of the Budget, to pay appraisers' fees, auctioneers' fees, realty brokers' fees, advertising costs, and surveying costs. Excess funds beyond current operating needs must then be transferred from the special fund to miscellaneous receipts.

The fiscal year 1966 appropriation and corresponding program obligations for the above expenses were $989,000.

FEDERAL POWER COMMISSION

Payments to States Under Federal Power Act

The States receive 37.5 percent of the receipts from licenses issued by the Federal Power Commission for occupancy and use of national forests and public lands within their boundaries (16 U.S.C. 810).

The fiscal year 1966 payments to States amounted to $71,000.

DEPARTMENT OF AGRICULTURE

Payments to States, National Forest Fund

With minor exceptions, 25 percent of the money received from the national forests is paid to the States for public schools and roads of the county in which such forests are situated (16 U.S.C. 500).

Fiscal year 1966 payments were $35.5 million.

Roads and Trails for States, National Forest Fund

Ten percent of all money received from the national forests during each fiscal year is available at year-end to be expended by the Secretary of Agriculture for the construction and maintenance of roads and trails within the national forests in the States from which such proceeds are derived (16 U.S.C. 501).

Fiscal year 1966 program expenditures were $14.2 million.

Expenses, Brush Disposal

Purchasers of national-forest timber may be required by the Secretary of Agriculture to deposit the estimated cost to the United States of disposing of brush and other debris resulting from their cutting operations--such deposits to be covered into the Treasury in a special fund, which is appropriated and available until expended (16 U.S.C. 490).

The unobligated fund balance as of June 30, 1965, was $10 million. The fiscal year 1966 appropriation was $10.2 million and obligations were $9 million. The unobligated balance as of June 30, 1966, was $11.2 million.

Payments to Counties, National Grasslands

Of the revenues received from the use of national grasslands, 25 percent is paid to the counties in which such land is situated for school and road purposes (7 U.S.C. 1012).

Fiscal year 1966 payments were $429,000.

Payment to Minnesota

At the close of each fiscal year, the State of Minnesota is paid 0.75 percent of the appraised value of certain Superior National Forest lands (16 U.S.C. 577g).

The fiscal year 1966 payments were $141,000.

Restoration of Forest Lands and Improvements

Funds received from settlement of claims involving damage to lands or improvements and from forfeiture of deposits and bonds by permittees and timber purchasers are used for the restoration made necessary by the action which led to the settlement or forfeiture (16 U.S.C. 579c).

The fiscal year 1966 program obligations were $24,000.

Forest Fire Prevention

Fees for the use of the character "Smokey Bear" by private enterprises are collected and are available for furthering the nationwide forest fire prevention campaign (18 U.S.C. 711).

The fiscal year 1966 program obligations were $24,000.

USER CHARGES PROGRAMS

Among the numerous services performed by the Federal Government in the public interest, many provide an added special benefit to individuals or groups. The Government is extensively engaged in the sale and leasing of Government-owned resources and property. Executive agencies have established a system of fees and charges designed to recover all or a part of the costs, or fair market value in the case of property, of providing these special benefits.

Statutory authority for the user charges program was provided with the enactment of title V of the Independent Offices Appropriation Act of 1952 (5 U.S.C. 140) which itemized numerous types of activities that the Congress believed should be "self-sustaining to the full extent possible."

With respect to collections made under the user charges program, the general rule is that the monies go into the general fund of the Treasury as miscellaneous receipts. However, exceptions are made where:

1. It is intended that an agency or program be operated on a substantially self-sustaining basis from receipts for services performed or from the sale of products or use of Government-owned resources or property.

2. The agency can show that the initiation or increase of fees or charges is not feasible without earmarking of receipts.

3. The receipts are in payment of the cost of authorized special benefits for which the demand is irregular or unpredictable, such as inspections performed upon request outside the regular duty hours.

Under the above exceptions, which must be supported by legal authority, user charges receipts may be deposited to trust funds and revolving funds or may be used to reimburse the appropriations which finance the activities involved. A tabulation of the amounts and disposition of user charges receipts as contained in the May 1966 "User Charges, Annual Progress Report" published by the Bureau of the Budget follows:

	Fiscal years		
	1963	1964	1965
	(millions)		
Miscellaneous Receipts	$1,076.5	$ 728.9	$ 805.0
Revolving Funds	325.4	350.3	378.8
Trust Funds	30.1	53.0	63.4
Appropriations	158.7	139.1	161.4
Total	$1,590.7	$1,271.3	$1,408.6

A departmental breakdown of fiscal year 1965 deposits to revolving funds, trust funds, and appropriations follows:

Agency	Revolving Funds	Trust Funds	Appropriations
	(millions)		
Agriculture	$ 5.1	$56.1	$ 24.9
Commerce	10.3	4.1	.6
Defense	28.2	-	48.6
HEW	7.4	.5	21.7
Interior	25.3	2.0	2.5
Justice	-	-	1.8
Labor	1.0	.1	.7
Post Office	245.0	-	-
Treasury	-	-	12.8
AEC	-	-	45.5
GSA	1.7	.4	-
HUD	37.2	-	-
VA	1.3	-	2.3
All Other	16.3	.2	(a)
Total	$378.8	$63.4	$161.4

[a]Less than $50,000.

Examples of user charges in effect during fiscal year 1965 are given below.

Activity	Agency	Charge
Grazing cattle and horses	Agriculture	$0.42 per animal month
Grazing sheep and goats	do.	$0.0975 per animal month
Approval for departure of a U.S. vessel	Commerce	$25 per application
Barber and beauty shop concession	Health, Education, and Welfare	21 percent of gross receipts
License to construct, use, and maintain wharf	Interior	$20 to $75 each
Permit to transfer petition for naturalization	Justice	$5 per application
Use of Government cabins	Interior	$99 per year

Activity	Agency	Charge
Use of Government camp quarters	Interior	$1.30 to $2.50 per day
School tuition	Air Force	$283.65 to $480.00 per student per school year
Do.	Army	$371.36 to $441.00 per student per school year
Do.	Navy	$330 to $868 per student per school year
Import-export inspection and quarantine	Agriculture	$6.60 per hour overtime
Testing of dry cells and batteries	General Services Administration	$81 to $657 per test
Photocopies	Labor	$0.50 per page
Technical literature searches	Commerce	$11 per hour
Inpatient care	Veterans Administration	$42 per day at general medical and surgical hospitals; $15.50 per day at neuropsychiatric hospitals
Do.	Health, Education, and Welfare	$42 per day for foreign seamen and other nonbeneficiaries; $9.74 per day for D.C. residents and prisoners at Saint Elizabeths Hospital
Do.	Defense	$27 per day for beneficiaries of other Federal agencies; $42 per day for nonbeneficiaries at military hospitals
Rental of land for farming purposes	National Aeronautics and Space Administration	$91 per acre per year

Activity	Agency	Charge
Computer usage	Health, Education, and Welfare	$45 per hour IBM 1401; $95 per hour IBM 7010
Lease of spent materials test reactor fuel elements	Atomic Energy Commission	$100 per year or fraction thereof for each fuel element
Rental of vessels	Army	$3 to $85 per hour
Sale of timber	Navy	$38.68 per thousand board feet of saw logs; $18.98 per thousand board feet of hardwood; $7.26 per cord of pulpwood
Sale of photographs and publications	Treasury	$1.50 to $45.00 each
Subscription to "Passenger Travel Reports via Sea and Air"	Justice	$25 per year
Maintenance of vehicles, European bases	Army	$1.67 per man-hour
Railroad service, operation and maintenance	Interior	$4.53 per thousand gross ton miles
Stevedoring	Navy	$7.80 to $15.20 per man-hour
Analysis of specific materials and compounds	Atomic Energy Commission	$14 per hour
Cyclotron irradiation service	Atomic Energy Commission	$140 per hour
Establishing a Customs bonded warehouse	Treasury	$80 each
Examination of insured savings and loan association	Federal Home Loan Bank Board	$78 per man-day
Guest meals	Veterans Administration	$0.95 for breakfast; $1.10 for lunch and dinner

GOVERNMENT CORPORATIONS

There are a number of Federal organizations which take the form of corporations. As such, they operate in a manner similar to that of commercial enterprises in that they have governing bodies in the form of boards of directors which have broad powers to take action. Information on programs and financial conditions of Government corporations is shown below.

EXPORT-IMPORT BANK OF WASHINGTON

The Export-Import Bank of Washington was organized in 1934 and its existing programs were authorized under the Export-Import Bank Act of 1945, as amended. The purpose of the Bank is to aid in financing United States exports. The major types of financing are loans to foreign borrowers, discount loans to commercial banks, and guarantees to commercial banks (61 Stat. 130).

By Public Law 88-101, the life of the Bank was extended to June 30, 1968, the lending authority was increased to $9 billion, and the amount of guarantees and insurance outstanding at any time was established at $2 billion. Capital stock of $1 billion has been purchased by the Treasury. In addition, the Bank is authorized to borrow, up to $6 billion from the Treasury.

The Bank's net income for fiscal year 1966 was $114.2 million.

Export-Import Bank of Washington
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 1,112
Accounts receivable	49,275
Loans receivable	2,226,786
Other	148
Total	$2,277,321
Liabilities and Government equity:	
Current liabilities	$ 41,402
Interest-bearing capital	177,800
Non-interest-bearing capital	1,000,000
Retained earnings	1,058,119
Total	$2,277,321

COMMODITY CREDIT CORPORATION

The Commodity Credit Corporation was created to stabilize, support, and protect farm income and prices, help maintain the balance and adequacy of supplies of agricultural commodities, and help in their orderly distribution (15 U.S.C. 714-714p).

During fiscal year 1966, the Corporation's net loss for price support and related programs was $2,447 million; the net operating loss for special activities was $1,914 million. Following is an abbreviated statement of financial condition of the Corporation.

Commodity Credit Corporation
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$ 45.6
Accounts receivable	416.7
Agricultural commodities for sale	2,454.4
Interest due	453.4
Price support and storage facility loans receivable	1,143.8
Other	115.0
Total	$ 4,628.9
Liabilities and Government equity:	
Current liabilities	$ 1,298.7
Capital	12,057.9
Deficit	-8,727.7
Total	$ 4,628.9

FEDERAL CROP INSURANCE CORPORATION

The Federal Crop Insurance Corporation was created on February 16, 1938 (7 U.S.C. 1501-1519), to carry out the provisions of the Federal Crop Insurance Act. The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and by providing the means for the research and experience helpful in devising and establishing such insurance. The Corporation provides all-risks insurance protection to farmers against loss from unavoidable causes. Capital stock of $100 million is authorized to be subscribed by the United States. As of June 30, 1966, the Secretary of the Treasury held receipts for $40 million of the authorized stock, leaving $60 million unissued.

During fiscal year 1966, the Corporation experienced a loss of $10.4 million.

Federal Crop Insurance Corporation
Financial Condition
June 30, 1966

	(Millions of dollars)
Assets:	
Treasury balance	$30.9
Accounts receivable, net	17.4
Total	$48.3
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 0.6
Deferred credits	16.1
Provision for surety losses	0.1
Capital	40.0
Deficit	-8.5
Total	$48.3

FEDERAL NATIONAL MORTGAGE ASSOCIATION

The Association, operating under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716, et seq.), (1) purchases, manages, and sells residential mortgages or loans which are insured by the Federal Housing Administration, guaranteed by the Veterans Administration, or insured by the Farmers Home Administration, (2) makes short-term bank-type loans which are secured by those types of mortgages and loans, (3) manages and sells certain noninsured or nonguaranteed mortgages or other obligations which have been or may be acquired from authorized sources, and (4) sells to private investors beneficial interests, or participations,in mortgages or other types of obligations in which certain departments or agencies of the Federal Government have a financial interest. The Association's functions are carried out through three programs for which separate accountability is required by statute. These programs are secondary market operations, special assistance functions, and management and liquidating functions.

Secondary Market Operations Funds

Total program obligations during fiscal year 1966 were $1.8 billion. As of June 30, 1966, the unobligated balance available (authorization to spend public debt receipts) was $2.3 billion.

79-459 O - 67 - pt. 2 - 9

Special Assistance Functions

During fiscal year 1966, new obligational authority of $100 million (authorization to spend public debt receipts) was granted. Total program obligations during the year were $281 million. As of June 30, 1966, the unobligated balance available (authorization to spend debt receipts) was $2.3 billion.

Special Assistance Functions
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 1,870
U.S. securities	1,636
Excess interest collections on deposit	14,423
Accounts receivable, net	13,758
Equity in loans receivable	806,438
Selected assets	2,025
Total	$840,149[a]
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 39,048
Deferred credits	123
Capital	699,460
Retained earnings	101,518
Total	$840,149

[a]Details do not add due to rounding.

Management and Liquidating Functions Fund

Program functions are financed principally by Treasury borrowings and portfolio liquidations, and all the benefits and burdens of the program accrue solely to the Treasury. Net repayments to the Treasury were $114.8 million in 1966. Net income amounted to $3.3 million in 1966.

Management and Liquidating Functions Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 2,624
U.S. securities	4
Accounts receivable, net	10,444
Deferred charges	369
Excess interest collections on deposit	1,863
Equity in mortgages	827,540
Investments in DHC loans	8,753
Mortgage loans purchased	46,693
Fixed assets	278
Total	$898,568
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 33,244
Deferred credit	30
Capital	766,370
Retained earnings	98,924
Total	$898,568

HOUSING ASSISTANCE ADMINISTRATION

The United States Housing Act of 1937, as amended, authorizes a program of assistance for low-rent public housing under which local governments, pursuant to State enabling legislation, establish independent legal entities, known as local housing authorities (LHAs), to develop, own, and operate low-rent public housing projects.

Section 3(a) of the original act, approved September 1, 1937, created the United States Housing Authority, as a wholly owned Government corporation, to carry out the program of assistance for low-rent public housing. The act also provided in section 17 that the Authority have a capital stock of $1 million, subscribed by the United States and paid for by the Secretary of the Treasury. Since 1937, the activities of the corporation have been administered by various successive agencies. The corporate activities are currently being administered by the Housing Assistance Administration (HAA), a constitutent agency of the Department of Housing and Urban Development.

HAA provides financial and technical assistance to the LHAs in the development of low-rent housing projects and reviews the administration of the projects after construction is completed to ensure that the projects are operated and maintained in a manner to promote serviceability, efficiency, economy, and stability and that their low-rent character is maintained.

During fiscal year 1966, program obligations were $704.5 million. As of June 30, 1966, the Low-rent Public Housing Fund had an unobligated balance of $365.4 million (authorization to spend debt receipts).

Low-rent Public Housing Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 68,573
U.S. securities	21,000
Accounts receivable, net	1,526
Advances	149
Supplies, etc.	67
Loans receivable, net	56,602
Land, structures, equipment, net	703
Total	$148,620
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 91,468
Deferred credits	1,031
Capital	247,357
Deficit	−191,236
Total	$148,620

FEDERAL PRISON INDUSTRIES, INCORPORATED

The corporation is authorized, under the Attorney General, to establish and operate industries in Federal penal and correctional institutions and disciplinary barracks (18 U.S.C. 4121-4128). Its purposes are to provide employment for inmates, to provide maximum vocational training for qualified inmates in connection with regular institutional and industrial activities, and to operate a placement service to assist released inmates to secure jobs.

During fiscal year 1966, the corporation's net income for the year was $8.8 million.

Federal Prison Industries Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 6,184
Accounts receivable, net	5,155
Commodities for sale	13,394
Supplies, etc.	345
Buildings and equipment, net	19,077
Total	$44,155
Liabilities and Government equity:	
Current liabilities	$ 2,943
Capital	6,286
Retained earnings	34,926
Total	$44,155

FEDERAL DEPOSIT INSURANCE CORPORATION

The Federal Deposit Insurance Corporation (FDIC) is an independent Government agency which was created in 1933 by the Banking Act of 1933. The corporation insures deposits in banks qualified for deposit insurance, in the maximum amount of $15,000 for each depositor. National banks which are chartered by the Comptroller of the Currency and all State banks that are members of the Federal Reserve System are required to be insured (48 Stat. 168 as amended).

The FDIC does not receive appropriated funds nor is its annual budget subject to review by the Congress. Funds for its activities are obtained primarily from assessments paid by the insured banks and from income derived from its investment in United States Government securities.

FDIC is authorized to borrow up to $3 billion from the United States Treasury when, in the judgment of the Board of Directors, such funds are required for insurance purposes. This borrowing authority has never been used.

Calendar year 1965 income was $214.7 million and expenses were $23.0 million.

Federal Deposit Insurance Corporation
Financial Condition
December 31, 1965

	(Thousands of dollars)
Assets:	
Cash	$ 3,754
U.S. Government obligations	3,190,208
Assets acquired in receivership and deposit assumption transactions	9,579
Miscellaneous assets	151
Land and office building	8,041
Total	$3,211,732[a]
Liabilities and Deposit Insurance Fund (note b):	
Accounts payable and accrued liabilities	$ 1,101
Earnest money and escrow funds	209
Accrued annual leave of employees	1,269
Due insured banks	172,050
Net insured balances of depositors in closed insured banks	777
Deposit Insurance Fund, net income accumulated since inception (note c)	3,036,326
Total	$3,211,732

[a]Totals do not add due to rounding.

[b]Capital stock was retired by payments to the United States Treasury.

[c]The Deposit Insurance Fund represents the accumulated net income of the Corporation and is available for insuring deposits and payment of expenses.

PANAMA CANAL COMPANY

The Panama Canal Company is a wholly owned Government corporation whose primary purpose is maintaining and operating the interoceanic canal at the Isthmus of Panama and other necessary supporting operations.

The administration of the Company is integrated with that of the Canal Zone Government, an independent agency initially financed by appropriations. The Company is expected to be self-sustaining and is required to reimburse the United States Treasury for the net cost of the Canal Zone Government, for the cost of interest on the net direct investment of the United States in the Company, and for annuity payments made by the United States to the Republic of Panama pursuant to the treaty of 1903, as amended in 1936 (62 Stat. 1076 as amended).

Net income for fiscal year 1966 was $5.6 million.

Panama Canal Company Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 10,537
Accounts receivable	8,689
Properties, plant, and equipment	481,894
Other	12,959
Total	$514,079
Liabilities and Government equity:	
Liabilities	$ 23,857
Reserves	496
Equity	489,726
Total	$514,079

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

The Saint Lawrence Seaway Development Corporation, a wholly Government-owned enterprise, is responsible for the construction, operation, and maintenance of that part of the St. Lawrence Seaway within the territorial limits of the United States. The Corporation is "self-supporting" through tolls assessed shippers using seaway facilities. All operating costs are paid from toll revenues and net operating income returned to the Treasury in payment of interest and principal (33 U.S.C. 981).

The Corporation's net loss for fiscal year 1966 was $1,999,000.

Saint Lawrence Seaway Development Corporation
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 129
Accounts receivable	337
Tolls receivable	200
Supplies	101
Fixed assets	121,851
Total	$122,618
Liabilities and Government equity:	
Liabilities	$ 2,793
Interest-bearing capital	141,019
Deficit	-21,194
Total	$122,618

TENNESSEE VALLEY CORPORATION

The Congress created the Tennessee Valley Authority (TVA) in 1933 for the unified development of a river basin comprising parts of seven States. TVA is a corporation wholly owned by the Federal Government (48 Stat. 58).

During the fiscal year 1966, the net income from the authority's power program was $47.9 million, while nonpower programs experienced expenses of $21.2 million in excess of revenue.

Tennessee Valley Authority
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 45,438
Current receivables	32,619
Inventories	38,179
Deferred charges	2,484
Fixed assets	2,630,757
Total	$2,749,477
Liabilities and Government equity:	
Current liabilities	52,702
Interest-bearing capital	100,000
Non-interest-bearing capital	1,982,297
Contributions in aid of construction	740
Borrowings from the public	285,000
Retained earnings, power operations	650,745
Deficit, nonpower programs	-322,007
Total	$2,749,477

FEDERAL HOUSING ADMINISTRATION

The Federal Housing Administration (FHA), created by the National Housing Act of 1934, is a noncorporate business-type agency which was brought under the Government Corporation Control Act by the Housing Act of 1948. The principal purposes of FHA are to improve home financing practices, to encourage improved housing standards and conditions, to further home ownership, and to stabilize the mortgage market. These objectives are achieved through the insurance of loans for financing the production, purchase, repair and improvement of residential properties.

FHA loan insurance is now administered through 26 different active programs. In addition, maintenance and settlement work continue under nine programs for which the authority to insure additional loans has expired. For financial purposes, FHA programs are grouped under three separate insurance funds and accounts established by statute.

FHA's financial statements show that it received $323.9 million in fiscal year 1966 from other than the regular appropriation process.

Federal Housing Administration Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 90,611
U.S. securities:	
Treasury issuances	494,543
Other agency issuances	89,198
Accounts receivable	167,249
Mortgage notes and sales contracts, net	123,269
Acquired properties:	
Properties	512,539
Mortgages	301,293
Defaulted notes	9,208
Furniture and equipment, net	3,681
Stock in rental housing corporations	296
Total	$1,791,886[a]
Liabilities and Government equity:	
Accounts payable and accrued liabilities	$ 96,883
Deferred credits	52,576
Debentures authorized and in process	56,898
Debentures outstanding	441,356
Reserve for foreclosure costs	4,566
Capital	10,000
Retained earnings:	
Statutory reserve-participating reserve	132,790
General surplus reserve for future expenses and losses	996,817
Total	$1,791,886

[a]Details do not add due to roundings.

FEDERAL HOME LOAN BANK BOARD AND CORPORATIONS SUPERVISED

The Federal Home Loan Bank Board was created as an independent agency in 1932 by the Federal Home Loan Bank Act (47 Stat. 725; 12 U.S.C. 1421).

The activities of the Board consist principally of (1) establishing policies, issuing regulations, and supervising the operations of the 12 Federal home loan banks, (2) directing the operation of the Federal Savings and Loan Insurance Corporation, (3) chartering Federal savings and loan associations, (4) regulating Federal and insured State-chartered savings and loan associations, and (5) examining the Federal home loan banks, Federal and insured State-chartered savings and loan institutions, institutions applying for insurance of accounts or for conversion from State to Federal charter, and noninsured member institutions of the Federal Home Loan Bank System in States where examinations are not provided under State law.

Program obligations incurred by the Federal Home Loan Bank Board Revolving Fund during fiscal year 1966 were $16.8 million.

Federal Home Loan Bank Board Revolving Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 986
Accounts receivable, net	1,553
Supplies	25
Fixed assets, net	698
Total	$3,262
Liabilities and Government equity:	
Current liabilities	$2,902
Retained earnings	360
Total	$3,262

Federal home loan banks

The 12 Federal home loan banks are corporations chartered under the Federal Home Loan Bank Act, approved July 22, 1932 (47 Stat. 725; 12 U.S.C. 1421). The banks were created for the purpose of providing reserve banking facilities to their member institutions, which may comprise savings and loan institutions, savings banks, and insurance companies, and to certain nonmember borrowers.

The banks do not receive appropriated funds to carry out their activities nor are their annual budgets subject to review by Congress. Funds for the Federal home loan banks are obtained principally from (1) the sale of their obligations, (2) interest on advances (loans) to members, (3) interest on investments, (4) sale of capital stock, and (5) deposits of member institutions. In addition, the banks' funds are supplemented through the redemption and sale of investments and by the repayment of advances by member institutions. Authority to borrow from the Treasury in the amount of $1 billion is provided in the United States Code (12 U.S.C. 1431); however, no borrowings have been made to date.

Federal Savings and Loan Insurance Corporation

The Federal Savings and Loan Insurance Corporation is authorized under title IV of the National Housing Act (12 U.S.C. 1724 et seq.) to insure savings in all Federal savings and loan associations and in State-chartered institutions of the savings and loan type which apply and qualify for insurance. The protection thus afforded, which insures savers in member associations against financial loss up to a statutory limit of $15,000, may be provided through the prevention of default or the payment of insurance to savings account holders in the event of liquidation.

Although the Corporation does not receive appropriated funds to carry out its activities, congressional limitations are placed on the amount that may be expended annually by the Corporation for administrative expenses. The Corporation derives its income principally from annual insurance premiums received from insured institutions, interest earned on investments, and interest, rentals, etc., received on assets acquired from insured institutions. In addition, the Corporation's income is supplemented by the redemption and sale of securities, the realization on assets acquired from insured institutions, such as mortgages and real estate, and the prepayment of insurance premiums by insured institutions. The Corporation is authorized to borrow up to $750 million from the United States Treasury, but this authority has never been used.

Net income for fiscal year 1966, as shown by the Corporation's revenue and expense statement, was $85.3 million.

Federal Savings and Loan Insurance Corporation Fund
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 59,310
Cash with banks	1
U.S. securities	1,516,701
Accounts receivable, net	41,226
Assets acquired from insured institutions:	
Loans	87,128
Other	18,810
Subrogated and insured accounts	64,763
Loans to insured institutions	15,000
Supplies and deferred charges	29
Furniture, fixtures, and equipment	21
Total	$1,802,989
Liabilities and Government equity:	
Current liabilities	$ 4,891
Deferred credits	44,191
Government equity:	
Primary reserve	775,296
Secondary reserve	959,438
Reserve for unpaid additional premiums	4,865
Reserve for return on additional premiums	14,308
Total	$1,802,989

FARM CREDIT ADMINISTRATION
AND CORPORATIONS SUPERVISED

The Administration supervises a coordinated agricultural credit system of farm credit banks and associations which make credit available to farmers and their cooperatives.

Banks for cooperatives

The banks for cooperatives, of which there are 13, are under the general supervision of the Farm Credit Administration (12 U.S.C. 1134). They finance the operations of farmers' cooperatives. During fiscal year 1966, the banks extended credit totaling $1.6 billion. The funds to finance these loans are obtained from (1) sales of debentures to the public, (2) notes payable, and (3) their own capital. The Farm Credit Act of 1955 provides for eventual ownership of the banks by farmers' cooperatives and the retirement of the United States Government's investment.

During fiscal year 1966, the revenue of the banks was $56.6 million and the net income was $11.1 million.

Banks for Cooperatives
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Cash with Treasury and in banks	$ 13,385
U.S. securities	47,492
Loans receivable, net	1,094,785
Accounts receivable, net	16,787
Acquired security	573
Fixed assets, net	1,143
Deferred charges	377
Other current assets	80
Total	$1,174,622
Liabilities and equity:	
Debentures outstanding	$ 844,074
Notes payable	36,775
Accounts payable and accrued liabilities	25,303
Privately owned equity	203,134
Government equity	65,336
Total	$1,174,622

Federal intermediate credit banks

The Federal intermediate credit banks, of which there are 12, are under the general supervision of the Farm Credit Administration (12 U.S.C. 1021). They serve as sources of funds for farmers and stockmen by discounting paper for and making loans to certain credit institutions. The banks' lending funds are obtained primarily from the sale of debentures to the public and from their own capital funds. The banks were originally wholly owned Government corporations; however, the Farm Credit Act of 1956 provides for the eventual ownership of the banks by production credit associations and the gradual retirement of the Government's investment.

During fiscal year 1966, the banks extended credit totaling $5.8 billion and reported a net income of $16.6 million.

Federal Intermediate Credit Banks
Financial Condition
June 30, 1966

	(Thousands of dollars)
Assets:	
Treasury balance	$ 11,099
U.S. securities	109,297
Loans and discounts	3,068,781
Accounts and notes receivable	59,053
Fixed assets, net	1,485
Deferred charges	1,344
Other current assets	164
Total	$3,251,223
Liabilities and equity:	
Debentures outstanding	$2,853,375
Notes payable	39,450
Accounts payable and accrued liabilities	62,222
Privately owned equity	131,578
Government equity	164,598
Total	$3,251,223

PERMANENT APPROPRIATIONS

A permanent appropriation is one which, by virtue of standing legislation, is automatically renewed each fiscal year over a period of time without annual action by the Congress. Payment of interest ($12 billion in fiscal year 1966) on the public debt accounts for the bulk of money expended under permanent appropriations. Examples of permanent appropriations are presented below.

SECTION 32 FUNDS--REMOVAL OF SURPLUS AGRICULTURAL COMMODITIES

Under section 32 of the act of August 24, 1935, as amended (7 U.S.C. 612c), an amount equal to 30 percent of customs receipts collected during each calendar year (except for an amount equal to 30 percent of such receipts collected on fishery products, which is transferred to the Department of the Interior to encourage the distribution of such products), plus unused balances of up to $300 million, is available for expanding domestic and foreign market outlets for farm commodities. As provided for in recent appropriation acts, transfers have been made from this fund primarily to the school lunch program for the purchase and distribution of agricultural commodities and the special milk program to partially cover the cost of milk served to school children. Section 32 funds are also authorized for the administration of marketing agreements and orders.

A table showing sources and applications of section 32 funds follows.

Section 32 Appropriation
Program Obligation Data
Fiscal Year 1966

	(Millions of dollars)
Sources of funds:	
Unobligated balance available, start of year	$298.8
Permanent appropriation (30% of customs receipts collected during each calendar year)	405.5
Total	$704.3
Applications of funds:	
Consumer and Marketing Service, Department of Agriculture:	
Commodity program payments:	
Direct purchases	$140.2
Export payments	.1
School lunch program	45.0
Operating expenses	3.4
Marketing agreements and orders	2.2
Change in selected resources	−23.4
Fund transfers:	
Agricultural Research Service, Department of Agriculture	18.0
Bureau of Commercial Fisheries, Department of Interior	6.6
Foreign Agricultural Service, Department of Agriculture	3.1
Cooperative State Research Service, Department of Agriculture	.4
Subtotal	195.6
Unobligated balance lapsing	208.7
Unobligated balance available, end of year	300.0
Total	$704.3

COMMODITY CREDIT CORPORATION
NATIONAL WOOL ACT

Under the National Wool Act of 1954, as amended, incentive payments are being used to encourage the annual domestic production of about 300 million pounds of shorn wool. Funds of the Commodity Credit Corporation are used to carry on this program. For the purpose of reimbursing the Corporation, section 705 of the act provides for the appropriation each fiscal year of an amount equal to amounts expended by the Corporation during the preceding year and equal to amounts expended in prior fiscal years not previously reimbursed, but not to exceed 70 percent of the gross receipts of duties on wool and certain wool products imported during the preceding calendar year.

The fiscal year 1966 appropriation was $22.6 million.

OFFICE OF EDUCATION
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
COLLEGES FOR AGRICULTURE AND THE MECHANIC ARTS

Each State and Puerto Rico receives $50,000 for college instruction, including facilities, in agriculture, the mechanic arts, and related fields and for training teachers in these fields (7 U.S.C. 301-308, 321-328). The fiscal year 1966 appropriation was $2.55 million.

PROMOTION OF VOCATIONAL EDUCATION,
ACT OF FEBRUARY 23, 1917

Grants are made to the States on a dollar-for-dollar matching basis for the purpose of cooperating with the States in paying for the salaries of teachers of agriculture, trade, home economics, and industrial subjects and for the training of teachers in these subjects (74 Stat. 412; 20 U.S.C. 11-18). The fiscal year 1966 appropriation was $7.2 million.

BUREAU OF INDIAN AFFAIRS
CLAIMS AND TREATY OBLIGATIONS

Payments are made to fulfill treaty obligations with Indian tribes and are made for the benefit of Sioux Indians as authorized by law (4 Stat. 442, 7 Stat. 46, 11 Stat. 729, 25 Stat. 895, and 27 Stat. 649). The fiscal year 1966 appropriation was $161,000.

FEDERAL AID IN FISH RESTORATION AND MANAGEMENT

Assistance is given to the States, Puerto Rico, Guam, and the Virgin Islands by appropriation of funds equal to revenue of the 10 percent excise tax on sport fishing tackle (16 U.S.C. 777a-k). The fiscal year 1966 appropriation was $7.4 million.

79-459 O - 67 - pt. 2 - 10

INTEREST ON UNINVESTED FUNDS
TREASURY DEPARTMENT

Under conditions of the law creating each trust, interest accruing and payable from the general fund of the Treasury is appropriated for transfer to the proper trust fund receipt accounts (31 U.S.C. 725s; 2 U.S.C. 158; 20 U.S.C. 54-55, 74a, 101; 24 U.S.C. 46; and 69 Stat. 533 and various treaties). The fiscal year 1966 appropriation was $14 million.

REFUNDING INTERNAL REVENUE COLLECTIONS, INTEREST

Under certain circumstances (as provided in 26 U.S.C. 6611), interest is paid at 6 percent per annum on internal revenue collections which must be refunded. The fiscal year 1966 appropriation was $103.9 million.

GRANTS-IN-AID FOR AIRPORTS
FEDERAL AVIATION ADMINISTRATION

Grants are made to public agencies to aid the development and improvement of public airports. These grants generally cover 50 percent of the project costs and are limited to facilities deemed essential for safe operation of aircraft at airports (Federal Airport Act, as amended by Public Laws 88-280, 88-507, and 89-128). The fiscal year 1966 appropriation was $75 million.

REPAYABLE ADVANCES TO THE
DISTRICT OF COLUMBIA GENERAL FUND

Temporary advances are made to the District of Columbia by the United States Treasury during periods of low revenue collections (47 D.C. Code 5501). The fiscal year 1966 appropriation was $42 million.

INTEREST ON THE PUBLIC DEBT

Such amounts as may be necessary are appropriated to pay the interest each year on the public debt (31 U.S.C. 711(2), 732). The fiscal year 1966 appropriation was $12 billion.

FOREIGN CURRENCY

Many agencies of the Government are engaged in activities throughout the world which involve payments in foreign currencies. From some governmental activities, particularly those concerning the sale of surplus agricultural commodities, the Government acquires foreign currencies without spending United States dollars.

Most currencies accrue to the credit of the United States because of past or current international agreements primarily dealing with (1) sales of commodities (usually surplus agricultural items) to foreign purchasers for local currencies or (2) loans of dollars or foreign currencies which may be repaid in the currency of the borrower. Sales of commodities for foreign currency are expected to be phased out over the next few years.

A large part of the foreign currencies owned by the United States is committed by the terms of the international agreements under which the currencies were received. They must be used on a loan or grant basis for mutually beneficial purposes in the host country and are therefore called "country-use" currencies. Currencies available for the purposes of United States agencies are called "United States-use" currencies.

COUNTRY-USE CURRENCIES

A large amount of foreign currency is used outside of the appropriation process, as summarized in the following table, for loans and grants for common defense and economic development in the host country.

Summary of Foreign Currency Transactions
for Country Use
Fiscal Year 1966

	(Millions of dollar equivalent)
Balances brought forward	$1,384
Collections:	
Public Law 480 sales (note)	789
Foreign assistance program	2
Net transfer from U.S. uses	27
Total available	$2,202
Expenditures:	
Public Law 480 country loans and grants	$ 736
Public Law 480 loans to private enterprise	37
Other foreign assistance programs	12
Adjustments due to changes in exchange rates	409
Balance carried forward to fiscal year 1967	1,008
Total	$2,202

Note: Under the foreign assistance program established by Public Law 480, 83d Cong., the United States accepts foreign currency in payment for agricultural commodities and their products. Sales are made to countries unable to expand commercial purchases because of a lack of dollar exchange. Foreign currencies received are deposited to the account of the U.S. Treasury and can be used only as stated in section 104 of Public Law 480. As set forth in title I of Public Law 480, foreign currency proceeds accruing from sales are used, in some cases, without appropriation. For example, section 104(c) of Public Law 480 permits the use of foreign currencies for the "common defense" without appropriation. These funds are controlled by the Department of Defense and the Bureau of the Budget. Other sections of the law permit the use of foreign currency by the Agency for International Development without appropriation.

UNITED STATES-USE CURRENCIES

"United States-use" currencies may be divided into two categories: excess currencies and nonexcess currencies.

Excess currencies are the currencies of countries for which the Treasury Department determines that the supply is great enough to more than cover our requirements for the next 2 or 3 years. Separate appropriations for special foreign currency programs which are limited to the use of excess currencies have been provided for several years. In fiscal year 1966, such appropriations totaled $34 million.

Nonexcess currencies are those of all countries for which the supply is not designated as "excess." In many of these countries, the supply of currencies is far below United States needs and it is necessary to purchase currencies commercially to meet United States requirements. Although it is estimated that the United States will have about $2.2 billion available for its programs in fiscal year 1968, less than $500 million will be in nonexcess currencies. This indicates a need to purchase about $1.7 billion in foreign currencies to meet total requirements.

The following table summarizes fiscal year 1966 transactions of United States-use foreign currencies.

Summary of Foreign Currency Transactions
for United States Use
Fiscal Year 1966

	(Millions of dollar equivalents)
Cash balances brought forward:	
Excess currencies	$1,345
Nonexcess currencies	91
Collections:	
Public Law 480 sales	158
Foreign assistance programs	116
Interest on public deposits	26
Other nonloan collections	55
Loan repayments	252
Net transfer to country use	−27
Total available	$2,017[a]
Expenditures:	
Foreign currency expenditure authorization	$ 13
With dollar credits to:	
Foreign assistance programs	113
Miscellaneous receipts of general fund	136
Commodity Credit Corporation	133
Other	15
Deposits for replacement currencies	−3
Adjustments due to changes in exchange rate	325
Cash balances carried forward to fiscal year 1967	1,282
Total	$2,017[a]

[a]Details do not total due to rounding.

Appendix VII

Additional Views on Procurement of Typewriters

Royal Typewriter Company, Inc.,
Washington, D.C., May 23, 1967.

Hon. William Proxmire,
Chairman, Subcommittee, Economy in Government,
G-133 New Senate Office Building, Washington, D.C.

Dear Mr. Chairman: This company appreciates the opportunity to present its views on the recent hearings by the Joint Economic Committee (Subcommittee on Economy in Government) primarily addressing our remarks to GSA's position expressed in testimony concerning Cost Reduction by Messrs. Knott and Abersfeller. We refer in this instance to typewriters since the Commissioner of the Federal Supply Service himself used them as an example of the "savings" to be realized by advertised procurement, i.e., bidding.

We are in complete agreement with Cost Reduction in government. Our company has taken significant steps to assure that the government gets "a dollar's value for a dollar spent."

We have—

1. Established quantity discounts;
2. Consented to Consolidated Purchase Agreements with every major agency saving up to 29.8% over the major supplier;
3. Established and maintained a one year warranty on the full product line. Ninety days is offered by our competitors;
4. Established a training budget for technical training of government employees at no cost to the government, in addition to our own heavy training costs;
5. Established a substantial budget for administrative and sales training for our own employees who in turn spend a major portion of their time and effort indoctrinating government employees in maximum utilization of Cost Reduction techniques under presently established criteria;
6. Offered substantial trade-in incentives to government agencies through Federal Supply Service;
7. Continue to make available, at no cost loan typewriters which have been especially helpful to many agencies during recent expansion;
8. Tremendous inventory and distribution costs are being borne by this company in order to maintain local supply, thereby relieving the government of all costs of stocking, warehousing and shipping this equipment; and
9. Heavy expenditure for research and development of products and manufacturing techniques to provide products and services which fully meet current requirements for "identifiable cost savings."

Mr. Chairman, we offer as substantiation of this a full sized, full featured electric typewriter at a price of $8.50 less than on the Federal Supply Schedule in Fiscal Year 1949–50.

This accomplishment becomes all the more significant when during the same period the cost of living index has risen 38.1% and average weekly wages are up 109% according to the Bureau of Labor Statistics.

In view of the foregoing we cannot agree with testimony submitted by Commissioner Abersfeller that "advertised procurement is the most desirable vehicle for government savings."

By lowering the M.O.L. to an unrealistic level, GSA eliminates the effectiveness of multiple award contracts and deprive agencies of the flexibility needed to meet their complex requirements of office communications.

An analysis of bids for domestic use this year reveals the following: GSA solicited bids on behalf of the Veterans Administration and Post Office Department. Foreign concerns received awards for both of these agencies. As a matter of fact of four bids for domestic use electric typewriters, three were awarded to foreign firms and one was awarded to IBM at no discount and at the highest price on the Federal Supply Schedule. Of four bids for domestic use manual typewriters, three of these were awarded to foreign firms.

The utilization of foreign products for major government requirements at this time does not appear in the best interest of either the U.S. Government or American labor.

A. There is no duty on importation of typewriters.

B. There is no import quota.

If GSA is allowed to continue its emphasis on advertised procurement of typewriters, and if present trends in awards to foreign firms continue or increase, then American manufacturers, in order to compete in the government market, must press for establishment of an effective differential as prescribed through the Buy America Act, or resort to their own foreign plants as a source of supply. The significance of the latter alternative as it affects the many thousand domestic employees should not be lost on the Committee.

The conclusion that we have drawn is that the unilateral action by GSA in reducing the M.O.L. on typewriters is not based on objective judgment.

1. Agencies which have conscientiously applied the present criteria and now have effective cost reduction programs will find them either eliminated or more costly.

2. No incentive to industry to consider lower prices. There has never been a request or inquiry to this company from GSA/FSS as to our reactions to a higher M.O.L., i.e., lower prices for higher volume orders.

3. The intent of present criteria appears to have been ignored by many activities including GSA:

(*a*) Department of Agriculture procurement which cost the taxpayer more than $600,000 over other available equipment with tacit approval of Federal Supply Service.

(*b*) Federal Supply Service procurement of the most expensive models for its own use.

(*c*) Procurement by GSA for the Department of Defense on a non-bid non-schedule basis of almost 200 of the most expensive machines.

Mr. Chairman, this Committee has been led to believe that substantial savings can only result by bidding. We submit that this is not correct. We are willing to negotiate greater discounts on the Federal Supply Schedule for a higher M.O.L.

If GSA would sincerely explore this course of action and enforce the presently established criteria, we are confident that prices of typewriters to the government can be reduced even further than under the current M.O.L. We are confident that Cost Reduction Programs in Office Machine Procurement in such agencies as HEW, IRS, Department of Agriculture, Department of Interior, and others, can be expanded and can be a guide to other agencies. We are confident that the share of market enjoyed by the most expensive typewriter will continue to decrease under the pressure of more favorable prices from other companies, and at a faster rate than heretofore. We have proof of this trend even under the current Maximum Order Limitation.

I submit that Royal Typewriter Company's technology and programs has done the job—that American industry is competitive and that there can be no significant life cost savings on the procurement of (electric) typewriters by the bidding process in spite of the testimony given May 16 by Commissioner Abersfeller. Clearly the government's annual purchase of almost 30 million in typewriter products and services deserve objective evaluation.

I believe careful study and analysis by your Committee will substantiate our position.

Very truly yours,

G. L. SNIDER, *Director of Federal Marketing.*

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 1, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government, Joint Economic Committee, Washington, D.C.

DEAR MR. CHAIRMAN: This will acknowledge your letter of May 25, 1967, in which you enclosed a letter dated May 23 from G. L. Snider, Director, Federal Marketing, Royal Typewriter Company, Inc.

The basic purpose of Mr. Snider's letter is to question the desirability of the reduction of the Maximum Order Limitation on typewriters contracted for under the Federal Supply Schedule Program. The Maximum Order Limitation contained in the Solicitation for Offers for the new contract period effective July 1, 1967, is $10,000 for Electric Typewriters and $5,000 for Manual Typewriters. This compares with the MOL under the current contracts which is $25,000 for both electric and manual typewriters. Our basis for reducing the MOL on both electric and manual typewriters was predicated on savings effected through definite quantity procurement in excess of the current $25,000 MOL. Our study revealed that on definite quantity procurements during fiscal year 1966 our average savings was 21.3% per machine. This savings was over and above the lowest priced machine, elecrtic and manual, under the quantity discount structure of the Fedreal Supply Schedule contract. In one procurement covering 684 electric sypewriters (which was in excess of the current MOL) the successful bidder was the Royal Typewriter Company at a savings of 33.3% above their lowest schedule quantity price. This represented a total savings on this procurement of $84,006.32.

Since the typewriters procured under Federal Supply Schedule contracts are identical to those available to the commercial trade, the savings realized through definite quantity procurements above the $25,000 MOL dictated the establishment of a lower MOL in order to obtain the demonstrated lower prices on a greater portion of typewriter requirements. Fiscal Year 1966 purchases of typewriters reported by Federal Supply Schedule contractors totaled $23.6 million. Only $1.1 million was purchased on a definite quantity basis over the MOL of $25,000. We anticipate a substantial increase in definite quantity purchases at lower prices as a result of the lower MOL.

We do not believe that the reduced MOL's are unrealistically low. An ordering activity will be able to purchase under any single contract about 27 manual or electric typewriters which will provide adequate flexibility to meet their immediate needs.

The Royal letter infers that higher discounts might be offered under increased MOL's. We had no reason to expect such action since no greater discounts were offered prior to 1963 when the MOL was $75,000. However, during a meeting with FSS representatives on May 8, 1967, Messrs. Lampley and Fabrizio of Royal were invited to submit such an offer for consideration. No such offer has been received to date.

It is true that in some cases foreign typewriters have been purchased under definite quantity procurements. However, awards were made for foreign machines only after the differentials established in Executive Order 10582, which implements the Buy-American Act, were applied in favor of domestic bidders. We have no basis for avoiding a more advantageous method of purchase because of the possibility that foreign products may be offered at low prices.

It is our sincere belief that our decision to reduce the MOL's in order to obtain lower prices through definite quantity procurements was a proper course of action and will result in substantial savings to the Government.

If further information is desired, please let us know.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*

Appendix VIII

Executive Program To Improve Management of Automatic Data Processing Equipment (ADPE)

May 4, 1966.

Hon. Lawson B. Knott, Jr.
Administrator, General Services Administration,
Washington, D.C.

Dear Mr. Knott: Your letter of February 1, 1966, requested an early meeting to discuss the implementation of PL 89–306, and enclosed a background paper to be used in such discussions. Subsequent telephone conversations between you and Mr. Harold Seidman satisfied the immediate need for that meeting and it was agreed that our respective staffs should continue their joint efforts to develop a policy guidance paper that would set the direction of GSA's efforts under the legislation.

The completed policy guidance paper, which has been agreed to at the staff levels, is enclosed. It has my approval. The paper establishes the basic premise that major changes will be based upon a careful evaluation of alternative courses of action. That evaluation will explicitly weigh the benefits obtained from each alternative (including cost reduction and avoidance) against the costs incurred. Further, implementation of approved actions should take maximum advantage of existing capabilities in lieu of creating new capabilities. We regard the relationship between equipment hardware and software as a major obstacle to improving the effective use of automatic data processing equipment in the Federal Government and therefore request that priority attention be given to this matter.

We recognize that as the computer technology, sales practices, pricing structures, and user interests change, the problem related to effective ADP management also change. It is therefore necessary that this policy guidance document remain under constant review by our staffs so that necessary adjustments to the programs are made as required.

The complexities and interrelationships among these problems also require that all actions taken by the General Services Administration, National Bureau of Standards and the Bureau of the Budget be closely coordinated and include full consideration of the viewpoints of the using agencies. The Federal ADP Council sponsored by the Bureau of the Budget will serve as a principal means for obtaining these views. We are confident that these cooperative relationships will result in an effective action program to achieve improved ADP management.

Sincerely,

Charles S. Schultze,
Director.

Policy Guidance to the General Services Administration in the Implementation of P.L. 89–306

Basic policy.—The provisions of P.L. 89–306 will be administered in a manner that is consistent with the prime objective of encouraging the use of ADP by Government agencies to achieve greater productivity and reduced costs in the discharge of their program responsibilities.

P.L. 89–306 provides for three major changes in the existing ADP program. First, to improve the Government's bargaining position it provides, through GSA, for advancement of the central-purchaser concept in acquiring ADP equipment and related services. Second, it provides for ADP service centers to promote joint use, now limited to the sharing-exchange program. Third, it provides, through a revolving fund, a financial mechanism for conducting the program, including procurement and joint-use arrangements.

The implementation of these changes will be preceded by a careful study of alternative sources of action, and an evaluation of the potential impact which the selected action might have upon the prime objective stated above. These actions will recognize the specific responsibilities placed upon the using agencies by P.L. 89–306 for the determination of their ADP equipment requirements. Further, the Report on the Management of Automatic Data Processing in the Federal Government, approved by the President on March 2, 1965, provided a definitive blueprint for appropriate action in management and technological matters. This blueprint will remain under constant review and be updated to give effect to changing circumstances.

Existing capabilities should be used to the maximum in accomplishing approved actions, even though such facilities may exist in agencies not specifically identified in P.L. 89–306. For example, since the ADP inventory data for the Department of Defense represents about two-thirds of the total Government volume, consideration should be given to the possibility of using DOD's processing facilities to satisfy the information requirements of the General Services Administration, Bureau of the Budget, and other agencies. Likewise, the equipment selection office at Hanscom Air Force Base might be used for the selection of equipment for other agencies as it is now doing for a Commerce (Weather Bureau) computer. Procedures and reimbursement arrangements would be mutually agreed upon.

The interrelationship among using agencies and the central management agencies identified in P.L. 89–306, coupled with the dynamic nature of the ADP technology, require that a special effort be made to expedite policy development, modification, coordination and implementation. To provide a mechanism for this effort we plan to use the "Federal ADP Council." The Council will be used for consideration of certain proposed actions prior to implementation.

Initial guidelines.—Initial guidlines for specific actions to be taken in certain areas are set forth herein.

A. ADP revolving fund

The ADP revolving fund authorized by P.L. 89–306 shall be used to promote and facilitate the financing of arragements for the joint use of ADP equipment and related services. GSA will however, explore various possibilities for enabling agencies to obtain needed data processing equipment and/or services at a reduced cost, which may lead to further uses of the fund. Among the possibilities to be studied are:

1. The establishment, operation, or monitoring the operation of ADP Service Centers in metropolitan areas or in areas where a concentration of ADP requirements exists.
2. The provision of central Government-wide system services in functional activities which are common to many or all Government agencies, such as legal retrieval systems.
3. The provision of equipment support services on a centralized or regional basis, such as maintenance, tape testing, cleaning and restoration; punch card and tape acquisition.
4. The establishment of central multiple-access computer facilities (or utilities), building upon the research and evaluation findings of the National Bureau of Standards, Department of Defense, and other agencies on the effectiveness of such systems.
5. The financing of procurements from the fund to take advantage of price reductions which have time limitations inconsistent with normal funding cycles.

The studies will include a discussion of the management and economic advantages and disadvantages expected to result from adoption of the recommendation. Studies will identify all related supporting costs.

B. Review of the ADP procurement process

1. GSA will evaluate the procurement processes currently employed by the Federal Government in acquiring data processing equipment or services, to determine the areas in which revised techniques, methods or practices will offer greater efficiency and economy in acquiring the end product. This evaluation will cover, among other things:

(*a*) A determination of the appropriateness of continuing the annual negotiation of schedules for lease, purchase and maintenance of equipment and services.

(*b*) A more precise definition of the software which the contractor agrees to supply and more specific penalty provisions for failure to deliver the promised software.

(*c*) The possibility of procuring ADP equipment and ADP software as separate and distinct items, not necessarily from the same suppliers.

(*d*) The possibility that additional sources of procurement should be cultivated to serve as competitive alternatives to procuring equipment or services directly from the supplier.

(*e*) The advantages and possibilities of consolidated or other purchase arrangements for equipment to be selected by the agencies.

2. GSA will undertake a program to assist individual Federal agencies in negotiating the procurement of equipment and systems support, assuring that—

(*a*) The Government profits in each succeeding acquisition from the experience of prior procurements and strives to acquire the data processing equipment and accompanying software, training, etc., at the minimum cost.

(*b*) The agency determines its ADP equipment requirements, including development of systems specifications.

(*c*) The agency determines the final selection of equipment.

(*d*) A basis is established and maintained for continuing relationships between agency and supplier after equipment is acquired.

(*e*) Equipment available or expected to become available for redistribution is considered by agencies prior to instituting action to select new equipment.

3. In collaboration with the scientific and technological research and evaluation capabilities of NBS, GSA will develop procurement techniques which would focus upon "total system performance" in lieu of product capability.

C. Redistribution of excess equipment

1. Although excess ADP equipment will be used to the maximum extent in meeting legitimate approved agency needs, computers should not be used by agencies for work that is not essential to the agency mission. The Bureau of the Budget will require that the same criteria are used in acquiring "excess" equipment that apply to new equipment.

2. GSA will extend and intensify its program to effect the redistribution of excess equipment within the Government (including its cost-type contractors) whenever practicable. In particular, GSA will (a) review existing processes for obtaining and circularizing information regarding equipment availability and institute improvements as necessary, (b) seek and evaluate reasons why equipments are unclaimed by agencies, as a basis for improving the effectiveness of the redistribution program, (c) initiate and cultivate working contacts with agencies to assist them in arranging for the use of suitable excess equipment in lieu of acquiring additional equipment wherever economically feasible, and (d) initiate steps to assist agencies in achieving economies by substituting excess owned equipment for similar equipment being rented or leased.

3. GSA will maintain a continuous review of potential excesses in various categories of Government-owned equipment, and will inform agencies when such excesses are sufficiently imminent (a) to be considered in determining the need for soliciting industry or (b) to warrant only the temporary rental of additional equipment (in lieu of purchase) until the excess equipment is available for redistribution.

D. Source data automation

GSA, through the National Archives and Records Service, will continue its program for developing and encouraging the use of source data automation techniques by Government agencies.

E. Information systems

Work has been in progress within the Bureau of the Budget to develop an information system which will meet the requirements of central agencies, agency or sub-agency management and the operating activities. The central agencies and the principal using agencies will participate in an evaluation and critique of the initial draft of this system (preferably through the Federal ADP Council) and the development of the framework of the final system. Thereafter, GSA will provide full time staff members to assist in the detailed design of the system, and such personnel as may be required to program, operate and maintain the system.

As an interim measure BOB Circular A-55 is being revised to provide, among other things, a December 31, 1965 inventory. From this interim action it will be possible to determine agency plans for acquisition of additional computers during the remainder of F.Y. 66 and 67.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., July 9, 1967.

Hon. LAWSON B. KNOTT, Jr.,
Administrator, General Services Administration,
Washington, D.C.

DEAR LAWSON: This letter amends the policy guidance for the implementation of Public Law 89–306 that was provided to the General Services Administration by my letter of May 4, 1966. It confirms understandings reached by representatives of the Bureau of the Budget and the General Services Administration on this subject. The purpose of the amendment, which adds a paragraph 4. to section B., is to provide specific guidance for purchase leaseback contractual arrangements for automatic data processing equipment.

"B. *Review of the ADP Procurement Process*"

* * * * * * *

"4. GSA will develop and monitor a program for the use of purchase leaseback arrangements with commercial leasing firms if it is determined that such arrangements are in the best interests of the Government. Consideration should be given to such factors as (a) overall costs compared with other methods of procurement, (b) adaquacy of maintenance and support services, (c) the availability of equipment modifications, and (d) termination at the Government's option. When the Government chooses to lease installed equipment from a leasing firm instead of from the equipment supplier, it may be necessary for the leasing firm to acquire the installed equipment at commercial purchase prices in order to continue the Government's current right to purchase equipment at prices more favorable than commercial prices. The use of commercial leasing firms should permit Federal agencies to save substantial sums in the cost of leasing that equipment which it does not intend to buy."

Sincerely,

CHARLES L. SCHULTZE, *Director.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., December 15, 1966.

Hon. JOHN T. CONNOR,
Secretary of Commerce,
Washington, D.C.

DEAR JACK: Under the terms of Public Law 89–306 (the Brooks bill) the authority vested in the Secretary of Commerce is made subject to "direction by the President and to fiscal and policy control by the Bureau of the Budget" (Section 111(g)). Accordingly, our respective staffs have collaborated in the development of a policy guidance paper for the Department of Commerce (National Bureau of Standards) efforts under the legislation.

The policy guidance paper, which has been agreed to at the staff levels, is enclosed. It has my approval.

It is widely recognized that major hindrances to improving the use of ADP are the absence of: (a) standardization in character sets, input-output media, and interfaces which provide for compatible interchange of information and interoperation of systems and equipment, (b) standardization of computer programing languages, and (c) yardsticks for evaluating software and its effect upon the performance of the computer system. The Department should concentrate on actions which will overcome these deficiencies.

We recognize that as the computer technology evolves and as user interests and needs change, the problems related to effective ADP management will accordingly change. It is therefore necessary that this policy guidance document be subject to continuing review.

The complexities and interrelationships among these problems also require that all actions taken by the Department of Commerce, General Services Administration, and the Bureau of the Budget be closely coordinated and also include full consideration of the viewpoints of the using agencies. The Federal ADP Advisory Council and the Interagency Committee on ADP will serve as principal means for obtaining the views of the using agencies. We are confident that these cooperative efforts will result in an effective action program to achieve improved ADP management.

Sincerely,

PHILLIP S. HUGHES, *Acting Director.*

Policy Guidance to the Department of Commerce (National Bureau of Standards) in the Implementation of Public Law 89-306

Basic Policy.—The provisions of P.L. 89-306 will be administered in a manner that is consistent with the prime objective of encouraging the use of ADP by Government agencies to achieve greater productivity and reduced costs in the discharge of their respective agency program responsibilities.

P.L. 89-306 provides that the Secretary of Commerce is authorized (1) to provide agencies, and the Administrator of General Services in the exercise of the authority delegated, with scientific and technological advisory services relating to automatic data processing and related systems, and (2) to make appropriate recommendations to the President relating to the establishment of uniform Federal automatic data processing standards. The Secretary of Commerce is authorized to undertake the necessary research in the sciences and technologies of automatic data processing computers and related systems as may be required.

Responsibility for carrying out these functions for the Secretary has been assigned to the Center for Computer Sciences and Technology, an organization within the Institute for Applied Technology, National Bureau of Standards.

In carrying out its responsibilities, the Center should maximize the utilization of existing capabilities and facilities even when they reside in agencies not specifically identified in P.L. 89-306.

The interrelationships among the central management agencies identified in P.L. 89-306 and the using agencies, coupled with the dynamic nature of the ADP technology, require that a special effort be made to expedite policy development and implementation. Therefore, direct working relationships will be maintained among the Center, the ADP Management Branch of the Bureau of the Budget, and the Office of Automated Data Management Services of the General Services Administration. Among the means to be employed for extensive coordination with the using agencies are the Federal ADP Advisory Council and the Interagency Committee on ADP.

Initial Guidelines.—Initial guidelines for specific actions to be taken in certain areas are:

A. Advisory and consulting services

The Center will provide scientific and technological advisory and consulting services to executive agencies on automatic data processing. Upon request of Federal agencies, the Center will, to the extent possible, provide direct assistance on specific projects and monitor the technical performance of commercial consulting contracts. In addition, the Center will—

(1) Provide guidelines for use by agencies in conducting systems studies, including consideration of systems interrelationships;

(2) Provide guidelines and methods for monitoring the performance of systems studies and for implementing the results of such studies;

(3) Provide criteria to assist in evaluating software and hardware developments that may be considered during the systems studies;

(4) Provide technical guidelines for preparing solicitations of proposals, including the specification of system requirements;

(5) Provide guidelines, criteria and techniques for evaluating and selecting equipment and related software, giving priority emphasis to criteria for measuring the effectiveness and efficiency of software. Data on this subject will also be furnished to GSA for consideration in the procurement of computers;

(6) Maintain a reference index of computer programs to minimize the need for the development of programs already developed, tested and in use elsewhere; and

(7) Provide guidelines for evaluating installation and systems performance on a continuing basis.

The Center will keep abreast of the state-of-the-art developments in ADP equipment, techniques and languages and will evaluate these developments in terms of their current or potential impact upon the Government's use of equipment and software and its ADP management policies. Findings in this regard will be made known promptly to the Bureau of the Budget.

It is essential for NBS staff who are consulting with agencies in system design to be fully aware of on-going system developments, whether performed in-house or under contract for other Government agencies. In this connection, a study should be made and reported to the Bureau of the Budget soon after January 1, 1967 to explore the feasibility of developing a system by which each

Federal agency would keep the NBS informed of all ADP system design study projects. In addition to the possibility of NBS maintaining a current index of projects in progress, consideration should be given to requiring agencies to provide to NBS, for a central reference file, copies of the reports of such information systems studies.

B. Development of voluntary commercial standards

The Center will provide day-to-day guidance and monitorship of an executive branch program to promote the development and testing of voluntary commercial standards for automatic data processing equipment, techniques and computer languages. This responsibility currently excludes standards for data elements and codes.

In this role, the Center will—

(1) Participate in activities of the X3 Committee on Information Processing of the United States of America Standards Institute, its subcommittees and task forces, and in activities of the International Standards Organization as requested by the USASI;

(2) Arrange and insure appropriate representation and active participation from other Federal agencies on the X3 Committee, subcommittees and task forces to complement the Center's participation with additional expertise from the operating environments of the Government; and

(3) Monitor and coordinate all such participation by all Federal agencies to assure its consistency with the Federal Government's objectives.

Prior to casting an official ballot on proposals under consideration by the X3 Committee, the Center will consider the views of interested Federal agencies, assuring that the probable impact of the subject standard is properly explored and understood.

In its research and development activities, the Center will make available to the various X3 groups its findings and conclusions for use in their deliberations. Care will be exercised to insure that all Government representatives participating in such X3 deliberations are kept currently informed of related standardization activities so that they may reflect so far as practicable known Government requirements.

C. Recommendations for uniform Federal standards

The Center will undertake to increase compatibility in automatic data processing in the Federal Government by recommending Federal standards related to automatic data processing equipment, techniques and computer languages. This responsibility currently excludes standards for data elements and codes, but the Center will provide technical advice and assistance upon request to groups developing recommendations for such standards.

In fulfilling this role, the Center will—

(1) Immediately begin to develop, issue and maintain a statement of the Federal Government's standardization objectives and needs. The statement is intended to guide the orderly and logical pursuit of standardization in ways that are compatible with identified Federal interests.

(2) Survey and keep abreast of ADP standardization activities within the Federal Government, the USASI, and elsewhere, and initiate and promote activities as necessary to achieve the Government's objectives.

(3) Study and provide recommendations for Federal ADP standards.

(4) Study and provide recommendations on the use within the Federal Government of each appropriate United States Standard approved by the United States of America Standards Institute in the area of ADP equipment, computer languages and techniques (excluding data elements and codes).

(5) To the extent feasible and desirable, develop and recommend means for measuring compliance with Federal standards.

(6) Provide for technical maintenance of Federal ADP standards.

(7) Recommend procedures to be used in the Federal Government for adopting Federal standards and developing and implementing plans therefor.

Recommendations for Federal standards will be transmitted through the Secretary of Commerce to the Bureau of the Budget. Such communications will include (1) a statement of purposes to be served by the standard, (2) an assessment of its probable economic and technological impacts, (3) a summary of agency and industry comments that were considered in the formulation of the recommendation, (4) a reference to applicable methods for measuring compliance with the standards, (5) areas for recommended application, and (6) planning guidance for development of implementation schedules in each agency.

In the development of Federal standards, the Center will communicate and work closely with all Federal agencies (and with manufacturers, private industry, and State and local governments when required and advantageous) to assure proper consideration of their needs and views and to obtain their cooperation in the development process.

D. Research on computer sciences and techniques

The Center will sponsor, monitor and undertake research and development activities in the computer and information sciences and technologies, including system design, oriented primarily toward Government applications.

The Center will maintain current awareness of on-going basic and applied research and development activities conducted by other agencies, by Federally-sponsored contractors and grantees, and by the private sector of the economy. The Center will also develop means for making such activities known and the results, including appropriate evaluations, available to Federal agencies for their benefit. In carrying out the necessary research and development as required in support of statutory responsibilities for providing scientific and technical advisory services to other agencies and for developing Federal automatic data processing standards and preferred conventions of common practice, the Center will obviously refrain from duplicating or interfering with the research of user agencies. However, the Center will collaborate in the research and development programs of other agencies as appropriate, upon request.

Research activities of the Center will be directed primarily toward areas that give promise of satisfying widespread needs within the Federal Government and that offer prospects for significant improvements over existing capabilities. In particular, research and development activities will be sponsored or undertaken by the Center, as appropriate, for the following purposes:

1. To supplement agency research efforts when necessary to meet Government-wide requirements or to provide solutions to problems of concern to several different agencies.
2. To initiate efforts to solve large-scale and difficult problems sufficiently unique to special needs of Government that outside interests are not likely to undertake vigorous and timely action.
3. To evaluate and apply advanced concepts to the development, organization and implementation of automatic data processing, computer and related systems, including the innovation or extension of techniques needed for improved cost effectiveness in the conduct of agency programs through the use of computers and related techniques.
4. To conduct exploratory research in order to provide the technological bases for future standardization activities and to maintain the competence of the technical staff engaged in technical advisory services, testing and evaluation, and standardization activities.
5. To identify continuing research and development requirements for use by the Center, other agencies, academic and other organizations and industry in planning and coordiating R and D programs in the area of the computer and information sciences and technology.

An annual review of the accomplishments of and programs for research in computer sciences and techniques should be conducted with the Bureau of the Budget, Office of Science and Technology, and other Government agencies engaged in or sponsoring research in computer sciences to assess accomplishments and to provide guidance for programs.

E. Computing services

The Center will operate a computer service activity to meet the needs of the National Bureau of Standards and upon request to furnish services including problem diagnosis, systems design, programing and related support activities to Federal agencies on a reimbursable basis.

THE WHITE HOUSE,
OFFICE OF THE WHITE HOUSE PRESS SECRETARY,
June 28, 1966.

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

I want the head of every Federal agency to explore and apply all possible means to—

use the electronic computer to do a better job;
manage computer activity at the lowest possible cost.

I want my administration to give priority emphasis to both of these objectives—nothing less will suffice.

The electronic computer is having a greater impact on what the Government does and how it does it than any other product of modern technology.

The computer is making it possible to—

send men and satellites into space;

make significant strides in medical research;

add several billions of dollars to our revenue through improved tax administration;

administer the huge and complex social security and medicare programs;

manage a multibillion dollar defense logistics system;

speed the issuance of G.I. insurance dividends, at much less cost;

save lives through better search and rescue operations;

harness atomic energy for peaceful uses; and

design better but less costly highways and structures.

In short, computers are enabling us to achieve progress and benefits which a decade ago were beyond our grasp.

The technology is available. Its potential for good has been amply demonstrated, but it remains to be tapped in fuller measure.

I am determined that we take advantage of this technology by using it imaginatively to accomplish worthwhile purposes.

I, therefore, want every agency head to give thorough study to new ways in which the electronic computer might be used to—

provide better service to the public;

improve agency performance; and

reduce costs.

But, as we use computers to achieve these benefits, I want these activities managed at the lowest possible cost.

At the present time, the Federal Government—

uses 2,600 computers;

employs 71,000 people in this activity; and

spends over $2 billion annually to acquire and operate this equipment, including special military type computers.

Clearly, we must devote our best efforts to managing this large investment wisely and with the least cost.

I approved a blueprint for action when I approved the Bureau of the Budget "Report on Management of ADP in the Government."

The Congress recognized this need when it enacted Public Law 89–306 (the Brooks Bill) last October. This legislation provided specific authorities to—

the General Services Administration, for the procurement, utilization and disposition of automatic data processing equipment;

the Department of Commerce, for the development of data processing standards and the provision of assistance to agencies in designing computer-based systems; and

the Bureau of the Budget, for exercising policy and fiscal control over the implementation of these authorities.

These agencies are seeking actively to put into effect ways for improving and reducing the cost of this huge and complex operation.

In my Budget Message for 1967 I told the Congress of my intent to make sure that this huge investment is managed efficiently.

The Federal Government must give priority attention to—

establishing better and more effective procurement methods;

making fuller use of existing facilities through sharing and joint-use arrangements before acquiring additional equipment;

reutilizing excess equipment whenever feasible; and

achieving, with industry cooperation, greater compatibility of equipment.

I expect all agencies to cooperate fully with the Bureau of the Budget, the General Services Administration, and the Department of Commerce in accomplishing these objectives.

I want the Director of the Bureau of the Budget to report to be on December 31, 1966, and every six months thereafter, on the progress that is being made throughout the Federal Government in improving the management of this very important technology.

LYNDON B. JOHNSON.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., February 23, 1967.

Charles L. Schultze, Director of the Bureau of the Budget, today issued the first of the semiannual reports on the use and management of electronic computers in the Federal Government. The report was prepared in response to the President's memorandum of June 28, 1966, in which he directed Federal agencies to seek new and better ways for using the Federal Government's computers.

The report highlights areas in which the computer has been used to accomplish work not previously feasible, achieve greater efficiency and reduce operating costs.

The report states that the President's program for managing the Government's large investment in computers has resulted in—

the redistribution within the Government of equipment valued at $70 million, thereby avoiding expenditures for new equipment;.

a saving of $26 million by using time available on Government computers at locations other than where the requirement existed, rather than acquiring additional equipment; and

avoidance of approximately $200 million in annual rental costs by the selective purchase of computers, many of which were bought within the past three years and have already been amortized.

The Congress made a signicant contribution to the Government's management efforts by enacting P.L. 89–306 in October 1965, legislation sponsored by Congressman Jack Brooks, longtime congressional advocate of an expanded management program. The legislation strengthened the authority of the General Services Administration and the Department of Commerce in the areas of procurement, utilization, standards and research in computer sciences. It also provided for the establishment of an Automatic Data Processing Revolving Fund to facilitate financial arrangements for more economical procurement practices and for the joint utilization of equipment and services. Ten million dollars for the initial capitalization of this fund have been requested in the FY 1968 budget.

The Government uses about 2,600 computers in a wide variety of Government activities, ranging from the tracking of space satellites to the issuance of Social Security check and the processing of supply transactions. Approximately $1.2 billion is spent annually for the acquisition and operation of these computers, excluding military operational and other classified activities.

Among the examples of computer uses that are cited in the report is the rapid and comprehensive analysis of aircraft accident data, which now permits corrective safety recommendations to be made within weeks instead of months. The computational capability of the computer has also been put to work to improve the national plan for assigning television broadcast channels. The result has been to make 24 additional channels available in areas where they were badly needed.

The report also states that the computer has contributed to greater efficiency and a reduction in operating costs. The recent Census of Agriculture, covering 3 million farms, was completed with a $2 million dollar saving over the cost of the previous, more limited, Census. Punched card equipment was replaced with computers in one of the military services, thus saving over one million dollars a year with the more efficient operation.

The report concludes:

"This record of accomplishments is impressive and encouraging. But there is much more that can and must be done to—

"Make computer systems more effective;

"Improve further the utilization and methods of procurement;

"Achieve greater compatibility among equipment and systems; and

"Develop appropriate standards of performance.

"To assist all agencies in their management and uses of automatic data processing equipment, the initial phases of a Government-wide information system have been designed and will become operational early in calendar year 1967.

"While significant progress has been made, all agencies will continue to give major attention to achieving the goals set forth in the President's memorandum to all department and agency heads on June 28, 1966."

Progress Report on Use and Management of Electronic Computers

This report covers the following:

Summary highlights of new computer applications.

Reduction in costs and improved efficiency through the use of computers

Improvements in the management of computer activities.

New computer applications

The search for new and better ways to use computers to improve the public service has extended to virtually every governmental activity and has produced results. Examples include—

Improvements in air travel safety through the more rapid and comprehensive computer analysis of aircraft accident data. Recommendations for corrective action are being made within weeks instead of months;

Detection of previously unknown adverse health hazards which may accompany the beneficial uses of modern drugs. This is being accomplished through a computer drug monitoring system;

Overcoming a serious threat to the Columbia River salmon industry. This was accomplished through a computer based system that automatically determined the flow of reservoir releases needed to combat fish-killing conditions in the river;

An improved UHF television channel assignment system. Computers were used to identify channels in areas where they were needed badly;

Simplification in the scheduling, validation and scoring of nationwide written examinations for the approximately 750,000 people who annually seek Federal jobs; and

Improved information on the funds expended by the Federal activities in the War on Poverty. This information assists Federal, State, and local officials in assessing programs and assigning priorities.

The computer has been applied to achieve significant results which would not have otherwise been feasible. Examples include:

The use of computers on the Lunar Orbiter spacecraft at every stage of its lunar picture-taking mission. These uses run all the way from computations of trajectories to improving the quality of the pictures themselves.

Collection of critical weather information data and dissemination of this data to air operational units. The currency of the data has been considerably improved by the use of computers.

Increased productivity and the more effective use of scarce engineering skills by the application of computers to engineering design and survey operations by many agencies. These applications are compressing time, providing greater precision in design, with a result in savings in construction costs.

Application of basic research to the solution of problems in a wide range of environmental sciences. Among the significant areas which vitally affect future human welfare and safety are those concerning the long-range behavior of the atmosphere and the seas and the dispersion of pollutants.

Reduced costs and improved efficiency

The introduction or extension of computer techniques and the standardization of systems has in many cases reduced costs and improved the efficiency of operations. Examples include:

Completion of the recent Census of Agriculture, covering 3 million farms. This was accomplished with a net saving of approximately $2 million, including 700,000 man-hours—an overall reduction of over 7 percent from the cost of the previous, more limited, Census.

The reading of over 20 million earnings items per quarter from employer tax reports. This is now done through the use of optical scanning techniques. This new method has greatly increased the efficiency of the operation of earlier punched card procedures, and will lead to substantial operating savings.

The processing of dividend payments to about 4.6 million veterans insurance policyholders. By the use of computer procedures, the cost of dividend payments per unit has been reduced from 27 cents to 4 cents in five years.

79-459 O—67—pt. 2——11

Analysis of delinquent taxpayers' accounts and preparation of delinquency notices. These operations are now being handled by the use of computers with a saving of approximately $600,000. This is a 2 percent reduction in cost over previous methods.

Appraisals of property involving 600,000 mortgage insurance requests each year. As a result of the use of computers, the appraisals are processed faster and a broader base is provided on which to compare property values.

The receipt and issuance of supplies throughout the military establishment have been significantly improved by the introduction of a computer based system. The system now in use replaces 16 different manual or mechanical systems.

Calculation and selection of freight charges on Federal Supply Service outbound shipments are now handled through a computer system. This method has saved over $3 million in freight charges in the last fiscal year alone.

The replacement of punched card equipment with more efficient computers in one of the military services. This has saved over a $1 million a year and also achieved desirable standardization of administrative systems.

Improved management of computer activities

To achieve the kinds of results cited above requires substantial investments in computer systems and operations. This makes it mandatory that we manage these large investments in the most efficient and economical manner known.

Public Law 89–306 provides the basic authority for improving our procurement practices and for achieving greater utilization of computers and compatibility among them.

To minimize costs, major emphasis is being given to using existing equipment capacity whenever and wherever possible, using excess equipment instead of acquiring new equipment, and employing more economical procurement methods.

In this connection—

The nationwide sharing program has resulted in extensive joint use of existing computer facilities and services among agencies. The sharing services amounted to $26 million in fiscal year 1966;

Excess equipments valued at about $70 million were redistributed among Federal agencies for extended use in fiscal year 1966;

A pilot test of a new concept of leasing has resulted in an annual saving of $69,000. That amount represents a reduction of about 24 percent in the total rental cost of those equipments included in the test. Accordingly, this method will now be used more extensively;

Rental expenditures estimated at $200 million per year have been avoided by the prudent purchase of computers;

Improved terms and conditions of use advantageous to the Government have been negotiated with manufacturers under the Federal Supply Schedule. Additionally, negotiations leading to bulk procurement actions have resulted in substantial savings; and

Numerous consolidations of small computer facilities into a lesser number of larger, more powerful facilities have been accomplished with savings in both operating costs and manpower.

The attainment of greater compatibility among equipments and systems continues to be a prime objective. To this end—

The Federal Government is expanding its participation and support of efforts to establish equipment and software standards. Seventeen such standards have been announced so far; and

Work is in progress on a program to establish standards in a broad range of data elements and related codes. This is to facilitate the automated exchange and summation of data within the Government, and with industry and the public.

Summary

This record of accomplishments is impressive and encouraging. But there is much more that can and must be done to—

Make computer systems more effective;
Improve further the utilization and methods of procurement;
Achieve greater compatibility among equipment and systems; and
Develop appropriate standards of performance.

To assist all agencies in their management and uses of automatic data processing equipment, the initial phases of a Government-wide information system have been designed and will become operational early in calendar year 1967.

While significant progress has been made, all agencies will continue to give major attention to achieving the goals set forth in the President's memorandum to all department and agency heads on June 28, 1966.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 20, 1967.

CIRCULAR NO. A–83

To: The Heads of Executive Departments and Establishments.
Subject: ADP management information system.

1. *Purpose.*—This Circular prescribes the establishment and maintenance of an integrated system to provide information for the management of automatic data processing activities in the Federal Government. This System carries out certain of the recommendations in the Bureau of the Budget Report to the President on the Management of Automatic Data Processing in the Federal Government (Senate Document No. 15, 89th Congress), and will materially assist in meeting the requirements of Public Law 89–306, approved October 30, 1965, for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies. The System will—

(*a*) provide to the Bureau of the Budget, the Department of Commerce, and the General Services Administration timely and comprehensive information to assist these agencies in the discharge of their responsibilities under Public Law 89–306,

(*b*) provide assistance to agency heads in the administration and management of their automatic data processing activities,

(*c*) provide a comprehensive and perpetual inventory of electronic data processing equipment, and

(*d*) provide integrated subsystems for inventory, utilization, manpower, cost and acquisition history. Additional subsystems concerning selected information on program plans, budget requirements, equipment and software performance, applications, and personnel requirements will be considered for development and subsequent integration into an advanced management information system for ADP.

Circular No. A–55, Revised, dated November 15, 1963, Subject: "Annual reports on the utilization of automatic data processing equipment in the executive branch" and Transmittal Memorandums No. 1 and 2 are hereby rescinded.

2. *Use of Management Information System.*—The Management Information System has been developed to facilitate and improve the management of the Government-wide ADP program and the ADP program within and between agencies:

(*a*) This System is also designed to produce specific information for a variety of management levels which will be useful in—

(1) determining the scope, nature and cost of ADP activities on an activity, installation, agency-wide and Government-wide basis;

(2) shaping ADP management policies and evaluating the effects of such policies;

(3) providing broad indications of effectiveness and efficiency in ADP operations;

(4) negotiating improved terms and conditions for Federal Supply Schedule contracts, based on a more comprehensive picture of current and projected ADP operations;

(5) planning and effecting the redistribution of intra- and interagency excess ADP equipment;

(6) operating Sharing Exchanges and Data Processing Centers and arranging for joint use of ADP equipment and services;

(7) exchanging information and experiences among ADP installations and agencies having common applications and problems;

(8) assessing the need for, and the potential impact of ADP standardization and research activities, based on a more comprehensive picture of current and projected ADP operations;

(9) providing comprehensive and timely data to facilitate internal management decisions; and

(10) establishing and maintaining a perpetual inventory data bank for electronic data processing equipment at the Genéral Services Administration for Government-wide use and at agency level for data appropriate for internal use.

3. *Scope.*—This Circular is applicable to certain organizations and equipment as follows:

(*a*) *Organizations.*—Inputs to the ADP Management Information System are required from all Federal agencies having organizations or ADP units which—

(1) use or plan to use ADP equipment;

(2) acquire or plan to acquire ADP services (i.e., services for machine time, operations, and maintenance; systems analysis and design; programming; training; and studies or advice on equipment acquisition, selection and use) from Government or other sources;

(3) have organizational components which perform ADP functions such as coordinating ADP programs and activities; developing, programming, and implementing systems; reviewing, recommending, or selecting ADP equipment; approving the acquisition of ADP equipment or services; or providing ADP services on a consulting or project basis for agency ADP units;

(4) have Government contractors, including educational institutions and other not-for-profit contractors or organizations, who operate ADP equipment in the performance of work under cost reimbursement-type contracts or subcontracts when—

(*a*) equipment is leased and the total cost of leasing is to be reimbursed under one or more cost reimbursement-type contracts; or

(*b*) equipment is purchased by the contractor for the account of the Government or title will pass to the Government; or

(*c*) the equipment is furnished to the contractor by the Government; or

(*d*) the equipment in installed in Government-owned, contractor-operated facilities.

(*b*) *Contractor cognizance.*—Information required on ADP equipment owned or leased by a contractor will be reported by the agency having primary contract administration cognizance or, in the absence of an assignment of primary cognizance, by the agency having the preponderance of business with the contractor in terms of dollar value of contract sales.

(*c*) *Automatic Data Processing equipment* (*ADPE*).—This includes general purpose electronic data processing equipment (EDPE) and punch card accounting machines (PCAM or EAM) irrespective of use, application, or source of funding and includes ADPE built to Government specifications. These are defined as follows:

(1) EDPE—A machine or groups of interconnected machines consisting of input, arithmetic, storage, output and control devices which use electronic circuitry, operate on discrete data, and perform computations and logical operations automatically by means of internally stored or externally controlled programmed instructions. All peripheral or off-line data processing equipment in support of EDPE, except PCAM as defined below, is included in the electronic data processing equipment category.

(2) PCAM—Machines and equipment primarily electro-mechanical in operation using punched cards as input-output media to record, verify, sort, list, tabulate, select, collate, merge, interpret, and total data.

4. *Coverage.*—The ADP Management Information System requires recurring inputs on ADPE Inventory, EDPE Utilization, Summary ADP Manpower and Cost, and EDPE Acquisition History from all Federal agencies which meet the criteria specified in this Circular but recognizes that electronic data processing equipment operates under a wide variety of environmental conditions and that valid reasons exist to establish management classifications for certain categories of computers. These categories do not limit the implementation or management of Government-wide programs concerning the improved management of data processing. These classifications provide partial or full reporting exemptions as follows:

(a) *Partial exemptions*—

(1) *Control Systems Equipment.*—EDPE which is an integral part of a total facility or larger complex of equipment and has the primary purpose of controlling, monitoring, analyzing, or measuring a process or other equipment is exempt from EDPE Utilization reporting and Summary ADP Manpower and Cost reporting.

(2) *Classified System Equipment.*—EDPE, the physical location of which is classified, is exempt from EDPE Utilization reporting and Summary ADP Manpower and Cost reporting. In other reporting (ADP Unit Identification) location information which is unclassified should be used.

(3) *Mobile Systems Equipment.*—Mobile EDPE installations on ships, planes, or vans are exempt from EDPE Utilization reporting only. This exemption includes EDPE installed with military units which are deployed or subject to deployment in areas of active military operations against an enemy force.

(4) *Reutilization Equipment.*—Government-owned EDPE acquired through Government reutilization programs is excluded from EDPE Acquisition History reporting only.

(b) *Full exemptions*—

(1) Analog computers are exempt from the provision of this Circular.

(2) EDPE which is built or modified to special Government design specifications and is integral to a weapons system is exempt from the provisions of this Circular.

5. *Reporting frequency and due dates.*—In order to assist agencies to effect an orderly transition to the machine readable inputs and frequencies specified in this Circular, the effective date of the Management Information System reporting requirements is established at June 30, 1967. Reports are required as of that date for the periods specified in attachments hereto and are due at the Management Information System Central Processing Point, Inventory and Requirements Analysis Branch (FTII) General Services Administration, 7th & D Streets, S.W., Washington, D.C. 20407, as set forth in the following schedule:

MIS reports

Report	Frequency	Due date at MIS processing point
ADPE inventory	Each June 30	30 days after end of applicable period.
Projected EDPE gains/losses	Each June 30 and Dec. 31	Do.
Actual EDPE gains/losses (perpetual inventory inputs).	Upon installation or release	10 days after installation or release.
EDPE utilization	Each June 30 and Dec. 31	30 days after end of applicable period.
EDPE acquisition history	After performance period and acceptance of EDPE.	30 days after end of performance period and acceptance of EDPE.
Summary ADP manpower and cost.	Each June 30	45 days after end of applicable period.

6. *Reporting formats.*—All inputs required by this Circular will be transmitted to the MIS Central Processing Point in machine readable media and in the sequence specified in the attachments hereto. It is anticipated that a limited number of agencies and units will not have the ADPE capabilities to respond to the requirements for machine readable inputs and in such cases these agencies may submit data on a punch card transcription sheet which can be obtained from the MIS Central Processing Point.

7. *Transmission.*—In order to maintain comprehensive and timely information and exploit the processing capabilities of the prescribed mechanized data, it is suggested that agencies explore and determine the most economical and efficient method of preparation and transmission necessary to meet the established due dates.

8. *Effective Date.*—The provisions of this Circular are effective immediately.

CHARLES L. SCHULTZE, *Director*.

ADP

MANAGEMENT INFORMATION SYSTEM

ATTACHMENTS

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

CONTENTS

	Attachment
ADP Unit Identification	A
ADPE Inventory	B
Projected EDPE Gains/Losses	B
Actual EDPE Gains/Losses.........................	B
EDPE Utilization	C
EDPE Acquisition History	D
Summary ADP Manpower and Cost	E
Federal Agency Codes.............................	F
ADPE Manufacturer Code	G
ADPE Component Class Code........................	H
Geographical Codes...............................	I
Edit Criteria	J
General Instructions	K

BB No. 80-R172
Form Approved

ATTACHMENT A
Circular No. A-83

ADP UNIT IDENTIFICATION

(CARD FORMATS A AND B)

The purpose of Card Formats A and B is to provide specific identification of each ADP Unit. This format will be provided as "header" information for the initial submission of reports by agencies and ADP Units. Subsequent "header" information will be submitted as agencies and ADP Units are added, deleted, or changed. ADPE, the physical location of which is classified, will only be identified by Agency Code and ADP Unit Number.

The following information is required in Card Format A:

Card Column	Item and Description
1	Card Code: Punch "A" in this column.
2-3	Agency Code: See Attachment F for appropriate code.
4-7	ADP Unit Number: A specific number assigned by each agency to each of its organizations that accomplish any of those ADP functions outlined in the scope of this Circular. Duplicate ADP Unit Numbers will not be used.
8	Classified Physical Location: Punch "C" if the physical location of the ADP Unit is classified and only Agency Code and ADP Unit Number are provided. Otherwise leave blank.
9-38	Office/Command/Bureau: Title of the organization next below the agency level that has management responsibility over the ADP Unit(s). Examples: Office of Administration, Naval Material Command, Internal Revenue Service, Office of Comptroller, DCS for Logistics, Department of Data Management, Bureau of Accounts.

39-68 Activity/Contractor: The name of an activity or contractor. "Activity" refers to a field activity which is headed by a commanding officer, administrator, or other top management official. "Activity" also refers to an organization in the agency headquarters which accomplishes any of those ADP functions outlined in the scope of this Circular.

Examples - field activities: Robins Air Force Base, Boston Naval Shipyard, Fort Benning, Camp Lejeune, Goddard Space Flight Center, USS Proteus, Southwest Regional Office, Veterans Hospital, Dugway Proving Ground, Defense General Supply Center.

Examples - agency headquarters: Office of Data Processing, Management Information Systems Division, ADP Management Branch, Data Processing Staff.

Examples - contractors: Bendix Aviation Corp., Rand Corp., Duke University, General Electric Co.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1. Initial submission as of June 30, 1967
2. New ADP Unit - add to file
3. Discontinuance of ADP Unit - delete from file

The following information is required in Card Format B:

1 Card Code: Punch "B" in this column.

2-3 Agency Code: Same as columns 2-3, above.

4-7 ADP Unit Number: Same as columns 4-7, above.

8 Type of ADP Unit: Enter one of the following codes which best describes the ADP Unit:

1. Has PCAM only.
2. Has EDPE only.
3. Has EDPE and PCAM (ADPE).

Primary purpose is to perform systems analysis/design, programming, equipment selection, management, consulting, or coordinating functions for one or more ADP Units or organizations and has:

4. No ADP
5. Some ADPE

9 ADP Unit Operated By: Enter one of the following codes:

1. A Federal agency.
2. A contractor in a Government-owned facility.
3. A contractor in a non-Government-owned facility.
4. A State, city, or local government.
5. Other.

Telephone Number of ADP Unit Manager: (Do not provide telephone numbers for ADP Units outside of the 50 States and District of Columbia.)

10-12 Area Code

13-19 Commercial Telephone Number

Examples: 9625748, RE42635, SO69782

20-27 IDS Code and Telephone Extension

Examples: 183-4336, 13-27052, 169-786

28-49 City/Post Office: The city, town, or post office (U.S. or foreign) in or nearest to which the ADP Unit is located. Punch full name to the extent field size permits. Do not abbreviate.

Do not provide FPO or APO numbers.

50-51 State/Country: The State or foreign country in which the ADP Unit is located. Use the appropriate code contained in Attachment I.

NOTE: Any information made available to the public concerning ADPE overseas or on ships will only show the location as "Overseas."

52-56 ZIP Code: Enter the Postal ZIP Code used by ADP Units.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1. Initial submission as of June 30, 1967.
2. New ADP Unit - add to file.
3. Discontinuance of ADP Unit - delete from file.

BB No. 80-R172
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ATTACHMENT B
Circular No. A-83

ADPE INVENTORY

(CARD FORMAT C)

Required ADPE Inventory reports are, as follows:

a. ADPE Inventory. A complete inventory of all installed EDPE and PCAM will be prepared once each year. Inventories are required at the component level. Components are individual machines which are acquired to operate independently or as an integrated group or system. Although variation in terminology exists among manufacturers, individual machines are generally identified by type and model numbers. GSA Federal Supply Schedules should be used as a guide for type and model numbers.

Examples: RCA 441-1 (Magnetic Tape Unit), RCA 304 (Processor); BUR 9211 (Card Punch), BUR 9372-2 (Disk File); UNI 3010-13 (Processor), UNI 0755-05 (Printer); IBM 026-2 (Card Punch), IBM 729-3 (Magnetic Tape Unit), IBM 407-E4 (Accounting Machine).

Special features, accessories, or machine capacity increases which are installed on EDPE components or PCAM should not be reported. When installation of these items changes the type and model number of EDPE components or PCAM, the new type and model number should be indicated.

The inventory of installed EDPE and PCAM will be prepared as of June 30 of each year. ADPE inventories will be prepared in accordance with Card Format C.

b. Projected EDPE Gains/Losses. Projected EDPE gains/losses (G/L) will be prepared as of each December 31 and June 30 as follows:

December 31: Report all EDPE G/L that are projected during the remainder of the current fiscal year and during the budget year.

June 30: Report all EDPE G/L that are projected during the budget year (which starts the first day of the new fiscal year after the "as of date").

Projected G/L reports will normally be prepared at component level in accordance with Card Format C, provided all components of an EDPE System are known. If any component of a projected gain of an EDPE System is unknown at the reporting "as of date", prepare one Card Format C for the central processing unit only. When an EDPE

System is unknown, or the selection has not been approved, prepare one Card Format C for the central processing unit and enter "U" in the ADPE Manufacturer and EDPE System fields.

Examples: HON 120,200,2200; CDC 160A, 1604, 3600, UNI 494, 1050B, 1004I; BUR 5500, 2500, E101; RCA 70/35, 501, 301; GEL 205, 225, 635, IBM 7094 II, 360/60.

c. Actual EDPE Gains/Losses. Actual EDPE G/L will be reported immediately after an EDPE System is installed or released. Actual G/L reports will be prepared in accordance with Card Format C and will include all components that are installed or removed with the EDPE System.

CARD FORMAT C

Card Column	Item and Description
1	Card Code: Punch "C" in tnis column.
2-3	Agency Code: See Attachment F for appropriate Code.
4-7	ADP Unit Number: A specific number assigned by each agency to each of its organizations that accomplish any of those ADP functions outlined in the scope of this Circular. Duplicate ADP Unit Numbers will not be used.
8-10	ADPE Manufacturer: See Attachment G for appropriate abbreviation. Enter a "U" if this is a Projected EDPE Gain and the EDPE selection has not been approved or is not known. Leave blank if built to special Government design specifications and enter name or number of the EDPE in EDPE System.
11-17	EDPE System: The number or name and model used by a manufacturer to designate an EDPE system. Leave blank for PCAM and other Digital Data Preparation/Recording Equipment. If this is a Projected EDPE Gain and the EDPE System is unknown or has not been approved, enter a "U."

18-19 EDPE System Identification Number: A unique number sequentially assigned by each ADP Unit to each EDPE System installed or projected to be installed. This number will be included in all cards for EDPE components assigned to the system.

20 Partial Exemption Code: Refer to basic Circular for authorized partial exemptions. Enter one of the following codes if authorized:

1. Control Systems EDPE
2. Classified Systems EDPE
3. Mobile Systems EDPE
4. Reutilization EDPE
5. Control Systems and Reutilized EDPE

21-24 Component Type: The type or other number used by a manufacturer to designate types of EDPE components or PCAM.

25-28 Component Model: The number or letter used to indicate different models of EDPE components or PCAM.

EXAMPLES

Manufacturer	EDPE System	Component Type	Component Model
HON	2200	2201	1
IBM	36060	2060	3
UNI	1050III	0858	16
RCA	7055	55	H
GEL	415	415	
CDC	6000	626	
IBM		407	R2

29-31 Component Manufacturer: If the manufacturer of the EDPE component is different than the EDPE System manufacturer (columns 11-17) enter the abbreviation of the component manufacturer. See Attachment G. Otherwise leave blank.

32-33 Component Class Code: See Attachment H. Enter the code which generally describes the type of EDPE component or PCAM.

34-37 Installation Date: The date (year and month) the ADPE was installed and ready for use (the date rental charges began or purchase payment authorized). If this is a Projected EDPE Gain, enter the projected installation date.

38-41 Release Date: Enter a date (year and month) for all installed or projected ADPE which will be released within five years following the reporting "as of date." Enter a "U" if the ADPE will be released after this five year period.

42-45 Actual/Projected Purchase Date: Year and month.

46-50 Purchase Price (nearest hundreds of dollars): If purchased, enter the net purchase price. Include the cost of any features installed on and purchased with the EDPE component or PCAM. If rented, include the net purchase price as of the end of the reporting period.

51-54 Maintenance Costs (in dollars): Monthly contract maintenance cost for the ADPE. Include maintenance charges for leased ADPE when such charges are not included in base rental.

55 Ownership Code: Enter one of the following codes:

1. Government Owned
2. Government Leased
3. Contractor Owned
4. Contractor Leased

56-61 Total Rental Cost (in dollars): In addition to base monthly rental, include rental for average monthly extra-use and rental of all features installed on the EDPE component or PCAM. This rental data is also required for all purchased EDPE components and PCAM. If this data is not contained in Federal Supply Schedules, enter 2% of the purchase cost as the estimated rental cost. Leave blank if the manufacturer's policy precluded rental at time of purchase.

62 Acquisition Code: Enter one of the following codes which best indicates the source from which the ADPE was acquired.

1. Inter-agency transfer
2. Intra-agency transfer
3. Equipment manufacturer
4. Leasing company (not a manufacturer)
5. Built in-house
6. Government furnished to non-Government organization
7. Provided to Government without cost
8. Other

63 Disposition Code: Enter one of the following codes which best indicates the disposition of the ADPE when it was released by the reporting ADP Unit.

0. Inter-agency transfer
1. Intra-agency transfer
2. Returned to manufacturer
3. Returned to leasing company (not manufacturer)
4. Exchange sale
5. Place in storage
6. Donation
7. Surplus sale
8. Awaiting advice
9. Other

64 Maintenance Code: Enter one of the following codes which best indicates how and by whom the ADPE (purchased or leased) maintenance is accomplished.

1. Manufacturer - contract maintenance
2. Government personnel - in-house maintenance
3. Manufacturer - parts and/or labor only
4. Other - parts and/or labor only
5. Other - contract maintenance

Central Processing Unit: Indicate:

65-68 Internal Memory Size: Number of addressable units to the nearest thousand.

69 Addressable Unit of Memory: Byte - enter B
Character - enter C
Word - enter W

70-72 Reserved: Do not punch.

79-459 O - 67 - pt. 2 - 12

73-78 Date of Report: Year, month, and day on which report was prepared.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1. Installed EDPE and PCAM (as of June 30 of each year).
2. Projected EDPE Gain (as of June 30 and December 31 of each year).
3. Projected EDPE Loss (as of June 30 and December 31 of each year).
4. Actual EDPE Gain.
5. Actual EDPE Loss.

BB No. 80-R172
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ATTACHMENT C
Circular No. A-83

EDPE UTILIZATION

(CARD FORMAT D)

Utilization data will be provided as of December 31 and June 30 of each year for all computers in place on these dates or projected for installation during the appropriate current fiscal year and budget year. Utilization data will be prepared on the basis of average monthly utilization of each central processor during the preceding six months or portion thereof. For projected EDPE System gains, only provide that utilization data required by columns 62-73.

Card Column	Item and Description
1	Card Code: Punch "D."
2-3	Agency Code: See Attachment F for appropriate code.
4-7	ADP Unit Number: A specific number assigned by each agency to each of its organizations that accomplished any of those ADP functions outlined in the scope of this Circular. Duplicate ADP Unit Numbers will not be used.
8-10	ADPE Manufacturer: See Attachment G for appropriate abbreviation. Enter a "U" if this is a Projected EDPE Gain and the computer selection has not been approved or is not known. Leave blank if built to special Government design specifications and enter name or number of computer in EDPE System.
11-17	EDPE System: The number or name and model used by a manufacturer to designate an EDPE System. If this is a projected EDPE gain and the EDPE System is unknown or has not been approved, enter a "U."
18-19	EDPE System Identification Number: A unique number sequentially assigned by each ADP Unit to each EDPE System installed or projected to be installed.
	Hours Out of Service:

20-22 Preventive Maintenance: Average monthly hours used for scheduled preventive maintenance.

23-25 Remedial Maintenance: Average monthly hours used for non-scheduled repairs, including time awaiting repairs.

26-28 Other Downtime: Average monthly hours lost due to failure of electricity, air conditioning, humidity, projected environmental downtime for maintenance or modification of physical facilities, EDPE field engineering changes, etc.

Hours in Service:

29-31 Set-up: Average monthly hours not available due to loading or unloading EDPE with cards, paper, tapes, etc. Provide estimated set-up time when not available from the normal system for recording EDPE utilization.

32-33 Rerun-Manufacturer: Average monthly hours used in reruns due to machine error or software error for which manufacturer is contractually responsible. Rerun time in excess of 99 hours will be shown as "99."

34-35 Rerun-Other: Average monthly hours used in reruns due to data, operator, program, tape, or other error for which the manufacturer is not responsible. Rerun time in excess of 99 hours will be shown as "99."

36-38 Program Development: Average monthly hours used in program development and modification.

39-41 Effective Production: Average monthly hours of operational use time excluding Rerun-Other and Program Development. (Includes hours provided to others).

Hours not Available:

42-44 Hours not Available: Average monthly hours not for use by other organizations.

45 Reason for Nonavailability: Indicate primary reason why hours could not be made available to other organizations.

1. Workload contingencies
2. Real-time system
3. Reserved for mobilization
4. Time fragmented - not available in period greater than one hour
5. Other (e.g., intermittent availability)

46 Numbers of Shifts: Number of 8-hour shifts per day the EDPE is scheduled on a five day week basis.

Hours Provided to Others: Average monthly hours provided to any organizations (whether or not in the same Federal agency), and the hours provided are not a part of the assigned mission, and are not included in the funding and staffing of the providing ADP Unit.

47-49 Reimbursable Hours:

50-52 Nonreimbursable Hours:

Hours Obtained From Others: Average monthly hours obtained from any other Government ADP Unit (whether or not in the same Federal agency), or commercial source.

53-55 Reimbursable Hours:

56-58 Nonreimbursable Hours:

59-61 Commercial Source Hours:

Projected Utilization - Current Fiscal Year:

62-64 Hours in Service: Estimated average monthly hours in service for remainder of current fiscal year. (Leave blank when reporting date is "as of" June 30).

65-67 Hours Available: Estimated average monthly hours available to other organizations for remainder of current fiscal year. (Leave blank when reporting date is "as of" June 30).

NOTE: June 30 is the last day of the current fiscal year.

68-70 Hours Obtained From Commercial Sources: Estimate average monthly hours to be obtained from commercial sources. (Leave blank when reporting "as of" date is June 30).

Projected Utilization - Budget Year:

71-73 Hours in Service: Estimated average monthly hours in service during the budget year.

74-76 Hours Available: Estimated average monthly hours available to other organizations during the budget year.

NOTE: Budget year is the fiscal year following the current fiscal year.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes.

1. Report as of June 30 of each year.
2. Report as of December 31 of each year.
3. Add to file.
4. Delete from file.

BB No. 80-R172
Form Approved

ATTACHMENT D
Circular No. A-83

EDPE ACQUISITION HISTORY

(CARD FORMAT E)

EDPE Acquisition History data will be prepared within 30 days following the performance period and acceptance of EDPE acquired from EDPE suppliers. No EDPE Acquisition History reports are required for EDPE which completed the performance period and was accepted prior to July 1, 1967. Government-owned EDPE acquired through Government reutilization programs is excluded from EDPE Acquisition History reporting. The following information is required:

Card Column	Item and Description
1	Card Code: Punch "E" in this column.
2-3	Agency Code: See Attachment F for appropriate code.
4-7	ADP Unit Number: A specific number assigned by each agency to each of its organizations that accomplish any of those ADP functions outlined in the scope of this Circular. Duplicate ADP Unit Numbers will not be used.
8-10	ADPE Manufacturer: See Attachment G for appropriate abbreviation. Leave blank if built to special Government design specifications and enter name or number of computer in EDPE System.
11-17	EDPE System: The number or name and model used by a manufacturer to designate an EDPE System.
18-19	EDPE System Identification Number: A unique number sequentially assigned by each ADP Unit to each EDPE System installed or planned to be installed.
20	Procurement Code: Enter one of the following codes that indicates method used. 1. Competitive bids requested from all qualified suppliers and evaluated. 2. Noncompetitive, sole source, bids not requested from all qualified suppliers.
21-26	Date EDPE Selection Approved: Year, month, and day that equipment selection was approved by the highest level of review required for the particular selection.

27-32 Date EDPE Delivery Required: Year, month, and day specified in contract or purchase order and accepted by the vendor as the required delivery date. Punch an "A" if date was specified for "as soon as available."

33-38 Date EDPE Delivered: Year, month, and day the EDPE was delivered to the using ADP Unit or activity.

39-44 Date EDPE Installation Required: Year, month, and day specified in contract or purchase order and accepted by the vendor as the required installation date (ready for use). Punch "A" if date specified was for "as soon as available."

45-50 Date EDPE Installed: Year, month, and day the EDPE was installed and ready for use. (The date rental charges began or purchase payment authorized).

51-56 Date Software Delivery Required: Year, month, and day specified in the contract or purchase order as the required delivery date for the last increment of software. Punch an "A" if specified date was for "as soon as available."

57-62 Date Software Accepted or Delivered: Year, month, and day last increment of software was accepted or delivered. If software is not delivered within 30 days after hardware acceptance, enter estimated delivery date.

63-65 Average EDPE Effectiveness Level: Calculate average effectiveness level for the performance period in accordance with GSA Federal Supply Schedules, or specific requirements of your contract or purchase order.

73-78 Date of Report: Year, month, and day on which report was prepared.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1. Add to file.
2. Delete from file.

BB No. 80-R172
Form Approved

ATTACHMENT E
Circular No. A-83

SUMMARY ADP MANPOWER AND COST

(CARD FORMATS F-K)

Summary ADP Manpower and Cost data will be prepared by each organization or ADP Unit performing any of the ADP functions outlined in the scope of this Circular. Reports will be prepared as of June 30 of each year for the past and current fiscal years, and the budget year.

All cost data will be rounded to the nearest thousands of dollars. Manyears and cost data will be provided for all personnel who, as their principal duty, are directly identified with ADP functions.

Card Formats F and G will be used for reporting Summary ADP Manpower and Cost data for the past fiscal year. Card Formats H and I will be used for the current fiscal year, and Card Formats J and K will be used for the budget year.

The following information is required in Card Formats F, H, and J:

Card Column	Item and Description
1	Card Code: Punch one of the following codes: "F" - when this information is for the past fiscal year (FY 1966 for the initial report as of June 30, 1967). "H" - when this information is for the current fiscal year (ending with the June 30 "as of date"). "J" - when this information is for the budget year. (starting the first day of the new fiscal year beginning after the June 30 "as of date").
2-3	Agency Code: See Attachment F for appropriate code.
4-7	ADP Unit Number: A specific number assigned by each agency to each of its organizations that accomplish any of those ADP functions outlined in the scope of this Circular. Duplicate ADP Unit Numbers will not be used.

Total Manyears:

8-10 Civilian Manyears: The total manyear equivalent of all civilian personnel assigned to the ADP Unit.

11-13 Military Manyears: The total manyear equivalent of all military personnel assigned to the ADP Unit.

Manyears by Function: (Note: will not necessarily equal total manyears)

14-16 Systems Analysis/Design Manyears:

17-19 EDPE Programming Manyears:

20-22 ADPE In-House Maintenance Manyears:

23-25 Keypunching/Verifying Operation Manyears:

26-28 Other ADPE Operation Manyears:

29-31 ADPE Selection Manyears:

Capital Costs:

32-36 EDPE Purchases: Cost of all EDPE, including all supporting peripheral or off-line equipment purchased (except PCAM).

37-39 PCAM Purchases: Cost of all PCAM purchased.

40-42 Other Equipment Purchases: Cost of other equipment which is unique to the support of data processing operations (e.g. bursters, tape files, etc.)

43-45 Site Preparation: Cost of site construction, modification, or alteration for installing ADPE.

Operating Costs - In-House

46-49 Civilian Salaries and Overtime: Salaries, including overtime. Do not include Government contributions to retirement fund, health plans, etc., in behalf of employees.

50-53 Military Base Pay and Allowances:

54-58 EDPE Rentals: Rentals for all EDPE in place during the year, including supporting peripheral or off-line equipment (except PCAM).

59-61 PCAM Rentals: Rentals for all PCAM in place during the year.

62-64 Magnetic Tapes and Disk Packs:

65-67 Parts for In-House Maintenance of Purchased ADPE:

68-70 Supplies: Cost accrued for paper, cards, ribbons, etc.

71-74 Other: Other operating costs not specifically identified above.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1 - Add to file.
2 - Delete from file.

The following information is required in Card Formats G, I, and K:

1 Card Code: Punch one of the following codes:

"G" - when this is a continuation of information for the past fiscal year.

"I" - when this is a continuation of information for the current fiscal year.

"K" - when this is a continuation of information for the budget year.

2-3 Agency Code: See Attachment F for appropriate code.

4-7 ADP Unit Number: Same as previous card formats, columns 4-7.

Operating Costs - Contractual and Reimbursable Services:

Contractual Services: The cost of the following contractual ADP services which supplement the workload of ADP Units or organizations, and are obtained from other than Government sources.

8-10 ADPE Time and Related Services:

11-14 Systems Analysis/Design and Programming Services:

15-17 ADPE Maintenance:

18-20 Keypunching/Verifying Services:

21-23 Other: Costs of contractual services not specifically identified above (cost of studies or advice on ADPE acquisition, selection, and use, etc.)

Reimbursable Services: The cost of the following ADP services which supplement the workload of ADP Units or organizations, and are obtained from any Government ADP Unit (whether or not in the same Federal agency).

24-26 ADPE Time and Related Services:

27-29 Systems Analysis/Design and Programming Services:

30-32 Keypunching/Verifying Services:

33-35 Other: Costs of reimbursable services not specifically identified above (equipment evaluation and selection services, etc.).

36-40 Gross Cost of ADP Unit: Total of capital and operating costs.

LESS: Reimbursable Services Provided to Others: Reimbursements for the following services provided to other ADP Units or organizations.

41-43 ADPE Time and Related Services:

44-46 Systems Analysis/Design and Programming Services:

47-49 Keypunching/Verifying Services:

50-52 Other: Reimbursements for services provided to others which are not specifically identified above.

53-57 Net Cost of ADP Unit: Gross cost minus Reimbursable Services Provided to Others.

75-78 Date of Report: Year and month.

79 Reserved: Do not punch.

80 Transaction Code: Enter one of the following codes:

1 - Add to file.
2 - Delete from file.

ATTACHMENT F
Circular No. A-83

FEDERAL AGENCY CODES

Agency	Agency Code
Legislative Branch	
General Accounting Office	GG
Government Printing Office	GP
Library of Congress	LI
Judicial Branch	
Administrative Office of the U. S. Courts	AO
The Supreme Court of the U. S.	SI
Executive Branch	
American Battle Monuments Commission	AC
Appalachian Regional Commission	AR
Atomic Energy Commission	AI
Bureau of the Budget	BO
Canal Zone Government	CV
Central Intelligence Agency	CL
Civil Aeronautics Board	CC
Commission of Fine Arts	CI
Council of Economic Advisers	CF
Delaware River Basin Commission	EE
Department of Agriculture	AL
Department of Commerce	CO
Department of Defense	
Office, Secretary of Defense (includes Defense Agencies not indicated below)	DD
Department of Army	DA
Department of Navy	DN
Department of Air Force	DF
Defense Supply Agency	DS
Defense Atomic Support Agency	DH
Defense Communications Agency	DK
Department of Health, Education, & Welfare	HH
Department of Housing and Urban Development	HU
Department of Interior	IN
Department of Justice	JU
Department of Labor	LA
Department of State	SU
Agency for International Development	SV
Peace Corps	SW

Department of Transportation	TO
Department of Treasury	TR
District of Columbia Government	CZ
Export-Import Bank of Washington	EI
Farm Credit Administration	FC
Federal Aviation Agency	FA
Federal Coal Mine Safety Board	FG
Federal Communications Commission	FE
Federal Deposit Insurance Corporation	FK
Federal Home Loan Bank Board	FM
Federal Maritime Commission	FO
Federal Mediation and Conciliation Service	FQ
Federal Power Commission	FS
Federal Reserve System	FU
Federal Trade Commission	FW
Foreign Claims Settlement Commission	FI
General Services Administration	GS
Indian Claims Commission	IK
Interstate Commerce Commission	IC
National Aeronautics and Space Administration	NC
National Aeronautics and Space Council	NF
National Capital Housing Authority	NH
National Foundation on Arts and Humanities	AU
National Labor Relations Board	NI
National Mediation Board	NM
National Security Council	NO
National Science Foundation	NS
Office of Economic Opportunity	OE
Office of Emergency Planning	OH
Office of Science and Technology	OS
Office of Special Representative for Trade Negotiations	TU
Panama Canal Company	PC
Post Office Department	PO
Railroad Retirement Board	RR
Renegotiation Board	RE
Saint Lawrence Seaway Development Corporation	SX
Securities and Exchange Commission	SL
Selective Service System	SR
Small Business Administration	SF
Smithsonian Institution	SO
Subversive Activities Control Board	SC
Tax Court of the United States	TC
Tennessee Valley Authority	TX
U. S. Arms Control and Disarmanent Agency	AF
U. S. Civil Service Commission	CR

U. S. Information Agency	US
U. S. Tariff Commission	UW
Veterans Administration	VA
Virgin Islands Corporation	VI

ATTACHMENT G
Circular No. A-83

ADPE MANUFACTURER CODE

This is a partial list of ADPE manufacturers. To obtain codes for manufacturers not listed, call:

IDS Code 13-34820
Area Code 202, 963-4820

Manufacturer	Abbreviation
Adage, Inc.	ADG
Addo-X, Inc.	ADX
Addressograph Multigraph Corporation	AMU
Advanced Scientific Instruments, Division of Electro-Mechanical Research, Inc.	ASI
Ampex Corporation	AMP
Anelex Corporation	ANL
Astrodata, Inc.	AST
Autonetics, Division of North American Aviation, Inc.	AUT
Beckman Instruments, Inc.	BEC
Benson-Lehner Corporation	BEL
Bryant Computer Products, Division of Ex-Cell-O Corporation	BRY
Bunker-Ramo Corporation	BRA
Burroughs Corporation	BUR
California Computer Products	CAL
Clary Corporation	CLA
Collins Radio Company	COL
Control Data Corporation	CDC
Cubic Corporation	CUB
Cybetronics, Inc.	CYB
Dartex, Inc.	DAR
Data Systems Corporation	DSC
Decision Control, Inc.	DCI
Digital Electronics, Inc.	DEL
Digital Equipment Corporation	DEQ
Digitronics Corporation	DIE
Dura Corporation	DUR
Electronic Associates, Inc.	EAI
El-Tronics, Inc.	ELT
Farrington Electronics, Inc.	FAR
Friden, Inc.	FRI
General Dynamics	GDY
General Electric Company	GEL
General Precision, Inc.	GNP
Geo Space Corporation	GEO

79-459 O - 67 - pt. 2 - 13

Giannini Controls Corporation	GCC
Hewlett-Packard Company	HPC
Honeywell, Inc.	HON
Houston Instrument Corporation	HIC
Hughes Aircraft Company	HUA
Information Displays, Inc.	IND
International Business Machines Corporation	IBM
International Telephone and Telegraph Corp.	ITT
Invac Corporation	INV
Litton Industries, Inc.	LIT
Lockheed Aircraft Corporation	LOC
Milgo Electronic Corporation	MIL
Mohawk Data Sciences Corporation	MOH
Motorola, Inc.	MOT
National Cash Register Company	NCR
Olivetti Underwood Corporation	OLU
Optical Scanning Corporation	OSC
Pacific Data Systems, Inc.	PDS
Philco Corporation	PHI
Potter Instrument Company	POT
Radio Corporation of America	RCA
Raytheon Computer	RAY
Recognition Equipment, Inc.	REC
Rixon Electronics, Inc.	RIX
Sanders Associates, Inc.	SAN
Scientific Control Systems, Inc.	SCS
Scientific Data Systems	SDS
Soroban Engineering, Inc.	SOR
Stromberg-Carlson, subsidiary of General Dynamics Corporation	STC
Sylvania Electric Products, Inc.	SYL
Systems Engineering Laboratories, Inc.	SEL
Tasker Instruments Corporation	TAS
Teletype Corporation, subsidiary of Bell Telephone System	TEL
Texas Instruments, Inc.	TEX
Univac Division, Sperry Rand Corporation	UNI
Westinghouse Electric Corporation	WES

ATTACHMENT H
Circular No. A-83

ADPE COMPONENT CLASS CODE

Central Processing Units, Storage and Related Controls	Class Code
Central Processing Unit	01
Magnetic Tape Unit	02
Magnetic Core Unit	03
Magnetic Drum Unit	04
Magnetic Disk Unit	05
Other Storage Units (Magnetic Strip, Card, Chip, etc.)	06
Multipurpose Control	07
EDPE System Input/Output and Related Controls	
Card Reader and/or Punch	20
Paper Tape Reader and/or Punch	21
Optical Character Recognition Unit	22
Magnetic Data Recording Unit (e. g. Mohawk 1105)	23
Magnetic Ink Character Recognition Unit	24
Data Converter (Analog to Digital, Digital to Analog)	25
Media Converter (Card to Tape, Tape to Card, etc.)	26
Plotter	27
Printer	28
Image Handling Unit	29
Display Unit	30
Operator Consoles and Inquiry Stations	31
Control for multiple I/O Channels; Multiplexor and Channel Selector	32
Other system I/O and related controls	33
Communication Terminals and Related Units	
Card Terminal	50
Magnetic Tape Terminal	51
Paper Tape Terminal	52
Printer Terminal	53
Input Console	54
Multiplexor, Control, Distributor, Buffer, Adaptor	55
Other Terminals and related units	56
EDPE not categorized above	60

PCAM and Other Digital Data Preparation/Recording Equipment	Class Code
Card Punch	70
Card Verifier	71
Tape Punch/Verifier	72
Sorter	73
Collator	74
Reproducer and Gang Punch	75
Interpreter	76
Accounting Machine	77
Media Converter (Card-to-tape, Tape-to-Card, etc.)	78
Other PCAM and Data Preparation/Recording Equipment	79

ATTACHMENT I
Circular No. A-83

GEOGRAPHICAL CODES

State/Country	Code	State/Country	Code
Alabama	01	North Dakota	38
Alaska	02	Ohio	39
American Samoa	03	Oklahoma	40
Arizona	04	Oregon	41
Arkansas	05	Pennsylvania	42
California	06	Puerto Rico	43
Canal Zone	07	Rhode Island	44
Colorado	08	South Carolina	45
Connecticut	09	South Dakota	46
Delaware	10	Tennessee	47
District of Columbia	11	Texas	48
Florida	12	Utah	49
Georgia	13	Vermont	50
Guam	14	Virginia	51
Hawaii	15	Virgin Islands	52
Idaho	16	Washington	53
Illinois	17	West Virginia	54
Indiana	18	Wisconsin	55
Iowa	19	Wyoming	56
Kansas	20	Argentina	57
Kentucky	21	Australia	58
Louisiana	22	Belgium	59
Maine	23	Brazil	60
Maryland	24	Canada	61
Massachusetts	25	England	62
Michigan	26	France	63
Minnesota	27	Germany	64
Mississippi	28	Greenland	65
Missouri	29	Italy	66
Montana	30	Japan	67
Nebraska	31	Midway Island	68
Nevada	32	Spain	69
New Hampshire	33	Sweden	70
New Jersey	34	Turkey	71
New Mexico	35	Viet Nam	72
New York	36	All Other Overseas	73
North Carolina	37		

Note: Information provided to the public from this system will not indicate the location of ADPE in foreign countries or on ships. Location of such ADPE will be shown as "Overseas."

ATTACHMENT J
Circular No. A-83

EDIT CRITERIA

CARD FORMAT "A"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain an "A".
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
Classified Physical Location	1	8	Must contain a "C" or be Blank.
Office/Command/ Bureau	30	9-38	Must contain data, unless c.c. 8 contains a "C". Left justify, space fill.
Activity/Contractor	30	39-68	Must contain data, unless c.c. 8 contains a "C". Left justify, space fill.
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1, 2, or 3).

CARD FORMAT "B"

Card Code	1	1	Must contain a "B".
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
Type of ADP Unit	1	8	Must contain one numeric character (1, 2, 3, 4, or 5).

CARD FORMAT "B" CONT'D.

Field Description	Field Size	Card Column	Criteria
ADP Unit Operated By	1	9	Must contain one numeric character (1, 2, 3, 4, or 5).
Area Code	3	10-12	Must contain three numeric characters, unless c.c. 50-51 contains 03, 07, 14, 43, 52, or 57-73. Must be Blank if c.c. 8, Card Format A contains a "C". Left justify, space fill.
Commercial Telephone Number	7	13-19	Must contain data, unless c.c. 50-51 contains 03, 07, 14, 43, 52, or 57-73. Must be Blank if c.c. 8, Card Format A contains a "C". Left justify, space fill.
IDS Code and Telephone Extension	8	20-27	If data is in this field, a Dash (-) must separate IDS Code from Telephone Extension. Must be Blank if c.c. 8, Card Format A contains a "C". Left justify, space fill.
City/Post Office	22	28-49	Must contain data unless c.c. 8, Format A contains a "C". Left justify, space fill.
State/Country	2	50-51	Must contain two numeric characters unless c.c. 8, Card Format A contains a "C".
ZIP Code	5	52-56	Must contain five numeric characters, unless c.c. 8, Card Format A contains a "C".
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1, 2, or 3).

CARD FORMAT "C"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain a "C".
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
ADPE Manufacturer	3	8-10	Left justify, space fill if data is entered.
EDPE System	7	11-17	Must contain data, unless c.c. 32-33 contains codes 70-79. Left justify, space fill.
EDPE System Identification Number	2	18-19	Must contain two numeric characters if data is entered in c.c. 11-17. Right justify, zero fill.
Partial Exemption Code	1	20	Must contain one numeric character (1, 2, 3, 4, or 5) or be Blank.
Component Type	4	21-24	Left justify, space fill if data is entered.
Component Model	4	25-28	Left justify, space fill if data is entered.
Component Manufacturer	3	29-31	Must contain three alpha characters if data is entered.
Component Class Code	2	32-33	Must contain two numeric characters. Right justify, zero fill.
Installation Date	4	34-37	Must contain four numeric characters (e.g., "6701" for January 1967).

CARD FORMAT "C" CONT'D.

Field Description	Field Size	Card Column	Criteria
Release Date	4	38-41	Must contain four numeric characters (e.g., "6612" for December 1966), or a "U". Left justify, space fill if a "U" is entered.
Actual/Projected Purchase Date	4	42-45	Must contain four numeric characters (e.g., "6409" for September 1964) if data is entered.
Purchase Price	5	46-50	Must contain numeric characters. Right justify, zero fill.
Maintenance Cost	4	51-54	Must contain numeric characters if data is entered. Right justify, zero fill.
Ownership Code	1	55	Must contain one numeric character (1, 2, 3, or 4).
Total Rental Cost	6	56-61	Must contain numeric characters if data is entered. Right justify, zero fill.
Acquisition Code	1	62	Must contain one numeric character (1-8).
Disposition Code	1	63	Must contain one numeric character (0-9) if data is entered.
Maintenance Code	1	64	Must contain one numeric character (1, 2, 3, 4, or 5).
Internal Memory Size	4	65-68	Must contain numeric characters if code"01" is entered in c.c. 32-33. Right justify, zero fill.
Addressable Unit of Memory	1	69	Must contain one alpha character (B, C, or W) if data is entered in c.c. 65-68.

CARD FORMAT "C" CONT'D.

Field Description	Field Size	Card Column	Criteria
Reserved	3	70-72	Must be Blank.
Date of Report	6	73-78	Must contain six numeric characters (e.g., 670702 for July 2, 1967).
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1, 2, 3, 4, or 5).

CARD FORMAT "D"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain a "D".
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
ADPE Manufacturer	3	8-10	Left justify, space fill if data is entered.
EDPE System	7	11-17	Must contain data. Left justify, space fill.
EDPE System Identification Number	2	18-19	Must contain two numeric characters. Right justify, zero fill.
Refer to Card Format "D"		20-41	Must contain numeric characters if data is entered in any field. Right justify, zero fill.

CARD FORMAT "D" CONT'D.

Field Description	Field Size	Card Column	Criteria
Hours not Available	3	42-44	Must contain numeric characters if data is entered. Right justify, zero fill.
Reason for Non-availability	1	45	Must contain one numeric character (1, 2, 3, 4, or 5) if data is entered in c.c. 42-44.
Number of Shifts	1	46	Must contain one numeric character.
Refer to Card Format "D"		47-61	Must contain numeric characters if data is entered in any field. Right justify, zero fill.
Projected Hours in Service (CY)	3	62-64	Must contain numeric characters if code "2" is entered in c.c. 80. Right justify, zero fill.
Projected Hours Available (CY)	3	65-67	Must contain numeric characters if data is entered. Right justify, zero fill.
Projected Hours Commercial Sources (CY)	3	68-70	Must contain numeric characters if data is entered. Right justify, zero fill.
Projected Hours in Service (BY)	3	71-73	Must contain numeric characters. Right justify, zero fill.
Projected Hours Available (BY)	3	74-76	Must contain numeric characters if data is entered. Right justify, zero fill.
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1, 2, 3, or 4).

CARD FORMAT "E"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain an "E".
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
ADPE Manufacturer	3	8-10	Left justify, space fill if data is entered.
EDPE System	7	11-17	Must contain data. Left justify, space fill.
EDPE System Identification Number	2	18-19	Must contain two numeric characters. Right justify, zero fill.
Procurement Code	1	20	Must contain one numeric character (1 or 2).
Date EDPE Selection Approved	6	21-26	Must contain six numeric characters (e.g., "661110" for November 10, 1966).
Date EDPE Delivery Required	6	27-32	Must contain six numeric characters (e.g., "670608" for June 8, 1967), or an "A". Left justify, space fill, if "A" is entered.
Date EDPE Delivered	6	33-38	Must contain six numeric characters (e.g., "670510" for May 10, 1967).
Date EDPE Installation Required	6	39-44	Must contain six numeric characters (e.g., "670601" for June 1, 1967), or an "A". Left justify, space fill if "A" is entered.

CARD FORMAT "E" CONT'D.

Field Description	Field Size	Card Column	Criteria
Date EDPE Installed	6	45-50	Must contain six numeric characters (e.g., "670529" for May 29, 1967).
Date Software Delivery Required	6	51-56	Must contain six numeric characters (e.g., "670601" for June 1, 1967), or an "A". Left justify, space fill if an "A" is entered.
Date Software Accepted or Delivered	6	57-62	Must contain six numeric characters (e.g., "670707" for July 7, 1967).
Average EDPE Effectiveness Level	3	63-65	Must contain numeric characters. Right justify, zero fill.
Date of Report	6	73-78	Must contain six numeric characters (e.g., "670720" for July 20, 1967).
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1 or 2).

CARD FORMATS "F", "H", AND "J"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain one alpha character (F, H, or J). F denotes past year, H denotes current year, J denotes budget year.
Agency Code	2	2-3	Must contain two alpha characters.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.

CARD FORMATS "F", "H", AND "J" CONT'D.

Field Description	Field Size	Card Column	Criteria
Refer to Card Formats "F", "H", and "J"		8-74	Must contain numeric characters if data is entered in any field. Right justify, zero fill.
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1 or 2).

CARD FORMATS "G", "I", AND "K"

Field Description	Field Size	Card Column	Criteria
Card Code	1	1	Must contain one alpha character (G, I, or K). G denotes past year, I denotes current year, K denotes budget year.
Agency Code	2	2-3	Must contain two alpha characters. Right justify, zero fill.
ADP Unit Number	4	4-7	Must contain numeric characters. Right justify, zero fill.
Refer to Card Formats "G", "I", and "K"		8-35	Must contain numeric characters if data is entered in any field. Right justify, zero fill.
Gross Cost of ADP Unit	5	36-40	Must contain numeric characters equaling the totals of c.c. 32-74, Card Formats "G", "H", and "J", and c.c. 8-35 of these formats. Right justify, zero fill.
Refer to Card Formats "G", "I", and "K"		41-52	Must contain numeric characters if data is entered in any field. Right justify, zero fill.
Net Cost of ADP Unit	5	53-57	Must contain numeric characters equaling the difference between c.c. 36-40 and the total of c.c. 41-52. Right justify, zero fill.

CARD FORMATS "G", "I", AND "K" CONT'D.

Field Description	Field Size	Card Column	Criteria
Date of Report	4	75-78	Must contain four numeric characters (e.g., "6706" for June 1967).
Reserved	1	79	Must be Blank.
Transaction Code	1	80	Must contain one numeric character (1 or 2).

ATTACHMENT K
Circular No. A-83

GENERAL INSTRUCTIONS

1. Punch cards and questions concerning the preparation or processing of data should be submitted to:

   Management Information System
   Central Processing Point (FTII)
   General Services Administration
   7th and D Streets, S. W.
   Washington, D. C. 20407
   IDS Code: 13-34820
   Area Code: 202, 963-4820

2. MIS Punch Card Transcript Sheets may be obtained by contacting the MIS Central Processing Point. These forms should be used when submitting data for organizations without access to keypunching facilities.

3. Punch cards should be securely packed and should be identified with Agency name, and box number, i.e., Box 1 of 2, Box 2 of 2, etc.

4. A card-by-card listing will be submitted in the following format:

   a. Sequenced by "Agency Code", "ADP Unit Number", and "Card Code".

   b. Totals by "ADP Unit Number" of (1) number of cards and (2) number of "EDPE Systems".

   c. Totals by "Agency Code" of (1) number of cards, (2) number of "EDPE Systems", (3) number of ADP Units, (4) total of "Civilian Manyears" and "Military Manyears", and (5) "Net Cost of ADP Unit".

○