Estimated distribution of legislative authorizations, National Defense Education Act of 1958, title V, pt. A, sec. 501, as proposed to be amended by Senate-House conference, Sept. 24, 1964

GUIDANCE COUNSELLING AND TESTING

State	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968
United States and outlying parts	$24,000,000	$24,500,000	$30,000,000	$30,000,000
50 States and District of Columbia	23,616,000	24,108,000	29,520,000	29,520,000
Alabama	465,334	475,091	582,223	582,223
Alaska	50,000	50,000	50,000	50,000
Arizona	204,342	208,627	255,672	255,672
Arkansas	244,301	249,423	305,667	305,667
California	2,090,971	2,134,810	2,616,209	2,616,209
Colorado	247,335	252,521	309,464	309,464
Connecticut	315,112	321,719	394,267	394,267
Delaware	59,684	60,936	74,676	74,676
Florida	650,456	664,094	813,847	813,847
Georgia	559,919	571,658	700,567	700,567
Hawaii	93,067	95,018	116,445	116,445
Idaho	99,136	101,215	124,039	124,039
Illinois	1,217,962	1,243,498	1,523,907	1,523,907
Indiana	605,440	618,134	757,523	757,523
Iowa	355,576	363,031	444,895	444,895
Kansas	280,212	286,087	350,600	350,600
Kentucky	412,731	421,385	516,407	516,407
Louisiana	476,968	486,968	596,779	596,779
Maine	124,426	127,035	155,681	155,681
Maryland	418,801	427,582	524,001	524,001
Massachusetts	610,498	623,298	763,852	763,852
Michigan	1,074,315	1,096,840	1,344,177	1,344,177
Minnesota	459,265	468,894	574,629	574,629
Mississippi	330,286	337,211	413,252	413,252
Missouri	518,443	529,313	648,673	648,673
Montana	95,090	97,084	118,976	118,976
Nebraska	181,582	185,389	227,194	227,194
Nevada	50,000	50,000	52,527	52,527
New Hampshire	76,376	77,977	95,561	95,561
New Jersey	749,087	764,793	937,253	937,253
New Mexico	148,705	151,822	186,058	186,058
New York	1,979,695	2,021,201	2,476,982	2,476,982
North Carolina	649,445	663,061	812,581	812,581
North Dakota	88,515	90,371	110,749	110,749
Ohio	1,292,314	1,319,410	1,616,936	1,616,936
Oklahoma	306,514	312,940	383,508	383,508
Oregon	233,679	238,578	292,377	292,377
Pennsylvania	1,372,736	1,401,518	1,717,559	1,717,559
Rhode Island	101,665	103,797	127,203	127,203
South Carolina	361,140	368,712	451,856	451,856
South Dakota	98,631	100,699	123,406	123,406
Tennessee	481,014	491,099	601,842	601,842
Texas	1,355,033	1,383,444	1,695,409	1,695,409
Utah	142,129	145,109	177,831	177,831
Vermont	50,074	51,124	62,652	62,652
Virginia	552,837	564,428	691,707	691,707
Washington	387,441	395,565	484,764	484,764
West Virginia	246,324	251,488	308,199	308,199
Wisconsin	522,995	533,961	654,369	654,369
Wyoming	50,000	50,000	56,957	56,957
District of Columbia	78,399	80,042	98,092	98,092
Outlying parts	384,000	392,000	480,000	480,000
American Samoa	20,000	20,000	20,000	20,000
Canal Zone	20,000	20,000	20,000	20,000
Guam	20,000	20,000	20,000	20,000
Puerto Rico	304,000	312,000	400,000	400,000
Virgin Islands	20,000	20,000	20,000	20,000

NOTE.—Distribution of all amounts estimated on the basis of school-age (5 to 17) population as of July 1, 1962, for the 50 States, District of Columbia, and Puerto Rico, and as of Apr. 1, 1960, for the other outlying parts.

"THE ELECTION: WHAT'S GOOD FOR HOUSING?"

Mr. DOUGLAS. Mr. President, I ask unanimous consent that there be printed in the RECORD an editorial published in the October issue of House & Home, which subscribers are receiving today. House & Home is a business publication with well over 100,000 subscribers—builders, architects, lenders, and so forth—who make up the giant housing industry. It is by all odds the most important publication in its field. Until August this year, it was published by Time, Inc.: it is now published by another giant, the McGraw-Hill Publishing Co. This editorial, by Editor Richard O'Neill, is a landmark, for the magazine has never before openly supported a candidate for President.

I believe that this editorial is both forthright and an outstanding service to the homebuilding industry; and I am glad this magazine is endorsing Lyndon Johnson for election to the Presidency.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE ELECTION: WHAT'S GOOD FOR HOUSING?

(By Richard W. O'Neill)

In its proposals to both Republican and Democratic platform committees, NAHB urged that "the Government-industry partnership should try to achieve a decent home for all Americans." House & Home agrees. "Government-industry partnership," always basic to housing, takes on added importance this year.

Like it or not, the Federal Government is inextricably and inevitably involved in housing. Both parties have good records in housing legislation. And in both there are many men and factions who understand both the need for housing and the ability of our industry to provide it.

Except in the war years, housing has prospered under every administration since 1934. In the past 3½ years 5.3 million new housing units have been built, and we are now building at an annual rate of almost 1.6 million units. There is every reason to believe that if present patterns of Federal housing legislation are continued, we could reach a yearly rate of 2 million units by 1968. By any measure that is good business. To insure good business, the housing industry must now look hard at the choice to be made next month. President Johnson's record—and philosophy—is written into the 1964 Housing Act for all to see. His opponent is a far less known quantity.

Lacking any assurances from Senator GOLDWATER, we can only judge him on his voting record.

Since 1954 GOLDWATER has voted against every congressional measure that would have created more housing and for every measure that would have curtailed housing. We cannot judge his understanding of housing's problems and responsibilities, since he has so rarely discussed them—either on the Senate floor or in public speeches. But if the Republican platform is any criterion, his understanding is sketchy and confused. Items:

The platform blames the Democrats for urban renewal programs that "created new slums by forcing the poor from their homes to make room for luxury apartments." The fact is urban renewal has not created new slums. What's more, both major parties have supported renewal ever since its inception in the 1949 Housing Act—and as recently as last month in the 1964 Housing Act.

The platform accuses the Johnson administration of failing to attract more private capital to housing. But more than 95 percent of all capital in housing is already private capital. So attracting more can hardly be a major problem.

In light of the Republican platform and in light of GOLDWATER's voting record, the housing industry has a right to demand a clear statement of the role his administration would play in housing—what laws he would enact and what laws he would repeal. True, the office of the Presidency might change GOLDWATER's attitude toward housing as it has changed the attitudes of other Chief Executives.

The question is will the Senator change his views enough to cope with the huge problems in urban growth—and hence housing—that lie just ahead? The United States is undergoing a process of urbanization that will, in a few years, have 8 out of 10 Americans living in and around our cities. Before 1999 we will rebuild almost all of our urban centers. The forces behind intensified urbanization—migrating populations, industrial growth, and regional economic changes—are all well above and beyond local determination and local control. The Federal Government should take a more vital role in housing by providing monetary and legislative tools that private industry needs to handle new housing problems created by this urbanization. In the face of these forces, GOLDWATER's espousal of Federal withdrawal from local affairs could be bad news for housing.

The record of both candidates is clear. GOLDWATER could curtail Federal involvement in housing. There is no question where Johnson stands. His approach to housing and urban problems is one that should be readily understood by every housing professional: "The solution to these problems does not rest on a massive program in Washington. Nor can it rely solely on the strained resources of local authorities. They require us to create new concepts of cooperation—a creative federalism—between the National Capital and the leaders of local communities.

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

CORRECTION OF CERTAIN ERRORS IN THE TARIFF SCHEDULES OF THE UNITED STATES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfinished business, which is H.R. 12253.

The Senate resumed the consideration of the bill (H.R. 12253) to correct certain errors in the tariff schedules of the United States.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

FRANK B. ROWLETT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the pending business be temporarily laid aside, and that the Senate proceed to consider Calendar No. 1494, H.R. 7348.

The PRESIDING OFFICER. Without objection, it is so ordered; and the bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 7348) for the relief of Frank B. Rowlett.

Mr. LONG of Louisiana. Mr. President, I call up my amendment at the desk and ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 1, it is proposed to strike out line 6 and insert the following: "which sum shall be considered a payment in consideration of a transfer by Frank B. Rowlett of property consisting of all substantial rights to a patent within the meaning of section 1235 of the Internal Revenue Code of 1954, in full settlement."

Mr. LONG of Louisiana. Mr. President, this amendment is offered to meet Treasury Department objection to the bill. It is my opinion that the bill is meritorious and should be passed. However, the Treasury Department objects to the tax principle involved in one provision, and it may be compelled to advocate a veto of the bill because of this tax principle involved, although the bill in other respects is meritorious.

I move adoption of the amendment, in order to meet the Treasury Department's objection, and I trust that the bill will be enacted into law.

Mr. DIRKSEN. Mr. President, this is a bill which provides for an award to Mr. Frank B. Rowlett of $100,000 for the contributions he has made in the field of crypto-analysis and cryptography. He was associated with a Mr. William F. Friedman in this work, which goes back many years. About 8 years ago Mr. Friedman was awarded a like sum. The Defense Department felt that Mr. Rowlett was fully entitled to this amount for the contributions he has made and the inventions which he has sponsored in the field of cryptography. Mr. Rowlett is still in Government service with a rating of GS–18.

This question was considered at length by the Judiciary Committee of the Senate, but one objection was raised with respect to the tax feature.

I join in the amendment of the distinguished Senator from Louisiana to make this amount subject to a capital gains tax; although, I must say that it runs a little against the grain. If the man has done outstanding work and the Government itself wants to reward him and give him an award for work well done, let us give it to him, and not try to let the heavy hand of the Treasury reach out and pull away $25,000 of the $100,000. That sounds too much like Indian giving to me. I would rather have it across the board. When Government does that, one must assume that somehow the heart is not quite in it. As recited in "The Vision of Sir Launfal":

For the gift without the giver is bare.

I believe that in this case the Government, as the giver, is just a little bare when it comes to fully expressing its appreciation. But if this measure is in danger of a veto, or if it is in danger of opposition by the Treasury—I learned long ago that three-fourths of a loaf is much better than no bread at all—I shall concur in it under circumstances in which I have no other choice to pursue.

Mr. LONG of Louisiana. Mr. President, the Senator was much more generous in compromising last night.

He had the votes to defeat the amendment last night. I believe he is making a very fine compromise. He feels that without the amendment, the bill would be vetoed, and there would be no bill. I believe he is making an exceedingly good compromise. I believe it would be a fine thing to pass the bill in this form, in view of the fact that the Treasury is very much concerned about the principles involved because of the tax features.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the statement of the committee, beginning on the first page of the report, be printed at this point in the RECORD in its entirety. It is in some detail.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT

The facts surrounding this legislation are set forth in House Report 1689 on H.R. 7348, as follows:

"In its report to the committee on the bill, the Department of Defense stated that is had examined the merits of the case and strongly recommended that Mr. Rowlett be granted relief. The Department further stated that Mr. Rowlett has had a long and distinguished career in the field of cryptology. According to its records, he conceived fundamental principles which assured the high security capability of major cryptographic systems and equipment used so successfully by the United States during World War II. These are still in use and held in a classified status, and have significant commercial potential value which is probably greatly in excess of the payment proposed by the bill.

"Mr. Rowlett began his Government service on April 1, 1930, as a junior cryptanalyst, P–1, in the Office of the Chief Signal Officer, Signal Corps, U.S. Army. Between 1930 and 1935 Mr. Rowlett, still a junior cryptanalyst, pioneered in the development of concepts, techniques, and devices which established the practicality of applying computerlike devices to the general field of cryptography. During this same period he also conceived the basic principles underlying the inventions cited in the proposed bill, and jointly with Mr. William F. Friedman invented methods for the practical application of these principles. In 1935 he was listed in official memorandums as principal assistant to Mr. Friedman, chief cryptanalyst for the Office of the Chief Signal Officer since 1921. The following year, 1936, he was promoted to assistant cryptanalyst, P–2. Just prior to World War II he was responsible for the specific direction and coordination of U.S. Army activities which culminated in the successful breaking of a Japanese cipher machine of major importance. When he was furloughed for military duty on February 16, 1942, Mr. Rowlett had advanced to the position of senior cryptanalyst, P–5. Commissioned as a second lieutenant in the Signal Corps, U.S. Army, he was assigned the MOS of cryptanalytic officer. During his military service, he was awarded the Legion of Merit (United States) and the Order of the British Empire (British). He was separated from the service as a colonel. On May 2, 1946, Mr. Rowlett returned to his civilian employment with the Office of the Chief Signal Officer as a research analyst (cryptanalytic), P–8. He continued to serve with this agency until September 30, 1949, when he transferred to the newly created Armed Forces Security Agency (the predecessor of the National Security Agency) and assumed a key position, Technical Director, Operations. On February 15, 1952, he resigned his position with NSA and accepted an appointment with the Central Intelligence Agency. During his employment with CIA, he served as a senior staff officer in grades GS–16 and GS–17 and was awarded the Distinguished Intelligence Medal. On July 12, 1958, he returned to the National Security Agency as Special Assistant to the Director, GS–18, a position he still holds. He has continued to make significant contributions to the science of cryptography, and in April 1960 received the National Security Agency Exceptional Civilian Service Award.

"Patent applications for the two inventions cited in the proposed bill were filed by the Army in 1936 (serial No. 70,412) and 1942 (serial No. 443,320), respectively. Mr. Friedman and Mr. Rowlett, then principal assistant to Mr. Friedman, were listed as coinventors in both applications. It is these two inventions that have resulted in the high degree of security capability for U.S. communications beginning before World War II and continuing to the present. A memorandum written to the Signal Corps Patent Office by Mr. Friedman and Mr. Rowlett on August 31, 1935, credits Mr. Rowlett with contributing the fundamental principle and three of the five subsidiary principles and Mr. Friedman with contributing two of the five subsidiary principles. With respect to the first invention, it appears that Mr. Rowlett's contribution was the greater. A Navy document entitled 'The Contribution of the Signal Corps,' dated November 2, 1943, and prepared by Capt. L. S. Stafford, U.S. Navy, states in part:

" 'Rowlett is entitled to full credit for his discovery of the principle * * * and Friedman and Rowlett jointly are entitled to full credit for their joint invention of methods of applying and reducing his principle to practical form.' (NOTE.—Classified portions deleted.)

"The respective contributions of the two men to the second invention are not officially recorded. Since Mr. Rowlett and Mr. Friedman were joint inventors in both inventions, however, they have equal rights in these inventions and their losses due to the imposition of secrecy by the Government would be the same.

"In the early 1950's several private bills were introduced in behalf of Mr. Friedman, each proposing an award to compensate him for his loss of commercial rights to cryptologic inventions covered by applications for patents held in secrecy by the Government. In 1956 one of these bills was enacted and became Private Law 625, 84th Congress. Although two of the inventions for which Mr. Friedman received his award are the same inventions upon which the present bill is founded, Mr. Rowlett did not become a party of any of the private bills which sought to compensate Mr. Friedman. In the memorandum he prepared on September 20, 1962, when he formally sought the Department's permission to seek legislative relief, Mr. Rowlett explained in paragraph 3:

" 'I was asked by Mr. Friedman sometime prior to 1952 to join him in presenting his case to Congress. I declined, pointing out to him that I thought the Government should take the initiative in recognizing our contributions if they were worthy of monetary award. While I still feel the Government should take the initiative, enough time has elapsed since Friedman received his award to cause me to conclude it is most unlikely that my contributions will be recognized unless I take positive steps to bring their merits to the attention of the Congress.'

"The records of the Department of Defense disclose that, in his appeal for relief, Mr. Friedman stressed the importance of the two inventions of which he was coinventor with Mr. Rowlett over the five additional inventions to which he held sole patent rights, and that he associated his loss mainly to his inability to exploit these two inventions. Of the seven inventions he stressed the importance of the 1936 invention (patent application serial No. 70,412) above all others and placed the 1942 invention (patent application serial No. 443,320) next in importance. He then developed detailed evidence which convinced the Department and the Congress that, if he had been able to exploit these two inventions domestically and among allied foreign governments, he would have obtained amounts of money far in excess of the sum of money he sought from Congress.

"In its report to the committee on the bill, the Department of Defense stated that the Department's views today are properly reflected by the following extract from a letter dated July 6, 1953, which the Honorable Robert T. Stevens, Secretary of the Army, sent to the Honorable Chauncey W. Reed, then chairman of the House Committee on the Judiciary, with respect to H.R. 1152, 83d Congress, a bill for the relief of William F. Friedman:

" 'When the fruit of an inventor's labor has been of substantial benefit to his government and his right to seek reward for his efforts is impaired for so great a period of time for security reasons, it is equitable that he be compensated for his loss. This view is in accord with the policy of the Department in encouraging technological advancement. To deny an inventor the right to seek gain from his inventions merely because they are vital to our national defense and the security of the Government, while permitting such pursuit by inventors in other fields where security interests are not paramount, would be discriminatory and would discourage advancement in matters vital to our national defense.'

"In recommending favorable consideration of the bill while opposing the tax exemption provision, the Department of Defense stated:

" 'The Department of Defense considers that, in view of the available evidence, Mr. Rowlett is equitably entitled to compensation equal to that of Mr. Friedman. Accordingly, the Department favors the grant of an award of $100,000 to Mr. Rowlett in full settlement of his rights in the inventions which are referred to in H.R. 7348. The Department opposes, however, the provision in H.R. 7348 which would exempt the award to Mr. Rowlett from taxation for the reasons expressed in the enclosed copy of a letter of February 17, 1964, from the Assistant Secretary of the Treasury to the Director of the Bureau of the Budget.'

"The Treasury Department in a letter which accompanied the Defense Department report took the view that this payment is 'compensatory in nature' and that this fact supports subjecting it to taxation. The committee has considered the arguments advanced by the Treasury Department, but is of the opinion that the tax exemption feature should be retained in the bill. The payment in this instance could be said to be based upon the years of service and outstanding contributions of Mr. Rowlett, as well as upon a moral obligation on the part of the United States to pay equitable compensation for inventions subject to security restrictions. In this sense, it can be stated that the award is for meritorious service. In this connection, the committee feels that it is relevant to note that the income tax law itself contains an exemption for amounts received as prizes and awards made primarily in recognition of scientific achievement (26 U.S.C. 74(b)). The exemption of section 74(b) is made subject to the conditions that the recipient was selected without any action on his part to enter a contest or proceeding and is not required to render future services as a condition to receiving a reward. Also, it should be noted that Private Law 87-578 providing for an award to the estate of an inventor was amended on August 15, 1963, to extend tax exemption to the award authorized by the private law. In view of this precedent and in view of the particular circumstances of this case, it is recommended that the tax exemption be retained and that the bill be considered favorably.

"The committee is advised that an attorney has rendered services in connection with this matter. The bill, therefore, carries the usual 10-percent limitation upon attorney's fees."

The committee has received a supplemental report from the Treasury Department, which is hereto attached. After consideration of the report the committee believes that circumstances warrant the same treatment as was given in Private Law 87-578, as amended by Private Law 88-32, in regard to the tax exemption.

After a review of the foregoing, the committee concurs in the action of the House of Representatives and recommends that the bill, H.R. 7348, be considered favorably.

Attached hereto and made a part hereof are reports submitted by the Department of Commerce, the Department of Defense, and the Treasury Department on H.R. 7348.

GENERAL COUNSEL,
OF THE DEPARTMENT OF COMMERCE,
Washington, D.C. September 17, 1963.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of the Department of Commerce with respect to H.R. 7348, a bill for the relief of Frank B. Rowlett.

You are advised that while the language of H.R. 7348 undertakes to identify certain patent applications involved and although the administration of the patent law relating to issuance of patents is a responsibility of the Department of Commerce, the merits of the issue presented by the bill—whether a payment, as compensation for services rendered to the Government, in the proposed amount or otherwise, is appropriate—is a matter concerning which this Department is not informed. We defer in this matter to the agencies which may have been benefited from the activities of Mr. Rowlett.

The Bureau of the Budget advised there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

ROBERT E. GILES.

GENERAL COUNSEL
OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., March 19, 1964.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: You have requested the views of the Department of Defense on H.R. 7348, 88th Congress, a bill for the relief of Frank B. Rowlett, who is presently employed by the National Security Agency. The specific purpose of the bill is to authorize a lump-sum payment to Mr. Rowlett as equitable compensation for his loss of opportunity to realize benefit from his commercial rights to cryptologic inventions which the Government uses and holds in classified status.

The Department has examined the merits of the case and strongly recommends that Mr. Rowlett be granted relief. Mr. Rowlett has had a long and distinguished career in the field of cryptology. According to our records, he conceived fundamental principles which assured the high security capability of major cryptographic systems and equipment used so successfully by the United States during World War II. These are still in use and held in a classified status, and have significant commercial potential value which is probably greatly in excess of the payment proposed by the bill.

Mr. Rowlett began his Government service on April 1, 1930, as a junior cryptanalyst, P-1, in the Office of the Chief Signal Officer, Signal Corps, U.S. Army. Between 1930 and 1935 Mr. Rowlett, still a junior cryptanalyst, pioneered in the development of concepts, techniques, and devices which established the practicality of applying computerlike devices to the general field of cryptography. During this same period he also conceived the basic principles underlying the inventions cited in the proposed bill, and jointly with Mr. William F. Friedman invented methods for the practical application of these principles. In 1935 he was listed in official memorandums as principal assistant to Mr. Friedman, chief cryptanalyst for the Office of the Chief Signal Officer since 1921. The following year, 1936, he was promoted to assistant cryptanalyst, P-2. Just prior to World War II he was responsible for the specific direction and coordination of U.S. Army activities which culminated in the successful breaking of a Japanese cipher machine of major importance. When he was furloughed for military duty on February 16, 1942, Mr. Rowlett had advanced to the position of senior cryptanalyst, P-5. Commissioned as a second lieutenant in the Signal Corps, U.S. Army, he was assigned the MOS of crytanalytic officer. During his military service he was awarded the Legion of Merit (United States) and the Order of the British Empire (British). He was separated from the service as a colonel. On May 2, 1946, Mr. Rowlett returned to his civilian employment with the Office of the Chief Signal Officer as a research analyst (cryptanalytic), P-8. He continued to serve with this agency until September 30, 1949, when he transferred to the newly created Armed Forces Security Agency (the predecessor of the National Security Agency) and assumed a key position, Technical Director, Operations. On February 15, 1952, he resigned his position with NSA and accepted an appointment with the Central Intelligence Agency. During his employment with CIA he served as a senior staff officer in grades GS-16 and GS-17 and was awarded the Distinguished Intelligence Medal. On July 12, 1958, he returned to the National Security Agency as Special Assist-

ant to the Director, GS–18, a position he still holds. He has continued to make significant contributions to the science of cryptography, and in April 1960 received the National Security Agency Exceptional Civilian Service Award.

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"I was asked by Mr. Friedman sometime prior to 1952 to join him in presenting his case to Congress. I declined, pointing out to him that I thought the Government should take the initiative in recognizing our contributions if they were worthy of monetary award. While I still feel the Government should take the initiative, enough time has elapsed since Friedman received his award to cause me to conclude it is most unlikely that my contributions will be recognized unless I take positive steps to bring their merits to the attention of the Congress."

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"Where the fruits of an inventor's labor has been of substantial benefit to his Government and his right to seek reward for his efforts is impaired for so great a period of time for security reasons, it is equitable that he be compensated for his loss. This view is in accord with the policy of the Department of encouraging technological advancement. To deny an inventor the right to seek gain from his inventions merely because they are vital to our national defense and the security of the Government, while permitting such pursuit by inventors in other fields where security interests are not paramount, would be discriminatory and would discourage advancement in matters vital to our national defense."

The Department of Defense considers that, in view of the available evidence, Mr. Rowlett is equitably entitled to compensation equal to that of Mr. Friedman. Accordingly, the Department favors the grant of an award of $100,000 to Mr. Rowlett in full settlement for his rights in the inventions which are referred to in H.R. 7348. The Department opposes, however, the provision in H.R. 7348 which would exempt the award to Mr. Rowlett from taxation for the reasons expressed in the enclosed copy of a letter of February 17, 1964, from the Assistant Secretary of the Treasury to the Director of the Bureau of the Budget.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the submission of this report for the consideration of the committee.

Sincerely,

L. NIEDERLEHNER
(For John T. McNaughton).

TREASURY DEPARTMENT,
Washington, D.C., February 17, 1964.

Hon. KERMIT GORDON,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. GORDON: You requested the views of this Department on the fact that H.R. 7348, a bill for the relief of Frank B. Rowlett, provides that the sum which will be paid to Mr. Rowlett shall be exempt from all taxation.

The specific purpose of H.R. 7348 is to authorize a lump sum payment to Mr. Rowlett as equitable compensation for his loss of opportunity to realize benefit from his commercial rights to cryptologic inventions which the Government uses and holds in a classified status. The Department of Defense has examined the merits of the case and strongly recommends that Mr. Rowlett be granted relief.

We have considered the general question of whether private relief bills should exempt the payments made by their terms from taxation. Of course, exemption, even if proper in cases like the present one where the award is compensatory in nature, would not be appropriate where actual compensation to the recipient of relief is not involved, as, for example, where the private bill lengthens the period of a statute of limitations.

Several reasons have been advanced to justify an exemption from taxation for compensatory awards in private relief bills, but we believe these reasons are not overly persuasive.

It has been argued that it is difficult in some cases for Congress to form a sound judgment on whether an award was appropriate in light of the taxes which would be payable upon it. This is because of problems in determining how the award should be taxed and the fact that the amount of tax imposed upon the award will frequently depend upon the other taxable income of the individual receiving relief. It has also been urged that if such awards are to be subject to tax, Congress, despite the difficulties mentioned above, may increase the amount of such awards to allow for the tax. However, these arguments overemphasize the difficulties in reaching a fair determination of appropriate compensation where an amount is to be subject to tax.

In addition, it has been urged that such awards frequently provide for lump sum payments to compensate for a loss of income which would have been received over a number of years. Thus, the taxation of such awards may be excessive because the lump payment is taxed in 1 year. However, assuming the enactment of the Revenue Act of 1964, the averaging provision adopted therein will operate to mitigate any unfair tax consequences which might result from the receipt of a compensatory award in a lump sum.

Where an award is compensatory in nature, that fact alone strongly supports subjecting it to taxation. The President of the United States, in approving H.R. 3662, for the relief of Mrs. Margaret Patterson Bartlett, expressed the hope that provisions exempting awards under private relief bills from taxation would not find their way into future private legislation and outlined some of the reasons why such exemptions are not proper. The President stated that the moral and equitable considerations supporting these awards argue strongly in favor of making them subject to the income tax laws. He stated that there was no valid reason for treating recipients of these compassionate awards more favorably than the taxpayers who must finance them and who receive no special treatment in meeting comparable tax obligations. The President expressed the view that the adjustment of the amount of the award by Congress did not provide an adequate basis for tax exemption since such action was inconsistent with the sound, prevailing practice under which an individual receives compensation or other payments and then has his tax liability computed under general tax law and, among other things, in relation to other sources of income.

For the foregoing reasons, the Treasury Department opposes exempting such awards from taxation. Therefore, it opposes such a provision in H.R. 7348.

Sincerely yours,

STANLEY S. SURREY,
Assistant Secretary.

TREASURY DEPARTMENT,
Washington, D.C., September 10, 1964.

Hon. JAMES O. EASTLAND,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter supplements the Treasury Department's views on H.R. 7348, a bill for the relief of Frank B. Rowlett, which is now being considered by your committee. Our previous expression of views is set forth in the report of the House Committee on the Judiciary on this bill.

H.R. 7348 would pay $100,000 to Frank B. Rowlett in full settlement of all rights in respect to his cryptologic inventions which have been placed in secrecy status by the Department of Defense. The Treasury Department is opposed to the provision in this bill which would exempt the $100,000 payment from all taxation.

The report of the House Committee on the Judiciary, in approving the exemption from tax, implies that section 74(b) of the In-

Revenue Code is a precedent for the exemption. The committee noted that "the income tax law itself contains an exemption for amounts received as prizes and award made primarily in recognition of scientific achievement (26 U.S.C. 74(b)). The exemption of section 74(b) is made subject to the conditions that the recipient was selected without any action on his part to enter a contest or proceeding and is not required to render future services as a condition to receiving a reward."

The Department believes that the congressional intent expressed in section 74(b) not only does not support exemption from tax for the $100,000 payment to Mr. Rowlett, but is contrary to such exemption. Section 74 was adopted by Congress in 1954 to overrule certain cases which held that some prizes or awards were not subject to tax, and laid down the general rule that gross income includes amounts received as prizes and awards. The narrow exemption in section 74(b) was intended to exempt such awards as the Nobel and Pulitzer Prizes. However, the reports of the congressional tax committees specifically stated that section 74(b) "is not intended to exclude prizes or awards from an employer to an employee in recognition of some achievement in connection with his employment." This rule is also set forth in the Treasury Department regulations. Therefore, even if one could view the payment to Mr. Rowlett as not being of a compensatory nature, which view the Treasury Department does not share, the payment would nevertheless constitute in substance an award from an employer to an employee in recognition of an achievement connected with his employment, and thus includible in gross income.

The Treasury Department believes that a tax exemption for this $100,000 payment to Mr. Rowlett would discriminate against other taxpayers similarly situated. For example, in 1956 Congress awarded $100,000 to Mr. Friedman, Mr. Rowlett's colleague, for his contribution to the two inventions for which Mr. Rowlett now seeks compensation. (Private Law 625, 84th Cong.) No tax exemption was provided for Mr. Friedman who did not have two tax benefits now available to Mr. Rowlett in the form of the recently enacted reduced rates of Federal income tax and the provision for income averaging. Similar awards of $100,000 also were made in the 85th Congress to Mr. Lawrence F. Kafford for cryptographic systems developed by him, and in the 86th Congress to Col. John A. Ryan, Jr., for his development of a new bombing system (Private Law 494, 85th Cong.; Private Law 492, 86th Cong.). No exemption from tax was provided by Congress for these taxpayers.

The discrimination inherent in a tax exemption provision can be more fully appreciated by noting that, to have provided Mr. Rowlett's colleague, Mr. Friedman, with $100,000 of disposable income, after Federal income taxes at 1956 rates, would have required an award in excess of $500,000. This estimate assumes that Mr. Friedman's taxable income would have equaled the amount of the award and that he filed a joint return.

The report of the House Judiciary Committee also notes that Private Law 87-578, which provided an award of $100,000 to the estate of an inventor, was retroactively amended to extend tax exemption to the award. (Private Law 32, 88th Cong.) The Department believes that the tax exemption provided by Private Law 88-32, for the relief of the estate of Gregory J. Kessenich, should not be relied upon as a precedent to deviate from the prior uniform congressional practice of not providing tax exemption for awards of this nature. As set forth in your committee's report on the Kessenich bill, a Treasury Department staff memorandum stated that the income-averaging proposal contained in President Kennedy's 1963 tax message would, if enacted, accord relief for the future to taxpayers in situations where income is bunched in 1 year. Moreover, reduced rates of income taxation then being considered by Congress would provide additional relief. Your committee's report on the Kessenich bill further stated that your "committee does not approve of a tax-free amount as a matter of policy generally in bills for payments to individuals, but on occasion there are special circumstances which indicate that such a freedom from tax liability should be recognized." Perhaps the fact that income-averaging provisions of general applicability were then being considered by Congress was a significant factor in your committee's departure from its general policy in the Kessenich case.

Your committee's general policy of not approving a tax-free amount in bills for payments to individuals was subsequently endorsed by President Johnson in December 1963 when, in approving H.R. 3663 for the relief of Mrs. Margaret Patterson Bartlett, he expressed the hope that provisions exempting from taxation awards under private relief bills would not find their way into future private legislation and outlined some of the reasons why such exemptions are inappropriate. The President stated that the moral and equitable considerations supporting these awards argue strongly in favor of making them subject to the income tax laws. He stated that there was no valid reason for treating recipients of these compassionate awards more favorably than the taxpayers who must finance them and who receive no special treatment in meeting comparable tax obligations. The President expressed the view that the adjustment of the amount of the award by Congress did not provide an adequate basis for tax exemption since such action was inconsistent with the sound, prevailing practice under which an individual receives compensation or other payments and then has his tax liability computed under general tax law, and, among other things, in relation to other sources of income.

In summary, the Treasury Department believes that exempting from tax the $100,000 payment to Mr. Rowlett would discriminate against other taxpayers similarly situated, and particularly against Mr. Rowlett's colleague, Mr. Friedman, as well as other inventors whose $100,000 awards were subject to tax. The Department also believes that the recent enactment by Congress of reduced rates of income tax and the income-averaging provisions remove any special circumstances justifying freedom from tax liability in cases such as this.

For the foregoing reasons, the Treasury Department opposes the tax exemption provisions contained in H.R. 7348.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the administration's program to the presentation of this report.

Sincerely yours,

STANLEY S. SURREY,
Assistant Secretary.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana [Mr. LONG].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H.R. 7348) was read the third time, and passed.

Mr. LONG of Louisiana. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. DIRKSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

CORRECTION OF CERTAIN ERRORS IN THE TARIFF SCHEDULES OF THE UNITED STATES

Mr. LONG of Louisiana. Mr. President, I move that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to; and the Senate resumed the consideration of the bill (H.R. 12253) to correct certain errors in the tariff schedules of the United States.

Mr. LAUSCHE. Mr. President, I send to the desk an amendment to the pending bill.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. It is proposed by the Senator from Ohio [Mr. LAUSCHE], on behalf of himself, the junior Senator from Ohio [Mr. YOUNG], the Senator from Indiana [Mr. BAYH], and the Senator from Michigan [Mr. HART] as follows:

On page 15, strike out lines 1 through 17 (section 21 of the bill).

Renumber the succeeding sections.

Mr. LAUSCHE. Mr. President, my amendment would strike from the bill a provision that removes the 20-percent duty now imposed against the importation of Canadian limestone chips and spalls. A bill on this subject has been pending in the House.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. LAUSCHE. I yield.

Mr. LONG of Louisiana. I suggest that if the Senator wishes to offer the amendment, we could suggest the absence of a quorum in order that Senators who are interested in supporting the amendment and those who are particularly affected by it might be present to speak for their position.

Mr. LAUSCHE. I merely send the amendment to the desk at this time.

Mr. LONG of Louisiana. The Senator is not calling the amendment up at this time?

Mr. LAUSCHE. No.

Mr. LONG of Louisiana. Very well.

Mr. LAUSCHE. Mr. President, the amendment which was adopted by the committee, but which was not in the original bill, would remove the 20-percent duty on limestone.

The Great Lakes States of Minnesota, Michigan, Wisconsin, Illinois, Indiana, and Ohio are vitally affected by the amendment that was adopted by the committee. We had no knowledge of the fact that this amendment was to be taken up.

We have not had an opportunity to make inquiry about what the real impact of the duty would be. I have tried to consult Senators from the Great Lakes area of the country. I have learned

from them that the industry would be greatly harmed by the committee amendment to the bill.

I intend to make further inquiry concerning the real impact of the removal of this duty upon industries in Ohio, which are vitally interested. I shall later determine whether I shall press for the adoption of the measure.

Mr. President, I ask that the RECORD show that the amendment is cosponsored by my colleague, the junior Senator from Ohio [Mr. YOUNG], the Senator from Indiana [Mr. BAYH], the Senator from Michigan [Mr. HART], and the Senator from Wisconsin [Mr. NELSON].

The PRESIDING OFFICER. Without objection, it is ordered.

The bill is open to further amendment.

Mr. BENNETT. Mr. President, I send an amendment to the desk on behalf of myself, the Senator from Minnesota [Mr. MCCARTHY], the senior Senator from Florida [Mr. HOLLAND], the junior Senator from Florida [Mr. SMATHERS], the senior Senator from Indiana [Mr. HARTKE], the senior Senator from Nebraska [Mr. HRUSKA], the junior Senator from Nebraska [Mr. CURTIS], the senior Senator from North Dakota [Mr. YOUNG], the senior Senator from Kansas [Mr. CARLSON], the Senator from Wyoming [Mr. SIMPSON], the senior Senator from Colorado [Mr. ALLOTT], the Senator from South Dakota [Mr. MUNDT], the junior Senator from Colorado [Mr. DOMINICK], the junior Senator from Michigan [Mr. HART], the junior Senator from Indiana [Mr. BAYH], the senior Senator from Louisiana [Mr. ELLENDER], the junior Senator from Kansas [Mr. PEARSON], the senior Senator from Iowa [Mr. HICKENLOOPER], the junior Senator from Louisiana [Mr. LONG], and the junior Senator from Idaho [Mr. JORDAN].

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the end of the bill, it is proposed to insert a new section, as follows:

Section ——. Amendments to the Sugar Act of 1964.

Mr. BENNETT. Mr. President, I ask that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill insert a new section as follows:

"SEC. —. Amendments to the Sugar Act of 1964.

"(a) Section 202(c) of the Sugar Act of 1948, as amended (relating to quotas for foreign countries) is amended by striking out '1963 and 1964' in each place it appears therein, and inserting in lieu thereof "1963 through the first six months of 1965", and by adding a new subparagraph (7) at the end thereof as follows:

"'(7) The quantities established for the first six months of 1965 shall be one-half of the annnual quantities provided for in the other subparagraphs of this subsection (c).

"(b) Section 213 of such Act is amended (1) by striking from section 213(c) the language 'during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20, and 30 per centum' and inserting in lieu thereof 'during the years 1962, 1963, and 1964 and the first six months of 1965, which fee shall be 10 per centum in 1962, 20 per centum in 1963 and 30 per centum in 1964 and the first six months of 1965'; and (2) by striking from section 213 (c) the language 'during the years 1962, 1963, and 1964 shall be respectively 0.1, 0.2, and 0.3 of one cent per pound' and inserting in lieu thereof 'during the years 1962, 1963, 1964 and first six months of 1965 shall be in 1962 0.1 of one cent, in 1963 0.2 of one cent, and in 1964 and the first six months of 1965 0.3 of one cent per pound'.

"(c) The following new paragraph (3) is added at the end of section 202(a) of such Act:

"'(3) Notwithstanding any other provision of this Act, the domestic beet sugar area and the mainland cane sugar area may be permitted to market in 1964, as determined by the Secretary, in addition to the quota established for such area in 1964, a quantity of sugar not exceeding 275,000 short tons, raw value, and 225,000 short tons, raw value, respectively, and such additional quantities of sugar shall be deducted from the quantities of sugar which otherwise may be authorized for purchase and importation in 1964 pursuant to section 202(c)(4)(A) of this Act.'"

Mr. BENNETT. Mr. President, the purpose of this amendment is to carry out the intention and wishes that the administration expressed over the past 2 years, and to meet a situation which has developed within the past few weeks.

The amendment has three essential purposes—first, to extend the foreign quota provisions of the Sugar Act until June 30, 1965, as recommended this week in a letter dated September 25, 1964, from the Under Secretary of the Department of Agriculture, Mr. Murphy. This letter was addressed to the President of the Senate and the Speaker of the House.

The second provision would leave the fee on the global sugar quota intact at the full rate, and keep the fee on statutory sugar quotas applicable from January 1 to June 30, 1965, at 30 percent of the full rate on global sugar.

This, too, was recommended by Under Secretary Murphy in his letter of September 25, and in the letter dated September 28 from the State Department to Chairman Cooley, of the House Committee on Agriculture. It was recommended that any change in the fee be deferred for the time being.

The third purpose of the amendment is to permit domestic beet and mainland cane sugar areas to market up to 275,000 tons of beet and 225,000 tons of cane, respectively, of the extra sugar produced at Government request in 1963, but which they are now unable to market without congressional action.

This represents only a small part of the extra sugar which these two areas produced at Government request from the 1963 crops, and which are now being produced from the 1964 crop.

The fact that the Government urged these two areas to produce the extra sugar is well documented. The administration is also firmly on record as favoring congressional action to permit the marketing of the extra sugar. The administration has recommended that the 1964 domestic marketings be completely unlimited. This was done by the Secretary of Agriculture in December of 1963, and by the President himself in his message on the agricultural program in January of this year.

In the interest of orderly marketing, the bill does not go as far in regard to extra 1964 marketings as the administration recommended. It places the limits that I have mentioned, 275,000 tons for mainland beet, and 225,000 tons for mainland cane marketings.

Under the proposed amendment even these amounts could be less, if in the opinion of the Secretary of Agriculture, authorization of the full amounts would contribute to disorderly marketing. Permitting the domestic market to market up to a total of 500,000 tons of additional sugar this year would not reduce the imports from any foreign country by one pound.

That extra allocation would come from the unallocated portion of the global quota. The remaining portion of the old Cuban quota had already been reserved by the Department of Agriculture earlier this year for the specific purpose of permitting some extra domestic marketings this year. Our American farmers desperately need the marketing relief which the bill would provide, modest as it is. In the absence of such relief, they would be forced to store sugar at great expense to themselves, even though the Government had urged them to produce it to sell and not to store.

Mr. President, in my opening statement I referred to certain expressions of policy by the administration. I ask unanimous consent to have printed in the RECORD a copy of the U.S. Department of Agriculture Release No. 848–63, dated March 14, 1963.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

NO SUGARBEET ACREAGE RESTRICTIONS IN 1964

Secretary of Agriculture Orville L. Freeman announced today that there will be no acreage restrictions (proportionate shares) on the 1964 crop of sugarbeets.

The 1963 domestic beet sugar marketing quota is approximately 2,700,000 tons. Stocks of beet sugar on hand January 1, 1963, amounted to 1,368,000 tons and it is anticipated that 616,000 tons will be produced from 1962-crop beets to be harvested in 1963. This provides a supply of 1,984,000 tons of beet sugar to meet requirements until new-crop sugar reaches the market next fall. Marketings of beet sugar in the last quarter of the year will be heavy. A larger quantity of old-crop sugar would have promoted more orderly marketing throughout the year in accordance with the present quota.

Production of sugar from the 1962 crop of beets had been estimated at 2,580,000 tons by the beet sugar industry. Even a large increase in 1963 production would not result in excessive reserve supplies.

The U.S. Department of Agriculture indicated it is too early to determine whether restrictions will be necessary on the 1965 crop. However, it observed that production will have to exceed marketings sufficiently to create safe and reasonable stocks before acreage restrictions could be reimposed.

It is assumed that the industry will attempt in 1963 to produce at the maximum capacity of its plants. Today's action is expected to encourage plant expansion.

First, it should encourage existing plants to modernize and expand their facilities since they can now be assured of at least 2 years of unrestricted operations.

Second, new plants under construction for operation in 1963 and 1964 could be expanded immediately to their ultimate capacity so as to take advantage of this opportunity for full production and the building of production and marketing history in excess of the