# SECOND URGENT DEFICIENCY APPROPRIATIONS FOR 1955

## HEARINGS

BEFORE

SUBCOMMITTEES OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH CONGRESS

FIRST SESSION

Printed for the use of the Committee on Appropriations

# SECOND URGENT DEFICIENCY APPROPRIATIONS FOR 1955

## HEARINGS

BEFORE

SUBCOMMITTEES OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH CONGRESS

FIRST SESSION

Printed for the use of the Committee on Appropriations

UNITED STATES
GOVERNMENT PRINTING OFFICE
62635 WASHINGTON : 1955

Approved For Release 2002/05/09 : CIA-RDP86B00269R000100130001-5

## COMMITTEE ON APPROPRIATIONS

CLARENCE CANNON, Missouri, *Chairman*

GEORGE H. MAHON, Texas
HARRY R. SHEPPARD, California
ALBERT THOMAS, Texas
MICHAEL J. KIRWAN, Ohio
W. F. NORRELL, Arkansas
JAMIE L. WHITTEN, Mississippi
GEORGE W. ANDREWS, Alabama
JOHN J. ROONEY, New York
J. VAUGHAN GARY, Virginia
JOHN E. FOGARTY, Rhode Island
ROBERT L. F. SIKES, Florida
ANTONIO M. FERNANDEZ, New Mexico
PRINCE H. PRESTON, Jr., Georgia
OTTO E. PASSMAN, Louisiana
LOUIS C. RABAUT, Michigan
SIDNEY R. YATES, Illinois
FRED MARSHALL, Minnesota
JOHN J. RILEY, South Carolina
ALFRED D. SIEMINSKI, New Jersey
JOE L. EVINS, Tennessee
HENDERSON LANHAM, Georgia
CHARLES B. DEANE, North Carolina
JOHN F. SHELLEY, California
EDWARD P. BOLAND, Massachusetts
DON MAGNUSON, Washington
WILLIAM H. NATCHER, Kentucky
DANIEL J. FLOOD, Pennsylvania
WINFIELD K. DENTON, Indiana
JAMES C. MURRAY, Illinois

JOHN TABER, New York
RICHARD B. WIGGLESWORTH, Massachusetts
BEN F. JENSEN, Iowa
H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
GORDON CANFIELD, New Jersey
IVOR D. FENTON, Pennsylvania
JOHN PHILLIPS, California
ERRETT P. SCRIVNER, Kansas
FREDERIC R. COUDERT, Jr., New York
CLIFF CLEVENGER, Ohio
EARL WILSON, Indiana
GLENN R. DAVIS, Wisconsin
BENJAMIN F. JAMES, Pennsylvania
GERALD R. FORD, Jr., Michigan
EDWARD T. MILLER, Maryland
CHARLES W. VURSELL, Illinois
T. MILLET HAND, New Jersey
HAROLD C. OSTERTAG, New York
FRANK T. BOW, Ohio

GEORGE Y. HARVEY, *Staff Director*
KENNETH SPRANKLE, *Assistant Staff Director*

# SECOND URGENT DEFICIENCY APPROPRIATIONS FOR 1955

SUBCOMMITTEE ON INDEPENDENT OFFICES APPROPRIATIONS

ALBERT THOMAS, Texas, Chairman

SIDNEY R. Yates, Illinois
JOE L. EVINS, Tennessee
EDWARD P. BOLAND, Massachusetts
JOHN PHILLIPS, California
CHARLES W. VURSELL, Illinois
HAROLD C. OSTERTAG, New York

TUESDAY, MAY 17, 1955.

## VETERANS' ADMINISTRATION

### WITNESSES

F. W. KELSEY, CONTROLLER

J. D. BAKER, BUDGET OFFICER AND ASSISTANT CONTROLLER, VETERANS' ADMINISTRATION

J. D. SHYTLE, JR., DIRECTOR, BUDGET SERVICE, DEPARTMENT OF VETERANS' BENEFITS

L. W. GOULDE, SPECIAL ASSISTANT, VOCATIONAL REHABILITATION AND EDUCATION

P. N. BROWNSTEIN, DIRECTOR, LOAN MANAGEMENT AND LIQUIDATION SERVICE, AND

GEORGE REYNOLDS, DIRECTOR, PROPERTY MANAGEMENT SERVICE, DEPARTMENT OF VETERANS' BENEFITS

### READJUSTMENT BENEFITS

Mr. THOMAS. Gentlemen, the committee will please come to order. We are pleased to have with us this afternoon representatives of the Veterans' Administration who are here requesting a supplemental in the amount of $28 million for fiscal 1955, for readjustment benefits.

Gentlemen, it is nice to have you with us again. We have with us our friend, Mr. Kelsey, the Controller; Mr. Baker, the Budget Officer and Assistant Controller; Mr. Shytle, Director, Budget Service; Mr. Goulde, Special Assistant, Vocational Rehabilitation and Education; Mr. Brownstein, Director, Loan Management and Liquidation Service; and Mr. George Reynolds, Director of Property Management Service, Department of Veterans Benefits.

At this point in the record we will insert a letter dated May 17, 1955, from Mr. Rowland Hughes, Director of the Bureau of the Budget, directed to the President, dealing with this subject matter.

(The letter referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
*Washington 25, D. C., May 17, 1955.*

The PRESIDENT,
*The White House.*

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1955 in the amount of $28,000,000 for the Veterans' Administration, as follows:

"INDEPENDENT OFFICES

"VETERANS ADMINISTRATION

"READJUSTMENT BENEFITS

"For an additional amount for 'Readjustment benefits', $28,000,000, to remain available until expended."

This appropriation provides for education and training allowances to veterans, vocational rehabilitation of disabled veterans, loan guaranty payments, and housing grants for disabled veterans.

The amount which has been made available for obligation in the fiscal year 1955 is $688,280,017, including a supplemental appropriation in the amount of $155,000,000 provided in the Second Supplemental Appropriation Act, 1955 (Public Law 24). Since the supplemental appropriation was made, the estimate of average training enrollment for veterans of the current emergency has grown from 421,000 to 427,000 and the estimated average annual cost has increased from $1,291 to $1,330. An additional $24,000,000 is necessary to cover these requirements.

In addition, the loan guaranty program has been running at a much higher level than originally anticipated, involving more property acquisitions because of default of veterans' loans, and an additional $4,000,000 is required on this account.

I recommend that the foregoing proposed supplemental appropriation be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,
*Director of the Bureau of the Budget.*

OBLIGATIONS BY ACTIVITIES

Mr. THOMAS. We will also insert page 3 of the justifications.
(The page referred to follows:)

*Obligations by activities*

| | Presently available | Fiscal year 1955, revised estimate | Difference, increase (+) or decrease (−) |
|---|---|---|---|
| 1. Education and training: | | | |
| (a) Subsistence | $62, 100, 000 | $62, 480, 000 | +$380, 000 |
| (b) Tuition | 40, 500, 000 | 38, 738, 500 | −1, 761, 550 |
| (c) Supplies and equipment | 4, 140, 000 | 4, 544, 000 | +404, 000 |
| (d) Education and training allowance (Public Law 550) | 543, 708, 567 | 567, 708, 567 | +24, 000, 000 |
| Total education and training | 650, 448, 567 | 673, 471, 017 | +23, 022, 450 |
| 2. Vocational rehabilitation for disabled veterans: | | | |
| (a) Tuition | 9, 065, 000 | 8, 272, 000 | −793, 000 |
| (b) Supplies and equipment | 1, 290, 600 | 1, 287, 900 | −2, 700 |
| Total vocational rehabilitation for disabled veterans | 10, 355, 600 | 9, 559, 900 | −795, 700 |
| 3. Loan guaranty: | | | |
| (a) Interest gratuities | | 800, 000 | +800, 000 |
| (b) Guaranty losses | 4, 622, 500 | 4, 622, 500 | |
| (c) Loans and property acquired | 17, 343, 750 | 22, 500, 000 | +5, 156, 250 |
| Total loan guaranty | 21, 966, 250 | 27, 922, 500 | +5, 956, 250 |
| 4. Housing grants for disabled veterans | 5, 509, 600 | 5, 509, 600 | |
| 5. Readjustment allowances | | −183, 000 | −183, 000 |
| Obligations incurred | 688, 280, 017 | 716, 280, 017 | +28, 000, 000 |

Mr. THOMAS. We note here, Mr. Kelsey, that you need $28 million for a deficiency for the remaining month of fiscal year 1955, to be spread over the activities of education and training; vocational rehabilitation for disabled veterans; loan guaranty payments; housing grants for disabled veterans, and readjustment allowances.

I shall read from the letter by Mr. Hughes the following:

> The amount which has been made available for obligation in the fiscal year 1955 is $688,280,017, including a supplemental appropriation in the amount of $155 million provided in the Second Supplemental Appropriation Act, 1955 (Public Law 24). Since the supplemental appropriation was made, the estimate of average training enrollment for veterans of the current emergency has grown from 421,000 to 427,000, and the estimated average annual cost has increased from $1,291 to $1,330.
>
> An additional $24 million is necessary to cover these requirements.

As well as I recall, that supplemental sum was provided in April.

BASIS OF ESTIMATE

Getting down to figures now, I cannot figure out how you arrived at this figure of $24 million.

On the basis of the figures set out here, you have an increase of 6,000 more trainees than you anticipated. Your cost has jumped from $1,291 to $1,330, or $39. You figured this, I presume, on a deficiency basis for 30 days, because you must be current. Your checks must have been paid up to June 1, or certainly up to May 1.

Are you behind with any of your payments?

Mr. KELSEY. No, sir; we are not behind presently with any payments. Mr. Shytle, the budget officer, might elaborate upon that.

Mr. THOMAS. If I may so state, this is an obligation which is going to have to be paid, and everyone wants to pay it, but I figure that your outside liability for rehabilitation and training, instead of being $24 million, is $2 million, according to these figures.

How did you arrive at it?

Mr. SHYTLE. Mr. Chairman, when we were up here, as you explained a minute ago, we had an annual unit cost of $1,291, and a 421,000 training load. Now, that training load is 427,000, and we have a unit cost of $1,330.

Mr. THOMAS. You have an additional 6,000 trainees, at $1,330 per year. How much money does that amount to?

Mr. BAKER. $7,980,000.

Mr. THOMAS. You only have 1 month to go in your fiscal year. How much is that? Is it $665,000?

Mr. SHYTLE. Sir, we are talking about a 12 months' average for the year. So, it is $1,330, which would amount in total to roughly $8 million.

Mr. THOMAS. You just said that you are current, and that all of your bills are paid.

Mr. SHYTLE. Out of what you gave us recently, we have enough money at the field stations to pay out bills to around June 10, we believe, but on June 10 the stations are going to be without money, and we figure that it will take this much.

Mr. THOMAS. I understand that. However, let us talk about figures now.

You have only 1 month to go, we will say, in fiscal year 1955, and you have 6,000 more enrollees than you anticipated.

Mr. SHYTLE. No, sir; we have an average veterans-in-training load of 6,000 for the entire year, based upon our revised figures.

Mr. THOMAS. Your justifications do not state that. Your justifications say that since the supplemental appropriation was made, and that was made about the middle of April, the estimate of the average training enrollment for veterans of the Korean emergency has grown from 421,000 to 427,000.

Mr. BAKER. That is an annual average, Mr. Chairman.

Mr. THOMAS. But, it says "since."

Mr. SHYTLE. Mr. Chairman, we are talking about an annual average.

Mr. THOMAS. If your bills are current up to June 1, you have carried your average annual enrollment increase of 6,000 up to June 1.

Mr. SHYTLE. If we continued that line of thinking, Mr. Thomas, we would have an expenditure for practically the entire training load for the month of June, which would not be the 6,000 we are talking about; it would be the total of over 400,000.

Mr. THOMAS. I do not see how you can justify that statement, when your bills are all current, up to June 1.

You have evidently had enough money to pay your bills up until June 1.

Mr. SHYTLE. We have.

Mr. KELSEY. It should be explained, Mr. Chairman, that the greater part of our bills are paid on or about the 20th or thereafter of the month.

Mr. SHYTLE. We start certifying them to the Treasury shortly after the first of the month.

Mr. THOMAS. Taking your own figures, you have 427,000 enrollees, which is 6,000 more than you anticipated.

Mr. SHYTLE. Yes, sir.

Mr. THOMAS. And, the cost has jumped from $1,291 to $1,330, but when you multiply it, you see what it gives you.

Mr. BAKER. Mr. Chairman, that gives us $7,980,000, but you also have to apply the increase from $1,291 to $1,330 to the entire 421,000.

Mr. THOMAS. When you add up the two, it gives you $2 million.

Mr. BAKER. It is, roughly, $16 million for 421,000 trainees, at the rate of $39 increase in annual unit cost.

Mr. THOMAS. But, you have only 1 month left in the fiscal year to go.

Mr. BAKER. Well, of course, we are still dealing in annual averages, here.

Mr. THOMAS. However, your bills are current, and you only have 1 month to go in fiscal year 1955. So, one-twelfth of that figure is $1,330,000.

Mr. BAKER. But, one-twelfth of $600 million is quite a bit more than that, you see. That is the thing we have to consider.

Mr. THOMAS. What are you going to do with the rest of the money if your bills are current right up to the 1st of June? You only have 1 month in the fiscal year left.

Mr. BAKER. We will need, roughly, somewhere around $75 million in the month of June to complete the year.

We have all of that we need within the present appropriation, except $24 million in this category, and the $4 million in the loan guaranty program.

Mr. THOMAS. That is what I am talking about: the $24 million. How will you spend that?

Mr. BAKER. It will be spent to pay the bills which come in during the month of June, if we pay all the veterans.

Mr. THOMAS. Are you not current right up to the 1st of June?

Mr. BAKER. Yes, sir; but with a $75 million bill facing us, we will have about $50 million to pay the veterans in training.

Mr. PHILLIPS. It is not $600 million. You have given yourselves $32 million as leeway on that. It is $568 million. When you divide that by 12, you get $47 million.

I think you are giving yourselves a little cushion; are you not?

Mr. BAKER. You are talking about this program under Public Law 550?

Mr. PHILLIPS. I am just multiplying your figures. I do not know what specific public law it is.

Mr. BAKER. We have available at the present time $543,708,000 for Public Law 550. We estimate to complete the year it will take $567,708,000.

Mr. PHILLIPS. I am not referring to this law or to that law, but I am merely adding and multiplying figures. My difficulty is the same as that of Mr. Thomas. Your statements do not add up to the figures to which you say they add up.

We are trying to get figures. If you did not have any money at all, what you would need is $47 million, and you have some money. So, you need a lot less than that. You said you had $75 million.

Mr. BAKER. I said our cost would be around $75 million.

Mr. PHILLIPS. Your costs will only be $47 million per month at the most.

Mr. SHYTLE. No, sir; our expenditures through readjustment benefits runs around $70 million a month.

Mr. PHILLIPS. Then, apparently, this letter is not correct.

Mr. THOMAS. Take it another way: You have 427,000 enrollees and that is 6,000 more than you anticipated. The cost has jumped from $1,291 to $1,330. Multiply your $1,330 by 427,000, and you get $567,910,000.

Mr. BAKER. That is right.

Mr. PHILLIPS. Which is $32 million less.

Mr. THOMAS. It really ought not to be multiplied by $1,330, but one-twelfth of that.

Mr. PHILLIPS. One-twelfth of that is $47 million.

Mr. SHYTLE. We are working on annual averages. This training load is projected by the month, and we figure out the average training load for the year, and extend it by unit cost in order to get the total cost.

Mr. Chairman, could I explain another thing here on this estimate?

Mr. THOMAS. Yes, sir.

Mr. SHYTLE. The 421,000 for the average training load for the year, at $1,291, will cost $543,700,000, as you pointed out, Mr. Phillips, which is the money that we have on hand now.

The 427,000 average training load for the year at $1,329.40, which is the unit cost I have here, will cost $568 million, as you pointed out.

So, your difference there for veterans in training and your unit cost on a total year basis is the difference in $568 million and $543 million.

Mr. PHILLIPS. That raises another question, Mr. Chairman, and that is this:

How long has the Korean conflict been over? There is no one in this program now except the Korean veterans; is that right?

Mr. BAKER. Under Public Law 550; that is correct.

Mr. PHILLIPS. Therefore, your load is not increasing; is it?

Mr. BAKER. Yes, sir.

Mr. PHILLIPS. How could it be increasing?

Mr. GOULDE. The date fixed by the President's proclamation for the ending of the period for becoming eligible or entitled to benefits was February 1 of this year.

However, because those veterans who were already in service prior to February 1, under Public Law 7, continued to accrue entitlement up to the maximum of 36 months, and actually, the whole load is continuing to increase rather substantially.

Mr. PHILLIPS. There are no World War II veterans in this program, are there?

Mr. BAKER. Not in the Public Law 550 program.

Mr. GOULDE. There are some in these total figures.

Mr. THOMAS. Turn to your justifications, and let me refer you to the second paragraph on page 5.

Here is another apparent discrepancy.

## RATE OF EXPENDITURES

You state:

> Of the $688,280,017 available for expenditure during fiscal year 1955, $566,283,013 was expended during the first 10 months, leaving a balance of $121,997,004 available for expenditure during the remaining 2 months.

Mr. KELSEY. As I say, with the total of $566 million for 10 months, if you were to divide that, you would have an average of $56 million per month, but the later experience—March and April, for example—is running about $75 million a month.

So, you cannot use the average.

Mr. THOMAS. Do you have enough money to carry you through the month of May?

Mr. KELSEY. Yes, sir.

Mr. THOMAS. What will be your unexpended balance on June 1?

Mr. KELSEY. About $46 million.

Mr. SHYTLE. That is correct; around $46 million.

Mr. KELSEY. That figure would be $121 million, minus $75 million, roughly.

Mr. THOMAS. You feel it is costing you about $68 million a month?

Mr. KELSEY. It is nearer to $75 million.

## INCREASE IN TRAINING LOAD

Mr. SHYTLE. It is variable. It has increased with each month due to the continuing increase in the training load, and the number of certificates which we have to pay.

In March, Mr. Thomas, when we came up here to get that $155 million supplemental, we told you that the end-of-the-month training in March would be 570,000. That figure actually was 587,000, or 17,000 more.

In April we told you it would be 578,000, and now at the end of April we have veterans in training to the total of 603,000.

So, we have a continuing increase here, and we have more expenses as the year progresses. The payments which we make in July are for those veterans in training in June. So, July is your low expenditure, and June is higher.

INCREASE IN TRAINING COST

Mr. THOMAS. Why do you have this increase of $39 in cost per enrollee since April?

Mr. SHYTLE. Mr. Chairman, again, this $155 million estimate was made in November—the latter part of November—but we went back at that time to our experience on Public Law 346 as to the composition of the training load.

That determines the rate, and whether they are full time, part time, or whether they are in a higher institution, or job establishment, and so on. The only experience we had for a big increase like this was to go back to our past experience on Public Law 346.

Mr. THOMAS. Is the increase due to an increase in cost of supplies and equipment?

Mr. BAKER. No, sir.

Mr. THOMAS. Your education and training allowance has not increased; has it?

Mr. SHYTLE. Mr. Chairman, it is due to an error that we made in estimating the load composition at the time we determined it.

Mr. THOMAS. That is what I wanted to straighten out. It has not been due to any increase in prices which you are supposed to pay?

Mr. SHYTLE. Very little.

Mr. THOMAS. The error is due to a computation as to numbers?

Mr. SHYTLE. That is correct, sir; and whether they would be in higher institutions, or whether they would be full-time.

INCREASE IN LOAN GUARANTY PROGRAM

Mr. THOMAS. What is the situation in regard to this $4 million item for foreclosures, and what part of it is for foreclosures?

LOAN GRATUTIES

Mr. YATES. What is this item for interest gratuities? As I remember, the Congress has eliminated interest gratuities. Why, then, are you now asking for $800,000 for that purpose.

Mr. SHYTLE. That is for the payment of continuing commitments. That figure also amazes the staff of the Veterans' Administration in that we would continue to have to pay interest gratuities.

We have examined it in several different instances to be sure that those were true commitments, because the law cut off 2 years ago.

Yet, we have had, to date, some $600,000 worth of 4 percent gratuity payments which we have had to pay through April.

Mr. THOMAS. It was an obligation and you could not avoid it.

Mr. SHYTLE. That is correct.

Mr. YATES. They are actual commitments?

Mr. SHYTLE. We did not estimate that this continued lag would be in the program at all.

62635—55——2

Mr. THOMAS. Give us a picture now on your loan guaranty situation. I notice it is increasing here to the tune of $6 million. This is a lump-sum appropriation for education and training, and it covers your loan-guaranty program as well as your training. Actually, your deficiency here is about $6 million, in round figures, although you are only requesting $4 million.

You will use the remainder of it from your training fund, but what about your buildings and the number of starts, and your foreclosures, and what are your losses and the number of foreclosures?

Mr. BROWNSTEIN. The reason for the increase, Mr. Chairman, is the fact that we had an unprecedented loan volume last year; that, plus the average loan amount having increased, accounts for the deficiency.

Mr. THOMAS. Your program in this regard this year is exceeding your experience of last year; is it not?

Mr. BROWNSTEIN. Yes, sir; it is at the moment; that is right.

However, of course, there is a timelag between early foreclosures and the closing of loans.

Mr. THOMAS. You have loans, and property acquired in the amount of $22.5 million, making a total in round figures of $28 million. What is the difference between your two categories, loans and property acquired?

Is that where you have to go in and pick up the paper, and your losses are based upon the losses which you incur by virtue of pickihg up the paper?

Mr. BROWNSTEIN. The losses, Mr. Chairman, are due to the claims which we pay where the Veterans' Administration is not salvaging anything from the property.

The other acquisition cost which you mentioned—the larger figure represents the amount which we pay out in order to salvage some of our guaranty payments. We then acquire the properties, and resell them.

Mr. YATES. Is the amount you are requesting the difference between what it cost you, and the amount at which you will actually resell the properties?

Mr. BROWNSTEIN. No, sir; the amount we are asking for here is the total amount that we will need to acquire the properties, and pay our losses.

The amount for which we sell the properties will then go back into miscellaneous receipts.

Mr. THOMAS. In other words, instead of having a cold $30 million loss, that figure will be much less than that; is that right?

Mr. BROWNSTEIN. Yes, sir.

Mr. YATES. You will have less than that amount to go into an inventory?

Mr. BROWNSTEIN. That is correct.

Mr. YATES. What do you do with that real estate once it goes into an inventory? Do you try to sell it?

Mr. BROWNSTEIN. We do sell it.

### NUMBER OF PROPERTIES ON HAND

Mr. THOMAS. How many properties do you have on hand?

Mr. BROWNSTEIN. 2,202 properties on hand, as of March 31, and that figure, I think, increased very slightly, and is now 2,295 properties.

Mr. PHILLIPS. What is the average loss on them?

Mr. THOMAS. Will you put into the record at this point a table with the first column showing for fiscal years 1954 and 1955 the number of loans made, the average amount, the number of foreclosures, and the average loss per loan, and then the total loss for those 2 years of 1955 and 1956?

Mr. KELSEY. Yes, sir; we shall be glad to do that.

(The table requested will be supplied to the committee.)

AVERAGE LOSS ON INSURED LOANS

Mr. THOMAS. Mr. Phillips inquired as to what your average loss was per unit.

Mr. BROWNSTEIN. Our average loss on home loans is running about $500 per house.

Mr. THOMAS. What is the average loss on your business loans?

Mr. BROWNSTEIN. It is about $800 on business loans.

Mr. YATES. What percentage is that of the loan?

Mr. BROWNSTEIN. Our losses on our primary mortgage home loans; that is, where we have to take a first mortgage on a loan, runs about five one-hundredths of 1 percent of the total volume.

Mr. THOMAS. You had better have 2 tables, 1 for homes, and the other for business loans.

Mr. KELSEY. Very well.

(The table requested will be supplied to the committee.)

Mr. THOMAS. Does this $28 million cover homes and business loans?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. That table, then, will break it down between the two items?

Mr. KELSEY. Yes, sir.

Mr. THOMAS. The total loss you anticipate for fiscal year 1955 in your Loan Guaranty Section, including home and business loans, instead of being a round figure of $28 million, would be considerably less than that?

Mr. BROWNSTEIN. Oh, yes, sir.

Mr. THOMAS. How much less? Is this a good average guess?

Mr. BROWNSTEIN. Well, if it follows the same pattern that has been developed up to now, it should not run much over 10 percent of that.

Mr. THOMAS. Ten percent?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. How many homes have you taken back today—to date—during fiscal year 1955?

Mr. REYNOLDS. We have had total foreclosures of under 21,000. We have taken in 14,600 since the program started.

Mr. THOMAS. Do you mean that since it started 21,000 have been foreclosed?

Mr. REYNOLDS. Yes, sir.

Mr. THOMAS. How many foreclosures during fiscal year 1955 will you have?

Mr. REYNOLDS. We has 2,509 acquisitions during the first 3 months of this calendar year, which will be the first quarter.

Mr. BROWNSTEIN. That is for the calendar year.

Mr. PHILLIPS. That is not cumulative; is it?

Mr. BROWNSTEIN. No, sir; that is for the calendar year.

Mr. THOMAS. 21,000 is your cumulative figure?

Mr. BROWNSTEIN. If I may, sir, that 21,000 is the total home-loan claims paid. There will be a difference between the number of foreclosures and the number of claims paid.

Mr. THOMAS. Slightly, though?

Mr. BROWNSTEIN. Well, it could be rather considerable, Mr. Chairman, because in some of the cases you see the guaranty is payable in advance of foreclosure, and the loan may be worked out after that date.

ELIGIBILITY REQUIREMENTS FOR TRAINEES

Mr. PHILLIPS. If I understand your estimate, I think that it amounts to $28 million. What I do not understand is how you keep increasing the number of students.

The Congress passed a law, making it possible for the people who had served in World War II to get an education—which I thought was one of the best things we had done—on the basis of for every month they served, they received a month of education, or for every year they served, they received a year of education.

Now, World War II has been over 9 years, and it only lasted 3 years for the United States. You say you still have people from World War II who are on this list for which we are spending money.

Then came the Korean conflict and we included all of those people. The Korean conflict has been over for 2 years, and you say your list has not reached a peak, and is going steadily up.

I do not see how it can. Who wants to explain that?

Mr. GOULDE. I will explain it.

First, as to World War II, the number remaining of that group is small, percentagewise. It is not a large number.

Mr. PHILLIPS. No one can enter this program now who served in World War II?

Mr. GOULDE. Well, let us separate them. There is one category of veteran that can get in this disabled group under Public Law 16.

Mr. PHILLIPS. As a result of disability?

Mr. GOULDE. It would have to be a handicaping disability.

Mr. PHILLIPS. Do you mean they could still get in this program as of now?

Mr. GOULDE. Yes, sir; they can get in it now. A man, for example, who was totally incapacitated for years, after the termination of hostilities, and who spent all of his time in a hospital, for example, but just now coming out of it, can get in.

The Congress took cognizance of that, and passed a law to permit him to come in and be trained. The same would apply to a man who was separated under conditions that may have been considered other than honorable, but for whom the service has lately revised his discharge. He never could have gotten in with a discharge other than honorable, but now he can.

As to the nondisabled, the entrances are extremely limited. The only extension beyond 1951 was for a man who reenlisted, Public Law 190, and his date for beginning training was extended. He was permitted to have up to a certain point to receive his training, but the program except for those Public Law 190 reenlistments ends next July for the nondisabled under Public Law 346, but not so for the disabled, because of this group that we speak of.

Mr. PHILLIPS. However, that is a limited group.

Mr. GOULDE. That is right; it is down.

Mr. PHILLIPS. Why should you list them? The number of beneficiaries under the law should be going down instead of up.

Mr. GOULDE. Well, I will explain that, but just one comment on the World War II group: The number of nondisabled has exceeded what we anticipated. We thought it would be much smaller this late, before the end of the program, but it has held up and exceeded the anticipated load under both Public Law 16 for the disabled, and under Public Law 346.

So, that has contributed in a small measure to the high load.

Under the Korean GI bill, and the Korean disabled bill, these men have continued to accrue the right to benefits, from the beginning of the Korean situation up until February of this year, and for those who were in service prior to February 1, they can continue to accrue those benefits up until as much as 3 years.

Mr. PHILLIPS. Do you mean they may have accrued 4 years of benefits?

Mr. GOULDE. No, sir; the maximum is 3 years under this bill, but a man who went in on January 15 of this year, for the next 3 years, or until January 15, 1958, can continue to accrue benefits.

Mr. PHILLIPS. How can he accrue benefits since the Korean War is over?

Mr. GOULDE. By virtue of Public Law 7. In other words, the President issued his proclamation ending the Korean situation for benefits as of January 31, but the Congress in order to fulfill a commitment, let us say, to a man who had gone into the service prior to that day with the understanding that he would receive benefits, passed Public Law 7, which said if he went in the service prior to February 1, he could continue to accrue benefits until he got out, or until his first separation from service.

In fact, if he went in on February 2 or February 5, or February 10, or thereafter, he cannot accrue anything.

So, with the better than 3.5 million veterans of the Korean war since July 1950, and with the numbers which we have had to date, plus the younger age level of these boys, and the desire for a higher education even more so at the collegiate level than in the World War II group, these numbers have continued to surge, and they continue to surge, and I think, Mr. Shytle, we exceeded 600,000 last month.

BASIS OF ESTIMATE

Mr. THOMAS. Gentlemen, you say the month of June is the slowest month, or the month of the smallest amount of expenditure?

Mr. SHYTLE. When you calculate a fiscal year's operation the month of June average training load is a low figure, because they drop out in the latter part of May.

Mr. THOMAS. Again reading from page 5 of your justifications, you show $688,280,000 for the first 10 months, which is an average of $68.8 million a month. For the 2 remaining months of May and June you have in round figures $122 million left. The first 10 months cost $68.8 million a month. For the months of May and June that would give you $137 million. You have $122 million on hand, so you will need $15 million at the most.

Mr. SHYTLE. Mr. Chairman, when we compute this average training load for June the in-training is a low figure. The June in-training expenditures for those people in training at the end of June do not reflect in our figures until July, because they have to be in training during the month, and then they have to be reported.

Mr. THOMAS. But it is still the lightest month of expenditures.

Mr. SHYTLE. It is the light month of veterans in training.

Mr. THOMAS. That is what I am talking about.

Mr. SHYTLE. Expenditures for the month of June are calculated on the veterans in training at the end of May because certificates have to come in. The veterans estimate in training at the end of May is 548,000. We estimate the training load will drop from the end of April, 603,000, to the end of May, 548,000. In June we expend money for 548,000. In July we expend money for 383,000, the number on the rolls at the end of June.

Mr. THOMAS. Phrasing it a little bit differently, the expenditures you actually obligate for the month of June are your lightest figures. Your heavy obligation is for the month of May?

Mr. SHYTLE. No, sir. Our lighter figures are in July and August, sir.

Mr. THOMAS. Your heavy payment is for the month of May, which actually takes place in June. Your light payment is the month of July.

Mr. SHYTLE. Phrased that way I understand you, sir.

Mr. THOMAS. That takes care of your obligation for June.

Mr. KELSEY. So you need the higher figure in June.

Mr. SHYTLE. That is right, sir.

Mr. THOMAS. That is right.

Mr. SHYTLE. I understand.

Mr. THOMAS. Your light figure is the first month of your new fiscal year?

Mr. SHYTLE. That is right, sir.

Mr. KELSEY. So the greater figure is needed for June. Going back over the figures you used a minute ago, Mr. Chairman, as indicated in the paragraph on page 5, the total of $566 million expenditure is in the first 10 months.

Mr. THOMAS. $688 million.

Mr. KELSEY. That was available, Mr. Chairman. Of that, $566 million was expended.

Mr. THOMAS. That is right.

Mr. KELSEY. Which would give an average per month for 10 months of a little over $56 million. But the experience of the later months is higher. March and April, for example, are about $75 million per month. Since we only have $121 million left, it means we need the difference.

Mr. THOMAS. I gave you the break on that, because I was figuring it at $68.8 million. Now you have it down to $55 million.

Mr. KELSEY. If we used such a figure as that we would still have to have more.

Mr. THOMAS. Let us see your rate of expenditures by months. Let us put those in the record. Read them off, beginning with the first month of fiscal year 1955.

Mr. SHYTLE. We are talking about $550 million?

Mr. THOMAS. No.

Mr. KELSEY. Readjustment benefits on the educational training.

Mr. THOMAS. Everything except your loan guaranty.
Mr. SHYTLE. Do you want the loan guaranty amount pulled out of here?
Mr. THOMAS. That is right. The educational benefits only. Mr. Kelsey says it is just about $55 million a month for the first 10 months.
Mr. KELSEY. On the average; yes, sir.
Mr. PHILLIPS. $56.6 million.
Mr. KELSEY. Yes, sir.
Mr. SHYTLE. I can get it in just a second.
Mr. THOMAS. Take your time.

ESTIMATE PRESENTED FOR FISCAL YEAR 1956

Mr. PHILLIPS. How much did you ask for next year, as an average amount per month? You did not ask for that much for next year; did you?
Mr. KELSEY. I think you are right, Mr. Phillips.
Mr. BAKER. Mr. Phillips, answering your specific question, as to our estimate for next year——
Mr. KELSEY. You are talking about load, Mr. Phillips?
Mr. BAKER. The average cost is $1,252. That is what we had in the estimate there. I think the Administrator indicated in his statement he thought that might be low.
Mr. PHILLIPS. How much does that make per month in money? My point is, Mr. Chairman, I think they are either asking for much more as a percentage now than they testified they were going to, or else they are coming out short in the next year and will be up here again before we get out, for another supplemental.
Mr. KELSEY. Mr. Phillips, I think that is a possibility, certainly. In the Administrator's general statement, there were some figures included to show that the average number of veterans in training in the 1956 fiscal year would be a certain number. I do not have that number in my mind right now, but he indicated at the same time that our recent experience on this upsurge would justify a considerably higher figure in 1956 than was in the budget.
Mr. PHILLIPS. My point is that Congress is going home. We will not see you again until January. If your testimony is correct for the last month of 1955 then your testimony for the first 6 months of 1956 is low, and you are not going to have enough money. You must be either high here or low there.
Mr. KELSEY. We are low there, sir.

MONTHLY RATE OF EXPENDITURES

Mr. SHYTLE. The July expenditures for V. R. and E. ran $37.8 million.
Mr. THOMAS. $37.8 million for July?
Mr. SHYTLE. Yes, sir; $37.8 million. The cumulative expenditure was $77 million.
Mr. THOMAS. The first one was $37.8 million. The next one was $40 million. What was the next?
Mr. PHILLIPS. $38 million.
Mr. THOMAS. $38 million. Go ahead.
Mr. SHYTLE. The next was $144 million, from $107 million.

Mr. THOMAS. $37 million.

Mr. SHYTLE. The next was from $144 million to $212 million.

Mr. PHILLIPS. $68 million. How did you make a jump like that?

Mr. SHYTLE. This is that college enrollment coming in.

Mr. THOMAS. What is that figure, $68 million?

Mr. SHYTLE. In December it jumped to $279.5 million from that figure of $212 million.

Mr. THOMAS. $67.5 million. What is the next one?

Mr. SHYTLE. January was $342 million from the $279 million.

Mr. BAKER. $62.5 million.

Mr. SHYTLE. February was $402 million.

Mr. BAKER. $60 million.

Mr. PHILLIPS. An even $60 million.

Mr. SHYTLE. March was $470 million.

Mr. PHILLIPS. $68 million.

Mr. SHYTLE. April was $539 million.

Mr. PHILLIPS. $69 million.

Mr. SHYTLE. That is the way it is coming up.

Mr. THOMAS. Is that your last figure?

Mr. SHYTLE. April is actually the last figure I have, sir.

Mr. THOMAS. Ten months?

Mr. SHYTLE. That is right, sir. It is a total of $540 million.

Mr. THOMAS. The figure of $121 million left over is $20 million not enough.

Mr. SHYTLE. We are talking about education and training.

Mr. THOMAS. That is right.

Mr. SHYTLE. The $121 million, the way we got it, was to take the total expenditures for the appropriation and compare it with availability, which included loan guaranty.

Mr. OSTERTAG. That averages about $54 million for 10 months; is that correct?

Mr. SHYTLE. Yes, sir; except that when you average this to date it is obvious by looking at your training load, the way it has gone up, you cannot take an average and do it.

Mr. THOMAS. That figures a total of $547.8 million, in round figures. You have $121 million left for May and June.

Mr. OSTERTAG. Is it not a fact that the load is going to be higher this next year than in fiscal 1955?

Mr. SHYTLE. Yes, sir.

Mr. OSTERTAG. That is a foregone conclusion; is that correct?

Mr. SHYTLE. We are now estimating a large increase in training load average next year over the year we are in now; yes, sir.

Mr. THOMAS. Well, gentlemen, you have $121 million on hand, and you cannot possibly use more than $15.6 million.

Mr. BAKER. That $121 million also covers the amount on hand for loan guaranty.

Mr. SHYTLE. Yes, sir. And the expenditure figures I gave you did not include loan guaranty. You told me to exclude those.

Mr. THOMAS. Yes.

Mr. SHYTLE. When you take an average rate for that——

BASIS FOR ESTIMATE

Mr. THOMAS. I am talking about your education and training program. The top figure would be $15.6 million, plus $4 million. I am not sure how accurate you are on that. Instead of being $28 million at most it is $19.6 million.

Mr. SHYTLE. No, sir, Mr. Thomas. The average expenditure that you got there by the figures I gave you was for education and training. It did not include loan guaranty. So when you take that average expenditure and apply it against the $121 million you are mixing apples and oranges in that case.

Mr. THOMAS. How much of the $121 million are you going to use for loan guaranty? It is less than $2 million, or else your justification is wrong.

Mr. SHYTLE. It runs $3,387,000 a month.

Mr. THOMAS. As I remember it is was less than $2 million. Let us read your own justifications here.

> Appropriate consideration has been given to all other costs of education and training * * * such funds have been applied to cover the increased cost of $5.9 million anticipated for loan guaranty program, resulting in a net increase of $4 million.

Mr. KELSEY. That is right.

Mr. THOMAS. So you are going to take $5.9 million minus $4 million, which is $2 million, from your $121 million. We are going to give you $4 million fresh money. You are using $2 million educational program money for loan guaranty.

Mr. BAKER. Mr. Chairman, of the $28 million we are asking for, $4 million would be used to pay the additional cost.

Mr. THOMAS. That is right.

Mr. BAKER. We would use $24 million for the educational part of it.

Mr. THOMAS. I am talking about the remaining 2 months of this fiscal year, when you are going to use less than $2 million of your education money. You are going to use $6 million additional money.

Mr. BAKER. That is right. For the loan guaranty program.

Mr. THOMAS. $4 million will be appropriated funds and $2 million will be funds heretofore appropriated for education.

Mr. BAKER. That is right.

Mr. THOMAS. So at best you cannot use over $19.6 million, any way you look at it.

Mr. SHYTLE. Total, sir?

Mr. THOMAS. Yes.

Mr. SHYTLE. Mr. Thomas, there is still something wrong with that calculation of yours, because we come up with $28 million, and we felt at the time we did it we were being very, very careful on it.

Mr. THOMAS. We are just taking your own figures month by month.

Mr. SHYTLE. There is something wrong with your approach, Mr. Thomas. I do not know what it is, but I know I cannot get $19.6 million if we take it and apply it the way it is supposed to be applied. You can take the current expenditure rates for the whole readjustment benefit program through April, take it from availability, and you have $121 million left.

Mr. THOMAS. We are staying with education. The highest month here so far has been $69 million for education. You have had some months as low as $40 million or $38 million or $37 million.

Mr. OSTERTAG. Is the question one involving the balance of this fiscal year alone?

Mr. THOMAS. That is it; primarily the month of June.

Mr. OSTERTAG. The month of June, primarily. It ought not to be difficult for the Veterans' Administration to estimate on the basis of records of obligations what the needs for the balance of this fiscal year ought to be.

Mr. KELSEY. Mr. Congressman, the way I see it we have been talking about figures for 10 months. Some of these individual months that Mr. Shytle just gave show very clearly that some of those months were very low, and that the more recent months are very high, the highest of all. So that in May and June particularly, about which we have been talking, we have the highest figures per month. We have to forget about the average for the first 10 months and use the realistic figures that we have before us now for the last month.

Mr. OSTERTAG. You have a balance of $121 million; is that right?

Mr. KELSEY. Yes, sir; in the overall for those 2 programs we need $75 million a month for the last 2 months. Since we have $121 million available and we need about $150 million there is a net shortage of $28 million.

Mr. THOMAS. Your last 2 months have been running $68 million and $69 million.

Mr. KELSEY. That is on the education alone. That does not include loan guarantee.

Mr. THOMAS. That is right. I am talking about education alone.

Mr. KELSEY. Yes, sir; but, Mr. Chairman, if you use that figure, to round it off——

### INCREASE IN LOAN GUARANTY PROGRAM

Mr. THOMAS. How do you arrive at your figure of really $6 million rather than $4 million? You are asking only $4 million of fresh funds here on your loan guaranty program. How do you arrive at that figure?

Mr. BAKER. Mr. Chairman, on page 3 there are a number of those activities that show balances. Those excesses have been applied to the $5.9 million needed for loan guaranty.

Mr. THOMAS. How do you arrive at $5.9 million? It is all based on the number of foreclosures, plus a few odds and ends?

Mr. BROWNSTEIN. It is based on the increased activity during the first calendar quarter of 1955, sir.

Mr. THOMAS. Does that mean that economic conditions are worsening in this second quarter, or are going to be worse than they were in the first quarter?

Mr. BROWNSTEIN. I do not believe that that conclusion can be drawn from it, Mr. Chairman. Rather, it reflects the increased activity both in respect to the number of loans and in the increased loan amounts.

Mr. THOMAS. What you are saying is that out of so many thousand loans, per thousand there are going to be so many foreclosures, regardless of economics?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. Divorces, deaths, movings out of the community?

NUMBER OF CLAIMS ON HOME LOANS

Mr. BROWNSTEIN. Yes, sir. Our percentage of defaults to outstanding loans is not increasing.

Mr. THOMAS. How does this figure for the last quarter of this year compare with your known figure for the first quarter of calendar year 1955?

Mr. BROWNSTEIN. It is up some, sir.

Mr. THOMAS. What is up?

Mr. BROWNSTEIN. The number of claims.

Mr. THOMAS. For the last quarter of fiscal 1955 it is up. What are you basing it on?

Mr. BROWNSTEIN. I have the figures on the number of claims which we paid.

Mr. THOMAS. For which quarter?

Mr. BROWNSTEIN. I have them here for the first quarter of 1955.

Mr. THOMAS. Give us the foreclosures or claims for the three quarters for fiscal year 1955.

Mr. BROWNSTEIN. These are claims paid, sir, on home loans. These are just the home-loan cases. I can give you the others if you want them, but these are the most significant, of course.

Mr. THOMAS. What do you mean by claims paid?

Mr. BROWNSTEIN. Those are claims under the guaranty where we have paid the lender the amount of the guaranty.

Mr. THOMAS. In other words, you have picked up the paper. Does that include foreclosures, voluntary assignments, or what?

Mr. BROWNSTEIN. They may, but not necessarily, Mr. Chairman.

Mr. THOMAS. In other words, that is the big item, when you pick up that guaranty?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. What was it for the first quarter of 1955?

Mr. BROWNSTEIN. Seven hundred and twenty-eight in the first quarter of 1955.

Mr. THOMAS. Is that units or dollars?

Mr. BROWNSTEIN. Seven hundred and twenty-eight claims in numbers.

Mr. THOMAS. Seven hundred and twenty-eight claims?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. What is the second quarter?

Mr. BROWNSTEIN. Eight hundred and thirty-five.

Mr. THOMAS. Eight hundred and thirty-five. What is the third quarter?

Mr. BROWNSTEIN. Nine hundred and forty.

Mr. THOMAS. It is picking up about 12 percent. What do you anticipate for this final quarter?

Mr. BROWNSTEIN. Do you have that, Mr. Shytle?

Mr. SHYTLE. I do not have it broken down by quarter; no, sir.

Mr. THOMAS. Break down your 728, 835, and 940 claims for the first to third quarters, dollarwise.

Mr. BROWNSTEIN. I do not have that figure with me, Mr. Chairman. I can tell you what our average claim runs. Our average claim on home loans ran $3,248.

Mr. THOMAS. The average was $3,248?

Mr. BROWNSTEIN. That was for the month of January. That is just the average for the 1 month. Overall our average claim figure is——

Mr. THOMAS. Those houses are 10 and 12 years old. They had a pretty good equity in them, did they not?

Mr. BROWNSTEIN. Not necessarily, sir. Many of these units will be claims paid on houses bought within the last year or two.

Mr. THOMAS. So the average figure does not mean much?

Mr. BROWNSTEIN. Bear in mind, sir, that is not the loan amount. That is the amount of our guaranty. The loan amount is at least double that in most cases.

Mr. THOMAS. FHA is in there with you, then?

Mr. BROWNSTEIN. On relatively few now, Mr. Thomas.

Mr. THOMAS. If that is half of the loan amount, that means they had a pretty good equity.

Mr. BROWNSTEIN. No, sir. You see, the lender will still have coming to it the balance due on the debt. For example, we may have guaranteed a loan for 50 percent, the loan being $6,000. We paid the lender $3,000. He still has $3,000 coming to him. He gets it out of the sales proceeds of the property.

Mr. THOMAS. Then you are going to have to get your equity out?

Mr. BROWNSTEIN. We will have to take over the property and try to salvage a part of our $3,000 out of that; yes, sir.

Mr. THOMAS. Percentagewise these figures of 728 and 835 and 940 claims for the first, second, and third quarters of fiscal year 1955 represent what percent of your total?

Mr. BROWNSTEIN. We have outstanding home loans of something over 3 million at the moment. Our outstanding home loans at the present time are a little over 3,041,000.

Mr. THOMAS. 3,041,000. That is homes or houses?

Mr. BROWNSTEIN. Yes, sir.

Mr. THOMAS. That is a pretty small percentage, is it not?

Mr. BROWNSTEIN. It is, sir.

Mr. THOMAS. Thank you all very much, gentlemen.

SUBCOMMITTEE ON GENERAL GOVERNMENT MATTERS

GEORGE W. ANDREWS, Alabama, Chairman

GEORGE H. MAHON, Texas
HARRY R. SHEPPARD, California
J. VAUGHAN GARY, Virginia
LOUIS C. RABAUT, Michigan
JOHN F. SHELLEY, California
IVOR D. FENTON, Pennsylvania
FREDERIC R. COUDERT, Jr., New York
EARL WILSON, Indiana
BENJAMIN F. JAMES, Pennsylvania

TUESDAY, MAY 17, 1955.

## COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

WITNESSES

**JOHN B. HOLLISTER, EXECUTIVE DIRECTOR, COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT**

**FRANCIS P. BRASSOR, EXECUTIVE SECRETARY**

Mr. ANDREWS. We have with us this afternoon representatives from the Commission on Organization of the Executive Branch of the Government.

Mr. Hollister, do you have a general statement?

Mr. HOLLISTER. Yes, sir; I have.

Mr. ANDREWS. Before you proceed, we will insert a copy of House Document 147.

(The matter above-referred to is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
*Washington 25, D. C., April 21, 1955.*

The PRESIDENT,
*The White House.*

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1955, in the amount of $263,475, for the Commission on Organization of the Executive Branch of the Government, as follows:

INDEPENDENT OFFICES

"COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

"SALARIES AND EXPENSES

"For an additional amount for 'Salaries and expenses', $263,475, to remain available until expended."

The act establishing the Commission on Organization of the Executive Branch of the Government terminates the Commission on May 31, 1955. The Commission has now asked the Congress to extend its life for the month of June and to provide a 90-day period for agency liquidation and editing and printing certain final reports. To date, $2,585,059 has been appropriated to finance the work of the Commission.

The proposed supplemental appropriation is necessary to cover unanticipated additional work and printing expense in connection with task-force studies, the operation of the Commission for an additional month, and obligations which would be incurred during the 90-day liquidation period.

This being an estimate for the legislative branch, it is required by law to be transmitted to the Congress without revision.

Respectfully yours,

ROWLAND HUGHES,
*Director of the Bureau of the Budget.*

Mr. ANDREWS. Now, Mr. Hollister, we will be glad to hear from you.

## GENERAL STATEMENT

Mr. HOLLISTER. This is a request for $263,475 to complete the work of the Commission on Organization of the Executive Branch of the Government.

The bill extending the life of the Commission to June 30, 1955, and providing for a 90-day liquidation period thereafter, S. 1763, passed the Senate on April 26 and the House on May 16.

On page 2 of our justifications, we list the five items for which these additional funds are needed—and on the pages which follow we present the detailed justifications.

### PAPERWORK MANAGEMENT

Very briefly, we need $25,000 for the task force study on "Paperwork management." No funds were ever requested or received, in previous appropriations, for this study. We absorbed the $20,000 required for part I of the study. That is the part covering the reduction of paper work in the executive branch. When that report was released, the task force members estimated that there would be an initial annual saving of $250 million if the recommendations are implemented.

This potential saving convinced the Commission that the initiation of part II should be accelerated. That is the part covering paperwork required of private business by the Federal Government. This second phase of the study will cost us $25,000. Although we absorbed the $20,000 required for part I, we are not able to absorb the cost of part II.

### PROCUREMENT

Secondly, we need $58,000 to complete our study on the principles, the methods and the organization structures for Federal procurement. The progress reports indicated the possibility of such vast savings in this area that a larger staff than originally contemplated was assembled and they are continuing their work beyond the original date scheduled for completion.

If the recommendations being developed are put into effect, the cost of this procurement study will be only a small fraction of 1 percent of the total savings to the Government. As a result of these developments, this procurement study will cost us $209,000 rather than the $151,000 originally estimated.

### PRINTING OF REPORTS

The third item is printing reports. Our task forces have assembled a great volume of very informative material regarding a number of expensive Government programs.

The Commissioners are of the opinion that the Members of Congress, executive officials, and the general public should have access to this very valuable digest of information regarding our government and therefore have decided, as a matter of policy, that all reports of the task forces or study groups as well as all Commission reports, should be printed and filed with the Congress.

$60,000 was appropriated for the printing of reports. We need a total of $142,650 or an additional $82,650.

EXTENDING LIFE OF THE COMMISSION FOR 1 MONTH

We need $60,000 to cover the salaries of the Commissioners, their assistants and secretaries, and the staff personnel, and for other obligations, except printing, during the month of June.

REQUIREMENTS FOR THE EDITORIAL AND LIQUIDATING STAFFS DURING JULY, AUGUST, AND SEPTEMBER

The reports acted upon in June will have to be edited and prepared for the printer during the latter part of June and the month of July. The reviewing of proof, the final printing, and the publication of these reports should be completed by the end of August. Also during the months of August and September, we will have to take care of the numerous details involved in a liquidation such as this. Our needs for these 3 months are $37,825.

These five items total the $263,475 requested in this submission.

APPROPRIATIONS AND UNOBLIGATED BALANCES

Mr. ANDREWS. How much appropriation did you receive for this fiscal year?

Mr. HOLLISTER. It was not by years. In the original appropriation we got $500,000. That was a year and a half ago, or more. I think everybody understood that was merely to start the Commission underway. In the first supplemental appropriation, we received $1,431,909; in the second supplemental, we received $653,150.

Mr. ANDREWS. Making a total of?

Mr. HOLLISTER. Making a total of $2,585,059.

Mr. ANDREWS. Of that amount, how much do you have left?

Mr. HOLLISTER. We had left only $63,984.

Mr. ANDREWS. Under the original law, the Commission was to expire on May 31, 1955?

Mr. HOLLISTER. That is correct.

Mr. ANDREWS. And you are requesting an additional appropriation of $263,475?

Mr. HOLLISTER. Yes, sir.

Mr. ANDREWS. To carry you through 3 additional months?

Mr. HOLLISTER. To carry us through 1 month for the full Commission, and 3 additional months for the liquidating period—a period when we will be completing the editing, printing, and publishing of our reports and liquidating the Commission.

Mr. ANDREWS. If this amount is appropriated, it will give you a total of $2,848,534?

Mr. HOLLISTER. Correct.

Mr. ANDREWS. In your opinion, will this be enough for you to complete the work of the Commission?

Mr. HOLLISTER. Yes, sir.

Mr. ANDREWS. And wind up the agency?

Mr. HOLLISTER. Yes, sir.

Mr. ANDREWS. And publish your report?

Mr. HOLLISTER. Yes, sir.

### Task Force on Paperwork Management

Mr. Andrews. I notice of the $263,475 you request, you want $25,000 for a task force on paperwork management.

Mr. Hollister. Yes, sir.

Mr. Andrews. You state that the estimated savings as a result of that work will be approximately $250 million?

Mr. Hollister. The work of this task force was divided into two parts. The first part involved the saving that the Government might accomplish in the event they put into effect what we call birth control of paperwork. A great deal of paper work which was carried on never should have been started.

The second part is a study of paperwork required of private business by the Federal Government. This task force worked through industry committees and various governmental departments. This already, by common consent, has eliminated a great many reports that were formerly made. The task force estimated a saving which industry backs up, of about $10 million both by industry and by the Government itself.

Mr. Andrews. How many reports have been issued by the Commission?

Mr. Hollister. The Commission has published nine reports. There will be 11 more.

Mr. Andrews. You will have a total of 20?

Mr. Hollister. A total of 20. We may consolidate 1 or 2 before we get to the end; but that is roughly the number of major reports.

### Additional Requirements for Task Force on Procurement

Mr. Andrews. Your second request is for $58,000 for additional requirements for the task force on procurement.

Mr. Hollister. Yes, sir.

Mr. Andrews. What is the situation with reference to that task force?

Mr. Hollister. The work of that task force turned out to be much more arduous and required a bigger staff than we originally contemplated. In estimating for these different studies, it is not always easy to allocate the exact amount to a particular study and we have occasionally switched certain sums from one particular study to another when we found it was going to cost more than the other. And procurement was one which we underestimated in the amount that was necessary. It is not quite finished.

### Additional Requirements for Printing of Reports

Mr. Andrews. You want for additional requirements for the printing of reports an estimated $82,650.

Mr. Hollister. The reason for that is this: Very early in our work the Commission decided, inasmuch as our Commission reports were based on the task force reports and referred to them very often, it was only proper that we file with Congress the complete task force reports. Some of those are rather large. Some of them run 600, 700, and 800 pages. In making our Commission reports, we have condensed them to a more readable size. Nevertheless it seemed to our Commissioners that the Congress should have access to all task force reports in printed form for the future reference and use. This caused a higher printing bill than we ever anticipated.

REQUIREMENTS FOR EXTENDING LIFE OF COMMISSION FOR 1 MONTH

Mr. ANDREWS. Your next request is for requirements for extending the life of the Commission for 1 month, $60,000.

Mr. HOLLISTER. Yes, sir. I can give you a breakdown: Office of the Commissioner is $21,000; staff official personnel, $22,000; other obligations, $12,000. And we will have to call some of the task force people back for consultation. We estimate that at $5,000. That gives a total of $60,000 for the month of June.

Mr. ANDREWS. Is that what it has cost in the past for operating the Commission?

Mr. HOLLISTER. That is down considerable from previous monthly costs.

Mr. ANDREWS. How many employees do you have and will you have?

Mr. BRASSOR. The average number of employees for the fiscal year 1955 is 220.

Mr. ANDREWS. We will put the table on page 7 in the record showing the funds needed to June.

(The matter above referred to is as follows:)

| | |
|---|---|
| (*a*) Offices of the Commissioners | $21, 000 |
| (*b*) Staff officials and personnel | 22, 000 |
| (*c*) Other obligations (except printing) | 12, 000 |
| (*d*) Cost of certain personnel from task forces called back on a consulting or "when needed" basis | 5, 000 |
| Total cost for June | 60, 000 |

REQUIREMENTS FOR EDITORIAL AND LIQUIDATING STAFFS DURING JULY, AUGUST, AND SEPTEMBER

Mr. ANDREWS. The next item is for $37,825 for requirements for editorial and liquidating staffs during July, August, and September. We will insert the table on page 8 which shows a breakdown of this amount.

(The matter above referred to is as follows:)

| | |
|---|---|
| Office of the Chairman (1 part time and 3 full time) | $7, 245 |
| Office of Executive Director (1 part time and 1 full time) | 2, 280 |
| Office of Executive Secretary (4 persons) | 7, 520 |
| Office Services Section (6 persons) | 6, 570 |
| Research staff (2 persons) | 4, 610 |
| Editorial staff (2 part time and 2 full time) | 9, 600 |
| Total | 37, 825 |

Mr. HOLLISTER. That is for a 3 months' period.

Mr. ANDREWS. Now of the amount requested of $263,475, $137,325 will be for personal services?

Mr. HOLLISTER. Yes, sir.

Mr. ANDREWS. $82,650 for printing, and all other obligations, $43,500?

Mr. HOLLISTER. Yes, sir.

Mr. ANDREWS. Do you anticipate you will have any unexpended balance when you wind up your job?

Mr. HOLLISTER. Mr. Chairman, I would hate to conduct any operation and not hope to come out a little ahead, rather than be left with nothing. But we have cut it as fine as we feel is safe.

ANALYSIS OF NEEDS

Mr. ANDREWS. I think it would be well to put this entire statement in the record.

(The matter above referred to is as follows:)

COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH OF THE GOVERNMENT

SUPPLEMENTAL BUDGET ESTIMATES AND JUSTIFICATIONS

This is a supplemental request in the amount of $263,475. Our appropriations, in the amount of $2,585,059 are available for the life of the Commission.

The justifications for this request are presented below.

| | |
|---|---|
| 1. Requirements for a Task Force on Paperwork Management | $25, 000 |
| 2. Additional requirements for the Task Force on Procurement | 58, 000 |
| 3. Additional requirements for the printing of reports | 82, 650 |
| 4. Requirements for extending the life of the Commission for 1 month | 60, 000 |
| 5. Requirements for editorial and liquidating staffs during July, August, and September | 37, 825 |
| Total additional requirements | 263, 475 |

*Breakdown of objects of expenditures*

| | |
|---|---|
| 01 Personal services | $137, 325 |
| 06 Printing | 82, 650 |
| All other obligations [1] | 43, 500 |
| Total | 263, 475 |

[1] $12,000 for June; $12,000 for July; $10,500 for August; $9,000 for September.

*1. Requirements for the Task Force on Paperwork Management*

No funds were requested or received, in previous appropriations, for this study. The original concept was that the study would be confined to the development of recommendations aimed at (1) the reduction of paperwork in the executive branch of the Government, and (2) the saving of space and filing equipment now used for records which might be disposed or of records which can be sent to inexpensive record centers.

The Commission absorbed the cost of this part of the study ($20,000).

Last February (February 21, 1955) the Commission completed and released this report to the Congress. It was entitled "Paperwork Management—Part I, in the United States Government." In this report the Commission recommended programs and methods that would apply "birthcontrol" to paperwork at its source, with an initial annual saving estimated at $250 million.

Realizing that this is only one part of the paperwork problem of the Federal Government and being spurred by the savings potentials of the first phase of the study, the Commission immediately accelerated its work on part II of the study. This is a study of paperwork required of private business by the Federal Government. It deals (1) with paperwork which private citizens and American business are required to perform in answering the questionnaires, and in filling the requests of Federal agencies for various data, and (2) the cost to the Government of unnecessary items in questionnaires. Some 25 committees were set up in various commercial groups to study these matters. They have been brought into contact with the Federal agencies concerned, and simplifications already accepted by the Federal agencies are expected to save $10 million annually to the Government and a like amount to industry. This successful experiment can be extended.

To date, we have spent nearly $15,000 on this second portion of the study. It will take about $10,000 more to complete the work in hand. Although we absorbed the $20,000 which the first part of this study cost, we need supplemental funds to cover the costs of part II of the study. Therefore, the total amount requested in this submission for paperwork management is $25,000.

*2. Additional requirements for the Task Force on Procurement*

The cost of the Task Force Study on Procurement was originally estimated at $151,000. This study covers the principles, the methods, and the organizational structures for Federal procurement in the Department of Defense, the Atomic Energy Commission, and the General Services Administration.

The billions spent for procurement affect our national economy in many ways. Also, the progress reports indicated that the possible improvements through the study could result in savings of hundreds of millions of dollars; therefore, a larger staff than originally contemplated was assembled, and they continued their investigations beyond the date originally scheduled for completion. The progress then being made, and the improvements and savings being pursued, justified these steps. If the recommendations being developed in this study are put into effect, the cost of the study will be a small fraction of 1 percent of the savings to the Government.

As a result of the above developments, the Procurement Task Force study will cost us $209,000 rather than the $151,000 originally estimated. Therefore, the amount included in this submission for the procurement study is $58,000.

*3. Additional requirements for the printing of reports*

In past appropriations, $60,000 was made available for printing the final reports of the Commission to the Congress.

Since then the Commission has decided, as a matter of policy, that all reports of the task forces or study groups, as well as all Commission reports to the Congress, should be printed.

The cost of printing the reports of the first Hoover Commission was $81,000. When we reduced our estimates by $21,000 below the actual cost to the previous Commission, we were of the opinion that we would have fewer reports and since they covered functions or programs of Government, that they would be less voluminous.

We now find that our task forces have assembled a great volume of very informative analyses and statistics regarding a great number of expensive Government programs.

This material was assembled by consultants and experts who have outstanding capabilities in these various fields of Government work.

It, therefore, seemed to the Commissioners that the Members of Congress, the executive officials, the press, and the general public should have access to this very valuable digest of information regarding our Government.

Secondly, it seemed to our Commissioners that, since outstanding experts in these fields of work made these surveys and gave us the benefit of their experience and allowed us to capitalize upon their combined knowledge, their findings and recommendations to the Commission should be made available to the congressional committees and the public officials who will have to decide upon the implementation of our recommendations. In other words, if we considered them as "experts" to conduct these studies for us, then whether we agree with their findings or recommendations or not, we think that the Congress is entitled to have their views.

By prorating the cost of the reports already printed, to the reports yet to be printed, we find that the total printing costs will be $142,650. We now have $60,000. Therefore, our additional need to print all reports is $82,650.

*4. Additional requirement for extending the life of the Commission for 1 month*

As is usually the case in a gigantic study such as this, new leads continuously are developed. They, in turn, require that new areas be explored. In a number of task force studies these new leads and areas pointed to such substantial improvements and possible savings that good judgment dictated the need to extend the scheduled dates for the completion of the task force reports. The extensions increased the cost of these particular studies. As a result, savings from other task forces which completed their assignments at a smaller cost than originally contemplated were totally absorbed.

This late filing of staff papers and task force reports by two task forces (intelligence activities and depot utilization) which were started very late and by five which had their filing dates extended, is creating an impossible concentration of task force reports for Commission action in May. [(1) Procurement, (2) business organization of Department of Defense, (3) real property, (4) budget and accounting, and (5) water resources and power.]

Therefore, the Congress has been asked to extend the life of the Commission for the month of June and to provide a 90-day period for liquidation, and for editing and printing the final reports.

Practically all of the task forces will be liquidated by the first of June. Therefore, the funds needed in June are for:

| | |
|---|---|
| (a) Offices of the Commissioners | $21, 000 |
| (b) Staff officials and personnel | 22, 000 |
| (c) Other obligations (except printing) | 12, 000 |
| (d) Cost of certain personnel from task forces called back on a consulting or "when needed" basis | 5, 000 |
| Total cost for June | 60, 000 |

*5. Requirements for the editorial and liquidating staffs during July, August, and September*

The reports acted on during June would be rewritten, edited, and prepared for the printer in June and July. The reviewing of proof, the final printing and the publication of these reports will be completed by the end of August.

Also during August and by the end of September, the numerous details involved in the liquidation of an agency such as this would be completed.

The following tabulation gives the details on these needs:

| | |
|---|---|
| Office of the Chairman (1 part time and 3 full time) | $7, 245 |
| Office of Executive Director (1 part time and 1 full time) | 2, 280 |
| Office of Executive Secretary (4 persons) | 7, 520 |
| Office Services Section (6 persons) | 6, 570 |
| Research staff (2 persons) | 4, 610 |
| Editorial staff (2 part time and 2 full time) | 9, 600 |
| Total | 37, 825 |

*Analysis of needs*

| | |
|---|---|
| Estimated expenditures: | |
| April [1] | $130, 000 |
| May [1] | 105, 310 |
| June [1] | 60, 000 |
| July, August, and September editorial and liquidating staffs | 37, 825 |
| Other obligations for July, August, and September, except printing | 44, 870 |
| Printing reports ($18,990 available on Apr. 1 and $82,650 requested herein) | 101, 640 |
| Total estimated expenditures | 479, 645 |

[1] All expenditures except printing.

| | |
|---|---|
| Funds available on Apr. 1, 1955 | $216, 170 |
| Amount requested in this budget | 263, 475 |
| Total amount available if this request is approved | 479, 645 |

LEGAL REQUIREMENTS FOR ADEQUATE PARCEL POST RATES

Mr. GARY. Mr. Hollister, I notice in one of your reports to Congress dated May, 1955, under recommendation No. 11, you recommend that the Postmaster General shall, if the current rates do not cover all costs of the parcel post service, including indirect costs, seek a further increase of rates.

Mr. HOLLISTER. That was with respect to parcel post.

Mr. GARY. With respect to parcel post. In connection with that recommendation, apparently your Commission was not familiar with what has been done in this connection and, in order to keep the record straight, I would like to call your attention to the fact that when the parcel post law was first adopted, in the twenties, there was included a section which reads:

> The classification of articles mailable, as well as the weight limit, the rates of postage, zone or zones, and other conditions of mialability under sections 240, 293, and 294 of this title if the Postmaster General shall find on experience that they or

any of them are such as to prevent the shipment of articles desirable, or to permanently render the cost of the service greater than the receipts of the revenue therefrom, he is directed—

And I call your attention to the word "directed." It does not say he is authorized, but it says he is directed.

* * * subject to the consent of the Interstate Commerce Commission after investigation, to re-form from time to time such classifications, weight limit, rates, zone or zones or conditions, or either, in order to promote the service to the public or to insure the receipt of revenue from such service adequate to pay the cost thereof.

I have had the privilege of serving for several years as chairman of the Committee on Treasury and Post Office and we tried to get the Postmaster General to carry out the provisions of that section for a long time, but we failed to do so. The Postmaster General said he thought Congress ought to fix the rates. We told him that was not his prerogative to say; that he had been directed to do this. But in 1950, in response to the recommendation of our committee, the Congress wrote into the Supplemental Appropriation Act of 1951 a general provision which is permanent law, which provides that:

Hereafter none of the funds appropriated to the Post Office Department from the general fund of the Treasury shall be withdrawn from the Treasury until the Postmaster General shall certify in writing that he has requested the consent of the Interstate Commerce Commission to the establishment of such rate increases or other reformations (in addition to any specific increases or other reformations heretofore or hereafter authorized or prescribed by law) pursuant to the provisions of section 207 of the act of February 28, 1925, as amended, as may be necessary to insure the receipt of revenue from fourth-class mail service sufficient to pay the cost of such service: *Provided*, That the foregoing shall not be construed to require any increase in the postage rate, established by the act of April 15, 1937, for publications or records furnished to a blind person.

By that section the Congress said to the Postmaster General that he could not receive any funds from the Treasury until he had first applied to the Interstate Commerce Commission for sufficient rates to make the parcel post self-sustaining. And, since that time, the Postmaster General has on two occasions applied for increases in the rates referred to in these sections and, in each instance, has secured approval of the Interstate Commerce Commission so that today, presumably, the parcel post is paying its way. If it is not, then it is the duty of the Postmaster General under the law to apply for an increase in rates, and, unless he does, he cannot draw any money from the Treasury of the United States for the operation of his Department.

Mr. HOLLISTER. Yes, sir. We were fully aware of that. The question was raised and I think the task force referred to it, but certainly it was raised in the Commission. Of course the question of actual cost is always a difficult problem as to what costs are thrown into certain services; how much overhead is applied to this class of service, that class of service, and so forth.

I do not know what the Postmaster General expects to do. Anyway, the Commission felt the figures we had did indicate that parcel post was not carrying itself; therefore the Commission thought it ought to state that there should be a request for an increase.

Mr. GARY. This last increase just went into effect during the past fiscal year?

Mr. HOLLISTER. I would not know about that.

Mr. GARY. I think it has just recently gone into effect.

Mr. HOLLISTER. But we were aware of that statutory provision and thought we still ought to say something about the fact, inasmuch as the figures, as we understood, indicated there had been a recent loss, that an adjustment should be made.

Mr. GARY. I am thoroughly in accord with the view that parcel post should pay its own way. Several bills have been introduced to repeal the section to which I referred. I think a bill is pending in the Senate now. I hope it will not be repealed. But it seems to me if at the present time parcel post is not paying its way, then the Postmaster General should immediately, under those sections, request an increase in the rate.

Mr. HOLLISTER. That is exactly it.

Mr. ANDREWS. There is no doubt in your mind that the Postmaster General has the authority?

Mr. GARY. Not only the authority, but he cannot get any money out of the Treasury unless he does. And the Treasury has no business paying him any money unless he does.

Mr. ANDREWS. How long has it been since your committee made the recommendation that the rates be increased?

Mr. GARY. Our committee has not made a recommendation, because an application was filed with the Interstate Commerce Commission immediately after the provision was added in 1950. Then another application was filed which has just recently been approved by the Commission. Naturally it would require some study as to the effect of these increases to determine whether parcel post is now paying its way. But there have been two increases since this section was put into effect.

(Discussion off the record.)

Mr. ANDREWS. Mr. Taber, do you have any questions?

Mr. TABER. I do not believe I have any questions at this time.

Mr. ANDREWS. Mr. Wilson?

Mr. WILSON. I would like to ask if the Hoover Commission is reasonably sure that they will be able to wind up their operations on time?

Mr. HOLISTER. Yes; with the extension. We have just told everybody that it has got to be done. In fact, I am disappointed that we did not finish up in the original time, but we were faced with unforeseen delays. We will be able to finish up within the time indicated.

Mr. WILSON. Would such funds as remain automatically revert to the Treasury as of the date the time expires?

Mr. HOLISTER. Yes; I so understand.

Mr. ANDREWS. Thank you very much, gentlemen.

Mr. HOLISTER. Thank you, Mr. Chairman.

# LIST OF WITNESSES

# INDEX