

URGENT DEFICIENCY APPROPRIATION BILL FOR 1950

**HEARINGS
BEFORE THE
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
EIGHTY-FIRST CONGRESS
SECOND SESSION
ON
H. R. 7207**

**AN ACT MAKING APPROPRIATIONS TO SUPPLY URGENT
DEFICIENCIES IN CERTAIN APPROPRIATIONS FOR
THE FISCAL YEAR ENDING JUNE 30, 1950,
AND FOR OTHER PURPOSES**

Printed for the use of the Committee on Appropriations



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URGENT DEFICIENCY APPROPRIATION BILL, 1950

THURSDAY, FEBRUARY 16, 1950

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met at 2 p. m., pursuant to call, in the Senate Appropriations Committee room, the Capitol, Hon. Kenneth McKellar (chairman) presiding.

Present: Senators McKellar, Hayden, Ellender, McClellan, Gurney, Cordon, and Russell.

Chairman McKELLAR. The committee will come to order.

We are meeting this afternoon to take up an urgent deficiency appropriation bill for 1950. We will first hear from the Atomic Energy Commission.

ATOMIC ENERGY COMMISSION

SUMNER T. PIKE, ACTING CHAIRMAN; H. D. SMYTH, COMMISSIONER; GORDON E. DEAN, COMMISSIONER; CARLETON SHUGG, DEPUTY GENERAL MANAGER; WALTER J. WILLIAMS, DIRECTOR OF PRODUCTION; CAPT. JAMES S. RUSSELL, U. S. N., DEPUTY DIRECTOR, DIVISION OF MILITARY APPLICATION; DR. KENNETH S. PITZER, DIRECTOR OF RESEARCH; DR. LAWRENCE R. HAFSTAD, DIRECTOR OF REACTOR DEVELOPMENT; F. J. McCARTHY, DEPUTY BUDGET DIRECTOR; JOSEPH VOLPE, JR., GENERAL COUNSEL; E. HOLLIS, DEPUTY GENERAL COUNSEL

JUSTIFICATION FOR INCREASED AUTHORIZATION

Chairman McKELLAR. Without objection, the Atomic Energy Commission justification will go into the record at this point:
(The justification follows:)

Salaries and expenses, Atomic Energy Commission, 1950 (H. Doc. 456)

Request, In contract authority, for 6 months from Jan. 1..... \$87,650,000
Funds available:

	Fiscal year 1950 estimate			Fiscal year 1951 estimate
	Available to date	Supplemental request	Total	
Annual appropriation.....	\$702,930,769	0	\$702,930,769	\$726,100,000
Contract authorization.....	387,189,628	\$87,630,000	474,829,628	\$33,500,000
Unobligated balances.....	44,857,874	0	44,857,874	0
Total available.....:	1,134,978,271	\$87,630,000	1,222,628,271	1,056,600,000
Less:				
Transfers to other Government agencies.....	4,722	0	4,722	4,900
Cash to liquidate prior-year contract authorization.....	-375,000,000	0	-375,000,000	-400,000,000
Total available for obligation.....	759,973,549	\$87,630,000	847,623,549	500,505,100

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Salaries and expenses, Atomic Energy Commission, 1950 (H. Doc. 466)—Con.

Obligations to Dec. 31, 1949.....	\$143,821,901
Expenditures to Dec. 31, 1949.....	257,461,507
Employment:	
Average number, current appropriation.....	4,996
Number involved this estimate.....	0
Actual employment, Dec. 31, 1949.....	4,828

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

To finance construction already initiated, of additional facilities for the increased production of fissionable materials to meet production goals approved by the President, subsequent to the submission of the 1950 estimates to the Congress. The estimated cost of additional facilities to be obligated in 1950 is \$188,594,000, of which amount \$100,944,000 will be financed from funds presently available to the Commission.

EXPLANATION OF LANGUAGE

The purpose of the language is to delete the provisions in the Commission's 1950 Appropriation Act, as amended, pertaining to the Commission's construction program. The Commission's program is one of rapidly changing requirements and new technical developments. It is not possible to plan many construction projects in detail years or even months in advance of actual construction. Budget estimates must, however, be prepared at least a year and normally some 18 months or more in advance of construction. In order to provide funds in time for actual construction and thus avoid damaging delays on important construction projects, many budget estimates are necessarily prepared on the basis of preliminary designs or estimates. Some of these projects are of such urgency that actual construction work itself must be commenced before final detailed plans and reliable cost estimates are available.

The Commission has previously expressed its concern that the construction provisions might delay vital construction projects. Among the intangible but nonetheless real factors which delay construction are the reluctance of contractors in view of these construction provisions to proceed with necessary speed in the absence of firm cost estimates and the cumbersome procedures for processing reports and obtaining approvals in compliance with the provisions. It is by no means clear that the adoption by the Congress of the last proviso as an amendment to the construction provisions has solved these problems.

In formulating and administering instructions for compliance with the construction provisions, the Commission has become increasingly aware of the time-consuming administrative work which accompanies the processing and obtaining of reports and approvals. This work has resulted in a serious drain on the time and energies of persons directly in charge of important construction activities.

The Commission has also previously expressed its concern that the construction provisions may tend to destroy incentive among Commission contractors to estimate construction costs as low as possible; low-cost estimates are in themselves often conducive to low construction costs.

Obligations by objects

Object classification	Revised regular program	Expansion program	Revised total 1950
Total number of permanent positions.....	5,520	0	5,520
Average number of all employees.....	4,996	0	4,996
01 Personal services:			
Permanent positions.....	\$21,062,873	0	\$21,062,873
Part time and temporary positions.....	310,049	0	310,049
Regular pay in excess of 64-week base.....	85,493	0	85,493
Payment above base rates.....	843,227	0	843,227
Pay increases, Public Law 429.....	505,435	0	505,435
Total personal services.....	22,807,082	0	22,807,082
02 Travel.....	1,647,525	0	1,647,525
03 Transportation of things.....	3,201,725	0	3,201,725
04 Communication services.....	1,669,274	0	1,669,274
05 Rents and utility services.....	11,229,626	0	11,229,626
06 Printing and reproduction.....	417,091	0	417,091
07 Other contractual services.....	260,581,964	0	260,581,964
Services performed by other agencies.....	37,413,550	0	37,413,550

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Obligations by objects—Continued

Object classification	Revised regular program	Expansion program	Revised total, 1950
08 Supplies and materials.....	\$50,438,959	0	\$50,438,959
09 Equipment.....	19,387,028	0	19,387,028
10 Lands and structures.....	249,337,325	-\$189,594,000	437,931,325
11 Grants, subsidies, and contributions.....	782,900	0	782,900
13 Refunds, awards, and indemnities.....	15,500	0	15,500
Unvouchered.....	100,000	0	100,000
 Total obligations.....	 650,029,549	 188,594,000	 847,623,549
Estimated unobligated balance.....	100,943,000	-100,943,000	0
 Total new obligating authority.....	 750,972,549	 87,651,000	 847,623,549

Accrued costs by activities

Description	Revised regular program	Expansion program	Revised total, 1950
1. Operations (accrued cost basis):			
(a) Source and fissionable materials.....	\$127,190,404	0	\$127,190,404
(b) Weapons.....	113,801,626	0	113,801,626
(c) Reactor development.....	33,621,000	0	33,621,000
(d) Physical research.....	31,377,238	0	31,377,238
(e) Biology and medicine.....	18,983,042	0	18,983,042
(f) Community operations.....	8,053,548	0	8,053,548
(g) Program direction and administration.....	22,730,489	0	22,730,489
(h) Pay increases.....	505,435	0	505,435
 Total.....	 350,267,782	 0	 350,267,782
2. Plant and equipment (accrued cost basis):			
(a) Production facilities.....	123,857,769	+\$25,000,000	148,857,769
(b) Research facilities.....	121,890,834	0	121,890,834
(c) Community facilities.....	53,422,236	0	53,422,236
(d) Administrative facilities.....	793,104	0	793,104
(e) Multipurpose facilities.....	16,665,206	0	16,665,206
 Total.....	 318,629,149	 +\$25,000,000	 341,629,149
Total costs incurred.....	672,896,931	+\$25,000,000	697,896,931
Increase (+) or decrease (-) in— Stores inventories.....	-4,539,070	0	-4,539,070
Contractors' working capital.....	-20,080,834	0	-20,080,834
Net unliquidated obligations.....	+\$16,752,522	+\$163,504,000	+\$174,256,522
 Total obligations.....	 650,029,549	 +\$188,594,000	 847,623,549

GENERAL STATEMENT

I. EXPANSION PROGRAM

This supplemental appropriation request for the fiscal year 1950 is to provide additional contract authority required to finance the Commission's program for the expansion of plant facilities. These facilities are required in order to meet the production goals approved by the President. In October 1949, the President gave general approval to a plan for the initiation of the expansion program with funds presently available to the Commission, with the understanding that a supplemental appropriation would be requested early in this session of the Congress. At the request of the President the plan for the expansion program was discussed by the Commission with members of the Appropriations Committees of the House and Senate and the Joint Committee on Atomic Energy.

The production of greatly expanded quantities of fissionable materials will require an expansion in the immediate future of the production facilities of the Atomic Energy Commission and immediate appropriation of funds over and above those presently provided for the fiscal year 1950. The requested appropriation will provide for the capital costs of plant additions and new facilities; increased operating costs anticipated will be covered in future budget submissions.

The construction plan has been developed, through comprehensive study by the Commission, as the most economical method of approaching the desired production rates and represents an integrated and balanced combination of produc-

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tion capacities and storage facilities. The component parts of this integrated plan represent such an interrelation of production plants and schedules that deletion or curtailment of any phase will result in impairment to the over-all program, either in failure to achieve the production goals or in an uneconomical arrangement of operations.

In October 1949 the Commission prepared an estimate for the expansion program. At that time the total estimated cost was \$319,000,000, of which \$52,000,000 was for the Tennessee Valley Authority and \$267,000,000 was for the Commission. Of the latter amount \$234,500,000 was for obligation in 1950 and \$32,500,000 was for obligation in 1951. At that time the President approved the initiation of this program by the use of \$30,000,000 of existing budget reserves in anticipation of a supplemental estimate to be submitted to the Congress early in January 1950, and notified the Appropriations Committees of the House and Senate and the Joint Committee on Atomic Energy concerning his action. At the request of the President, the Commission discussed the details of the program with these committees.

As a result of further reviews, reductions of \$46,000,000, reflecting the elimination of one of the proposed construction items and of a reserve for unforeseen projects, have been made in the estimated cost of the Commission's portion of the program. The total presently estimated cost of the expansion program, exclusive of the cost of construction of power facilities to be requested by the Tennessee Valley Authority, is \$221,000,000. Of this amount \$188,594,000 is required for obligation in fiscal year 1950 and the balance of \$32,406,000 has been included in the Commission's 1951 budget estimates.

The President's budget for the fiscal year 1951 indicated a total of \$226,000,000 for the Commission's portion of the expanded program of which amount \$193,594,000 was to be obligated during the fiscal year 1950. A further review of the program indicated a reduction of \$5,000,000 to be applied to the 1950 obligations.

II. 1950 FUNDS PRESENTLY AVAILABLE TO BE APPLIED TO EXPANDED PROGRAM

Under the provisions of the Independent Offices Appropriation Act, 1950, there has been provided a total of \$760,000,000 for new obligations. The revised 1950 program of the Commission, excluding requirements for the expanded program, as indicated in the President's 1951 budget, would require 695.1 million dollars leaving a surplus of 64.9 million dollars to be applied to the expanded program.

After the submission of the President's budget a further review of the 1950 program by the Commission indicated a further net reduction of 36.1 million dollars. The major factor in this reduction was the Commission's decision, in view of very favorable technical developments, to defer indefinitely the construction of a major facility at Hanford. These additional adjustments together with the 64.9 million dollars of savings for 1950 indicated in the President's 1951 budget will provide a total of 101 million dollars to apply against the 1950 requirements of 188.6 million dollars for the expanded program, or a supplemental requirement of 87.6 million dollars.

III. SUPPLEMENTAL ESTIMATE

The additional contract authority required for the fiscal year 1950 has been estimated as follows:

	Estimated obligations, fiscal year 1950			Indicated supplemental (total requirements minus availability of \$730,773,540)
	Regular program	Expanded program	Total	
1. 1950 program as submitted in President's budget for fiscal year 1951.....	\$605,119,549	\$193,594,000	\$888,713,549	\$126,740,000
2. Reductions effected subsequent to submission of 1951 budget.....	-60,480,000	-5,000,000	-65,480,000	-65,480,000
3. Revised program requirements.....	634,639,549	188,594,000	822,233,549	63,200,000
4. Additional requirements arising since submission of 1951 budget:				
(a) Projects advanced from 1951 budget.....	15,799,000	0	15,799,000	15,799,000
(b) New projects.....	5,985,000	0	5,985,000	5,985,000
(c) Other increases.....	2,005,000	0	2,005,000	2,005,000
Revised estimate.....	650,029,549	188,594,000	837,623,549	57,650,000

DETAILED JUSTIFICATION

I. DETAILS OF EXPANSION PROGRAM

The projects under the expansion program, for which obligations of \$188,594,000 will be incurred in 1950, are as follows:

Project No. 1—Feed plant, Oak Ridge, \$1,230,000

Expansion of capacity of facilities used in preparation of uranium hexafluoride feed for the diffusion plant to provide additional feed capacity required.

The achievement of the desired U-235 production rate, which depends not only on the size of the diffusion cascade but also on the rate of feed of UF₆, requires a feed rate greater than the capacity of the processing plant provided under present budgets. An expansion of the feed plant capacity is therefore essential.

Project No. 2—Additional waterworks for pile (Hanford), \$84,984,000

This proposed waterworks will be located in the general vicinity of the existing water plant. It will be of sufficient capacity to supply the additional cooling water required for maximum level of operation.

The most economical approach to further production expansion logically is the provision of waterworks to supply the additional cooling water requirements for such an expansion.

Project No. 3—Diffusion cascade addition and alterations to electrical system, Oak Ridge, \$162,400,000

The new plant will consist of a cascade addition to the existing plants and the plant which is now under construction. It is to be located adjacent to existing plants. The electrical requirement is to be strengthened so that the power required for the proposed plant can be received from TVA and distributed to the plant.

The established U-235 production goals cannot be met without an increase in the capacity of the isotope separation facilities. The most economical expansion of capacity is obtainable by adding more stages to the Oak Ridge plants. The size and capacity of the cascade addition is the minimum required for obtaining the new production goals, making maximum use of the expected supplies of raw materials. The physical design is based on the most economical construction and operational flexibility. The existing power network in the gaseous diffusion area will require extensive alteration and strengthening to permit it to handle and distribute additional power required for the new plant that is to be supplied from the TVA system.

Additional justifications of a classified nature will be made available upon request.

II. REDUCTIONS EFFECTED SUBSEQUENT TO SUBMISSION OF 1951 BUDGET

The reductions in the regular 1950 program are as follows:

(a) Deferral of construction of a major facility at Hanford.....	\$54,000,000
(b) Decrease in fund requirements for construction of weapons facilities due principally to estimated receipt of materials and services from other Government agencies without charge.....	3,700,000
(c) Decrease in fund requirements for operating costs of weapons program due to estimated receipt of materials and services from other Government agencies without charge.....	1,250,000
(d) Reductions in estimated cost of Hanford records storage facility from \$314,000 to \$214,000.....	100,000
(e) Reduction in estimated cost of Los Alamos community facilities.....	1,430,000

III. ADDITIONAL REQUIREMENTS ARISING SINCE SUBMISSION OF 1951 BUDGET

The additional requirements arising since submission of the 1951 budget and the details thereof are set forth below:

A. Projects advanced from 1951 budget, \$15,799,000

1. *Materials testing reactor, Arco, Idaho, \$15,599,000.*—Funds for this project in the amount of \$12,000,000 were included in the 1950 budget submitted to the Congress. At the time the 1951 budget estimates were prepared, the estimated total cost of the project had been revised and it appeared that the contract for construction could not be let before June 30, 1950. Therefore, the 1951 budget

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reflects a total estimated cost of \$17,599,000 of which amount \$2,000,000 for design costs would be obligated in 1950 and \$15,599,000 for construction would be obligated in 1951. In view of recent developments, the construction contract is now scheduled for letting in the month of February 1950 with a tentative completion date of December 31, 1951. Therefore the amount indicated for obligation in 1951 will now be required in 1950 and an amendment reducing the 1951 estimates by a like amount will be submitted.

2. Architect-engineer contract for chemical processing plant, Arco, Idaho, \$200,000.—Preliminary design work has been started for a chemical processing facility for which fiscal year 1950 funds in the amount of \$200,000 are already available. By March 1, 1950, this work will have reached a point where it will be necessary to employ an architect-engineer for the design of the chemical processing plant.

The above-required amount was requested in the fiscal year 1951 budget but due to the work advancement at the station, this amount must be advanced to fiscal year 1950. Appropriate amendment to the fiscal year 1951 budget will be submitted as a result of this advancement.

B. New projects, \$5,985,000.

1. Heavy-water production plant, \$500,000: Final site selection has not been determined, but surveys are presently underway. The process to be employed is the low-temperature distillation of extremely large volumes of hydrogen. For this reason the plant will probably be located adjacent to and on the property of a large synthetic-ammonia or synthetic-fuel plant where major quantities of hydrogen are available as off gases and can be used as feed for the heavy-water plant. The principal items of equipment are large reciprocating-type compressors, hydrogen-gas expansion turbines to provide refrigeration, reversing-type heat exchangers, a large primary-distillation aluminum tower, and smaller secondary tower. Welded aluminum piping is to be used throughout.

The total estimated cost for this project of \$5,000,000 is based on a preliminary design study performed by Hydrocarbon Research, Inc. Five hundred thousand dollars is being requested in fiscal year 1950, and the balance of \$4,500,000 required will be requested in an amendment to the 1951 budget. Many of the items of equipment are standard and are based on commercial prices. On the nonstandard items such as the aluminum towers, etc., informal bids have been received and included in the estimate.

2. Architect-engineer contract for new reactor, reactor testing station, Arco, Idaho, \$2,000,000: A contract is planned for the design of this reactor in May 1950. Further details of this estimate are classified and will be made available upon request.

3. Additional construction for weapons program, \$1,485,000: The details of this project are classified and will be made available upon request.

4. High-current accelerator, University of California Radiation Laboratory, Berkeley, \$2,000,000: To begin site procurement and development and preliminary engineering designs for the construction of a high-current linear accelerator. It is estimated that the total cost of this project will be \$7,000,000, of which \$2,000,000 in obligational authority is being requested in 1950 when the balance of \$5,000,000 required will be requested in an amendment to the 1951 budget. Further details of a classified nature are available.

C. Other increases, \$2,606,000

1. Site development, Arco, Idaho, \$1,080,000:	
Railroad spur.....	\$720,000
Construction power line.....	10,000
Telephone-service line.....	10,000
Temporary access road.....	1,00,000
Water supply.....	200,000

Total..... 1,080,000

The above amount is required for site-development work as a result of a time advancement and is directly related to the scheduled advancement for the materials-testing reactor and the experimental breeder reactor. However, this amount was not included in the fiscal-year-1951 budget estimates.

Extension of rail facilities to the actual construction sites are necessary as a safety measure due to the nature of the material to be handled. Trucking of such materials over State highways while crossing or entering the sites would present

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intolerable hazards, particularly in view of the climate and resultant normal road hazards in the area.

These facilities are required by the end of fiscal year 1950 in order that construction work on the major projects can be expedited.

Item	Quantity	Unit cost	Total cost
Dump trucks (10-ton).....	20	\$12,000	\$240,000
Power wagons.....	8	1,800	12,000
Fork lift.....	5	4,000	20,000
Euclid bottom-dump wagons.....	2	16,000	32,000
Boow plow.....	1	18,000	18,000
Cranes (50-ton).....	2	35,000	70,000
Flat-rack trucks (5-ton).....	5	8,000	40,000
Semiitype trailers (10 to 15 tons).....	4	4,000	16,000
Total.....			422,000

2. Equipment for reactor test station, Arco, Idaho, \$423,000: The additional equipment is necessary for construction and maintenance purposes necessitated by the advance in schedule for construction at the reactor test station.

3. Warehouse, reactor test station, Arco, Idaho, \$210,000: A warehouse is immediately required to supplement the limited warehouse facilities acquired from the Navy and to service the advancing program at Arco. This facility is required in order that operational and certain construction supplies, materials, and equipment may be kept free of weathering conditions. In view of the advanced program at Arco, this facility must be under construction contract during fiscal year 1950.

4. Equipment repair shop, reactor testing station, Arco, Idaho, \$180,000: The equipment repair shop is urgently needed to provide for the repair of surplus and/or damaged equipment received at the project. Facilities acquired from the Navy were limited and at present there is no building which may be used for this purpose. A construction contract for this shop must be let during fiscal year 1950, since equipment will arrive at the station during this period.

5. Pile complex, Brookhaven National Laboratory, \$423,000: For extensive repairs to the air ducts, plenum chamber, and pile structure immediately prior to start of pile operation.

6. 60-Inch cyclotron, Van de Graaff & Bldg., Brookhaven National Laboratory, \$47,000: To cover additional design and engineering costs, additional shielding, additional experimental facilities, and underestimates of labor costs and time to complete project.

7. Cosmotron, Brookhaven National Laboratory, \$243,000: For improved insulation of magnet core, additional shielding about the magnet, and minor changes in structural components.

Chairman McKELLAR. I have a letter here, Mr. Pike. Would you like for that to go into the record?

Mr. PIKE. Yes, sir; I think it should.

Chairman McKELLAR. Without objection, it will go into the record at this point.

(The letter referred to follows.)

UNITED STATES ATOMIC ENERGY COMMISSION,
Washington 25, D. C., February 10, 1950.

Hon. KENNETH MCKELLAR,
Chairman, Committee on Appropriations,
United States Senate.

DEAR SENATOR MCKELLAR: On February 9, 1950, the House of Representatives passed the urgent-deficiency-appropriation bill, 1950 (H. R. 7207), in which additional contract authority for fiscal year 1950 in the amount of \$78,885,000 was included under the heading "Atomic Energy Commission". The amount approved by the House reflects a reduction of \$8,765,000 in the budget request of \$87,650,000.

The request for \$87,650,000 of additional contract authority was necessitated by the need for expansion of facilities for the production of fissionable materials approved by the President in October 1949. On October 19, 1949, at the request

of the President, representatives of the Commission appeared before your committee to outline the details of the proposed expansion program and to indicate that additional funds required for this purpose would be sought as early as possible in the current session of the Congress.

The report of the House Appropriations Committee on H. R. 7207 does not set forth any specific reason for the reduction. The report, however, does indicate committee approval of the expansion program, and the committee's views that, with funds available to the Commission plus the amount made available in the current bill, the reduction recommended will not prevent the expansion program from moving forward expeditiously due to lack of funds or authorization.

Prior to the submission of the estimates to the Congress, the Commission made a comprehensive review of its 1950 program in an effort to apply the maximum amount of funds and contract authorization presently available to financing the expansion program. As a result of this review it was found that a total of \$100,943,000 could be made available, leaving a net supplemental requirement of \$87,650,000. It is possible that there will be additional savings sufficient in amount to offset the reduction made by the House. It should also be noted that the cost estimates for the items listed in the expansion program may vary due to the lack at this time of detailed plans and specifications. There will also be budgetary adjustments necessitated by the decision to proceed with the so-called hydrogen bomb as recently announced by the President. In view of all of the foregoing considerations, the Commission does not request an amendment to the amount provided in the House bill. However, should the need arise for additional amounts, it will be necessary to request further appropriations during the current fiscal year.

In addition to the request for increased contract authority for the fiscal year the President's submission also requested the deletion of the provisos pertaining to construction projects of the Atomic Energy Commission contained in the Independent Offices Appropriation Act for 1950 under the heading "Atomic Energy Commission," as amended by Public Law 422, Eighty-first Congress. The House bill makes no provision for the deletion of these provisos, and no mention is made of this request in the committee's report. The President's budget for the fiscal year 1951 also requests the deletion of these provisions from the appropriation applicable to that fiscal year. In view of the House action, the urgency of this supplemental appropriation, and the requested deletion of the provisos for fiscal year 1951, we are not proposing an amendment to H. R. 7207.

Representatives of the Atomic Energy Commission will be glad to appear before your committee for such hearings as you may deem necessary.

Sincerely yours,

UNITED STATES ATOMIC ENERGY COMMISSION.
SUMNER T. PIKE, Acting Chairman.

Chairman McKELLAR. Do you want to say whether it should be an open or closed hearing?

Mr. PIKE. Most of it, sir, can be open, I am sure. There may be some questions come up which should be answered off the record.

Chairman McKELLAR. If they do, you can call attention to them.

Mr. PIKE. I think some of the questions may take us off the record.

Senator ELLENDER. Let us keep it an executive session.

Chairman McKELLAR. All in favor of the executive session will say "Aye."

The motion is carried.

Very well, Mr. Pike; you may proceed in your own way.

GENERAL STATEMENT

Mr. PIKE. As you know, Mr. Chairman, this is a matter on which we informed your committee last fall in advance that we were going to have to do a considerable amount of construction to meet the military requirements of the next several years, and we received permission to start ordering and planning. We told you that we would be up this winter for the remainder of the money.

Very fortunately, during the winter various savings have shown up that could be made, and we have lumped in one or two smaller things that needed to be done, so we are asking for a very much smaller amount than what would have been necessary.

HOUSE ACTION

The House gave us an extensive hearing, and they came to the conclusion that if they cut us 10 percent we would probably get along within that amount. We are not sure that we can, but we will try, and we are willing to go along under the deduction that the House gave us.

Senator GURNEY. As far as you are concerned, the amount fixed in the bill now before us by the House is all right?

Mr. PIKE. Yes. It is pretty hard with this big construction project to know whether we can do it, but we think probably we can. It is in the area where a good deal depends on wage rates and material rates. We have every confidence that we can. If it turns out that we cannot, we probably will be up again.

Senator GURNEY. There is no danger of your stopping any project that you feel should be going ahead, is there?

Mr. PIKE. No, sir. As a matter of fact, the main projects, with your permission, have all been started. The ordering is done for those things that will take the longest time to get finished.

PROGRESS AT HANFORD PROJECT

In the case of the work at Hanford, the work is well on. In the case of the work at Oak Ridge, it is in an earlier stage, but that is a much larger project. Those are the two main things.

We really gained about 6 months by asking your permission last October to go ahead with the initial phases of it. Time, of course, is extremely important.

I think that perhaps Mr. Shugg has the budget figures better in mind, and I believe he has the material on it.

Chairman McKELLAR. Very well.

Will you proceed, Mr. Shugg?

Mr. SHUGG. Mr. Chairman, it may be clearer to speak first to the items of work which bring us up here and then later speak to how we visualize financing them.

AMOUNT FOR MAJOR PROJECTS

The items of work which bring us up here are on page 8 of this summary presentation. There are just three main items there on page 8, totaling \$188,594,000. Those are three pieces of the over-all expansion program which we first spoke to you about last fall. We have in these copies which we have brought in for you, because they are classified, a more extended explanation of those three items.

Those three items totaling \$188,600,000 are just straight expansion of production facilities. The need for those and the preparation of the budget on those items was performed last summer and fall. It is a representation by the Commission of what it needs to do in order to meet the prescribed production rates.

REVISED ESTIMATE OF TOTAL EXPANSION PROGRAM

Now, as to those three items totaling \$188,000,000, if you will remember, last fall we spoke of the estimated cost of the total expansion program as \$310,000,000. That has been reduced since that presentation. We first were able to eliminate items totaling \$40,000,-000. The power supply needed for these items is now contained in the Tennessee Valley Authority presentation, and that totals \$82,000,-000, bringing our requirements for the Atomic Energy Commission down to \$221,000,000.

RECAPITULATION OF FINANCING NEEDS FOR 1950 AND 1951

A portion of that will be started during fiscal 1951 and is contained in our regular 1951 budget request, in the amount of \$32,500,000.

That brought the original figure of 310 million dollars down to our need for 188.0 million dollars for the fiscal year 1950.

I would be very glad to answer any questions on that, sir, if you desire, or go on to know how that might be financed.

Chairman McKELLAR. Go right ahead.

CASH AND CONTRACT AUTHORITY ALLOWED FOR FISCAL 1950

Mr. SHUGO. On page 7 is the best explanation of that. If we may start with the amount that the Congress appropriated for fiscal year 1950, it totaled, in cash and contract authority for new obligations, 720.8 million dollars.

Chairman McKELLAR. What page is that on in your justification? It does not appear on there.

Mr. SHUGO. I was going to explain, sir, the figure in the upper left-hand corner of page 7, which is \$695,000,000. That is the total of our 1950 program as it appears in our presentation of the 1951 budget, and I was just saying a preliminary word to show how we arrived at the \$695,000,000.

Chairman McKELLAR. Very well.

EFFECT OF OBLIGATIONS COMMITTED IN FISCAL 1949

Mr. SHUGO. Going back to the action of Congress, the total allowed by Congress was 720.8 million dollars. But during the fiscal year 1949 we obligated 20.3 million dollars of items which we had presented to you as being in the 1950 program. The chief part of that 20.3 million dollars was advance work on the test.

Since we had obligated that amount ahead of time, in fiscal 1949, a corresponding amount was placed in budgetary reserve, requiring us, in round figures, to adjust our program for the current fiscal year to \$700,000,000. Several reviews were undertaken last summer and fall and we were able to make further miscellaneous adjustments which brought our 1950 program down to \$695,000,000. That is the figure at the upper left-hand corner of page 7.

Now, at the time of facing this need for further obligating authority, it is not cash that we are asking for, sir, it is contract authority. We, of course, had to examine how much of our present 1950 program could be used to finance that.

The left-hand column on page 7 attempts to show, first of all, that since we submitted the fiscal 1951 budget, showing our 1950 program at \$895,000,000, we have been able to effect further reductions of \$60,480,000.

Senator ELLENDER. How was that accomplished?

DEFERRAL OF CONSTRUCTION FACILITY AT HANFORD

Mr. SHUGA. That is detailed on page 9 of this summary statement. The biggest item is a deferral of construction of a major facility at Hanford. That was made possible by a technical advance that we simply did not know about last spring or summer.

Senator ELLENDER. Does that mean you are not going to have use for that money in the future?

Mr. SHUGA. That is indefinitely deferred; it is the same as canceled; yes, sir. Yet we will get through this new technical advance the results of that plant by incorporating it in another plant that we are to build, without having to build this one.

Then there are many more savings listed on page 9 which, as I say, can make a reduction in our current fiscal 1950 program of \$60,480,000.

ACCELERATION OF PROJECTS PROPOSED

At the same time that we show you that, sir, we have to also state that there are some additional items. The additional items are the three groups in the lower left-hand column of page 7. We have divided them for the sake of clarity into three classes. The first are projects which we had originally planned to request your authority to do in 1951, but we now need to move them up. We need to accelerate that work totaling \$15,700,000. We need to do that in the current fiscal year. Of course, we have sent up to the Congress an amendment reducing our fiscal 1951 budget request.

Senator ELLENDER. Did I understand you to say that something is going to be built which makes this construction costing \$54,000,000 now unnecessary?

Mr. SHUGA. Yes, sir. We have from the Congress authorization to build another facility that is slightly different in type.

Senator ELLENDER. Where would that be built?

Mr. SHUGA. That is at Hanford also, sir.

Senator ELLENDER. At the same place?

Mr. SHUGA. Yes. But technically we know now how to combine the two processes and get out of one what we thought we would have to use two for. So that, in speaking to the additional needs that have come up, there is the first group, detailed on page 10 and totaling \$15,700,000, which was all in our 1951 budget presentation. We now request your authority to move it ahead and do it in fiscal 1950.

ESTIMATE FOR REACTOR

The biggest item there is \$15,500,000 for a reactor, and we already spoke to the Congress on that last spring. We had intended to undertake it this year, and then it appeared that we could not, but now again we believe we can. So we would like to move that forward from 1951 and make the corresponding reduction in our 1951 request.

The other item is of similar nature, totaling \$200,000. In addition to projects moved forward from 1951, we have \$5,985,000 of new projects which are outlined on page 11, and in much more detailed form in this classified presentation.

Those new projects, sir, which we request congressional authorization to undertake as stated here, two of them do involve a further request for obligational authority in 1951. But we are not asking for half a building; we are not splitting a building and asking for a piece of a whole.

DESIGN COST OF HEAVY-WATER PRODUCTION PLANT

For instance, of those projects on page 11, the first of that \$5,985,000, is the request for your authorization for the design of a heavy-water production plant. Then we intend to ask for authorization to undertake the construction of it in fiscal 1951.

MISCELLANEOUS INCREASES

In addition to those totaling \$5,985,000, there are several smaller miscellaneous increases totaling \$2,608,000. Those are detailed on page 12 and are brought in here, sir, because at the time we looked at the financing of this program we wanted to bring up to date every plus-or-minus change that had taken place and be able to show here how much of this program we could finance.

NET REDUCTION OF OBLIGATING AUTHORITY FOR 1951

Senator ELLENDER. Can you give us in round numbers the amount of additional money that you require for the 1950 budget that would be deducted from 1951? Just give it in round figures. You said a while ago that the \$15,599,000 appearing on page 10 is deducted, as I understand it, from the 1951 budget.

Mr. SHUGG. Yes, sir.

Senator ELLENDER. That is because you would build it earlier?

Mr. SHUGG. This year instead of next.

Senator ELLENDER. How much more of the amount that you are now asking for would be similarly deducted from the 1951 budget?

Mr. SHUGG. That \$15,799,000 is the only deduction of new obligating authority. To offset that, under those new projects, under 4-B there, I pointed out that we will need an increase in our 1951 budget of \$9,500,000. That amount makes the net reduction in the 1951 budget of \$6,300,000 in new obligating authority.

At the same time, we will need less cash to liquidate. So that our amendment to the 1951 budget includes a reduction of \$10,000,000 in cash to liquidate, making the total reduction in the 1951 budget \$16,300,000. These three groups of additional items on page 7, 4-A B, and C, total \$24,390,000. Of course, that offsets some of the \$60,000,000 saving or reduction that we pointed out above, and makes a new net contribution to this financing of \$36,000,000.

That, added to our previous budgetary reserves, makes it necessary for us to ask, as we asked the House, for \$87,850,000, because we have, out of our total availability, the \$101,000,000 additional to make up the total expanded program of \$188,000,000.

Senator GURNEY. Are you through? May I ask a question?
Mr. SHUGG. Yes, sir.

OAK RIDGE POWER SUPPLY

Senator GURNEY. I notice in this supplemental request from the Bureau of the Budget that money was requested by the TVA to supply more current to Oak Ridge. I note in your justification that the job this other plant has been doing will be taken care of by a modernized plant at Oak Ridge. That appears on page 1 of your classified document here.

Mr. SHUGG. Yes, sir.

Senator GURNEY. Do you think that if it were left in this other plant it would thereby reduce the demand for increased current at Oak Ridge?

Mr. SHUGG. That unit, sir, which is being moved from that plant to Oak Ridge is not the big user of power. It uses very little. And the reason why a very great economy results from putting it at Oak Ridge is because its output will then feed directly into the big Oak Ridge processing plant, instead of having to be transported by cylinders.

The unit which takes the additional power, sir, on the classified presentation there is project No. 30 on page 2, the \$162,000,000 unit. That is the one for which we need so much extra power from TVA.

Senator GURNEY. You are going to build that at Oak Ridge?

Mr. SHUGG. The site, sir, I am not sure has been finally settled by TVA.

Senator GURNEY. You have settled it at Oak Ridge?

Mr. SHUGG. The site of the plant; yes, sir.

The reason for that is that this plant feeds almost like a continuous belt and feeds right in. Although a chemical process, it feeds into the preceding plants.

Senator GURNEY. Do not give me any more information. Someone may think I have become an informed authority on atomic energy. You have answered my question. Thank you, very much.

Senator ELLENDER. Would you be able to tell us how much of the power that is utilized at Oak Ridge is generated by TVA?

The main purpose of my question is justification of the money that you are now asking be spent at TVA.

Mr. WILLIAMS. That I can give you. The amount of power that we have asked TVA to generate is over and above any power that we can generate ourselves and the total power which we will get from TVA at the end of our construction down there will be 640,000 kilowatts.

Senator ELLENDER. In your future plans, do you contemplate asking Congress for more money to generate power at Oak Ridge?

Mr. WILLIAMS. No, sir.

POSSIBLE REDUCTIONS IN CURRENT PROGRAM

Mr. SHUGG. I think I should perhaps point out that this whole presentation again is based primarily on those three expansion items totaling \$188,000,000, and that in requesting the authority from you on those items we gathered up all of the other adjustments that we know of up to this date.

Now, gentlemen, the House has recommended a cut of 10 percent in this request for \$87,000,000 and we admit to three uncertainties.

In the first place, we hope to be able to make some further reductions in our current 1950 year program. If we can, we will; but we do not have any others identified at this date.

In the second place, these estimates here are not certain because the plants are not completed. They are the best engineering estimates today. That could make the final figure greater or smaller.

In the third place, we do face some additional need as a result of the recent directive to undertake a new project.

With those three uncertainties, it could be that we can get along with this reduction, and it could be that we would need more. But we cannot firmly give you chapter and verse as to whether we would need more today.

Senator RUSSELL. Mr. Shugr, do you propose to operate these new facilities through contract as you do at present, or is it the Commission itself?

Mr. SAVAGE. The new addition to the diffusion plant would be operated by the same contractor, Carbide & Carbon, now operating the existing diffusion plant, because this feeds continuously into it. This is all one continuous chain.

ATOMIC ENERGY PERSONNEL TOTALS

Senator RUSSELL. I do not suppose there would be anything secret about this, but I would just like to know as a matter of curiosity, about how many people are working on this project. Is that something that ought to be secret?

Mr. WILLIAMS. We can tell you how many people are working now.

Senator RUSSELL. I mean for the contractors as well as for the Commission.

Mr. PIKE. Over-all.

Mr. WILLIAMS. Do you mean on construction jobs?

Senator RUSSELL. The total number working on atomic energy.

Mr. SAVAGE. We have, sir, for the Atomic Energy Commission, our own employees, as of the 1st of January 1950, 4,828; those working for all of the operating contractors and laboratories and construction contractors were about 52,000.

Chairman MCKELLAR. Are there any further questions, gentlemen?

Senator ELLENDER. There is one more question which might be of interest to the committee.

Last year, as I understand it, you came here with certain requirements for a certain amount of money. Now you find that you can save this amount that you designated on page 9.

DETERMINATION OF REDUCED NEEDS

How did that come about? Did you have the engineers work over the projects again, or what?

Mr. SAVAGE. I would like very much to explain that, sir, speaking directly to the biggest item of saving, the \$54,000,000 plant.

That particular process for which we originally asked \$54,000,000 has been under research and experimentation and pilot plant efforts for at least 3 years, and early laboratory work preceded that. We did

not depend upon one laboratory or one contractor, we had every laboratory and contractor that we thought could contribute to that working on it.

Senator ELLENDER. With a view of making that saving?

Mr. SUGAR. No, sir. Trying to perfect that and trying to find out the best way to do that operation.

Senator ELLENDER. Which resulted in that saving of \$54,000,000?

Mr. SUGAR. All during those 3½ years it was the preferred process of all of these authorities, including our general advisory committee, and technical advisers, which we called in on this, and then we again met, even as late as last winter, by securing the du Pont people, to make an over-all objective survey to be sure we had not overlooked something. All of them believed this was the only way to do it.

This is a good case where research does pay off once in a while, because during this last calendar year, that is, during the fall in particular, from the research people at Oak Ridge a brand-new approach to this turned up and I think it is absolutely true, sir, to say that of all the scientists or people with any know-how that we had working on this, it had not developed before. It is an example of how some brand-new fact can arise right in the middle of a year and make a tremendous change in a carefully worked out program.

Senator ELLENDER. Do you know of any other projects or things that are being done that may result in further savings? That is, things on which you are experimenting?

Mr. SUGAR. Not that have been identified. We would not take just a gleam in somebody's eye and allow it to cancel out something that we need.

This process has been proven through several pilot plants. I know of no other particular effort.

I would like to ask, if I may, to have Dr. Pitzer speak to that or Dr. Smyth.

Senator ELLENDER. The reason for the question is probably to agree with the House that you might be able to take this cut—that is, we in the Senate would go along with the House.

Mr. SUGAR. There is always that possibility, sir, and we are very glad to be able to produce this reduction here and to show that once in a while our research does pay off. We also must admit that we do not know all of the other things. We have just got to wait to see what the pluses or minuses are.

Chairman MCKELLAR. Do you have any further questions, Senator?

Senator ELLENDER. No.

Chairman MCKELLAR. Does this justification go into the record?

Mr. SUGAR. There are two forms, Mr. Chairman. One is an unclassified form which is perfectly reproducible for the record, and the other one is marked secret.

Chairman MCKELLAR. That one need not go in.

Mr. SUGAR. All right, sir.

Chairman MCKELLAR. Is there anything further you want to say, gentlemen?

Mr. PIKE. Perhaps this might be said: As you know, we are under a new set of pressures.

Chairman MCKELLAR. Are there any further questions, gentlemen?

Senator McCLELLAN. No question.

Senator ELLENDER. I have one question. This House Document No. 456 does not include the justification for TVA, does it?

Mr. SHUGG. No, sir. Mention is made of it in there only.

Chairman McKELLAR. If there are no further questions, I would like to say that we are very much obliged to you for having come down, gentlemen; thank you very much.

We will next hear from Senator Johnson on the San Luis Valley project in Colorado.

Very well, Senator Johnson, you may proceed.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

STATEMENTS OF HON. EDWIN C. JOHNSON, UNITED STATES SENATOR FROM THE STATE OF COLORADO, AND KENNETH MARKWELL, ASSISTANT COMMISSIONER, BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

PLATORO UNIT, SAN LUIS VALLEY PROJECT, COLORADO

JUSTIFICATION

Chairman McKELLAR. The justification for reclamation fund, special fund, construction, San Luis Valley project, Colorado, will go into the record at this point.

(The justification is as follows:)

*Reclamation fund, special fund, construction, San Luis Valley project, Colorado
(H. Doc. 455)*

Request for 4 months from March through June 1950 (to remain available until expended).....	\$630,000
Appropriation to date.....	1,171,352
Obligations to Dec. 31, 1949.....	1,102,392
Expenditures to Dec. 31, 1949.....	972,444
Budget estimate next fiscal year.....	1,839,000
Employment:	
Average number, current appropriation.....	87
Number involved this estimate.....	0
Actual employment, Dec. 1949.....	90

¹ No appropriation received fiscal year 1950. The amount of \$1,171,352 is a carry-over balance.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The supplemental funds of \$630,000 requested for fiscal year 1950 will be needed for work preparatory to and in connection with prime contract and to liquidate contract earnings under the prime contract for construction on the Platoro Dam, which contract was awarded on May 5, 1949. Repayment of irrigation construction costs of Platoro Dam and Reservoir in the amount of \$2,520,000 is provided for in the repayment contract of March 31, 1949, with the Conejos Water Conservancy District.

The urgency of this supplemental is based on the necessity of avoiding stoppage of contract work now in progress if additional funds are not granted for fiscal year 1950.

URGENT DEFICIENCY APPROPRIATION BILL FOR 1950

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Supplemental estimate of appropriation, fiscal year 1950

Obligations by objects	1949 actual	1950 estimate	1951 estimate
DIRECT OBLIGATIONS			
10 Lands and structures.....		\$630,000
Total direct obligations.....		630,000

Schedule of construction program, fiscal year 1950

Program item (1)	Total estimated cost (2)	Cost to June 30, 1949 (3)	Program current year 1950			Balance to complete (7)
			Regular budget (4)	Estimated supplemental budget (5)	Total budget (6)	
Platoro unit: Development of project plan.....	\$211,000	\$210,000	\$1,000	\$1,000
Joint facilities:						
Platoro Reservoir and Dam.....	3,967,000	113,000	1,039,500	\$630,000	1,669,500	\$2,184,500
General property.....	11,000	11,000
Operation and maintenance during construction.....	11,000	118,213	220,000	220,000	11,000
Construction facilities.....	360,000	21,787
Charged to permanent property (or salvage).....	-360,000	-68,213	-100,000	-100,000	-211,787
Materials and supplies.....	2,000	-1,000	-1,000	-1,000
Subtotal, Platoro unit.....	4,200,000	395,000	1,159,500	630,000	1,789,500	2,015,500
Rio Grande division: Development of project plan.....	700,000	283,485	57,000	57,000	259,515
Joint facilities:						
Wagon Wheel Gap Reservoir and Dam.....	33,320,000	33,320,000
General property.....	100,000	100,000
Operation and maintenance during construction.....	249,000	249,000
Materials and supplies.....	6,000	-6,000
Subtotal, Rio Grande division.....	34,369,000	389,485	57,000	57,000	33,922,515
Mogote unit: Development of project plan.....	300,000	239,835	60,165
Irrigation facilities: Mogote diversion works.....	4,539,000	4,539,000
Subtotal, Mogote unit.....	4,839,000	239,835	4,500,165
Weminuche Pass division: Development of project plan.....	18,000	1,500	1,500	13,500
Irrigation facilities: Weminuche Pass diversion works.....	648,000	648,000
Subtotal Weminuche Pass division.....	663,000	1,500	1,500	661,500
Closed Basin division: Development of project plan.....	180,000	102,000	16,000	16,000	42,000
Irrigation facilities: Closed Basin drains.....	915,000	915,000
Subtotal, Closed Basin division.....	1,075,000	102,000	16,000	16,000	957,000
Total construction costs.....	45,146,000	1,126,220	1,234,000	630,000	1,864,000	42,155,680
Obligation not in cost.....	62,728	-62,648	-62,648	-90
Total obligations.....	45,146,000	1,189,068	1,171,352	630,000	1,801,352	42,155,590
Prior years unobligated balance.....	1,171,352	1,171,352
Allotment requirements.....	630,000	630,000	42,155,590

AMOUNT REQUESTED FOR PLATORO DAM AND RESERVOIR

Senator JOHNSON. Thank you, Mr. Chairman. I desire to plea for a deficiency appropriation for Platoro Dam and Reservoir.

The Congress has authorized the building of the Platoro Dam and Reservoir in the San Luis Valley of Colorado. A contract was entered on May 5, 1949, and awarded for the construction of this dam at a price of \$2,727,792.

AVAILABILITY OF FUNDS

The contractor right from the very beginning has made better progress on the construction of this dam than was estimated by anyone, even himself, and far greater progress than was estimated by the engineers. Therefore, the money which was available for the building of that dam has been pretty largely used up. As a matter of fact, on July 1, 1949, there was \$797,000 available; on December 30, there was a balance of \$177,000 which must take care of all construction until June 30, when the regular appropriation bill should become effective.

This dam is being built at an altitude of 10,000 feet, where the winters are long and the climate is cold especially in the wintertime. They stopped work in December and will not be able to resume work until about April 1, but on April 1 they will be ready to go.

As I have said to this committee on more than one occasion, after we once start on the construction of a reservoir and a dam, there is no economy in not providing the money as fast as the contractor can use it. That fact is very obvious to all since the sooner the project is completed the sooner it can begin to serve, and the sooner the repayments come in from the settlers. It is just good business to push projects along, not overpush them, but push them along as fast as possible within the limits of the efficient use of the funds provided.

CONGRESSIONAL ACTION IN 1949

We realized last year that there was not money enough set up in this project to carry it through to June 30, 1950, so this committee placed in two different appropriation bills an item for \$250,000 to carry this project through June 30, 1950. May I read now a short paragraph from the report of this committee which was made on the Interior Department appropriation bill for 1950, when you included an item of \$250,000. The House took it out in conference twice. It went in twice last year, and it was taken out twice. This is what this committee stated in their report on the bill:

The committee was advised that the contract has been awarded for construction of Platoro Dam, which is the key structure of this project, and that the contractor has estimated that his earnings will exceed the funds available by \$250,000. This project has been delayed for some 10 years due to unavoidable circumstances.

Mostly connected with the war—

And now that construction has started, the committee feels that the work should go forward as rapidly as possible, especially in view of the fact that at best several years will be required to complete the Platoro Dam.

AMOUNT REQUESTED

We are asking at this time that \$630,000 be added in this deficiency bill which will carry this construction work forward until June 30, when the regular appropriation bill will come along.

Senator CORDON. Is there an item in the regular appropriation bill for it?

Senator JOHNSON. There will be an item, yes, because the Bureau of the Budget has approved an appropriation for the project.

Senator CORDON. I was wondering what the budget estimate was.

Senator JOHNSON. I have the budget estimate.

Chairman MCKELLAR. How much did the Budget approve?

Senator JOHNSON. The Budget approved for the deficiency bill, \$630,000.

AMOUNT ASKED FOR 1951

Chairman MCKELLAR. How much for the regular bill?

Senator CORDON. Could we not get that information right now from Mr. Markwell?

Senator JOHNSON. I have it here; I will be glad to give it to you. It is \$1,839,000. That is the allotment for 1951.

Senator CORDON. That is in the budget estimate.

Senator McCLELLAN. As to this deficiency amount you are asking for, would that have any impact on the appropriation for the next fiscal year? Would it reduce that any?

Senator JOHNSON. I do not think so because the size of the appropriation for 1951 is based on the rate of progress that the contractor can make.

TOTAL ESTIMATED COST OF PLATORO PROJECT

Senator McCLELLAN. What is the total estimated cost of the project?

Senator JOHNSON. The total contract is \$2,727,792.

Senator McCLELLAN. How much have you had appropriated for it to date?

Senator JOHNSON. This \$630,000, I may say, will have an impact on the following years. Of course, it will not have to be expended twice.

AMOUNT APPROPRIATED TO DATE AND UNOBLIGATED BALANCE

The amount appropriated to date, not including the \$630,000, is \$2,360,350.

The unobligated balance as of June 30, 1949, was \$1,171,352.

Senator CORDON. What date is that unobligated balance of \$1,171,352?

Senator JOHNSON. June 30, 1949.

Senator GURNEY. Since then you have spent most of that?

Senator JOHNSON. Since then they have spent all of it except \$177,000.

TOTAL COST OF COMPREHENSIVE PROGRAM

Senator GURNEY. The total cost of the project is \$45,146,000?

Senator JOHNSON. That is the total project, the total cost of the so-called San Luis project, but this one dam will cost \$4,200,000.

Chairman McKELLAR. The total estimated cost is \$45,146,000.

Senator JOHNSON. That is the whole San Luis Valley project; that is not this one reservoir and dam. This dam is \$4,200,000.

Senator McCLELLAN. What you have already spent, and what your budget is approved for next year will complete it, will it not?

Senator JOHNSON. Of course, there is one little difficulty here. The \$1,171,352 was spent on the whole San Luis Valley project. It contains several different projects.

Senator McCLELLAN. It is not confined to this thing?

Senator JOHNSON. It is not confined to this particular project, no, sir.

Senator McCLELLAN. What I was driving at particularly is one thing, Senator; I may have misunderstood the cost of this particular dam, but it seemed to me with the amount that the budget has approved for it for next year, with the amount you had expended, that was going to practically complete the project.

Senator JOHNSON. No, it would not complete the project.

Senator McCLELLAN. Or this particular unit here.

Senator CORDON. When that dam is completed, is there anything except a completed dam? In other words, is it usable in any way?

Senator JOHNSON. Yes; it is.

Senator CORDON. Without completion on the balance of the project?

Senator JOHNSON. It will add supplemental water to approximately 86,000 acres of land as an individual project.

Senator CORDON. Is this just work that has been done on \$45,-000,000 worth of work by that amount of money, or does it represent work that will result in a completed unit that can immediately be usable?

Senator JOHNSON. That is correct. It will result in a completed unit which will immediately render service.

EFFECT OF INADEQUATE FUNDS

Senator McCLELLAN. Do I understand that this is premised, the asking for this deficiency amount, upon the theory that unless it is granted, not only the work will be slowed down, and restarted, but that it will not permit construction and that it will be false economy not to go on and carry on the work?

Senator JOHNSON. That is right. It will cost a great deal and cause a great loss to the contractor because he will have to shut down his work right in the middle of the summer when it is very important that the work be pressed. He will have to wait until July 1 before he can begin again. It will probably delay the project 1 year unless it is appropriated. Now, that does not seem reasonable, but it is, because out there we have short summers and we have to work fast during summer and this contractor is ready to go ahead and ready to go ahead very rapidly. I do not criticize the action of the House, but they made a great mistake when they deleted that \$250,000 item

last year. There is no economy in stringing funds out at a slower pace than the contractor can use them efficiently.

Senator McCLELLAN. That is the part that would have tided it over?

Senator JOHNSON. It would have gone a lot farther toward tiding it over.

\$630,000 is now estimated to be needed to keep the contractor going in good shape and as fast as construction obstacles permit him to go. It is not a cost-plus proposition; it is a firm contract.

EFFECT OF BUDGET REDUCTIONS FOR CERTAIN FLOOD-CONTROL PROJECTS

Senator McCLELLAN. I want to make this observation in connection with this project: In the course of the hearings this week, and during the past week or two, on this civil-functions appropriation bill, it developed yesterday that, as I recall, out of 110 projects that are now in the course of construction, the amount the Budget Bureau has recommended for the next year for 28 of those projects, is below the amount required to carry construction on, on a practical economic basis. That is the situation we are confronted with here, not only as to this project, but as to 28 of the 110 of the rivers and harbors for the next fiscal year.

Senator CORDON. Mr. Chairman, I wonder if we could hear from Mr. Markwell. It looks to me as though he would have the engineering information I am asking for.

Which items of the over-all San Luis Valley project have absorbed the million-odd dollars that according to Senator Johnson have been spent with particular reference to the amount that have been spent for construction, as distinguished from planning any of its aspects?

PROJECTS FOR SAN LUIS VALLEY

Senator JOHNSON. I do not think there has been any construction on the San Luis project outside of the Platoro Dam. There are four different projects, in this San Luis Valley reclamation project.

One is the Wagon Wheel Gap dam and reservoir, the Weminuche transcontinental division canal, and then there is the closed basin drain project, which is a project that opens up a lot of other underground water that has been stored up there by nature, which it recovers for use again.

Mr. MARKWELL. Senator Cordon, I can give you the figures immediately. The total cost of the planning work to June 30, 1949, is \$1,189,058. This amount is a part of the figure which Senator Johnson gave you.

The cost to June 30, 1949, for necessary construction planning of the Platoro dam and reservoir, which is in the division we are talking about, is \$210,000 and is part of the previous figure I just stated. Other preparatory work on the Platoro unit have required an expenditure of \$185,000.

The balance of the \$1,189,058 has been spent on the other three units of the Senator's project.

Senator McCLELLAN. Getting plans ready for them?

Mr. MARKWELL. That is right, sir.

Senator CORDON. What have you spent for construction on those?

Mr. MARKWELL. Roughly, around \$600,000 on Platboro Dam, and that is the only money which has been spent for construction.

PLATBORO CONSTRUCTION COST

Senator GURNEY. Have you spent any money for construction on the Platboro unit?

Senator JOHNSON. Yes; that is the only one.

Senator GURNEY. \$630,000 out of this \$1,189,058?

Mr. MARKWELL. Well, approximately \$600,000 was spent between June 30 and the middle of the summer when the project slowed down.

DEFICIENCY REQUEST APPROVED BY BUREAU OF BUDGET

Senator GURNEY. May I ask, Senator Johnson, as to this \$630,000 you are asking now, is that approved by the budget? Do we have a deficiency request for it?

Senator JOHNSON. Yes; there is a deficiency request for it. On page 13 it reads: "San Luis Valley project, Colo., \$630,000."

Senator GURNEY. Will that \$630,000 in this supplemental request from the budget be deducted from the 1951 budget amount?

DEFICIENCY AMOUNT WOULD BE DEDUCTED FROM 1952 BUDGET

Senator JOHNSON. It will be deducted from the 1952 budget.

Senator GURNEY. If we appropriate this \$630,000, we cannot plan then on reducing the 1951 figure in the bill by that amount?

Senator JOHNSON. No.

AMOUNT REQUESTED FOR 1951

Senator GURNEY. And the 1951 budget is \$1,839,000. I think I have the picture now.

Senator JOHNSON. I wanted to say that Senator Millikin associates himself with me in this request. He was not able to be here this afternoon, and he asked me to speak for him as well. He is entirely familiar with the project, actively interested in it and if he were here, he would more eloquently than I can state it endorse the request for this supplemental or deficiency appropriation.

Senator CORDON. May I inquire as to the San Luis project, whether the House had any comment with reference to the matter in its report when it took action?

Mr. MARKWELL. In reference to the San Luis Valley, Senator Cordon, we were heard on this item as well as the Lewiston Orchards item, immediately following the regular hearings. That came after the First Deficiency Bill had passed the House.

Senator GURNEY. When? Last year or this year?

Mr. MARKWELL. This year.

Senator CORDON. In other words, the House deficiency subcommittee did not hear you on these subjects at all in time to have acted on and put the item in this urgent deficiency bill; is that correct?

Mr. MARKWELL. That is correct, sir.

Senator JOHNSON. But the House did delete the \$250,000 twice last year from regular appropriation bills.

Mr. MARKWELL. This request for supplemental has the support of the Bureau of the Budget, whereas the request last year did not have the support of the Bureau of the Budget.

Chairman McKELLAR. Are there any further questions, gentlemen? Very well, thank you, Senator Johnson, for coming down.

Senator JOHNSON. Thank you. I appreciate having had the opportunity to be heard and Senator Millikin will thank you also.

Chairman McKELLAR. The next item we have to take up is "Reclamation fund, special fund, construction, Lewiston Orchards project, Idaho.

HON. GLEN H. TAYLOR, UNITED STATES SENATOR FROM THE STATE OF IDAHO, AND KENNETH MARKWELL, ASSISTANT COMMISSIONER, BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

LEWISTON ORCHARDS PROJECT, IDAHO

JUSTIFICATION

Chairman McKELLAR. Without objection, the justification for this item will be included in the record at this point.

(The justification is as follows:)

<i>Reclamation fund, special fund, construction, Lewiston Orchards project, Idaho</i>	
Request for 4 months from March through June 1950 (to remain available until expended).....	\$245,600
Appropriation to date.....	257,029
Obligations to Nov. 30, 1949.....	199,843
Expenditures to Nov. 30, 1949.....	119,306
Employment:	
Average number, current appropriation.....	19
Number involved this estimate.....	0
Actual employment, December 1949.....	17

Budget estimate next fiscal year: None if supplemental requested herein is approved by the Congress.

¹Includes a carry-over balance of \$7,279.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

With the supplemental funds of \$245,600 it is proposed to complete the water-treatment plant and construct the clear-water reservoir and make the connection to reservoir A, thus completing all features of the project and turning them over to the water users for operation and maintenance. By early completion of the project, a saving of approximately \$30,000 will be realized by reduction of overhead costs. The provision of supplemental funds would also insure that all commitments between the United States and irrigation districts will be met and the project would be completed within the \$2,500,000 repayment contract ceiling.

The urgency of this supplemental is based on the necessity of avoiding stoppage of contract work now in progress if additional funds are not granted for fiscal year 1950.

If the supplemental funds requested for fiscal year 1950 are provided by the Congress, the appropriation request for construction and rehabilitation appearing on page 155 of the subcommittee print for fiscal year 1951 should be amended to read \$320,621,600 instead of \$320,767,100, a reduction of \$245,600, which is the fiscal year 1951 allotment request for Lewiston Orchards project, Idaho.

Obligations by objects

	Direct obligations	1941 actual	1940 estimate	1941 estimate
10 Lands and structures.....			845,000	
Total direct obligations.....			845,000	

Schedule of construction program, fiscal year 1950

Program item	Total estimated cost	Cost to June 30, 1949	Program current year 1950			Balance to complete
			Regular budget	Estimated supplemental budget	Total budget	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Joint facilities:						
Webb Creek diversion dam.....	835,000	835,000				
Sweetwater diversion dam.....	12,000	12,000				
Webb Creek flume replacement.....	176,000	176,000				
Sweetwater flume replacement.....	48,000	48,000				
Sweetwater sandtrap.....	15,000	15,000				
Sweetwater siphon.....	28,000	28,000				
Main 36-inch supply line.....	100,000	90,865	80,133		89,133	
Reservoir A outlet works.....	60,000		1,500	856,500	858,000	60,000
Subtotal, joint facilities.....	474,000	404,865	10,633	88,500	60,133	
Irrigation facilities:						
Main pipe line.....	346,000	108,492	237,508		237,508	
Irrigation distribution system.....	683,000	538,553	144,443		144,443	
Subtotal, irrigation facilities.....	1,029,000	647,047	381,953		381,953	
Domestic water facilities:						
Domestic distribution system.....	567,000	404,285	162,713		162,713	
Water-treatment plant and clear-water reservoir.....	420,974	100,577	142,397	187,100	329,397	
Subtotal domestic water facilities.....	988,974	504,862	305,013	187,100	492,113	
Construction facilities.....	26,000	26,000				
Charged to permanent property or salvaged.....	-26,000	-19,888	-6,112		-6,112	
Materials and supplies.....		94	94		94	
Total construction costs.....	2,499,974	1,562,980	601,304	245,600	926,904	
Obligations not in costs.....		434,865	-634,365		-634,365	
Total obligations.....	2,499,974	1,997,845	237,029	245,600	802,620	
Appropriation: Actual.....			249,750		249,750	
Prior-years unbudgeted balance.....			7,279		7,279	
Appropriation requirement.....				245,600	245,600	

Chairman McKELLAR. I believe Senator Taylor wishes to be heard on this project.

Will you proceed, Senator Taylor?

GENERAL STATEMENT

Senator TAYLOR. Mr. Chairman and gentlemen of the committee, before Senator Johnson gets away I want to say that I know that

San Luis Valley very well. It is a beautiful agricultural section, and years ago when I was in show business we played through that country and they were very kind to us. I hope we give that money to them.

About the only place that I know of that needs it worse than the San Luis Valley possibly is a place in Idaho, the Lewiston Orchards project. This is a matter of 3,838 acres, situated near Lewiston, Idaho, in a community called Lewiston Orchards. It is not a reclamation project in the usual sense of the word. They are not putting water on the land for settlers that will come in sometime in the future. People live there, these several thousand people of this community, and most of it is in small tracts or lots. Their water system went to pieces on them. It was put in in 1906, with wooden pipes. And at the present time the water is subject to contamination, and it goes to pieces on them regularly.

AUTHORIZATION

This project was authorized in 1947. A contract was entered into, a repayment contract, in the amount of \$1,990,000. It was later revised to \$2,500,000.

Work has been going forward on the project, but at this particular moment, from the best information I can get, they are now not working. The appropriation ran out and they quit working.

There was one man who had a contract and I talked to him when I was out there this fall. He was right in the middle of it. He did not want to stop and go home because he had a regard for the public Treasury and knew it cost a lot more money if he took his equipment away. He asked me, "If you were I, would you go ahead and finish this up when the money is not available?"

I told him that if I were a lawyer I would advise him no; but as a Senator representing the State of Idaho and those people out there and one who knew that the word of the Government was good, he probably would be safe in finishing that particular job, which he did do. He went ahead and finished it without waiting for the money on that particular contract.

He is not a big operator, and can ill afford to wait, I can well imagine.

This is a combination irrigation and water supply for this community of Lewiston Orchards. The work has been going on for at least several years since 1947. I was out there last fall and the streets are all torn up, ditches are everywhere, piles of dirt are everywhere, and there are children falling into the ditches and one thing and another. It is very inconvenient for these people who live there.

The appropriation, as I say, has run out and if we cannot get the additional money needed at this time, they will be unable to finish it this year, which means it will go over another year and the Reclamation Office will have to be maintained and additional costs charged against this project.

PROPOSAL WOULD ADVANCE 1951 FUNDS TO 1950

Senator CORDON. May I inquire, Senator Taylor, as to whether the supplemental request of \$245,600 represents only a request that the amount which appears in the regular 1951 appropriation bill be advanced at this time?

Senator TAYLOR. That is correct.

Senator CORDON. Rather than await action and expenditure next year?

Senator TAYLOR. That is correct.

Senator CORDON. May I make one more question: Does that complete the project?

Senator TAYLOR. That completes the project.

WATER USERS REPAY PROJECT COSTS

Senator CORDON. And this is a project, if I remember correctly, and you may correct me if I am wrong, where there will be an outstanding contract for the water users to repay the whole?

Senator TAYLOR. Yes; repay the whole business. The sooner it is finished, the sooner it starts.

Senator CORDON. Senator Gurney, this is similar to one of the reservoirs in South Dakota. Rather than waiting for the beginning of the fiscal year, they are requesting it now and this amount will be deducted from the request for the regular appropriation.

Senator TAYLOR. That is correct.

Senator GURNEY. That is the same idea I had in the program I talked about yesterday in the civil functions bill.

Chairman McKELLAR. Are there any further questions, gentlemen? Thank you, Senator Taylor, for coming down.

Senator TAYLOR. Thank you, Mr. Chairman, and gentlemen of the committee.

Chairman McKELLAR. Mr. Markwell, was there anything you wanted to add?

PROJECT COMPLETED BY CONTRACTOR

Mr. MARKWELL. On the Lewiston Orchards project, Mr. Chairman, Senator Taylor has made, I think, a very complete presentation, and there is very little that I can add except to emphasize one point: that the contractor has gone ahead and in good faith, although legally the United States is not obligated to pay him until funds become available. He has completed the contract, and when the funds do become available he will be due \$60,000. In other words, he has completed his contract in order to avoid extra expense, and we owe him \$60,000.

COST FOR POSTPONEMENT OF PROJECT

The other point I would like to make is that if we do have to stay in a shut-down condition and keep the skeleton organization there, it will increase the cost by an estimated \$30,000, which will be over the amount of the repayment contract.

I think this very clearly falls within the category of an emergency, and it would be very good business if the committee would allow the money.

Senator HAYDEN. The money, as Senator Cordon says, is to be deducted from the regular annual appropriation. This is simply advancing money on the appropriation.

Mr. MARKWELL. Yes.

Senator CORDON. This is a final appropriation, whether they get it now and continue to work or get it 2 or 3 months from now and shut

it down now and open it up again in June and spend the money the next few months after that.

Mr. MARKWELL. That is correct.

Chairman McKELLAR. Are there any other questions?

Senator GURNEY. Did you want to talk about the Platoro project, Mr. Markwell?

Mr. MARKWELL. Yes, if there are no further questions on Lewiston Orchards.

PLATORO DAM AND RESERVOIR

Mr. MARKWELL. Senator Johnson has covered the San Luis project very thoroughly. I can think of only one item to add. That is that the repayment contract for the Platoro Dam has already been signed, and they are awaiting for the water. If we do not receive the supplemental appropriation, the project will be delayed, roughly, 1 year because of a short working season, and the necessity of completing certain works for the diversion of the water at the time of the spring floods.

That accounts for 1 year's delay.

Senator GURNEY. Further will you say that the full cost of the Platoro project is \$4,200,000? If you get this \$630,000 that Senator Johnson talked about and the 1951 amount, \$1,839,000, then you will have taken at least another construction year to complete it, will you not?

Mr. MARKWELL. Yes, sir.

Senator GURNEY. And that will give you a total in 1951 of \$2,600,000, just estimated. That leaves you about \$1,600,000 for construction in the calendar year of 1952.

COST TO COMPLETE PLATORO PROJECT

Mr. MARKWELL. Yes, sir, we will need \$346,500 to complete the Platoro unit in 1952 if the full amount of the supplemental requested for 1950 and the allotment requested for 1951 are allowed.

There will of course be other funds requested for the continued investigation of the other three units. I have referred only to the Platoro Dam.

Senator ELLENDER. That is for the \$630,000?

Mr. MARKWELL. Yes, sir, that is the supplemental we requested for 1950.

ESTIMATED ADDITIONAL COST FOR POSTPONEMENT OF PROJECT

Senator ELLENDER. Suppose the Congress should not act favorably? How much more would it cost to complete that project?

Mr. MARKWELL. I do not have a specific estimate. I would be glad to hazard a guess if you would like. I imagine it would be in the neighborhood of \$150,000 or \$200,000.

Senator ELLENDER. More?

Mr. MARKWELL. More. It is very costly to close down and open up a job both for the contractor and for the Government forces. They have to be dispersed and gathered together again.

Chairman McKELLAR. Is there anything further?

Mr. MARKWELL. I have nothing further.

Chairman McKELLAR. Very well, sir. Thank you very much.

Mr. MARKWELL. Thank you gentlemen.

BUREAU OF INDIAN AFFAIRS

STATEMENTS OF JOHN R. NICHOLS, COMMISSIONER, INDIAN AFFAIRS; JOHN H. PROVINSE, ASSISTANT COMMISSIONER, INDIAN AFFAIRS; W. BARTON GREENWOOD, EXECUTIVE OFFICER, BUREAU OF INDIAN AFFAIRS; MISS LUCILE AHNAWAKE HASTINGS, CHIEF, WELFARE SECTION, WELFARE AND PLACEMENT BRANCH, BUREAU OF INDIAN AFFAIRS

WELFARE OF INDIANS

JUSTIFICATION

Chairman McKELLAR. Next we will hear from the Bureau of Indian Affairs, concerning an increase of \$100,000 in the appropriation, the justification for which will be inserted in the record at this point, without objection.

(The justification is as follows:)

WELFARE OF INDIANS

(Estimate \$903,000; act, \$900,000)

(P. 2, line 23)

Page 3, line 2 strike out "\$803,000" and insert in lieu thereof "\$903,000," an increase of \$100,000 in the appropriation.

House report

The budget for 1950 requested \$804,000 for welfare of Indians. The appropriation enacted amounted to \$900,000 for 1950, the increase over the budget request being to provide for additional public-assistance payments. Notwithstanding this history, the Indian Bureau now finds itself drastically short of funds and a supplemental estimate of \$803,000 has been presented. Review by the committee reveals an urgent need for the supplemental request, and its approval is recommended. The Secretary of the Interior should insist that the Bureau of Indian Affairs so manage its affairs as to avoid recurrence of such negligent budgetary planning.

Justification

This amendment adds an item of \$100,000 for the purpose of providing relief for an increased emergency case load of approximately 10,000 Indians. This increased case load is due directly to the unusually severe weather conditions that have prevailed for more than a month in the Midwest.

These conditions have imposed unusual hardship on Indians living in the States of Montana, North Dakota, and South Dakota. The supplemental estimate submitted by House Document 456 in the amount of \$803,000 pointed out that additional assistance would be required should severe blizzard weather prevail.

Owing to losses suffered during the blizzard period last year, the poor crops resulting from drought and insect infestations, and to a decline in employment opportunities, the Indians in those States entered the current winter season ill-equipped to meet even normal winter conditions. The extraordinary weather that has prevailed has made it impossible, therefore, for them to meet their minimum requirements with a normal amount of assistance from the Bureau of Indian Affairs.

In an effort to ameliorate suffering and to prevent deaths from a lack of food and fuel, the Bureau has allocated to date from its welfare appropriation \$25,300 to Indian agencies in the Montana area and \$151,000 to agencies in the Dakota area above the amounts initially made available to those areas. This it has been able to do by diverting amounts apportioned for the last quarter of the year for all welfare purposes at all field jurisdictions. It has now reached the point where no additional funds can be provided.

Field officials estimate that the increase in the relief case load for the month of February will be 10,500 persons. This estimate is based on an average increased emergency case load of 10,000 Indians for a period of 30 days in the affected areas.

GENERAL ASSISTANCE TO INDIANS

Chairman McKELLAR. Very well, Mr. Nichols, will you proceed?
Mr. NICHOLS. Mr. Chairman and gentlemen of the committee, I want to explain first that for the welfare of the Indians we allow only money for an expected normal load. Now we have unfortunately had blizzards, high winds, and low temperatures in the North Central and Western States, that is, in the Dakotas and especially in Montana, and in Wyoming.

Chairman McKELLAR. You have had some weather out there.

Mr. NICHOLS. Yes; unusually bad, but not as bad as the year before. We are not only suffering from loss of feed and cattle and a lower birth rate in the remaining cattle from the disastrous blizzard of last year, but we are suffering from a new one now this year which makes emergency conditions. That, in brief, is the reason for asking for this additional \$100,000.

We have found that the case load has increased so much out there that we cannot pay \$25 per month. That is the standard amount for the support of a person in need for a month on the old basis.

In the first 6 months we averaged \$12.20 apiece, and we decided that Indians are now American citizens, and whatever the Federal Government allows for non-Indians, namely, a \$25 a month average payment, we should be allowed to make too. That increase as to the standard amount of \$25 a month, plus the recent blizzard, is what has caused this increase requested here.

Senator GURNEY. Mr. Nichols, the House allowed \$803,000 in this item, and now you are coming in with a supplemental of an additional \$100,000; is that correct?

Mr. NICHOLS. That is correct.

Senator GURNEY. Did you have any opportunity to give your testimony on the \$100,000 to the House committee?

Mr. NICHOLS. Mr. Greenwood?

Mr. GREENWOOD. No, Senator, the estimate was not before the House committee.

Senator GURNEY. What is this \$100,000 supplemental?

Mr. GREENWOOD. That is to take care of the emergency conditions that arose after the preparation of our \$800,000 estimate.

SEVERE WINTER IN WEST PRODUCES EMERGENCY CONDITIONS

Senator GURNEY. I know conditions, at least in my State of South Dakota, have been bad, unofficial newspaper stories say that the month of January was the coldest in our history on the average. That is, the average temperature has been colder, and it has been colder on special days and nights, but the average temperature for January, the newspapers say, is the coldest in our history. It was way below zero and stayed for 30 days.

I am having numerous requests from the Indians on several reservations out there. I wonder, though, if there is anything in the record as to how serious it is and as to how this amount appropriated of

\$803,000 would actually be distributed to the different reservations over the Nation. Is there anything in the record already in the House hearings?

Mr. GREENWOOD. Not along that line, Senator.

Senator GURNEY. You did not break it down by States as to how the money would be distributed?

Mr. GREENWOOD. No; we broke it down by months and case load, not by States.

Senator GURNEY. As to this total request, the \$803,000 and the \$100,000, is that based on need because of severe weather?

Mr. GREENWOOD. No, sir; the \$100,000 is based on the emergency condition that has arisen. The \$803,000 represented our estimate made some 4 months ago of the amount needed to carry our normal relief load. That is, to carry it through the remainder of the fiscal year.

Senator GURNEY. What amount would be given for the North Dakota reservations and also for the South Dakota reservations? Do you have those amounts of the original \$803,000?

Mr. GREENWOOD. No; we do not have a break-down of that, but I can tell you what we have provided to date to the reservations in North and South Dakota, if you care to have that.

Senator GURNEY. All right; what is that?

Mr. GREENWOOD. I will have to give it to you by reservations.

Senator GURNEY. That is all right.

BREAK-DOWN OF DISBURSEMENTS TO INDIAN RESERVATIONS

Mr. GREENWOOD. Fort Berthold, the total allotment to date, \$85,000; Standing Rock, \$73,000; Turtle Mountain, \$52,000. Those are the North Dakota areas.

In South Dakota, Cheyenne River, \$11,000; Crow Creek, \$20,815; Pine Ridge, \$35,500; Rosebud, \$37,500; Sisseton, \$30,676, and Flandreau, \$800.

Senator GURNEY. Did you allocate that money from the 1950 appropriation?

Mr. GREENWOOD. Yes; from the 1950 appropriation. In order to provide that much money, we had to draw on funds that were originally apportioned for the last quarter of this fiscal year.

Mr. NICHOLS. Would you like that by case loads by reservations for South Dakota?

WELFARE SERVICES, RELIEF LOAD

Senator GURNEY. I was wondering how much more money they are going to get. If we appropriate the \$803,000 and the \$100,000, is there going to be a sizable amount still coming to the reservations up there?

Mr. NICHOLS. Yes; we think that will bear those case loads.

Senator GURNEY. Maybe if you just put those in the record at this point it will be all right.

Mr. NICHOLS. Let us give to the record the case load by States. (The information requested is as follows:)

<i>February case load in North Dakota, South Dakota, and Nebraska, estimated by area directors</i>		<i>Estimated case load due to severe winter</i>
Agency:		
Montana:		
Blackfeet	1,578
Fort Peck	800
Fort Belknap Consolidated	900
Northern Cheyenne	642
North Dakota:		
Fort Berthold	376
Standing Rock	1,495
Turtle Mountain	860
South Dakota:		
Cheyenne River	2,556
Crow Creek	411
Pine Ridge	1,183
Rosebud	2,553
Sisseton	955
Flandreau	45
Nebraska: Winnebago	1,645
Total	15,796
Less estimate in supplemental appropriation ¹	5,390
Total	10,406

¹ Normally use Tribal funds but limitation reached.

² 77 percent of total estimated case load.

Mr. GREENWOOD. It shows an increase of 10,406 persons in our relief load above the normal estimate.

Senator GURNEY. Women, children, and babies?

Mr. GREENWOOD. Yes, sir; that is, all people needing assistance.

Senator GURNEY. All over the Nation?

Mr. GREENWOOD. No; those are just for Montana, North and South Dakota, and the Nebraska areas.

Mr. NICHOLS. May I say, as you already know, but I want to say it for the record, that we do not allocate this money out by States or even by reservations as such. We take the people who seem to need it and give them these standard amounts. Whatever it comes to, we do it.

Senator ELLENDER. How do you make the selections? This is an increase of ten-thousand-some-odd since when?

Mr. NICHOLS. Since the blizzard started.

Senator ELLENDER. What is the method of selecting the 10,000?

Mr. NICHOLS. When our investigators find they are just out of food and cannot find any work and they are out of fuel. It mostly goes for food, but some of it goes for fuel, and sometimes a little for clothing, blankets, or other household necessities.

Senator ELLENDER. What is the age limit of the selectees?

Mr. NICHOLS. There are no age limits at all. If they are not eligible for any other relief, we have to feed them.

Senator ELLENDER. Are they able-bodied men and able to work?

INDIAN EMPLOYMENT PROBLEMS

Mr. NICHOLS. Not if they cannot find employment. We have to make them work for them, really.

Senator ELLENDER. How do you ascertain whether or not they can find employment?

Mr. NICHOLS. We do our best to find them jobs, but you just cannot do it in the winter up there. When a big blizzard comes, they cannot get out of there; the roads are blocked. You have to feed them someway.

Senator ELLENDER. What effort is made by any of the selectees to obtain jobs?

Mr. NICHOLS. They work on the railroads and pick crops in the summer. A lot of them are not landowner Indians and do not have a place for farming or anything. When they are through working in the fields in the fall, picking up potatoes and working in the woods, they are soon broke.

Senator CORDON. They are assisted by you no matter how much they make; is that right?

Mr. NICHOLS. Yes, those who need it; but they do not make very much. As a matter of fact, they do stoop labor and such.

Senator CORDON. I read figures that run to a sizable amount.

Mr. NICHOLS. On the amount they make?

Senator CORDON. Yes.

Mr. NICHOLS. No; their average income there is much below that of the non-Indian in the same region.

Senator CORDON. Why?

Mr. NICHOLS. Because they are the first to be laid off and the last ones taken on, and they are generally doing unskilled labor.

Senator CORDON. What do they get, on an average, per day?

Mr. NICHOLS. Well, I would have to guess.

Senator CORDON. Do you mean you do not have any information in the Bureau of Indian Affairs on the subject?

Mr. NICHOLS. I say I would have to guess. I do not have it in my mind.

Senator CORDON. Do you have it in the Bureau of Indian Affairs? There should be some information with reference to the over-all matter.

If there has been any investigation at all, there should be something on it.

(The information requested is as follows:)

We find that the Indians in the area of the present emergency are able to find work for an average of only 16 weeks a year, and that they earn, on the average, only \$34 a week; making their total average annual cash earnings only \$544, which is the reason they need relief so badly each winter. These averages were computed from our latest reports from the following reservations: Cheyenne River, Crow Creek, Pine Ridge, Rosebud, and Sisseton, all in South Dakota; Turtle Mountain, N. Dak.; Winnebago, Nebr.; and Fort Belknap and Fort Peck, both in Montana.

Senator ELLENDER. Are there not a lot of people in those States who are not Indians and who are in the same dire circumstances? Are they not as badly off as many that you are now providing for?

Mr. NICHOLS. I do not think so much as the others. The studies we have made, especially in the Southwest, show that the Indians are in general below the standard of living of the other people.

REASONS FOR ASSISTANCE TO INDIANS

Senator ELLENDER. Why should the Indians be assisted more than the other people in similar circumstances? That is, poor people? Can you tell me that?

Mr. GREENWOOD. I think, Senator, that they are being taken care of also. The Governor of Montana found it necessary to declare a state of emergency in the 14 northern counties in Montana due to these weather conditions that we have mentioned.

I am sure they are finding it necessary to render emergency assistance to the non-Indians in the area.

The States of South Dakota and North Dakota have not found it necessary to go to that extreme, but emergency conditions do exist on the Indian reservations in those States.

Mr. NICHOLS. I want to answer Senator Ellender's question, if I may, in this way.

In my opinion, the Indian originally lived by hunting and fishing. In Montana and in the Dakotas there are many Indians who hardly even speak English. Those older Indians have never had a chance to learn, have never been to school, and they are practically unemployable. They know how to hunt and fish, and that is about all.

They go to the farms and do stoop labor, and they work in the woods.

Senator ELLENDER. They have never tried to improve themselves, have they? They just depend on the Government.

Mr. NICHOLS. It is difficult. In the early days, when the Army found it cheaper then to feed them than to fight them and therefore put them on reservations, the system of giving them rations in the winter became established. You are quite right; it has been a bad policy.

That leaves us with a heritage now of lots of Indians unemployed.

Senator ELLENDER. What you are talking about happened many years ago. You are feeding many people now who were born long since this so-called war you are talking about, and no effort is made by them to take care of themselves.

Miss HASTINGS. Most of these people are employed doing seasonal farm labor in the beet fields and potato fields. They work during the season.

Of course, the season does not last through the cold winter months. They make enough to take care of themselves while they are there and to take care of their families and dependents. They usually make enough extra to take something back with them. They will buy some clothing, some extra blankets, and some supplies.

But they seldom make enough to take them through the winter months until the seasonal work opens up again next spring. That is the extra load that we usually get in the wintertime.

Senator ELLENDER. How many months, as a rule, do you have to take care of them?

Miss HASTINGS. Some of them get along a little better and, according to what they make, for a longer period of time than others. Our case load starts increasing in December; and it gets to the highest peak in January, February, and March; and then, of course, to the lowest ebb in July.

Senator ELLENDER. When you say the lowest ebb is July, are we to understand that some are taken care of during the summer months also?

Miss HASTINGS. Those would be unemployable.

Senator ELLENDER. Totally?

CERTAIN INDIANS NOT COVERED BY LOCAL ASSISTANCE PROGRAMS

Mr. HASTINGS. That is right. That includes those who are not old enough for old-age assistance, or they may be infirm.

But there are some others, with dependent children that would not qualify for some reason or another for aid to dependent children. Since dependent children are under the program for social security, these are the ones who receive what is called general assistance in distinction to public assistance, that is, social-security assistance.

The States and the counties take care of non-Indians, and they all have a general assistance program. So does Washington, D. C., and so does New York, and so does every other city in every other State. But we have to take care of the Indians who cannot qualify for the social-security program.

We would like it if one day they would all come under the local programs, too, under that form of assistance.

Senator ELLENDER. I think something ought to be done soon on that score.

EMPLOYMENT OF INDIANS ON PUBLIC WORKS PROJECTS

Senator GURNEY. If I might just add a little to it, Senator Ellender, there are quite a few public works programs, such as these dams in Montana and Wyoming and New Mexico, North Dakota, South Dakota, any of those States, where we do get quite a few employees from the reservations.

But they are the husky, young fellows, from, say, 20 on up to 45 or 50, and they make good workers.

They are interested in the work and they are capable. Still, they are the heads of families, generally, and they are not quite as well adapted to civilized ways as we would like to have them.

When they do get this money, they live quite well, but hardly any of them take care of themselves all through the winter months.

The younger generation comes nearer to what is desired than the older ones. The older ones have families, too, youngsters, children. So we have those minors, and then the very old Indians that cannot work, or do not work, to take care of.

Then, of course, we also have during the very severe winters, families who are workers and have drawn good wages during the summer-time. Our Indian program has not been what it should have been over these past 75 years. There is no question about that.

But still, if you do not give them this money, they starve, that is right. That is all there is to it.

There is not any other place to get money for them.

Senator ELLENDER. I could see some justification for assisting the older ones who cannot help themselves, but, as you say, these able-bodied Indians can obtain work during the summer.

Senator GURNEY. Some of them.

Senator ELLENDER. Why not all?

Senator GURNEY. There is not any work for all of them.

Senator ELLENDER. Those who do get work live well, but they do not save their money, nor do they take care of the future. Why is that? It is because they know Uncle Sam is going to go in there and feed them when they need it.

It strikes me that something ought to be done to dispel from their minds the idea that we are going to keep on feeding them and that they can just go on and not save and spend all that they earn.

RELIEF COST PER INDIAN ON ADDITIONAL AMOUNT REQUESTED

Senator GURNEY. We have 10,000 Indians and you are asking for \$100,000. How much would that be per capita?

Mr. GREENWOOD. That would be \$10 per person.

Senator CORDON. That would be on top of the 800.

Senator ELLENDER. On top of that, I assume, you have the regular appropriation. That makes 32, 29, and 100.

1950 APPROPRIATION FOR EMPLOYMENT OF INDIANS

Chairman McKELLAR. In the Interior Department bill last year the Congress earmarked \$100,000 for labor among the Indian tribes and finding employment for them in order to give them work and reduce the relief load as much as possible.

Can you tell us what has been done under that? How has that money been expended?

Mr. NICHOLS. Dr. Provinse can tell you.

Mr. PROVINSE. That money did not become available to us until quite late in the fiscal year.

Chairman McKELLAR. What do you call quite late?

Mr. PROVINSE. The first of November, I think, before we were able to proceed to set up the offices. We have now in the Northern Plains region a placement organization in Aberdeen, one in Billings, and one in Minneapolis.

These people in charge of the offices are trying to locate jobs for the various Indian groups in those particular areas, working through the State employment offices.

So far the effort to recruit or to locate jobs has not been too successful. There is not very much work during the wintertime in any of the States, Montana or the two Dakotas, or Nebraska. So we are going to have to look outside of those particular States to get anything on other than a seasonal basis.

It is our hope that we can get some permanent employment for a fairly large number of these Indian people, particularly on some of the reservations where the resources are very limited, such as Turtle Mountain, where we have many more Indians than can be taken care of with the resources that are available to them.

It is true that they do go off for a few weeks in the fall and some of them make quite good wages, picking potatoes. The whole family will go out. I think you do find some figures of \$25 and \$30 a day made by the whole family picking potatoes. But it will only be for a limited period of time; for 6 weeks, or a month, something like that.

They do not get back to the reservation with very much. Nearly always they have to go back to the reservation because there is no housing for them to stay in these smaller towns. So that they become a problem back on the reservation for several months of the year.

We would like to overcome that trend and try to stabilize some of the people away from the reservations on all-year-round employment,

, if we can. That is the effort that is being made with these placement offices at the present time.

APPLICATION OF FUNDS FOR EMPLOYMENT

Chairman McKELLAR. \$100,000 was under your control. You had charge of it. What was done with it?

Mr. PROVINSE. Actually, we have employed 10 people. We have worked out contracts with several States outside of the Southwest, where we had contracts before that, with the State employment offices, who are attempting to secure job opportunities for Indians away from reservations.

Chairman McKELLAR. How many jobs were secured with the \$100,000?

Mr. PROVINSE. I do not have a report on that so far. The offices did not get started until the first of January.

Chairman McKELLAR. You had the money in November. Has any part of it been spent?

Mr. PROVINSE. Yes; part of it has been spent.

Chairman McKELLAR. Can you tell us what it was spent for and to whom it went?

Mr. PROVINSE. Yes. It was spent for the employment of 10 people. We have one welfare person and one placement officer in five different offices at the present time. They are attempting to find out what the skills on the reservation among the Indians are so that we can make some kind of arrangement with the State offices in taking care of job opportunities that the State employment offices can find for us. That is what their activity has been so far.

All of the money has not yet been spent.

NEED FOR FUNDS TO INCREASE FUEL SUPPLY

Senator ELLENDER. Did not one of you gentlemen say that a good deal of this money is used to pay for fuel?

Mr. NICHOLS. Some of it; yes. Food is first, and then fuel and some clothing; also some for blankets or some other household necessities.

Senator ELLENDER. Would it not be possible for these Indians to accumulate a little fuel during the summer for the winter months?

Mr. NICHOLS. Yes; if there is timber nearby they can go out and do that. But in many places they have to buy coal. They are on these wind-swept high mesas and there just is not any timber around.

Senator ELLENDER. Is there no coal to be mined on the reservations?

Mr. NICHOLS. Except in a few places in the Dakotas, and there they do. They have their own mines and they do that.

But we do make these able-bodied people work, and some of them work by cutting timber for the aged or others so that they can have enough wood.

Senator ELLENDER. Have you ever thought of simply advancing them what you give them during the wintertime in the hope of getting it back from them in the summertime?

Mr. NICHOLS. Do you mean in money?

DISCUSSION ON DISTRIBUTION OF SALARIES BY ADVANCES IN WINTER

Senator ELLENDER. Senator Gurney says that most of them make quite a bit of money in the summertime and that they live well and spend it.

If you could work out a plan whereby you could advance them something in the wintertime in the hope of getting them to work it out in the summertime, I think you would be doing something creditable.

Mr. NICHOLS. I think it would be wonderful if we could do it, but I have to admit that, the fact is that on many reservations the Indians have leased their allotments of land to cattlemen or lumber men or to white farmers, and they have been paid 5 years in advance. So they are already 5 years in debt, let alone advancing any more.

Senator ELLENDER. Why did they do that? Could not they have managed that themselves and made more out of it than they obtained from leasing it?

Mr. NICHOLS. Most of them have no capital. They have little pieces of land, and they lease it to the white man and take their rental on it. The trouble is that they take their rental in advance, and it is all spent before the next period comes up.

Senator ELLENDER. That is the situation. I think they just feel that they can look forward to getting Uncle Sam to take care of them and they just go on haphazardly and are not trying to assist themselves.

Mr. NICHOLS. It is partly due to an historical precedent.

INDIAN EMPLOYMENT DURING WINTER MONTHS

Miss HASTINGS. Work is required, Senator Ellender, for the relief that is given the year around.

Senator ELLENDER. Do you mean in the wintertime?

Miss HASTINGS. Yes. Of course, in periods of very bad weather, such as the snowstorms, they do not, but when the weather gets a little milder, all who are able work.

Senator ELLENDER. What kind of work is that?

Miss HASTINGS. Sometimes it is janitor service; sometimes it is road building.

Senator ELLENDER. For whom?

Miss HASTINGS. At one of the schools, one of our day schools, stacking the wood, or that type of work, sweeping the floor. Sometimes they also work when they are making certain repairs on the roads.

Senator ELLENDER. On their own reservation?

Miss HASTINGS. Yes.

Mr. NICHOLS. They cut wood, too. They will go out and cut wood for other people, for widows, or people that cannot get any themselves.

Senator ELLENDER. When you say other people, do you mean Indians?

Mr. NICHOLS. Yes.

Senator CORDON. Mr. Chairman, I would like to ask one or two questions.

Chairman McKELLAR. All right.

Senator CORDON. I notice you are asking for \$100,000 more here, and you are predicating that upon an unusually severe winter in the Northwest.

Am I to understand from that that the \$803,000 which you asked for was requested to meet a known case load?

Mr. NICHOLS. Yes; a known estimated case load. This has jumped it up 10,000. We cannot ask for emergency money in advance. We have to ask for just what we think is the regular amount.

Senator CORDON. I am just looking at your record here for a minute.

Chairman McKELLAR. I would like for the gentleman who has charge of the \$100,000 to be good enough to furnish the committee with a statement as to what was done with it; as to whom it was paid, and give us the names of those to whom it was paid, and the amount of the salaries that were paid to them, and so on, and what got to the Indians.

Mr. NICHOLS. I would be glad to do that.

By the way, it was the Senate committee, you remember you were on it last year, Senator Ellender, which added this \$100,000 on the splendid record that was made with the Navajos in placing them in jobs.

We are very happy to thank you for it, and we think it is the best thing we can do to get these Indians off to work so that we would not have to depend on emergency relief year after year.

DISBURSEMENT OF FUNDS ON EMPLOYMENT OF INDIANS

There is not much to report yet, but we will be glad to give you a written report.

Chairman McKELLAR. I would like to have a report on that.

(The material requested, subsequently furnished, appears on p. 141.)

INDIAN RELIEF PROBLEM

Chairman McKELLAR. At this point I want to put in the record some letters and telegrams forwarded to me by Senator Milton R. Young concerning this matter, indicating that he is in favor of granting this relief to the Indians.

(The material referred to is as follows:)

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
February 10, 1950.

Hon. KENNETH McKELLAR,

Chairman, Committee on Appropriations

United States Senate, Washington, D. C.

MY DEAR SENATOR: Enclosed is a telegram which I have just received from Mr. Carlyle D. Onsrud, executive director of the North Dakota Public Welfare Board, concerning the Indian relief problem.

I am sure this will be of special interest to you, especially since H. R. 7207 has just been approved by the House.

With kindest personal regards,

Sincerely yours,

MILTON R. YOUNG,
United States Senator.

JAMESTOWN, N. DAK., February 9, 1950.

Senator MILTON R. YOUNG,

Senate Office Building, Washington, D. C.:

Please push \$800,000 Indian deficiency appropriation. Estimate \$300,000 needed food alone North and South Dakota, Nebraska rest fiscal year on a minimum basis. Fort Yates reports it can only give \$8.77 per month per person for food even if extra pending allocation is made for February. No chance to include fuel, clothing, as food is not even up to decent minimum. \$800,000 only one five thousandths of proposed ECA funds—situation grave—Washington reports about cold weather as prime cause inaccurate, misleading. Prime cause is no work, no resources—will be same every winter until root causes removed. Please do your best.

CARLYLE D. ONSBRUD.

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
February 10, 1950.

Hon. KENNETH MCKELLAR,

Chairman, Committee on Appropriations,

United States Senate, Washington, D. C.

My Dear Senator: Enclosed is a telegram which I have just received from Mr. John B. Hart, executive Director of the North Dakota Indian Affairs Commission, concerning the Indian relief problem.

I am sure this will be of special interest to you, especially since H. R. 7207 has just been approved by the House.

With kindest personal regards,

Sincerely yours,

MILTON R. YOUNG,
United States Senator.

ROLLA, N. DAK., February 8, 1950.

MILTON R. YOUNG,

Senate Office Building, Washington, D. C.:

Minimum relief needs of North Dakota Indians probably will be sufficient for most of February. Seventy-five to one hundred thousand undoubtedly needed for North Dakota between March 1 and end of fiscal year.

JOHN B. HART,

Executive Director, North Dakota Indian Affairs Commission.

GENERAL ASSISTANCE GRANTS TO INDIANS

Senator CORDON. Mr. Chairman, I would like to call attention to some of the figures and the statements here. I am speaking now with reference to the \$803,000 item. The justification indicates that:

The appropriation contained in Interior Department Appropriation Act for 1950 for general assistance grants for needy Indians who are unable to obtain employment and who are not eligible for assistance under any other relief program will be completely exhausted in January—

and that means January of that year—

despite the fact that payments have been held to the very low average of \$9.12 in July to \$16.64 in December. These payments are considerably below the average old-age-assistance grant under the social-security program.

Beginning with January, the average payment has been increased to \$25 per month. An additional \$800,000 will be required to continue this program for the remainder of the fiscal year without making any provision for emergencies which may develop by reason of the severe winter now being experienced in the West. The remaining \$3,000 is for salary increase.

ANTICIPATED RELIEF EXPENDITURES PER PERSON

Am I correct in reaching the conclusion that your \$800,000 is predicated upon expending an average of \$25 per person?

Mr. NICHOLS. Yes.

Senator CORDON. And when you spend that that would be the same amount averaged through for a baby or a 2-year-old child, or a 10-year-old child, or a father or a mother or a bachelor or a spinster?

Mr. NICHOLS. It would not be the same amount in each case, but it will average that, yes, from old age to babylhood. It would be less for a baby and more for a head of a family.

Senator CORDON. But in December you were paying \$10.04; is not that right?

Mr. NICHOLS. Yes.

In fact, on the Navajo it got so low as \$8 a month.

Up in the Dakotas we find that people who have to buy fuel—and many of them do—need about three ricks of wood a month, and it takes \$5 a rick and they have to buy that or they will freeze to death in their little cabins. There is \$15 gone right there.

Senator CORDON. But you do not have them out cutting that wood in the summertime when they are doing nothing else.

Mr. NICHOLS. They are generally working in the fields in the summer. If they are near woods, it is all right, but there are a lot of them on the barren plateaus in the Dakotas.

Senator CORDON. Somebody has to cut the wood that they buy.

Mr. NICHOLS. Usually some other Indians cut it for them and sell it to them. But you cannot get a woman 70 years old to go out and cut wood.

Senator CORDON. I can understand that, but that comprises a handful as against your total number.

Speaking about getting special jobs such as janitor work, there is one janitor in each school, I might point out.

Miss HASTINGS. May I say, Senator, that most of this \$25 is really just enough for food and for clothing and for certain household supplies. That would include kerosene and soap and some bedding supplies. Fuel is only added when they cannot get it themselves.

It is not just a regular item in the budget, and it is only for those persons who are unable to provide it for themselves.

Mr. GREENWOOD. Senator, by far the greatest portion of our normal relief load represents unemployables. It is only during emergencies such as have been prevailing in certain Western States that we have any sizable number of employables that need assistance.

Senator CORDON. Could you furnish us with a statement at least as to areas of the number of unemployables and what that term means as you use it in the service?

Mr. GREENWOOD. Yes.

TABLE OF UNEMPLOYABLES AND UNEMPLOYED

Senator CORDON. We would like to know just where the line is between unemployables and those who are employable, but at the moment are unable to find employment.

Mr. GREENWOOD. We will be glad to do that.

(The information requested, subsequently furnished, appears on pp. 141 and 142.)

HANDLING OF INDIAN RELIEF CASES

Senator CORDON. Of course, if I understand this picture correctly, you furnish aid of various degrees. There may be a family which has plenty of wood, let us say, but is somewhat short on provisions.

Another may need both. Another may need only clothing, or what have you.

Mr. GREENWOOD. That is right.

Senator CORDON. But when you average that across the board for your complete case load of Indians, it represents \$25 per capita.

Mr. GREENWOOD. That is what we would like to pay.

Senator CORDON. That is what you will pay if you get this money; is that not correct?

Mr. GREENWOOD. That is correct, sir.

But that compared with an average of more than \$43 which is paid under the old-age assistance program.

Senator ELLIOTT. Can you tell us what is the largest amount that would be paid to a family where the head of it is employable or is able to work. Let us put it that way.

Miss HASTINGS. May I answer this way, Senator? We use the State welfare department standard family budgets. They break each family budget down by sex and by age.

Mr. NICHOLS. She means family budget, not State budget.

Miss HASTINGS. Yes. Each State welfare department has a family budget for food and for clothing, and it is broken down according to age and sex requirements. Their home economists have worked it out. They have so much for the cost of food for a baby, and it is different according to age, all the way up to a grown person. They make a difference also for sex.

For instance, usually they make a larger allowance for food for a teen-age boy than they do for even a grown man or for a grown woman.

They also have it worked out on the same plan for clothing, and then they make a small allowance for the household supplies.

Therefore, in working out a budget on the need basis, we take the members of the household. We take their age and their sex. We use the same State welfare department budget, and we add up the food for those members and the clothing for those members.

We make a certain allowance for the household supplies, such as soap, and these other things, kerosene and so forth, and that is how we compute the budget.

Mr. NICHOLS. One reason why it is less than this \$45 for the non-Indians is that we attempt to furnish medical service. So that we don't have to give them an item for medical services as has to be done with other people.

Mr. GREENWOOD. And housing. We do not provide any money for their housing.

Mr. NICHOLS. We do not have to provide the rent.

Chairman MCKELLAR. Are there any further questions?

CONDITIONS AT ROSEBUD RESERVATION

Senator GURNEY. I would just like to refer the members of the committee to the testimony taken by Members of the House on the same problem. On pages 12 and 13 is a very accurate description of

the conditions on the Rosebud Reservation. This is given by the Congressman from that district, who is very well informed on it, and tells about the efforts that have been made and made from my office to get surplus commodities from the Commodity Credit Corporation and get them to the reservation as fast as possible. That will help some, but the real need out there is set forth by Congressman Case.

We also have it in the bigger cities surrounding the reservations. They come there and they are not citizens of the town and nobody will help them. They are in very bad shape.

Mr. NICHOLS. In South Dakota they have to be a resident of the county for 90 days before they are eligible for any county assistance.

These Indians that work back and forth never stay in one place 90 days so that they never get eligible. That is around Rapid City and other places, even outside of Pierre, the State capital.

INDIAN POPULATION OF NORTH AND SOUTH DAKOTA

Chairman McKELLA. How many Indians do you have out there?

Senator GURNEY. About 30,000 or 31,000 in South Dakota. I do not think there are that many in North Dakota.

Mr. PROVINSIE. I do not think it is that many. There are about 18,000.

POOR LANDS CONTRIBUTE TO INDIAN PROBLEM

Senator GURNEY. They live in reservations right next to the Bad-lands country.

Mr. PROVINSIE. Yes.

Senator GURNEY. A lot of them have good grazing land, but they have no cattle and they have no way of making money. A lot of them have no transportation to get to jobs if there are jobs, and there are no jobs close to the reservation.

Mr. NICHOLS. That is true.

Senator GURNEY. Transportation is the thing that keeps many of them from making any money in the summertime. So we go from bad to worse, and we have the problem with us every year.

Mr. NICHOLS. Of course, a long range rehabilitation program would be a solution to this. This alone is not a solution; we all realize it, but each winter we just cannot say "Well, someday we are going to have a fine rehabilitation program and train all these Indians and educate them and get them all jobs."

In the meantime we just cannot let them starve, and that is what we are up against. We all agree to that, I am sure.

Senator CORDON. That is right.

DISCUSSION ON PROGRESS OF INDIAN RELIEF PROGRAM

Senator ELLENDER. I do not want to be misunderstood. I am very sympathetic to them, but the policy we have been pursuing has certainly not enured to their benefit. They are just going to keep on being wards of the Government. I do not suppose any of them who are able to work want to keep on being in that position.

Mr. NICHOLS. Except the older folks, and they will soon be no longer a burden. The younger ones do not want to be wards.

Senator ELLENDER. I think we made a mess of our Indian problem, and we are now doing it with the Eskimos in Alaska.

Senator CORDON. How many would you classify in that group of old ones in South Dakota, where the Senator said there were 31,000 Indians?

Mr. NICHOLS. I would say a high percentage, but I just could not give the correct figure offhand.

Senator GURNEY. There are 10,000 in Montana and the two Dakotas. Is not that what you said?

Mr. NICHOLS. Yes.

Senator GURNEY. There are probably 4,000 in South Dakota.

Mr. NICHOLS. Yes; I would guess that many.

Chairman McKELLAR. I have been in Congress for 38 or 39 years, and I have been religiously voting for them in every bill that came before the Congress. But I am just astonished by what you tell me here this afternoon. It does not seem to me we are making any progress at all.

Senator GURNEY. This request of \$100,000 would not approach the request of funds to help the Navajos and Hopis.

This is a severe winter storm that makes it absolutely mandatory. Either you give it to them or they starve. That is all there is to it.

Chairman McKELLAR. We do not want anybody to starve.

I would be very glad to have that report, Mr. Nichols.

(The report on placement activities appears on p. 142.)

Mr. NICHOLS. Yes, sir.

Senator GURNEY. There is testimony on page 15 of the House hearings quoting a newspaper article as follows:

Far-away India has her beggars by the roadside, China has her squeeze system widely practiced by the working classes, and South Dakota has her Indians living in tents and shacks in the cold of our northern winters.

That is from a newspaper article and is not the testimony of the witness. That is accompanied by pictures.

Senator CORDON. There is \$100,000 in the budget where the request was so much less.

Senator GURNEY. That is not to go just to the 10,000. That is to go to the whole Nation.

Senator CORDON. We added to that \$803,000 more, and the purpose of that is to almost double the average payment per capita. That was evidently adequate in December.

Miss HASTINGS. No, sir; it was not adequate.

AMOUNTS TRANSFERRED FOR WINTER EMERGENCY

Senator CORDON. I expected that answer. Twenty-five dollars would not be, either. But it was doubled, and there could not have been, and cannot now be, any greater period when we can expect any continuation of a severe storm. It ought to be about over.

I understand that \$151,000 was transferred, but you transferred it from where you could transfer it. There is \$25,000 and one item of \$301,000 and \$151,000 transferred in the Dakotas. The statement says that is above the amounts initially made available for those areas.

Mr. GREENWOOD. No, Senator; this \$100,000 is to cover the deficiency. It comes about by reason of our having drawn on the funds originally apportioned for the last quarter of this year, funds which normally would be spent in April, May, and June, in order to meet this emergency situation.

So then it is a real deficiency.

Senator CORDON. Then it can be absorbed from the \$12.50 per capita average that you did not have in December. I am not questioning that you have not more than just a subsistence level, but I can see that there is more available in the regular appropriation for the balance of this year, almost twice as much as there was for last year.

Mr. NICHOLS. You are quite right, and if it had been sufficient last year, we would agree with you.

SUMMARY OF APPROPRIATIONS FOR RELIEF ACTIVITIES

Mr. GREENWOOD. I think we ought to clarify that point, Senator. The appropriation for this year for the welfare of Indians was \$900,000. Four hundred thousand of that amount was specifically provided to make public-assistance payments to Indians in Arizona and New Mexico other than Navajo and Hopi Indians.

So that \$400,000 could not be spent any place else except in Arizona and New Mexico. That left \$500,000 for other welfare purposes, of which \$229,000 was budgeted for direct relief.

Senator CORDON. Was not this direct relief?

Mr. GREENWOOD. Yes; this is direct relief.

Senator CORDON. There is an amount of \$800,000?

Mr. GREENWOOD. That is correct.

Senator CORDON. The statement is that you want to use it to double the average per capita payment that you were paying last year; is that not right?

Mr. GREENWOOD. That is right, but for our normal relief load, not for this emergency load that has arisen.

Senator CORDON. If you do not quite double that, you will have enough to meet the emergency. That is what I am trying to get at.

Miss HASTINGS. But not enough to feed the people.

Mr. NICHOLS. You are right in figures, all right, but I think we still all admit that \$25 a month is little enough to live on.

Senator Cordon. But that is an average and some of them should not be absolutely destitute.

TRANSFER OF FUNDS FROM HOSPITAL AND EDUCATIONAL PROGRAMS FOR USE IN PRESENT EMERGENCY

Mr. NICHOLS. That is right.

May I say that this situation has become so serious that this noon I signed a request to the Secretary to eat up \$100,000 worth of hospital and educational funds starting tomorrow. We are going to do that. We have to help these people. We just cannot let them starve.

So I have had to take that step and get out that far on a limb, which is very serious, because if we do not get this now it is going to be on me and we will have to close hospitals and schools to save the money already spent. But I will have to do it. I will close up those things rather than see them starve.

Senator CORDON. You are speaking of \$800,000, not the \$100,000?

Mr. GREENWOOD. We are speaking of both, Senator.

Chairman McKELLAR. Are there any further questions? If not, we are very much obliged to you, gentlemen.

Mr. GREENWOOD. Thank you very much, Mr. Chairman.

Chairman McKELLAR. We will next hear testimony on the control of forest pests.

DEPARTMENT OF AGRICULTURE

STATEMENT OF HON. EDWIN O. JOHNSON, UNITED STATES SENATOR FROM THE STATE OF COLORADO

DAMAGE BY THE SPRUCE BARK BEETLE TO NATIONAL FORESTS

Senator JOHNSON. Mr. Chairman, I wanted to speak just very briefly. I cannot find the item covering it in the bill. There is supposed to be an appropriation somewhere inserted by the House for the control of the spruce bark beetle in the national forests, but I do not find it in the bill. I understand the House did put it in though.

Senator CORDON. That was to be heard by the deficiency group, although it was heard by the regular agriculture group. That matter will be presented here, I understand, and I hope to be on this committee.

Senator JOHNSON. I hope it will, because it is an emergency matter.

Chairman McKELLAR. Do you want to say anything about it?

Senator JOHNSON. Yes; I will briefly speak about it.

SPREAD OF BEETLE

This spruce barkbeetle has gone through and done great damage to one of our national forests in Colorado—White River Forest. The infestation is spreading rapidly now into the Holy Cross National Forest, and it will reach the Grand Mesa National Forest and the Gunnison National Forest soon and then will probably spread to Wyoming and New Mexico and destroy all of the Engelmann spruce in that whole area. In Colorado the Engelmann spruce is 60 percent of our timber. Already there has been a damage of \$8,000,000 to our spruce timber.

EFFECT OF BEETLE INFESTATION

The beetle completely destroys and kills the trees.

Chairman McKELLAR. Do they have a method of getting rid of the beetle?

Senator JOHNSON. Yes; they have a method. They spray the trees. It is a costly, slow process, but it does the business, according to the Forest Service.

It is estimated that unless we take some steps to stop this beetle infestation, and epidemic this year, that we are likely to reach the point where there will be an absolute impossibility of controlling it.

The plan, as I understand it, is to move into these areas which are not heavily infested at the present time and try to stamp it out.

Chairman McKELLAR. Is that in the budget estimate, and was it allowed by the House?

JUSTIFICATION AND AMOUNT REQUESTED

Senator JOHNSON. I cannot find it. It must be here some place in the budget, I was told it was.

Yes; here it is on page 10 of the budget. It says:

For an additional amount for Forest Pest Control Act, \$4,500,000 to remain available until December 31, 1950.

Serious infestations of forest insects, including spruce budworm, bark and pine beetles, are occurring to a large extent on Federal timberland in five Western States. The intensity and extent of the infestations are far greater than was anticipated when funds were requested for the fiscal year 1960.

It is essential that work go forward at an accelerated rate during the 1950 control season, if greater losses of timber and increased future control costs are to be averted.

As I say, the infestation has destroyed one forest and is just getting started in our other forests. It has damaged beyond repair the Engelmann spruce in the White River Forest, and is moving over into the Holy Cross now, and if an appropriation is made I am told it can be stopped, and if not, of course, we will just lose the other forests also.

The point is that not all of the \$4,500,000 will be used in Colorado. Something over \$2,000,000 will be used in Colorado because that is where the infestation of this particular spruce bark beetle is doing so much damage. I want to associate myself with Senator Millikin on this plea. He is much concerned with this matter also. I hope that you will include a deficiency item in this bill for \$4,500,000 in concurrence with the recommendation of the Budget. I can assure you that it is very badly needed, and that it really is an emergency. A stitch in time will save nine.

CONTROL OF FOREST PESTS

STATEMENTS OF DR. S. A. ROHWER, ASSISTANT CHIEF, BUREAU OF ENTOMOLOGY AND PLANT QUARANTINE; C. M. GRANGER, ASSISTANT CHIEF, FOREST SERVICE; RICHARD A. COLGAN, JR., EXECUTIVE VICE PRESIDENT, NATIONAL LUMBER MANUFACTURERS ASSOCIATION; EARL W. LOVERIDGE, ASSISTANT CHIEF, FOREST SERVICE; I. J. MASON, CHIEF, DIVISION OF TIMBER MANAGEMENT, FOREST SERVICE; HENRY WOLD, BUDGET OFFICER, FOREST SERVICE; J. F. SHANKLIN, DIRECTOR OF FORESTS, DEPARTMENT OF THE INTERIOR; J. O. COFFMAN, CHIEF, FORESTRY DIVISION, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR; F. H. SPENCER, ASSISTANT ADMINISTRATOR, AGRICULTURAL RESEARCH ADMINISTRATION; AND EUGENE B. WILHELM, CHIEF, DIVISION OF ESTIMATES AND ALLOTMENTS, OFFICE OF BUDGET AND FINANCE

JUSTIFICATION

Chairman McKELLAR.—Before proceeding, gentlemen, we will insert at this point in the record the justifications covering this item.
(The justifications referred to are as follows:)

*Forest Pest Control Act**Forest Pest Control Act (H. Doc. No. 455)*

Request for 9.5 months from Mar. 15, 1950, to remain available until Dec. 31, 1950.	\$4,500,000
Appropriation to date.	1,454,204
Obligations to Dec. 31, 1949.	687,921
Expenditures to Dec. 31, 1949.	595,429
Employment:	
Average number current appropriation.	102
Number involved this estimate.	686
Actual employment Dec. 31, 1949.	36
Budget estimate next fiscal year.	\$1,006,500

¹ Includes \$250,000 transferred from the appropriate "Control of emergency outbreaks of insects and plant diseases," \$450,004 prior year balance available for obligation in 1950, and \$3,800 anticipated pay adjustment supplemental.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

Information assembled through surveys carried out during the summer and fall of 1949 disclosed the presence of important and significant outbreaks of native insects destructive to forest resources in many areas. Careful analysis of all data, including consideration of contributions that will be supplied by State and private agencies where work other than federally owned lands is involved and appraisal of immediate importance of some infections detected disclosed that \$5,129,000 would be required to provide for the Federal cost of the minimum number of control projects which should be begun or entirely completed during the remainder of the current fiscal year. The foregoing amount exceeds by \$4,500,000 the funds that had not been expended, obligated for projects initiated, or required to carry on fixed expenditures for detection and appraisal surveys and continuing activities. Four of the projects present new developments or require expenditures which exceed funds available during the remainder of the fiscal year.

Another important project, which requires an estimated expenditure of \$418,000, is a continuation of one aimed to control an infestation of mountain pine beetle in lodgepole pine on the Targhee, Teton, Caribou, and Bridger National Forests, the Grand Teton National Park, and the Jackson Hole Monument.

The current estimate contemplates the use of \$630,000 of funds available but not finally allotted to specific projects to carry out 38 projects, 2 of which will require during the early part of next year the use of funds that may be provided by the regular 1951 estimates. A summary of the estimated cost of the five projects which will be provided for in the accompanying estimate and other highlight information concerning them are tabulated below. Detailed information in reference to each of the proposed projects is set forth in the following pages.

Summary of estimated costs, estimated losses, and nature of operations, by projects

Project	Estimated costs				Nature and size of operations and estimated cost per unit	
	Federal funds		Coop- erators	Total		
	Avail- able	Need- ed				
(a) Spruce budworm in Douglas fir and white fir in Oregon and Washington.	\$880,000	\$320,000	\$1,200,000	\$60,396,000	
(b) Spruce bark beetle in Engelmann spruce in Colorado.	2,885,000	2,885,000	Treatment of 725,000 infested trees at approximately \$4 per tree.	
(c) Black Hills bark beetle in ponderosa pine in Colorado.	210,000	210,000	Treatment of 42,000 trees at \$5 per tree.	
(d) Mountain pine beetle in lodgepole pine in southeastern Idaho and western Wyoming.	\$148,000	270,000	418,000	Treatment of 53,000 trees at approximately \$7.50 per tree.	
(e) Mountain pine beetle in white pine in northern Idaho.	255,000	8,000	263,000	Treatment of 17,322 trees at cost ranging from \$12 to \$18 per tree; average, \$14.	
Total	165,000	4,400,000	\$28,000	4,978,000	\$4,912,000	

¹ Excludes watershed and recreational values.

¹ Excludes estimated green timber threatened if entire spruce area became infested, which has estimated value of \$19,368,000.

(a) Spruce budworm in Douglas fir and true fir in Oregon and southeast Washington (\$880,000)

THE PROBLEM AND ITS SIGNIFICANCE

Extent of infestation (see map attached)

The spruce-budworm epidemic which is attacking Douglas fir and white fir in the forests of Oregon and Washington has reached an alarming size and wholesale destruction of timber is threatened. A little more than one-third of the proposed program is on private lands; the remaining two-thirds is on federally owned national forest, Oregon and California, and public-domain lands and Indian reservations. State and county lands are included in the program for a minor acreage.

Practically all of the fir timber in the Blue Mountains of eastern Oregon and southeastern Washington, estimated at 2,138,000 acres, is infested. Serious outbreaks of the budworm on approximately 128,630 acres also are present in the highly important commercial stands of western Oregon as well as on the east slope of the Oregon Cascades.

The ownership of lands contemplated for treatment in 1950 is as follows:

Area	Federal				State and county		Private		Grand total, acres	
	Department of Agriculture, national forest		Department of the Interior, Indian reservations, Oregon and California, and public domain		Area, acres	Percent	Area, acres	Percent		
	Area, acres	Percent	Area, acres	Percent						
Western slope, Cascade Mountains, Oreg.	73,600	83.0	2,740	3.1	20	0.1	12,280	13.8	88,640	
Eastern Slope, Cascade Mountains, Oreg.	13,070	22.7	25,520	63.8	0	1,400	3.5	39,990	
Blue Mountains, Oreg.	510,680	61.5	5,210	1.0	1,820	.2	310,270	37.3	530,960	
Blue Mountains, Wash.	12,300	30.7	80	.1	2,080	.3	28,600	61.9	40,060	
Grand total.....	609,640	61.0	34,550	3.6	3,920	.4	349,550	35.0	999,670	

The spruce budworm population in Oregon and Washington has been increasing rapidly both in concentrations and in geographical distribution during the last several years. Large areas of epidemic infestation were discovered on the western slope of the Cascades in the general vicinity of Eugene, Oreg., during the summer and fall of 1948. This was the first known serious epidemic of this insect in the Douglas fir region of western Oregon and Washington. A somewhat similar outbreak was found on the eastern slope of the Cascade Range on the Mount Hood Forest. Both of these outbreaks were controlled by a cooperative project with the State of Oregon under which 267,000 acres were successfully treated by airplane spraying of DDT in June 1949.

During the summer of 1949 control work was checked and a much more systematic survey than had been possible heretofore was made of the extent of spruce budworm infestations throughout the two States. The control recommendations made herein are based on this more intensive survey.

All areas of infestation in the Cascade Mountains are recommended for control because the timber values at stake in western Oregon are so great. In the Blue Mountain areas of eastern Oregon and southeastern Washington only the heavily infested areas are recommended for treatment this year.

Values at stake

In the western Oregon area (west slope of Cascade Mountains) the timber volume on the infested area amounts to 1,772,800,000 board feet. At \$10 per thousand board feet the stumpage value of the infested timber is \$17,728,000. Of vastly greater value is the surrounding but as yet unaffected timber upon which the forest industry of the region depends for continued large-scale production.

In the eastern Oregon Cascades area (east slope of Cascade Mountains) the timber volume on the infested area amounts to 200,000,000 board feet. At \$3 per thousand board feet the stumpage value of the infested timber is \$600,000. Control of this infestation is urgent in order to remove it as a possible source of reinfection of the fir timber on both slopes of the Cascade Mountains.

In the Blue Mountains area of Oregon the timber volume in the infested area amounts to 9,840,000,000 board feet. At \$3 per thousand board feet the stumpage is valued at \$29,520,000. In addition, extensive stands of young trees are seriously attacked.

In the Blue Mountains area of Washington the timber volume in the infested area amounts to 851,600,000 board feet. At \$3 per thousand board feet the stumpage is valued at \$2,548,000. Much of the infested area is quite rough. It is of greatest value as a watershed for such communities as Walla Walla, Milton, Freewater, and Dayton.

Total volume and value in all infested areas is 12,664,400,000 board feet, valued at \$50,396,000.

Plan of work

Control consists of the aerial spraying of the infested areas with a DDT solution. This is a proven method, 267,000 acres having been sprayed in this manner in Oregon last spring at an over-all cost of \$1.20 per acre with approximately 95 percent of the spruce budworm larvae being killed, thus halting the epidemic and saving the trees on the treated area.

Because of the immense size of the present infested area and the short time available for control, it is not feasible to attempt to control the entire infestation in a single year. Even though the proposed control program for 1950 covers only the most critically infested areas, it will be a vast undertaking which will have to be highly organized and precisely timed. Contracts for purchase of DDT and the spraying vehicle and their timely delivery will have to be worked out. Flying contracts will have to be let and adequate landing strips developed. The actual spraying is limited to good flying weather and is further limited by the fact that spraying must be done during a period of approximately 2 weeks in June when the feeding larvae are one-half to full grown. Earlier they are mining the buds and cannot be reached with the spray. Therefore, the timely availability of funds is of utmost importance.

Estimated cost

The estimated cost of control is \$1.20 per acre, or \$1,199,604 for the 999,670 acres of infested areas contemplated for treatment in 1950.

It is essential that all ownerships within the control areas be sprayed in one operation. This necessitates a cooperative undertaking with the State of Oregon. It is proposed that the Federal Government pay the full cost of treatment of Federal lands and that the State bear the full cost of treatment of State and county lands. For private lands it is proposed that the State pay 50 percent of the cost, the Federal Government 25 percent, and the private owners pay 25 percent of the cost on their lands. Since there is no forest insect control law in Washington, all control in that State presumably will be done by the Federal Government on a reimbursement basis. The cost would be apportioned as follows:

Infested areas considered for treatment in 1950

	Area (acres)	Total cost	Proportionate share of cost		
			Federal	State	Private
Federal lands:					
Department of Agriculture: National forest.....	600,640	\$731,608	\$731,608
Department of Interior:					
Indian reservation.....	27,330	33,676	33,676
Oregon and California, and public domain.....	9,220	11,284	11,284
State and County					
Private.....	312,000	419,460	104,866	208,730	\$104,866
Grand total.....	999,670	1,199,604	1,199,604	214,640	104,866

¹ The total Federal cost of this project is estimated at \$600,000.

Proposed program for spruce budworm control in 1960 by ownerships and areas

Area	Federal					State and county		Private		Grand total, acres
	National forest, acres	Public domain and O&C, acres	Indian reservations, acres	Total acres	Percent of total	Acres	Percent of total	Acres	Percent of total	
Western Oregon:										
(1) McKenzie-Wilamette.....	65,100			65,100	100.0					
(2) Eugene-Oakridge.....	3,440	2,100		7,540	73.6					68,140
(3) Roseburg.....		640		640	6.3	20	0.1	2,700	35.4	10,280
Total.....	71,640	2,740		74,380	98.1	20	.1	2,730	11.8	10,280
Eastern Oregon Cascades:										
(4) Mount Hood.....	7,080			25,330	32.5					32,330
(5) Deschutes.....	6,670			6,670	31.7					7,330
Total.....	13,750			25,330	38.8					39,660
Blue Mountains—Oregon:										
(6) South Umatilla.....	175,940	4,000		180,940	61.9	340	.1	12,630	38.1	206,570
(7) North Umatilla.....	177,250	1,220	1,730	180,200	62.6	1,320	.4	10,630	31.0	208,820
(8) Grande.....	31,970	1,150		33,120	51.1	120	.1	10,730	46.7	102,020
(9) Enterprise.....	32,850			32,850	51.1			11,380	46.9	64,230
(10) Chemainus.....	65,050	40		65,130	94.3			12,730	11.5	81,880
(11) John Day.....										
(12) Ochoco.....										
Total.....	510,850	6,300	1,770	528,920	62.4	1,620	.2	310,270	37.4	830,420
Total for Oregon.....	587,350	9,340	27,230	613,920	68.0	1,830	.2	321,960	33.8	905,880
Blue Mountains—Washington:										
(13) Walla Walla.....	12,260	80		12,340	30.9	2,080	3.2	25,600	62.9	40,060
Grand total.....	609,610	9,330	27,230	636,550	64.6	2,900	.4	346,550	33.0	936,660

(b) Engelmann spruce bark beetle in Colorado (\$8,885,000)

THE PROBLEM AND ITS SIGNIFICANCE

Extent of infestation

For the last 10 years, the most severe forest insect epidemic of record has been in progress on the western slope of Colorado, principally in the White River National Forest. The overwhelming size of this insect population has heretofore made it impossible to devise effective control measures.

This epidemic passed into a new phase during the summer of 1949 which makes it reasonably possible to effect its control. On the other hand, these 1949 developments place more than half of the remaining Colorado spruce in immediate danger (and ultimately practically all of the spruce in Colorado, southern Wyoming, and northern New Mexico) unless all out-control measures are started in 1950.

By 1949 this bark beetle had exhausted available host material in the northern division of the White River National Forest, the center of infestation. Mass migration of unbelievable numbers of beetles occurred in the early summer. Most of these beetles (probably 98 percent) failed to survive but important new infestation centers were established, two of them south of the Colorado River.

It now seems possible to control these new infestation centers. If they are not controlled the insect has established adequate "beach heads" to again build up an overwhelming population which will almost certainly sweep northeastward through all the spruce stands in its path on both the national forests and Rocky Mountain National Park. Establishment of major infestation centers southerly in the spruce of the Gunnison and later of the Rio Grande National Forest seems inevitable if the new infestation of 1949 south of the Colorado River is permitted to run its course.

Population of this insect is at a temporary low point in 1950. After 1950 the original area of infestation cannot supply additional population. A sharp reduction in the number of trees currently infested has occurred because of the heavy beetle mortality involved in the migration of 25 to 30 miles across the nonforested lands along the Colorado River. Enough insects have survived, however, to re-establish the infestation in new spruce forests. The control project proposed is to prevent a repetition of the losses already experienced on the northern division of the White River National Forest.

Values at stake

About 60 percent of the timber in Colorado is Engelmann spruce. Practically all of the spruce in the State as well as adjoining stands in Wyoming and New Mexico is threatened by this epidemic.

The amount of privately owned land in the spruce type of Colorado is negligible. The State of Colorado owns about 100,000,000 board feet of spruce within the threatened area. Practically all of the present areas of infestation are on national forest land.

Timber volumes affected

I. TIMBER KILLED BY THE SPRUCE BARK BEETLE

Location	Volume	Species
Arapaho Forest.....	M board feet	
White River Forest.....	100,000	Engelmann spruce.
Brent Forest.....	2,000,000	Do.
Gunnison Forest.....	500,000	Do.
All other forests.....	75,000	Do.
	100,000	Do.
Spruce killed to date, all areas.....	3,575,000	Spruce.
Lodgepole killed to date, all areas.....	400,000	Lodgepole.
Total volume killed to date, all areas.....	3,975,000	All species.

*Timber volumes affected—Continued***2. GREEN TIMBER THREATENED BY THE SPRUCE BARK BEETLE**

Location	Volume	
	Engelmann spruce	Lodgepole pine
Immediately threatened:		
Arapaho Forest.....	1,070,000	861,000
White River Forest.....	1,200,000	266,000
Routt Forest.....	820,000	1,615,000
Roosevelt Forest.....	390,000	777,000
Total, immediately threatened.....	3,520,000	2,919,000
Threatened in future:		
Gunnison Forest.....	2,100,000	477,000
Colorado (all other areas).....	4,940,000	1,148,700
Wyoming.....	540,000	228,300
Total, threatened in future.....	7,580,000	1,803,000
Total volume of green timber threatened.....	11,900,000	4,722,900

The monetary value of the threatened merchantable timber is variable. Some is worth, based on going timber sales, as much as \$5 per M board feet. Assuming \$2 per M board feet as a reasonable value the following values are derived:

Value of timber killed to date, all species.....	\$7,950,000
Value of all green timber immediately threatened.....	12,878,000
Value of all green timber threatened in future.....	19,367,800

Total value of all green timber threatened..... 32,245,800

Sawmill and pulp operations engaged in cutting of spruce have continued to increase from year to year. Engelmann spruce is at present being cut from the national forests of Colorado at the rate of 35,000,000 board feet per year and has a stumpage value of \$75,000. The elimination of the spruce by the bark beetles will result in curtailment of this industrial activity which now furnishes considerable employment in western Colorado.

Proposed pulp mill affected

There is a good possibility for establishment of a paper and pulp plant to utilize a large part of this timber. Such a plant will be based on first salvaging the dead timber along with some green timber during the first 30-year period of operation. Thereafter it will be dependent on a sustained cut of green timber.

Permanent operation of the proposed plant is highly improbable if this epidemic is not controlled. If the spruce timber now in immediate danger should become infested, there would be no adequate economic source of raw material for a pulp mill after the time salvage of dead timber is possible. Termination of such an enterprise would mean the displacement of 600 wage earners and their dependents and abandonment of a plant costing at least \$15,000,000.

Recreation and watershed values affected

Destruction of the extensive green spruce forests of Colorado would seriously reduce recreation values. Already the Wilderness Rider trip in the White River National Forest has been abandoned because of the great areas of dead timber. As time goes on the dead timber will fall, creating a mass of down and criss-crossed logs that will make the forest impassable to travel even for game.

The killing of virtually all trees over 8 inches in diameter over tens of thousands of acres will most certainly affect watershed conditions. On areas of level to gently rolling topography adverse effects on watersheds should be small, but on steep slopes and canyon sides where soils tend to be unstable, watershed values are threatened.

Plan of work

Methods for effective control of this beetle have been under development for more than 3 years. These methods were field tested in a control project in the fall of 1949. Satisfactory control was obtained through spraying the trunks of standing infested trees with a mixture of orthodichlorobenzene and fuel oil.

Since in contrast to other bark beetles of the same genus, the spruce bark beetle has a 2-year life cycle in the same tree, it is possible to treat 1948 and 1949 infestations before the 1950 summer beetle flight, and 1949 and 1950 attacked trees after infestation. Trees are freshly attacked from June to mid-September. About a year later partially developed adults migrate to the base of the same tree. During the early part of the second summer, these same adults reemerge and fly to infest new trees and develop a new beetle brood.

Weather permitting, control operations can be carried on effectively from the early part of June until about the middle of October. Spruce attacked in 1948 will be treated on the basal portions of the trunk only, until about July 15. Spruce attacked in 1949 and 1950 will be treated the entire infested length of the hole. Lodgepole pine containing hibernating adults will be treated on the basal portions only.

The purpose of the control will be to prevent the spread of the epidemic beyond the areas in which it was established by 1948, i. e., the northern division of the White River Forest and the Gore Range south of Rabbit Ears Pass (see map). Control efforts will be concentrated in the following critical areas:

Area 1.—This area is considered for control because the infestations there at present, and any possible future reinfestations, constitute a serious threat to the spruce stands in this section of the Routt, Arapaho, and Roosevelt National Forests, and to the spruce in the Rocky Mountain National Park. Survey estimates indicate that there are approximately 20,000 infested spruce trees plus an additional 20,000 trees resulting from reinfestations by insect flight in 1950 from the west.

Area 2.—Heavy infestations in this area constitute a serious threat to extensive bodies of remaining spruce in the vicinity. Survey estimates indicate 80,000 infested spruce plus an additional 80,000 trees reinforced from the north and west will have to be treated.

Area 3.—The bulk of the 1949 Engelmann spruce beetle flight found its way south of the Colorado River into this area. Control in this area will prevent the outbreak from possible movement south into extensive new areas of spruce in the Gunnison National Forest. Survey estimates indicate 400,000 infested spruces plus 50,000 trees that will require treatment as a result of local reinfection.

Area 4.—Heavy infestations in this area constitute a serious threat to extensive bodies of spruce to the north in Colorado and on into the Medicine Bow Forest in Wyoming. Survey estimates indicate 78,000 infested and reinforced spruce to be treated.

Summary of all areas to be treated in 1950

Area	Number of infested trees—year of infestation			Total 1950 treating job, number of trees
	1948	1949	Estimated 1950	
1.....	200	19,700	21,000	40,000
2.....	8,800	74,500	80,000	162,000
3.....	20,000	230,000	240,000	450,000
4.....	80,000	85,000	175,000
Total.....	25,800	534,200	576,000	710,000

Estimated costs

Costs are estimated at a total of \$2,835,000 or approximately \$4 per tree.

The large size of the job will require a high degree of organizing, extensive recruiting of large numbers of laborers plus the usual material and equipment purchase and housing and feeding job to be considered in connection with undertakings of this magnitude. Therefore, early authorization of the project is indispensable. To undertake or accomplish only a part of the job in 1950 may result in its being completely out of hand in 1951 and of such magnitude as to be impossible of control.

URGENT DEFICIENCY APPROPRIATION BILL FOR 1950

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(c) *The Black Hills Beetle in ponderosa pine stands of the Roosevelt National Forest (\$810,000)*

THE PROBLEM AND ITS SIGNIFICANCE

Extent of infestation

There has been a serious rise in the extent and virulence of the Black Hills bark beetle in the ponderosa pine stands of the Roosevelt National Forest during 1949. Surveys in 1948 indicated there were about 23,000 infested trees mostly of the over-mature-age classes. The 1949 survey shows there are now 42,000 infested trees. This year many groups of pole-sized trees are infested.

Prior to the establishment of the national forest an extensive portion of the ponderosa pine type was frequently burned and practically denuded, principally by early day prospectors and miners. As a result a large percentage of this ponderosa pine type is today represented by young timber stands in pole and small sawlog size trees.

In the past this beetle has flared up primarily in mature and overmature trees. The present infestation is primarily in the young timber with solid groups of 100 to 1,000 or more trees in a group being killed. This pattern of infestation indicates an extremely vigorous epidemic which has potentialities of sweeping through all of the ponderosa pine type of the Front Range of Colorado.

Practically all of the infested trees are on national forest land. A minor number are in the Rocky Mountain National Park or on private lands. Because of the relatively low value of timber on the privately owned lands in the east slope ponderosa pine type in Colorado, it is not practicable to obtain cooperative contributions for this control project.

	Area threatened	Area ponderosa pine type
National forest land:		
Roosevelt National Forest.....	170,000	
Arapaho National Forest.....	6,000	
Pike National Forest.....	182,000	
Total.....	358,000	
Private, State and community ownership:		
Within national forests.....	120,000	
Outside national forests.....	825,000	
Total.....	945,000	
Total area of ponderosa pine type.....	1,003,000	

Values at stake

1. Timber values.—

Land ownership	Volume in board feet ¹	Values per thousand board feet
Roosevelt National Forest.....	216,000,000	\$649,000
Arapaho National Forest.....	8,800,000	16,500
Pike National Forest.....	240,000,000	720,000
Total.....	461,800,000	1,334,500
Private, State, etc.....	481,800,000	1,334,500
Total, all ownerships.....	913,600,000	2,739,000

¹ Trees 10 inches in diameter and over.

Merchantable timber is only a minor part of the values involved. Much of this area supports young stands of small- and medium-sized poles 6 to 14 inches in diameter. These are stands in which the beetle is primarily working. The beetles are not selective but take all trees in groups of 500 to 1,500 trees. Not only is the future supply of timber threatened, but the exposed soil of disintegrated granite is subject to erosion.

2. Watershed values.—Approximately 700,000 people live in the rich agricultural area east of the Front Range. This population is dependent upon water from the mountains for both its domestic and irrigation water. The domestic

and agricultural water needs are rapidly approaching total use of all available water. The major part of this water originates above the ponderosa pine type and passes through it on its way to these areas of consumption. Soil erosion is prevented and water interception and infiltration benefits are derived from this cover of ponderosa pine trees, thereby contributing to the regulation of stream flow and retarding the silting of irrigation ditches and reservoirs. The continued maintenance of a maximum of green timber cover is needed to protect watershed values.

3. *Recreational values.*—Control measures are further justified from the standpoint of preserving recreational values. These intangible values are relatively very high in comparison with other national forests in the West. The Roosevelt Forest, owing to its accessibility to Denver and a densely populated urban area, is heavily used by recreationists, and all routes of entry into the forest are through the ponderosa pine type in which type also most of the camp grounds are located. In addition, there is danger of the spread of bark-beetle infestation into the adjacent Rocky Mountain National Park. The average number of annual visitors on the national forest for the past 3 years has been 55,000 campground and picnic area users; 50,000 organization, camp, hotel, resort, and residence visitors; and 305,000 highway, road, and water route visitors. The total number of days spent by visitors is estimated to average 210,000 days per year. The number of visitors who pass through the forest en route to the Rocky Mountain National Forest averages better than 750,000 people annually. A conservative estimate places the value of this tourist business to local trade at from \$10,000,000 to \$15,000,000. Denudation of any portion of the low country area will seriously detract from its beauty.

Plan of work

It is proposed to treat the estimated 42,000 infested trees, starting the control operations as early in the spring of 1950 as snow and other conditions will permit and continue until sometime in late July when the beetles emerge to make new attacks.

The method of control proposed is to spray the bark of standing infested trees, using a mixture of one part orthodichlorobenzene to six parts No. 2 fuel oil. Large trees, or those with attacks that are too high to reach with orchard spray equipment, will be felled and the trunk treated. This method has been used with outstanding success on thousands of trees infested with the same beetle in the Black Hills of South Dakota.

Most of the trees are inaccessible to sprayers mounted on motorized equipment, and much of the work will be by use of hand-operated equipment.

Estimated cost

Based on the cost of the large Black Hills project in South Dakota in 1948, the cost of treating the 42,000 trees in this project is estimated at \$210,000, or \$5 per tree.

(d) *Mountain pine beetle in lodgepole pine stands of the National Forests of southeast Idaho and western Wyoming, and the Grand Teton National Park and Jackson Hole Monument of northwest Wyoming (\$870,000)*

THE PROBLEM AND ITS SIGNIFICANCE

Extent of infestation (see map attached)

Surveys completed last fall indicate there are 53,500 newly infected lodgepole pine trees on the Targhee, Teton, Caribou, and Bridger Forests, the Grand Teton Park, and the Jackson Hole Monument, over an area of 240,000 acres. To allow the epidemic to continue its course is to jeopardize all of the mature lodgepole pine stands on the Caribou, Targhee, Teton, Bridger, and Gallatin National Forests, Yellowstone and Grand Teton National Parks, and the Jackson Hole Monument and nullify the control work done during the past 3 years. Privately owned timberlands are negligible in both the infested and threatened areas.

This epidemic has been in progress for about 5 years. Control efforts since 1947 have slowed its rate of spread. A reduction in the number of infested trees from more than 100,000 in 1948 to about 50,000 in 1950 has been accomplished. This rate of reduction is encouraging particularly because only 18,000 out of 67,500 infested trees were treated in 1949. Insect-control funds for this project did not become available until late June 1949, after most of the treating season

was over. With full coverage of all infested areas this year, a 75 percent reduction in new attacks can be expected.

Values at stake

1. *Timber values*.—The most valuable lodgepole pine stands in south Idaho are found on the Targhee Forest and are threatened by the pine beetle. About two-thirds of the timber being cut commercially on the Gallatin Forest in Montana is lodgepole pine being threatened by this epidemic. Loss of the lodgepole on the four national forests principally affected would result in the termination of the annual harvest of timber currently amounting to 25 million board feet of timber valued at \$76,000 per year. This stumpage is used for lumber, power poles, posts, mine props, and pulpwood; and this industry is the means of livelihood for a large number of people.

The total lodgepole pine volumes on these four national forests threatened are estimated at well over 2,000,000,000 board feet and are valued at considerably more than \$6,000,000. This timber constitutes a reserve stand which is steadily assuming greater importance. Experience has shown that upward of 80 percent of the mature merchantable timber is usually killed in an unchecked infestation.

2. *Recreation values*.—Mass killing of lodgepole pine in the Yellowstone and Grand Teton National Parks and the adjacent national forests would be particularly disastrous to the recreation values. It is impractical to express these values in monetary terms. There are important roadside timber stands along the approach roads to the parks on the Targhee and Gallatin Forests. On the national forests affected there are annually more than a million visitors. There are 82 camp and picnic areas, 7 organization camps, 22 hotels, and 257 recreational residences located on these forests. The values invested in these recreational improvements on the national forests alone amount to millions of dollars. These values would be impaired, if not destroyed, if the present epidemic is allowed to continue.

Plan of work

Techniques for the control of the mountain pine beetle are well established, successful large-scale operations having been carried on in 1949. They consist of treating the bark of the infested standing trees with penetrating spray which kills the insects before they emerge as beetles.

Field surveys made in the fall of 1949 disclose a total of 53,500 newly infested lodgepole pine trees—12,500 on the Grand Teton National Park and Jackson Hole Monument and 41,000 on national forest lands. For most effective control 100 percent coverage of the infestation should be made in 1950. Every effort will be made to stop the spread of the epidemic to the northward. The east side of the Teton Forest is the highest priority area since in this area the infestation is in its most virulent stage.

Estimated cost

A total of 53,500 trees must be treated at a total cost of \$418,000, an average of approximately \$7.50 per tree. Of the total cost \$148,000 will be provided from balances available in the regular fiscal year 1950 forest pest control appropriation. There remains a need for \$270,000 to do this control job.

(e) *Idaho white pine beetle on Coeur d'Alene and Clearwater Forests (\$255,000)*

THE PROBLEM AND ITS SIGNIFICANCE

Extent of infestation

There is an infestation of mountain pine beetle in the valuable mature white pine timber stands of the Coeur d'Alene and the Clearwater National Forests of northern Idaho. (See attached map.) The three areas where control is needed are as follows:

1. *Yellow Dog-Downey area, Coeur d'Alene National Forest*.—The occurrence of small spots of blowdown timber plus standing infested timber has produced an infestation in 12,400 trees. Three years of uncontrolled beetle increase at the 1949 rate would destroy 100,000,000 board feet of 160-year-old white pine on 16,000 acres. In this area less than 500 acres are in private ownership.

2. *Steamboat area, Coeur d'Alene National Forest*.—The infestation is found among windfalls and standing trees over an area of 38,000 acres, practically all national forest lands. There are 1,900 trees and windfalls requiring treatment. It is those heavily infested windfalls resulting from a windstorm in the summer of 1949 which threaten to destroy the stand before a harvest cut can be made to reduce the insect threat that treatment for insect control is desired.

3. Orogordo area, Clearwater National Forest.—This infestation lies in the heart of the most extensive and valuable white pine in the Clearwater National Forest. The infested trees are primarily windfalls, but on one unit there are a large number of standing trees infested. The entire timber stand, estimated at three-fourths of a billion board feet, is threatened.

Values at stake

The Yellow Dog-Downey area contains 100,000,000 board feet of white pine timber valued at \$2,000,000 which would be wiped out before it could be harvested. The Steamboat area infestations threaten a third of a billion feet of white pine timber. Stumpage value of this threatened timber is over \$6,000,000. The entire stand of white pine in the Orogordo area is threatened, involving three-fourths of a billion board feet having a stumpage value of \$15,000,000.

Summary of values at stake

Unit	Volume of white pine stumpage (M board feet)	Value of stumpage per M board feet
Yellow Dog-Downey.....	100,000	\$2,000,000
Steamboat area.....	333,000	6,000,000
Orogordo.....	750,000	15,000,000
Total.....	1,183,000	23,000,000

Plan of work

It is planned to treat the 17,000 windfalls and standing trees during the spring of 1950 before the bark beetles emerge in early June. Windfalls must be treated since they are a source of increased infestation. The standing trees will have been felled, and all trees—windfalls as well as fallen trees—will have to be bucked up into log lengths and rolled over for complete treatment. This results in the high treating costs.

Estimated cost

The following summary indicates the cost of treating:

Yellow Dog-Downey area, 12,400 trees, at approximately \$15.....	\$186,500
Steamboat area, 1,900 trees, at approximately \$19.....	36,100
Orogordo area, 2,700 trees, at approximately \$12.....	32,400
Total, 17,000 trees, at \$15.....	255,000

Average cost to treat: \$15 per infested tree.

Control of forest pests

	Appropriation to date, fiscal year 1950	Supplemental estimate, fiscal year 1950	Revised total, fiscal year 1950
FEES AVAILABLE FOR OBLIGATION			
Appropriation or estimate.....	870,000	94,200,000	64,200,000
Proposed supplemental estimate due to pay increase.....	2,000	1,000
Prior year balance available.....	400,000	400,000
Transferred from "Control of emergency outbreaks of insects and plant diseases".....	200,000	200,000
Total obligations.....	1,604,200	4,200,000	6,204,200
OBLIGATIONS BY ACTIVITIES			
1. Detection and appraisal surveys.....	200,000	200,000
2. Operations to control destructive forest pests on lands irrespective of ownership.....	1,404,200	4,200,000	5,604,200
Total obligations.....	1,604,200	4,200,000	6,204,200

URGENT DEFICIENCY APPROPRIATION BILL FOR 1950

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Control of forest pests--Continued

	Appropriation to date, fiscal year 1950	Supplemental estimate, fiscal year 1950	Revised total, fiscal year 1950
OBLIGATIONS BY OBJECTS			
Total number of permanent positions	47	29	76
Average number of all employees	1,555	657	812
01 Personal services:			
Permanent positions	819,072	892,800	829,822
Part-time and temporary positions	258,549	1,639,000	2,036,549
Regular pay in excess of 52-week base	504		204
Payment above basic rates	11,518	82,510	64,018
Pay Increase, Public Law 49	3,100	3,100	7,000
Total personal services	810,600	1,785,800	2,297,192
Deduct charges for quarters and subsistence	1,227		1,227
Net personal services	809,373	1,785,800	2,296,256
02 Travel	64,421	44,000	104,420
03 Transportation of things	15,250	61,000	76,250
04 Communication services	1,515	3,800	5,615
05 Roads and utility services	7,000	25,300	32,300
06 Printing and reproduction	500		500
07 Other contractual services	179,054	540,900	719,954
08 Supplies and materials	172,224	1,859,210	2,032,524
09 Equipment	102,155	105,000	271,155
Unallowable	300,000		300,000
Total direct obligations	1,454,204	4,500,000	5,954,204

AMOUNT REQUESTED

Chairman McKELLAR. You may proceed, Dr. Rohwer.

Mr. ROHWER. Senator McKellar, we are here on behalf of the item that occurs on page 10 of House Document 455, dealing with the Forest Pest Control Act, requesting an additional amount of \$4,500,000, which is to remain available to December 31, 1950.

The reasons back of this estimate are predicated on knowledge that became available to us after the regular estimates were completed, and they are based on surveys that were conducted during the past season.

Those surveys disclosed the presence of about 38 infestations of pests that are destructive to our forests in various locations of the country. These infestations, some of which are of considerable magnitude, are well beyond the available funds of the department to take care of.

There is remaining, as of December 31, about \$600,000 of the amount that was available for the fiscal year 1950, and we have reviewed all these infestations and figure that we can take care of about 33 of those with those funds.

SPRUCE BUDWORM

The remaining five are large and extremely important and are the basis of this estimate. One of them, which deals with the spruce-budworm infestations in Oregon and Washington, is a cooperative program on Federal and State and privately owned lands and is proposed to be cooperatively financed.

The other four infestations are basically all on national forests or, in one case, on some lands that are under the jurisdiction of the

Department of the Interior. One of the smaller infestations has a small amount of infested trees on privately owned lands, and in that instance they are cooperating on it.

The literature that has been given to you discusses these infestations in detail. The summary, on page 2, lists the projects, indicates the amount of Federal funds that are proposed, the amount that will be supplied by the cooperators, and the total amount of the estimates, and the amount of timber that is threatened because of these infestations.

It also gives a short description of the basis of the estimate.

AMOUNT OF BUDGET ESTIMATE

You will note that the estimate for Federal funds needed is \$4,500,000. It is the same amount that is in the budget estimate. The value of the timber that is threatened is \$94,000,000, in round numbers.

To control these pests, it is extremely important that the operations be done at a time when you can do the work soundly, speaking from a biological standpoint. In most of these instances, the work will have to be completed largely by the end of the current fiscal year.

I said largely because, depending a little bit upon the biology of the insect and weather conditions, which we cannot foresee, some of the operations will continue over into July and then for protection we need to have in the fall sort of a mop-up program which will clean up the things that may possibly have been missed during the spring and early summer treating. That latter is the reason why we request that the funds remain available until as late as December 31.

Chairman McKELLAR. You have dealt with these pests before; have you not?

Mr. ROHWER. We have dealt with all of these pests before, Senator McKellar.

PINE BEETLE INFESTATIONS

Chairman McKELLAR. I am talking about this one now. I know that you do, and sometimes most successfully. In fact, as far as I know, it is successful all the time.

But I was wondering what has been your success with the pine beetle. Does it come every year?

Mr. ROHWER. No. Beetle infestations, Senator McKellar, are cyclical or periodical. They depend a good deal on weather conditions.

In many of the cases they begin as small as infestations; and, if we are able to get out and combat those small infestations, we may prevent a widespread epidemic.

Chairman McKELLAR. What was the last one you had?

SPRUCE BUDWORM

Mr. ROHWER. Senator, there are about four different kinds of insects that are involved in this estimate. So, it is hard to answer that directly.

We have a current infestation, and this is the spruce budworm, and not the bark beetle. That is a continuation of an infestation that we combated in cooperation with the State of Oregon last year on some two-hundred-and-forty-thousand-odd acres. In that area there is no infestation. The insect is gone.

On the other hand, the insect is breaking out in numbers over some wider area, so that there is about 1,200,000 acres that should be treated. The States will contribute a part of the cost of treating. We combat that infestation by the use of insecticides distributed by means of aircraft.

We have in this spruce budworm marked success in that kind of work in the West.

TUSSOCK MOTH IN IDAHO

We had another project in 1947 for which the Congress provided funds, and that was the tussock moth in Idaho, where we had some 400,000 acres infested. That acreage was treated, and there is no infestation of tussock moth in the outbreak stage in that area or any other area of the United States, to our knowledge, at the present time.

If we get at these things and get at them in time, we will have a good record of success.

Chairman McKELLAR. At what time of the year do you spray the spruce budworm?

Mr. ROHWER. The latter part of May, and that is continued and will be through by the end of June or substantially at that time.

If it is the wish of your committee, we would be very glad to go through each one of these items and explain the values involved and the procedures of the work.

Dr. Granger, of the Forest Service, and some of the others, associates, and people from the Department of the Interior, are here. They can answer all the detailed questions.

Chairman McKELLAR. Do you have any questions, gentlemen?

METHODS OF TREATMENT TO DESTROY FOREST PESTS

Senator CORDON. I am interested, Mr. Chairman, in at least a summary of the various methods of treatment. I notice here that the cost varies from \$1.20 per acre, where they use the airplanes, to as much as \$15 per tree. So it is quite clear that they require different types of treatment in different areas for different types of pests.

I think it would be helpful if the record would indicate the different types of treatment in the different areas.

Mr. GRANGER. Mr. Chairman, as Mr. Rohwer has stated, the treatment of the spruce budworms consists in spraying from an airplane. All of the other insects here are bark beetles. The present method of control is to spray the standing tree with a penetrating substance which has a poison in it, so that it kills the beetle while it is under the bark and before it emerges to attack additional trees.

However, there are some trees so large and the beetles so far up the trunk that we cannot reach them with ground spraying methods. We have to fell the tree, cut it up into logs, and roll the logs over so that they may be sprayed on all sides. That accounts for the higher cost, which runs up to \$15 a tree, because those are white-pine trees of very large size.

They are also of very high value, so that the extra cost of control is warranted by the values at stake for that species.

Chairman McKELLAR. Why does the tree have to be cut down? You say it is cut into logs. What happens to the tree?

Mr. GRANGER. As a usual thing, it is not possible to salvage very much of the timber which has to be cut down and sprayed.

One reason why we have to do this, Mr. Chairman, is that we have some of these areas which are inaccessible at this time, and we cannot go in there and log them. We are trying to open up these areas as fast as we can with additional roads; and, if we had the areas completely accessible, we would be able to harvest some of those trees before they are attacked by the beetles.

FUNDS EXPENDED IN FISCAL 1950

Chairman McKELLAR. How much did you spend on that type of work in the present fiscal year?

Mr. GRANGER. For the present fiscal year, for all of the road work in the national forests, done by the Forest Service, our appropriation is slightly in excess of \$10,000,000. About 80 percent of that has to be put on the maintenance of the existing system of roads, so that we have about \$2,000,000 left for construction.

Chairman McKELLAR. Are there any further questions, gentlemen?

Senator ELLENDER. You say that those trees are cut down in order to destroy the beetle and they are not sold. Are they permitted to rot?

Mr. GRANGER. Sometimes we can salvage some; but, as a general rule, it is not possible to get in and salvage very much of the timber.

Senator ELLENDER. As I understand, then, your method is to cut these trees down so as to prevent the spread of the beetle to other trees nearby. Is that correct?

Mr. GRANGER. That is right.

You see, these trees that are infested, Senator Ellender, are scattered here and there in the stand; and, even if the area were accessible by roads, it would not be possible to completely salvage them, because a logger cannot afford to pick around here and there over a very large area for a few trees.

Senator ELLENDER. Have you instances where, by the destruction of a few trees in an area, you stopped the spread of the pest?

Mr. GRANGER. Yes; there are very many instances of that sort.

PEST CONTROL IN BLACK HILLS NATIONAL FOREST

Senator GURNEY. Mr. Granger, was the same kind of beetle or worm involved in the Black Hills National Forest? Did you have the same thing there?

Mr. GRANGER. Yes; one of these bark beetles has done a good deal of damage in the Black Hills National Forest, and for the preceding 2 or 3 years we have been working on that infestation with money appropriated through this deficiency process.

It has reached the stage now where, as I recall it, we can do the rest of the clean-up work there with our regular funds.

Senator GURNEY. That is why I asked the question. I remembered that it was the same kind of treatment for the same kind of condition; that is, a beetle under the bark. You have cut some down, and others you would tar or spray.

I am wondering why the Black Hills National Forest was not included in this justification. I did not understand we appropriated quite as much money as you asked for at the time the regular appropriation was made.

Do you think you have the work well in hand, or do you know you have the work well in hand in the Black Hills National Forest?

Mr. GRANGER. We know, as well as we can be sure of a thing of this kind, that we can do what is called for this year, Senator, with our regular fund. About \$30,000 will be spent on that project out of our regular funds.

Senator GURNEY. This additional request here for 4½ million dollars is for areas that you did not describe to us as infested when the regular bill went through for the 1950 fiscal year; is that right?

Mr. GRANGER. Yes; that is right.

As Dr. Rohwer, explained, these things developed at such a late stage, and they do develop at such a late stage, that it is usually impossible to tell about them during the consideration of the regular measure.

NEED FOR EARLY APPLICATION OF CONTROL MEASURES

Senator CORDON. Can either of the witnesses indicate the necessity for early action and treatment within a very short period of time in order that it may be effective in any given year?

Mr. GRANGER. Dr. Rohwer mentioned that. I would like to emphasize that as vigorously as we possibly can, Senator, that there is a very limited time in most cases during which you can effectively control these insects.

Senator GURNEY. What is the best season of the year to do that?

Mr. GRANGER. In the case of this spruce budworm in Oregon and Washington, it has to be in a period of 2 to 3 weeks in late May and early June.

In the case of the bark beetles, it has to be done as soon as we can get into the area in the spring and before the beetles begin to emerge in early July.

ENGELMANN'S SPRUCE BARK BEETLE

In the case of the Colorado project here, of the Englemann's spruce bark beetle, that beetle has a little different habit. It has a 2-year life cycle, and therefore, we are going to be able to carry on our work on that job from spring until probably through September which is the biggest job, as you will notice here. It is fortunate in one way that we have such a long working period.

RECEIPT OF LOCAL CONTRIBUTIONS IN PROPORTION TO PRIVATELY OWNED LAND

Senator CORDON. I notice that there are only two of the five items where there is local cooperation. Is that due to the fact that the other three represent areas entirely within national forest, where all the timber affected is federally owned?

Mr. GRANGER. Either national forest or national park timber.

There is one project, the one on the east slope of Colorado, that has a scattering of small private holdings. But the present infestation is mainly on publicly owned land.

If I may, I would like to elaborate a little on that, because that question was raised in the hearing in the House. There seemed to be some feeling there that the States should cooperate financially in the

control of these infestations on national forest lands, which is a completely new principle which has not been advanced before, and which, frankly, we do not think is a sound one.

That is because, under our pattern of cooperation in fire control, as most of you know, the Federal Government not only protects its own lands at its own expense, but it also bears part of the cost of protecting private lands from fire.

So we see no reason why we should withhold funds to control these pests on the national forest or national parks because there is no cooperation from the State forthcoming.

Senator CORDON. With reference to the cooperation in the State of Oregon, and somewhat in Washington, where the requested funds from the Federal Government are \$880,000 and the cooperative amount is \$320,000 from the State and private funds, that cooperation is intended to represent a figure roughly equal to the proportion of privately owned and State-owned timber that is involved in the particularly infested area.

That is right, is it not?

Mr. GRANGER. Yes, sir. It is almost precisely equal and it involves the State paying for the control work on State land completely. The State and the private owners then between them pay 75 percent of cost on the private land and the Federal Government pays the other 25 percent.

TIMBER TAX IN OREGON

Senator CORDON. Is it not a fact that in the State of Oregon they levy a per acre tax on the timber itself to raise the funds necessary?

Mr. GRANGER. I think probably not for this particular work. This is an appropriation by the State, but, as you know, of course, in fire protection they do. They also have a tax which goes for research work in the State.

Senator CORDON. I was under the impression that it also went for this.

Mr. GRANGER. I could be wrong on that, but I am not sure.

AMOUNT OF PER ACRE PAYMENT FOR CONTROL OF PESTS

Senator ELLENDER. In answer to a question by Senator Cordon, you said that in the case of the spruce budworm the amount paid by the cooperators there is proportionately the same as that which the Federal Government pays; is that correct?

Mr. Granger. No; it is based on the proportion of State and private lands in comparison with the federally owned lands.

Senator ELLENDER. Is that on an acreage basis, then, that they pay about \$1.20 an acre?

Mr. GRANGER. That is right.

Senator ELLENDER. Does the same prevail with respect to the item of mountain pine beetle and white pine in northern Idaho, item (e)?

Mr. GRANGER. Yes.

Senator ELLENDER. Pursuant to the question, further, that Senator Cordon asked, as I understand it, the (b), (c), and (d), items are exclusively in national forests, for all practical purposes, either national forests or national park lands; is that correct?

Mr. GRANGER. Yes.

Senator CORDON. The same principle applies to all the items.

Chairman McKELLAR. Are there any further questions?

If not, we are very much obliged to you, gentlemen.

We will now hear Mr. R. A. Colgan, Jr., executive vice president of the National Lumber Manufacturers Association.

You may proceed, sir.

STATEMENT OF RICHARD A. COLGAN, JR., EXECUTIVE VICE PRESIDENT OF THE NATIONAL LUMBER MANUFACTURERS ASSOCIATION

GENERAL STATEMENT ON CONTROL OF FOREST PESTS

Mr. COLGAN. My name is Richard A. Colgan, Jr., I am executive vice president of the National Lumber Manufacturers Association of Washington, D. C., and I appear here in behalf of that association as well as 16 affiliated regional and species associations of lumber manufacturers, several of which are located in the western region of the United States.

I would like to speak with reference to the item entitled "Control of forest pests, Forest Pest Control Act," which appears on page 13 of the House Document No. 455.

We of the lumber industry have consistently requested economy in Federal expenditures. We believe in that premise. However, the deficiency appropriation under consideration represents funds needed for emergency purposes and thus constitutes an exceptional situation.

In this regard I would like to explain our position.

The Federal Government is a very substantial owner of forest lands in our Western States. The States also have large ownerships in many areas and private forests are intermingled with the Federal and State holdings.

The present serious infestations of forest insects, including spruce budworm, bark and pine beetles are now occurring mostly on Federal timberlands in Oregon, Washington, Idaho, Wyoming, and Colorado. This is causing great consternation to members of the lumber industry located in those five States. These serious infestations on Federal lands have been the cause of numerous meetings dedicated to discussion of control means.

That is because the lumber industry uses much of that timber and many mills are dependent on it.

URGENCY OF PROGRAM

Gentlemen, there is great urgency that this problem be faced without delay and that immediate steps be taken to eradicate this menace of infestation of all forest lands in those States.

Great losses of timber have already been sustained and even greater destruction will be wrought if these pests are not controlled while in the early stages of their development.

AMOUNT OF APPROPRIATION

It has been proved that it is cheaper to combat these insect pests in their primary stage of development. Prompt action in making the requested \$4,500,000 appropriation available for control now will save

large areas of timber in many forest regions as well as result in saving of Federal funds in the long run. Any other approach will result in a situation of being penny-wise and pound foolish.

Private owners and the States are doing what they can to eradicate these forest pests, but there is a limit to their effectiveness, especially so when you realize that, if the infestations are allowed to go unchecked in Federal timberland, it will result in widespread destruction of areas so large that overwhelming size alone will prohibit effective action.

These forest pests are no respecters of property lines, and experience has shown that such insects insufficiently controlled can threaten the continued existence of an entire forest industry in a given area.

I strongly urge your favorable consideration in this case. The requested appropriation represents a minimum amount needed to stop an epidemic infestation before it really begins.

Chairman McKELLAR. Is there anything further you wish to say, sir?

LETTER FROM WESTERN PINE ASSOCIATION

Mr. COOGAN. If there are no questions, I would like to ask permission to also file a letter from the Western Pine Association on this subject.

Chairman McKELLAR. It will be put in the record, without objection.

(The letter referred to is as follows:)

WESTERN PINE ASSOCIATION,
Portland, Oreg., January 23, 1950.

GEORGE M. FULLER,
National Lumber Manufacturers Association,
Washington, D. C.

DEAR MR. FULLER: From various sources and reports I understand that the Bureau of Entomology and Plant Quarantine and the Forest Service have asked for supplemental funds (by deficiency bills) for a number of western insect-control projects. These include:

	Amount
1. Spruce budworm on fir in Oregon and Washington.....	\$880,000
2. Mountain pine beetle in white pine in northern Idaho.....	255,000
3. Mountain pine beetle in lodgepole pine in southeast Idaho and western Wyoming.....	418,000
4. Black Hills beetle in ponderosa pine in Colorado.....	210,000
5. Engelmann spruce bark beetle in Colorado.....	3,000,000

Total..... 4,763,000

There are 3 other projects now being developed which will likely be submitted for funds if it isn't too late. These are:

6. Bark beetles in ponderosa pine and sugar pine of California.....	(1)
7. Mountain pine beetle in lodgepole pine in Montana (Thompson River project).....	266,000
8. Spruce budworm on fir in northern Rocky Mountains (test spraying only—several million acres infested).....	40,000

¹ No estimate available.

At this time our industry members are supporting items 1, 2, and 7. In regard to the other projects, we are now getting information and justification statements from our members in the area. Since items 3, 4, and 5 are mostly on Federal lands, few of our group will have direct experience with the local situation. It is very likely that this serious outbreak will be discussed at the coming meeting in San Francisco of our forest conservation committee. We will probably come to some understanding, too, of the projects that have greatest urgency. Kindly keep me advised of any new developments in Washington for use by our committee.

There is a great push on right now from folks in the Oregon and Washington infested areas to get funds for control of spruce budworm. (Governors Langley and McKay are leading the fight, as you perhaps have heard. As far as I can tell, items Nos. 1, 2, and 7 in my list are fully justified and should be supported. From all evidence here, I believe our industry everywhere wants these control projects without fail. We may wish to add some or all of the others to our urgency list after we have had opportunity to check and study the details including values at stake. The Colorado situation is of overwhelming size, and it is most difficult to know what to do and how much one can afford to spend.

Sincerely,

ERNEST L. KOLBE, Forester.

SPRUCE BUDWORM SPRAYING IN PACIFIC NORTHWEST

Chairman McKELLAR. Are there any questions, gentlemen?

Senator CORDON. I would like to ask Mr. Colgan if he knows what was the experience last year with reference to spraying for the spruce budworm in the Pacific Northwest, particularly in Oregon and Washington.

Mr. COLGAN. Senator Cordon, that was a cooperative effort. I have heard from industry that everyone was well pleased with the cooperation from all segments, State and Federal, the Bureau of Quarantine, and the Forest Service. I think everyone is well pleased with the survey results of the infestation at the present time. That is, it has been checked in the area that was sprayed.

Senator GURNEY. And found effective?

Mr. COLGAN. Generally effective; yes, sir.

LETTER FROM SPRUCE BUDWORM ACTION COMMITTEE

Chairman McKELLAR. At this point, I will insert in the record a letter addressed to me by Mr. Ernest L. Kolbe, chairman of the Spruce Budworm Action Committee, Portland, Oreg.

(The letter referred to is as follows:)

SPRUCE BUDWORM ACTION COMMITTEE,
Portland 4, Oreg., January 4, 1950.

Hon. KENNETH MCKELLAR,
Senate Office Building, Washington, D. C.

DEAR SENATOR MCKELLAR: The timber resources of Oregon and Washington are seriously threatened by the spruce budworm. Over 2,000,000 acres of Douglas fir and associated species are now infested with this insect whose reputation as a tree-killer is well known in eastern Canada and eastern United States. On 1,000,000 acres actual dying of timber is in progress and aerial spraying must be carried out in the spring of 1950. Similar spraying eliminated the pest on 270,000 acres of Federal, State, and private timber in Oregon in the spring of 1949 at the remarkably low cost of \$1.07 per acre.

On October 1, 1949, a committee representing the various ownerships of the timber now in jeopardy and other public and private groups issued a plan of control for the aerial spraying of the 1,000,000 acres in worst condition. In every community of the infested area, organizations, groups, and individuals join us in demanding action. They are vigorously endorsing the control program given in the enclosed report. The organizations having a part in the preparation of that control plan are listed on its cover. Others such as the chambers of commerce in Pendleton, Oreg., Walla Walla, Wash., for example, are active in organizing farmers, ranchers, and other timberland owners to assist in their locality.

The Federal ownerships include 65 percent of the timberland in the area to be sprayed. So closely intermingled is this Federal timber with the private and State lands that only by the spraying of all ownerships can any control work be effective. The States of Oregon and Washington have already set up and made available \$214,000 in addition to regular funds to cover their share of the job. Assessments to the amount of over \$100,000 will soon be made by these two

States from the timber owners. In other words, State and private funds as proposed are assured. But these funds are of no use until Federal funds are available. We understand that the Bureau of Entomology and Plant Quarantine, the Forest Service and the Department of the Interior have or will soon be submitting a request for Federal participation in this cooperative undertaking. Our chief concern is not only that the Federal appropriations are made but that they be made available early enough to permit adequate preparation for the successful execution of this tremendous project.

We find that funds should be made available by mid-February so that chemicals may be stock-piled—the largest manufacturer here can make only 10,000 pounds of DDT a day and we will need a million pounds. Many planes need to be modified and equipped for the spraying. At best this takes weeks. We will need storage tanks for liquid spray materials in a dozen remote areas for a large portion of the million gallons of spray material. We will need to build landing strips and some roads. All this and many other details must be ready for the 2- to 3-week period in the spring when the budworms emerge and are vulnerable to DDT spray.

The urgency of Federal funds for this important project warrants that Congress give early consideration to this program. Because of this brief period during which the spraying is effective, this particular insect project has the highest urgency. We are asking that it be included in the most urgent deficiency appropriation bills considered by Congress in January. We ask your help in this emergency. Last spring even with a late season and correspondingly late emergence of the insect, the 270,000 acre project almost had to be abandoned because of late Federal funds. With our 1950 project almost four times as large, a delay of funds would be disastrous.

Very truly yours,

ERNEST L. KOLBE,
Chairman, Spruce Budworm Action Committee.

Chairman McKELLAR. Are there any other questions, gentlemen?

We are very much obliged to you, sir.

Mr. COLEMAN. Thank you, sir.

CIVIL FUNCTIONS, DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS

STATEMENT OF HON. CHAN GURNEY, A UNITED STATES SENATOR FROM THE STATE OF SOUTH DAKOTA

REQUEST FOR FUNDS FOR FLOOD-CONTROL PROJECTS IN NORTH AND SOUTH DAKOTA

Senator GURNEY. Mr. Chairman, while a new witness is coming forward, may I ask that the testimony given by General Pick and the remarks made by myself yesterday before the Civil Functions Subcommittee be made a part of this record, starting at the bottom of page 484 in the transcript and including 485, 486, and down toward the bottom of page 487?

Chairman McKELLAR. Without objection, it is so ordered.
(The material referred to is as follows:)

Senator GURNEY. General, the other day you made a statement that when you came to the year of peak work on a dam, it was possibly the year of closure. In considering the construction of the dam, the peak work would be done in the year that you made the closure. Possibly you meant the year before. I notice in these schedules that there is about the same amount of money in the year prior to closure.

Then in talking about the dams in North Dakota, especially, and South Dakota, you said that there is such a short construction season because they are earthen dams that you could not do any work while there was frost in the ground and you had to have plenty of money to put lots of equipment in there and really throw a lot of dirt during the short construction season?

General PICK. Yes, sir.

Senator GURNEY. I am glad you made that statement because I have been aware of that, having lived in the territory.

While Senator McClellan gets ready with his questions, I thought I would talk about South Dakota because I do not know any better time than the present.

I am reminded of the fact that all evidence points to the dams in the Dakotas being ready to produce electricity in 1955 instead of the middle of 1954. That is what we are concerned about back home now, about there being more electricity needed.

AMOUNT FOR FORT RANDALL RESERVOIR, S. DAK.

Alluding now to the short construction season, the budget here on the Fort Randall Dam recommends \$37,500,000.

General PICK. Yes, sir.

Senator GURNEY. I was told by the engineer in charge out there and General Sturges, the division engineer, that if he could get some funds early in the year, that he could save one construction year, give us electricity in 1954 instead of 1955. He wanted \$8,000,000 available in February so that he could let his contracts, advertise them, and throw the dirt this year; and that would put him back on the 1954 completion date schedule.

AMOUNT REQUESTED IN DEFICIENCY REQUEST

With that \$37,500,000 in the budget, if \$8,500,000 were appropriated now, in a deficiency bill, and that amount deducted from the general bill, fiscal year 1951, would that actually save you a year in completing the dam?

General PICK. That would allow the letting of contracts this spring in time to make full use of this working season. If you do not, then that work would have to go over to the next season and that is putting the project a year later.

Senator GURNEY. We would lose a year?

General PICK. Yes, sir.

Senator GURNEY. Well, I have in mind with that concurrence, in my statement just now by you, that I might ask the committee to consider the advisability of making that much available now and then cutting down the amount in this general bill, the amount they appropriate now. Would that be satisfactory?

General PICK. The division engineer has made a study on that, sir, and he has recommended it.

Chairman McKELLAR. The deficiency bill is before the committee now?

Senator GURNEY. That is right.

Chairman McKELLAR. And will probably be taken up in the next day or two, so it would be well for General Pick to comment on that.

General PICK. I see no objection to it.

Chairman McKELLAR. You think it will save them a year's time?

General PICK. I think so, sir.

I think it will give the benefit of this full working season out there for the funds that we would have.

Senator GURNEY. Thank you very much.

Senator GURNEY. That, Mr. Chairman, is the testimony I should give before this committee, the Deficiency Subcommittee, with the request that the money be made available in the deficiency bill and be deducted from the regular 1951 fiscal-year appropriation.

Chairman McKELLAR. We will next hear the representatives from the Bureau of Employment Security of the Department of Labor concerning the item of reconversion unemployment benefits for seamen.

DEPARTMENT OF LABOR

RECONVERSION UNEMPLOYMENT BENEFITS FOR SEAMEN

STATEMENTS OF ROBERT C. GOODWIN, DIRECTOR; GORDON WAGENKNECHT, DIRECTOR OF UNEMPLOYMENT COMPENSATION; R. O. KINSINGER, CHIEF, STATE FINANCING; V. S. HUDSON, ASSISTANT BUDGET OFFICER

SOCIAL SECURITY ACT PROVISIONS

Chairman MCKELLAR. You may proceed, sir.

Mr. GOODWIN. Mr. Chairman, my name is Robert C. Goodwin. I am director of the Bureau of Employment Security in the Department of Labor.

We are here today to request a supplementary appropriation in connection with title XIII of the Social Security Act, which provides for temporary reconversion unemployment benefits for seamen who have been employed on American vessels operated under so-called general agency agreements of the War Shipping Administration and its successor, the United States Maritime Commission.

As Federal employees, these seamen were not covered under State unemployment-insurance law, although the laws of the chief maritime States cover other maritime workers.

That is, other than Federal workers are covered.

Title XIII would have expired on June 30, 1949, but it was extended for 1 year by House Joint Resolution 287, which was signed by the President on July 22, 1949.

SUMMARY OF FUNDS AVAILABLE

I have here a table which shows the amounts appropriated for benefits under this title, the unexpended balance available, and the additional appropriation requested for 1950. I can submit that for the record, if you wish, Mr. Chairman.

Chairman MCKELLAR. Without objection, it will be inserted into the record.

(The table referred to is as follows:)

Appropriated 1950.....	\$300,000
Reappropriated 1950 (unobligated balance from 1949).....	277,000
Total funds available 1950.....	577,000
Payments July 1, 1949-Jan. 31, 1950.....	400,000
Balance available for payments 1950.....	177,000
Supplemental appropriation request.....	168,000
Total for payment February through June 1950.....	345,000

PAYMENTS MADE TO DATE IN FISCAL YEAR 1950

Mr. GOODWIN. The table shows that there was appropriated for the fiscal year 1950 \$300,000. There was reappropriated from the unobligated balance from 1949, \$277,000, which made available a total of \$577,000 for the fiscal year 1950.

The payments from that, from July 1, 1949, to January 31, 1950, were \$400,000, leaving a balance available for payments for the rest of the year in the amount of \$177,000.

AMOUNT NEEDED FOR UNEMPLOYMENT BENEFITS PROGRAM ENDING IN JUNE 1950

The supplemental appropriation request is for \$168,000, which would give us a total for payments from February through June of \$345,000.

The payments for July through January amount to this \$400,000 figure I gave you, leaving this unobligated amount of \$177,000 for the remaining 5 months of the fiscal year.

The payments have been running about \$80,000 a month. So that the estimate is a very conservative one.

If the Congress appropriates what is requested, we would have on an average of about \$69,000 for the remaining months of the year, which would wind up the program. This is the end of the program. The legislation expires and the program ends this fiscal year.

Senator CORDON. Then what happens to the seamen?

Mr. GOODWIN. This type of employment, Senator, is expiring. They will be eligible now under State laws for private employment.

This covers only Government employment that existed during the war period and was a special, temporary program set up for that purpose.

Senator CORDON. This represents a payment in a transitional period going from Government employment into private; is that right?

Mr. GOODWIN. Yes, sir.

Senator ELLENDER. Except for the fact that the Congress extended this for a year, you would not be here to ask us to increase the appropriation that was made last year of \$577,000; would you?

Mr. GOODWIN. That is right. We need this additional amount of money to wind up the program. That is what it amounts to.

Chairman McKELLAR. Are there any questions, gentlemen?

We are very much obliged to you gentlemen.

Mr. GOODWIN. Thank you very much, sir.

Chairman McKELLAR. The committee will be in recess until 2 o'clock tomorrow afternoon.

(Thereupon, at 4:40 p. m., February 16, 1950, the committee recessed, to reconvene at 2 p. m. Friday, February 17, 1950.)

URGENT DEFICIENCY APPROPRIATION BILL, 1950

FRIDAY, FEBRUARY 17, 1950

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met at 2 p. m., pursuant to recess, in the Senate Appropriations Committee room, the Capitol, Hon. Kenneth McKellar (chairman) presiding.

Present: Senators McKellar, Hayden, Maybank, Hill, Gurney, Ferguson, and Cordon.

Chairman MCKELLAR. The subcommittee will come to order.

This afternoon we will first hear from the Tennessee Valley Authority.

INDEPENDENT OFFICES

TENNESSEE VALLEY AUTHORITY

STATEMENTS OF GORDON R. CLAPP, CHAIRMAN OF THE BOARD; GEORGE F. GANT, GENERAL MANAGER; R. A. KAMPMIEKE, DIRECTOR OF POWER UTILIZATION; G. J. WESSERLAUER, MANAGER OF POWER; JOHN OLIVER, CHIEF BUDGET OFFICER; MARGUERITE OWEN, WASHINGTON REPRESENTATIVE; AND WALTER J. WILLIAMS, DIRECTOR, DIVISION OF PRODUCTION, ATOMIC ENERGY COMMISSION

LETTER OF REQUEST AND JUSTIFICATION FOR SUPPLEMENTAL APPROPRIATION

Chairman MCKELLAR. Before you proceed, Mr. Clapp, do you wish to place the justification in the record?

Mr. CLAPP. Yes, sir.

Chairman MCKELLAR. Very well; without objection, the justification will appear in the record at this point.

(The justification is as follows:)

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., January 20, 1950.

Hon. CLARENCE CANNON,

Chairman, Committee on Appropriations,
House of Representatives, Washington, D. C.

MY DEAR MR. CANNON: The President has recommended that a supplemental appropriation in the amount of \$12,865,000 be made available to TVA for use in the current fiscal year. Because of urgent need to begin work on certain of the items covered by the request, we respectfully urge that it be considered by your committee at the earliest possible date. The estimate would accomplish the following:

1. Provide \$7,000,000 to begin construction immediately on facilities required to meet an increase in the power requirements of the Atomic Energy Commission at Oak Ridge.
 2. Provide \$5,000,000 to enable TVA to complete the 1950 construction program approved last spring by the Congress. Estimates for this program were reduced \$6,876,450 in anticipation of a general decline in construction costs and with the understanding that TVA would submit a deficiency request in the event that costs did not follow the anticipated trend. Construction costs indices have increased rather than decreased since action was taken on the 1950 budget, but adjustments have been made to hold the deficiency request to \$5,000,000.
 3. Provide \$365,000 toward the cost of pay increases comparable to Public Law 429.
 4. Increase the ceiling on administrative and general expenses incorporated in title II of the Independent Offices Appropriation Act, 1950, from \$3,699,000 to \$3,845,000. The increase of \$146,000 is largely to accommodate the cost of pay increases chargeable to the administrative and general expense accounts.
- Enclosed with this letter is a statement explaining the necessity for each of the items above. We are ready to appear before your committee at any time with respect to this supplemental estimate. If additional information is needed prior to the hearings, we are prepared to supply it promptly.

Sincerely yours,

GORDON R. CLAPP,
Chairman of the Board.

JUSTIFICATION OF SUPPLEMENTAL APPROPRIATION REQUEST FOR THE FISCAL YEAR ENDING JUNE 30, 1950

1. Facilities required to serve expanded power requirements at Oak Ridge

The supplemental request for the fiscal year 1950 includes \$7,000,000 to permit work to begin immediately on additional generating and transmission facilities. These facilities are required to supply the Atomic Energy Commission with a large quantity of additional power for the operation of a new atomic energy facility which is under construction at Oak Ridge.

The funds are to be used for beginning construction of the following facilities:

Unit No. 4 at Johnsonville steam plant.....	\$1,500,000
2 units at a new steam plant to be located at Widows Creek in north- east Alabama.....	4,500,000
Transmission lines and terminal facilities.....	1,000,000
Total.....	7,000,000

The total cost of these facilities, scheduled for completion about mid-1952, is estimated to be about \$39,000,000.

While the capacity of the TVA system is being considerably increased by new generating units now under construction, that capacity will be required to supply the normal increase in the power demands of TVA's customers in the area now served with TVA power. The present construction program also will provide the power required by the AEC for its K-29 plant now under way at Oak Ridge, but it does not provide any power for the large addition recently undertaken at Oak Ridge.

Present schedules of the Atomic Energy Commission call for completion of various parts of the new atomic production facilities at Oak Ridge beginning in September 1951 and extending through July 1952. In view of the somewhat longer time required for construction of new power facilities, it is necessary that TVA be able to start promptly with the construction of the power facilities outlined above. In order to meet the AEC's earlier needs for power, during the period between September 1951 and the time the new power facilities can be placed in operation in 1952, TVA is undertaking to augment its own generation with power obtained at somewhat higher cost from interconnecting power systems. It must be recognized that the use of TVA's interconnecting facilities for this purpose will interfere for that period with other transfers of power which the interconnections were built to permit, and will reduce temporarily the important margins of reserve which are being built up by the several power systems. It is practicable, however, to take such steps for an interim period and the necessary arrangements are being developed.

In selecting the locations at which to provide added capacity to the TVA system, consideration was given to the factors of urgency and economy in the

over-all system balance between load and supply. The addition of a fourth unit at the Johnsonville steam plant would make power available in a shorter period of time than from any other major source. The remainder of the additional power requirements can be imposed upon the Fort Loudoun and Watts Bar hydro plants and the Watts Bar steam plant, which are in the vicinity of Oak Ridge, by providing capacity at a new location to supply a corresponding part of the other growing loads to which Fort Loudoun-Watts Bar power is now transmitted.

Heavy and rapidly growing peak loads in the Chattanooga area and major new off-peak demands to be expected at the Air Engineering Development Center recently located at Tullahoma, Tenn., make the reaches of the Tennessee River downstream from Chattanooga (where the river is closest to the AEDC site) the proper area in which to locate the new steam plant. With a new plant in this area, TVA's major sources of steam power—Watts Bar, Johnsonville, and the new plant—will be well distributed to supplement hydro generation throughout the service area.

Following extensive foundation investigations, the Widows Creek site between Bridgeport and Stevenson, Ala., was selected as the most desirable location for the proposed new plant. This site has satisfactory access to water, rail, and highway transportation facilities together with an adequate supply of condenser circulating water, and availability of fuel at reasonable cost.

Transmission facilities will be required for connecting the Widows Creek plant to the 154-kilovolt system network. Additional lines must be built in the vicinity of Oak Ridge with terminal facilities at existing generating plants. Also some strengthening of the existing transmission system will be accomplished by the construction of a second line from Watts Bar to Great Falls and by connecting the Watts Bar-Alcoa line into the Fort Loudoun hydro plant.

2. Deficiency in construction allowance, fiscal year 1950

Five million dollars of the supplemental request is to enable TVA to keep its 1950 construction activities on schedule. When the Congress acted upon the regular appropriation for the current fiscal year, it approved the program recommended by TVA, but reduced the construction estimates by \$6,876,450. The position of the Appropriations Committee was stated as follows:

"The denial of 15 percent of funds requested for the construction program is in line with the formula set forth in detail in the report on the recently passed civil-function appropriation bill. It is hoped construction costs will permit completion of the 1950 program with funds provided. However, the committee wishes to make it clear that the entire construction program as presented in the budget has been approved and that, in the event construction costs do not continue to decline, TVA will be permitted to submit a deficiency request for additional funds and given full opportunity to justify the need therefor." (P. 29 of House committee report on independent offices appropriation bill, 1950.)

Following passage of the bill by the House, TVA was requested by the Senate Appropriations Committee to indicate changes in the bill considered absolutely necessary, and replied in part as follows:

"* * * Since the report on the bill makes it clear that the TVA program in the President's budget is approved, and that, in the event costs do not decline as anticipated, TVA will be given full opportunity to justify its need for additional funds in a deficiency request, we have no changes which could be termed 'absolutely necessary.'

"We hope that the lower costs anticipated by the House can be realized, and we shall take every possible advantage of any decrease in costs. Due to the way in which the TVA estimates were developed, however, it appears certain now that we shall be forced to seek a restoration of funds next fall in order to carry out the appropriation program on schedule. A careful analysis of our construction estimate, a summary of which is enclosed, indicates that only about one-fourth of the estimate will be subject to the price reductions which are most likely to occur." (P. 1074, Senate hearings on independent offices appropriation bill for 1950.)

The rather sharp decline in construction costs which was expected to occur in the summer and fall of 1949 did not develop. As a matter of fact, the nationally recognised construction cost index maintained by the Engineering News Record reached an all-time peak of 480.48 in October 1949, about 6 months after the TVA program was under consideration by the Congress. The TVA construction estimates for 1950 were developed in August 1948 when the Engineering News Record index was 477.11. This index peaked at 480.21 in October 1948 and declined to 472.10 in May 1949. Beginning in May, however, it once more began to climb and stands at 480.82 in December 1949.

Despite the fact that construction costs in general have not declined, TVA has been able to identify certain savings not anticipated in its original budget and to make certain additional adjustments which in total reduce the estimated deficiency from \$6,876,450 to \$5,000,000. These savings and adjustments are itemized below:

(a) Savings in the total cost of South Holston project. The 1950 budget estimated the total cost of South Holston at \$34,500,000. It now appears that due to savings in camp operations, land costs, and certain other activities, the project will be completed for \$34,000,000. The portion of the savings applicable to the current year is estimated at	\$426, 000
(b) The project for raising Hale Bar Dam, started in 1946 and estimated to cost as much as \$5,400,000, is being completed in the current year at a cost which should not exceed \$5,100,000. The portion of the savings applicable to 1950 is	250, 000
(c) More rapid progress was made in 1949 on Wheeler units 7 and 8 than was anticipated. This reduces the 1950 appropriated fund requirements	467, 000
(d) The original 1950 estimate included \$765,000 for emergency replacements at the chemical plants at Muscle Shoals. Experience so far this year indicates that with some degree of risk this estimate can be reduced by	265, 000
(e) There were, at the end of fiscal year 1949, small underruns in operating programs financed from appropriated funds. It is proposed that in lieu of increasing the request, these operating savings from last year be applied to the 1950 construction program in the amount of	289, 170
(f) Miscellaneous savings are expected to total	170, 280

Total savings under original estimates..... 1,876, 450

Construction work for the year has been scheduled to complete the program approved by the Congress. However, in order to perform all of this work, a supplemental appropriation in the amount of \$5,000,000 should be available not later than March 1950. If these funds are not made available, practically all important appropriation-financed construction work which would normally be carried on between March and July will have to be curtailed until the 1951 appropriation becomes available.

At the Johnsonville steam plant \$1,115,000 of work has been scheduled for the March to July period based on securing the supplemental appropriation. If these funds are not available a slow-down of the construction operations, which have been rapidly brought up to a high tempo, will seriously impair the possibility of this plant being of maximum assistance in relieving a critical power situation in the fall and winter of 1951, and of completing on schedule the added unit which will be the first step in providing a firm power supply for the Oak Ridge expansion. Approximately \$8,700,000 (57 percent) has been obligated through October (one-third year) out of a budget for the year of \$16,065,000, without the proposed supplemental appropriation, which indicates that the supplemental amount will unquestionably be needed.

A significant amount of earth and rock fill, highway relocation, and land purchases at South Holston Dam (estimated at \$589,000) would have to be deferred until the summer and fall of 1950 which, with adverse weather conditions, might seriously jeopardize the ability to close the dam in November 1950 and might even result in the loss of almost a full year in initial operation. It is impossible to place the closure gates in the diversion tunnel of a dam of this size and type except in periods of low water which occur only during the fall of the year from about September to mid-November. If closure were postponed until the fall of 1951 it would mean the loss not only of the 85,000 kilowatts of power at South Holston itself but also the power that could have been generated at downstream plants from South Holston water releases.

Similar adverse effects would be realized in connection with installing the fifth and sixth generating units at Pickwick and the fifteenth and sixteenth generating units at Hale Bar Dam. Present schedules contemplate the expenditure of \$1,873,000 on these installations between March and July 1950. If these funds are not available, the installations will necessarily be deferred for the same period, thus delaying the power from these 120,600-kilowatt units that is badly needed at the critical period when they are scheduled to come on the line. In addition, the

field work at Hales Bar would have to be stopped, thus increasing the cost of the job.

Difficulty in meeting schedules and added costs because of delays would also be experienced in connection with other facilities under construction.

3. Cost of pay increases comparable to Public Law 429

The total cost of pay increases comparable to Public Law 429 is estimated at \$760,000 for the 1950 fiscal year. Of this amount, 52 percent, or \$395,000, is being financed from corporate funds. The balance, \$365,000, is included as part of the supplemental appropriation estimate.

The average number of employees required to carry out the 1950 program is estimated at 14,109. Of this number, 5,180 have received pay increases comparable to Public Law 429, which became effective October 30, 1949. The remainder are trades and labor employees whose wage rates are fixed on the basis of rates generally prevailing in the area of TVA operations. Current wage conferences with this latter group of employees will probably result in adjustments for certain classifications, but the cost of these adjustments will be financed from corporate funds or absorbed within appropriated funds already available and are not included in the supplemental estimate.

The calculation of the \$760,000 cost of increases comparable to Public Law 429 is as follows:

(a) Cost of pay increases proper for 17½ pay periods of the fiscal year... \$563,000
 (b) Leave reserve adjustment due to increase in pay schedules..... 158,000

TVA's accounts are kept on an accrual basis. Under this method of accounting, liabilities—including liabilities for accumulated annual leave—are recorded when they are incurred. Since the pay increase increases the monetary value of each employee's accumulated annual leave, the leave reserve must be increased by the above amount even though no immediate cash outlay may be involved. This practice is recommended by the General Accounting Office for all Government corporations.

(c) Retirement plan expense..... 39,000
 TVA contributions to the TVA retirement system, as well as the payments made by the employees, vary directly in proportion to annual salaries. The increase of \$563,000 in the pay-roll figure results in an increase in retirement-plan expense of \$39,000.

Total cost of pay increases comparable to Public Law 429...	760,000
Less amount chargeable to programs and activities financed from corporate funds.....	395,000

Amount Included in supplemental estimate..... 365,000

4. Limitation on administrative and general expenses, 1950

The language of the supplemental estimate would increase the statutory ceiling on administrative and general expenses from \$3,699,000 to \$3,845,000. The increase of \$146,000 is broken down as follows:

(a) \$98,000 is to cover that portion of the \$760,000 total cost of pay increases comparable to Public Law 429 which is chargeable to the administrative and general expense accounts.

(b) \$41,000 is to cover certain costs classified as administrative and general expense but which are directly related to the new power facilities being proposed to meet the expanded requirements of the Atomic Energy Commission. Because of progressively more stringent limitations on administrative and general expenses, management service staffs have been reduced to a point that the additional work load occasioned by the new facilities cannot be handled without a small increase in personnel. The situation with respect to administrative and general expenses is described in detail in the budget program submitted for the 1951 fiscal year. The increase in the 1950 ceiling would permit the addition during the current fiscal year of 21 employees included in 1951 estimates. The \$41,000 is apportioned \$25,000 to procurement, \$12,000 to accounting, and \$4,000 to personnel activities.

(c) \$7,000 is to cover the cost of increased salaries for the Board of Directors pursuant to Public Law 359. In accordance with the provisions of this act the expense of the salary increases is being absorbed within funds now available to TVA; however, it is necessary that the ceiling on administrative and general expenses be raised to permit the use of the funds within this category.

The \$146,000 increase in the administrative and general expense ceiling is required even though the total of such expenses as shown on schedule B-4 of the 1951 budget justification document is in precise agreement with the present ceiling of \$3,699,000. This is due to the fact that certain costs, which also happen to total \$146,000, and which the 1950 budget assumed would be classified as administrative and general expenses, are in fact being charged directly to projects and programs.

The transfers grow out of changes in the accounting treatment for retirement plan expense and costs of installing permanent graphic displays in TVA projects. The retirement expense reclassified relates to employees whose salaries are not charged to the administrative accounts, and the shift has been made in the interest of more precise cost allocations to the various TVA programs. The amount being shifted is estimated at about \$146,000. The change in accounting treatment for permanent graphic displays results from the fact that these small jobs are being handled on the basis of work orders from the various projects. The amount involved in 1950 is less than \$1,000.

Accounting changes of this kind are anticipated by the appropriation act, but section 306 stipulates that when such changes are made the limitation should be correspondingly reduced. This means in effect that the 1950 ceiling must cover all costs classified as administrative and general expenses on schedule B-4 of the 1951 budget (\$3,699,000) and also the costs which have been transferred (\$146,000) or total expenditures of \$3,845,000.

LETTER DESCRIBING HOUSE ACTION ON TVA

Chairman McKELLAR. Very well, Mr. Clapp, you may proceed.
Mr. CLAPP. Thank you, Mr. Chairman.

On February 10, I wrote a letter to you as chairman of the Senate Appropriations Committee describing the action taken by the House of Representatives on the urgent deficiency appropriation bill for 1950 which contains an important item that would make possible the provision of power supply for the expanded program of the Atomic Energy Commission.

Chairman McKELLAR, Without objection that letter may go into the record at this point.

(The letter is as follows:)

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., February 10, 1950.

Hon. KENNETH McKELLAR,
Senate Office Building, Washington, D. C.

DEAR SENATOR McKELLAR: The first urgent deficiency appropriation bill for 1950 as approved by the House of Representatives includes an item of \$11,682,500 for the Tennessee Valley Authority—an amount \$682,500 below the figure recommended by the President.

The House committee report indicates that of the total reduction, \$500,000 is intended to apply to the \$5,000,000 requested to complete the 1950 construction program approved by the Congress last spring. At that time, Congress reduced TVA's construction estimates by \$6,876,000 or 15 percent, in anticipation of a general decline in construction costs, and with the understanding that TVA would submit deficiency requests if costs did not decline as anticipated. Construction cost trends since that time have been up rather than down. In our supplemental request, we nevertheless asked for restoration of only \$5,000,000 of the \$6,876,000 cut applied last spring, and presented to the House committee the details by which we are able to reduce the original estimate of requirements for this fiscal year.

We believe that the facts presented to the Senate subcommittee last spring—facts which we brought up to date at our hearing before the House on February 1—make it apparent that additional reductions will jeopardize the construction schedule approved by Congress. We hope, therefore, that the full \$5,000,000 requested for this purpose will be recommended by your committee.

The House committee has indicated that the remainder (\$182,500) of the cut of \$682,500 is intended to apply to the request for \$365,000 to meet a part of the cost of pay increases comparable to Public Law 429. Any reduction from the

\$365,000 must necessarily be reflected in further curtailment in some phase of the program which Congress approved last year.

We are ready to appear before your committee at any time. If additional information is needed for your consideration, we are prepared to supply it promptly.

Sincerely yours,

GORDON R. CLAPP,
Chairman of the Board.

BACKGROUND OF DEFICIENCY APPROPRIATION REQUEST

Mr. CLAPP. The President's request for the TVA in the supplemental for 1950 was for \$12,365,000. The House approved in its action \$11,682,500 which represents a reduction of \$682,500.

The amount TVA requested and the President recommended was made up of three items. \$7,000,000 was included to enable us to begin construction at once of an urgent power supply program to meet the requirements of the expanded atomic energy program at Oak Ridge, Tenn.

The action by the House did not disturb that part of the request.

A second item included in the \$12,365,000 request was for \$5,000,000 which would restore a major part of the amount by which the Congress last spring had reduced our appropriation for 1950. The reduction by the Congress last year in our construction estimates was \$6,876,000. That resulted from the application of a flat 15-percent cut applied to construction programs before the Congress. The reduction was based upon the assumption that construction costs were going to decline sufficiently during the fiscal year so that we should be able to achieve all of our construction requirements as approved by the Congress but with 15 percent less money.

We made representations before this committee last year indicating that we, of course, would do our best to meet all the deadlines stated in our program that Congress had approved with less money if costs did decline as seemed possible to some at that time.

As a matter of fact, costs have not declined the way Congress thought they might.

COST INDEX OF MATERIALS AND CONSTRUCTION ITEMS

Chairman McKELLAR. Have they been reduced at all?

Mr. CLAPP. The cost of materials and construction items which looked as though they might be going down last spring have since begun to go back up. According to the Engineering News Record Index, the costs in the construction field as of this last October were at an index point higher than they were at the time we had made our estimates for 1950 and considerably higher than they were at the time Congress had these programs under consideration.

HOUSE ACTION

We have not asked for restoration of the full amount of the \$6,876,000; the request asks for \$5,000,000 of that \$6,876,000.

In the action by the House on the current supplemental appropriation request, the \$5,000,000 restoration request was reduced by \$500,000, leaving us 4½ million instead of the 5 million we requested.

CONSTRUCTION, JOHNSONVILLE STEAM PLANT

Chairman McKELLAR. What do you propose to do with the \$4,500,000?

Mr. CLAPP. The \$4,500,000, Senator, is to enable us to maintain the schedules of construction in the program that the Congress approved for 1950 in the appropriation hearings last year. The schedule concerns specifically the rate of construction on the New Johnsonville steam plant which we began to build as the result of our 1950 appropriation; to maintain the speed of construction on the South Holston Dam which we plan to close in November 1950; and to maintain the speed of installation on hydroelectric units in existing dams at Pickwick and Hales Bar.

EFFECT OF HOUSE REDUCTION

Now, I want to make it clear to the committee that the reduction made by the House of \$500,000 in this total of \$5,000,000 will not in fact make it impossible for us to achieve our deadlines, but it will make it necessary for us to defer certain particulars in the work of building our dams and the steam plant which may result in some greater expense in subsequent years. The reduction, if applied this year, will in no case reduce the total cost to complete the projects.

COMMENCEMENT OF NEW POWER FACILITIES

Chairman McKELLAR. Will the money that you ask take care of the Atomic Energy request for power?

Mr. CLAPP. The item of \$7,000,000 in this supplemental request will permit us to start construction of those new power facilities and make our commitments with the manufacturers of the major turbine and generating equipment. Then for 1951, 1952, and 1953, we will, of course, request larger sums to complete the installations.

WIND TUNNEL, ARNOLD AIR ENGINEERING DEVELOPMENT CENTER

Chairman McKELLAR. Let me ask you for my information: Did you take into consideration the plant which is being built in the vicinity down there, the wind-tunnel plant?

Mr. CLAPP. We have taken that into account, Senator, in one respect. There is nothing in this program for the additional capacity which will be required to supply power to the Arnold Air Engineering Development Center. Their schedule of requirements will permit us to include that additional capacity in a subsequent year's request.

Chairman McKELLAR. And you would get it in time by postponing it a year?

WIDOWS CREEK STEAM PLANT

Mr. CLAPP. Yes. We can then still get it in time to meet their scheduled requirements. We did take this into account: In deciding upon the location of the new steam plant which is proposed in this supplemental request—the Widows Creek steam plant of two units of 112,500 kilowatts each—we took into consideration the location of the wind-tunnel project, so that in the future when the power requirements for the wind-tunnel project become urgent, additions at this new steam plant would fit well into the transmission of power to that project.

The new steam-plant site is just downstream from Bridgeport, Ala., about 30 miles southwest of Chattanooga. It is located on the Tennessee River where we have ample water supply for condensing purposes, a very good foundation, and a very convenient and economical place to tie that source of steam power into our transmission network.

AMOUNT FOR PAY INCREASES

The additional item in the request of \$12,365,000 is \$305,000 to provide for the pay increases put into effect to bring TVA salaries in line with the recent public law increasing the salaries of Government employees.

Chairman McKELLAR. That is \$365,000; is that right?

Mr. CLAPP. That is right; from appropriated funds. A part of the pay increase, of course, will be financed from our corporate funds—that part which applies to those people in the TVA who are engaged in activities financed from our revenues.

Senator CORDON. Who are engaged in activities financed from your revenues as against appropriated funds, Mr. Clapp?

Mr. CLAPP. For example, Senator Cordon, Mr. Wessenauer, our manager of power, has his salary charged exclusively to the power program and consequently he is paid out of corporate funds.

My salary, as a member of the board, is paid in part out of corporate funds and in part out of appropriated funds.

Senator CORDON. Why is that?

Mr. CLAPP. Because my services apply to the whole TVA.

Senator FERGUSON. Who determines the amount?

Mr. CLAPP. The amount is determined by our accountants who make studies of what they call direction of effort of the employees and members of the organization. Salaries may be prorated according to the preponderant proportions of time spent on those two categories.

POWER PROGRAM ACTIVITIES FINANCED FROM TVA REVENUES

Senator CORDON. Is there anything in the law that provides for that?

Mr. CLAPP. Section 26 of the TVA Act specifies that revenues are to be used for such purposes as the conduct of the power business and the management and operation of our reservoirs, and the corporate funds made available through our revenues are applied to finance those operations.

Now, in our general administrative organization, there are people—for example, the general manager—whose duties and functions run across the power program, the fertilizer program, the construction program, and the like, and their salaries are prorated as between corporate funds and appropriated funds.

FINANCIAL STATEMENT OF TVA

Chairman McKELLAR. Let me say at this point that some weeks ago I asked Mr. Clapp to give me a statement showing how the TVA was working out financially and he sent me a letter a few days ago which I submitted for the record and I would like for the Senators here to read that letter. It may be that you may want additional information, and if you do, I am sure Mr. Clapp will be glad to give it to you. They have made a very fine showing and I think all of the members of the subcommittee should go into it very carefully.

SENATOR HILL. You could put the letter in the record of the hearing.
Chairman McKELLAR. Very well, we will put that in if you have no objection to it.

MR. CLAPP. No, indeed, Mr. Chairman, I should be glad to have it in the record.

(The letter is as follows:)

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., February 10, 1950.

DEAR SENATOR MCKELLAR: In the course of a recent conversation we discussed TVA's progress in repaying the Nation's investment in the TVA power system and the rate of return on that investment earned by the TVA from the sale of power. You suggested that I condense what I reported to you then into a brief, written statement. This letter is in response to that request.

The financial results of the TVA power program are shown in the figures describing two facts: first, the rate of return which the power program is earning on the Government's investment, and, second, the revenues received from the sale of power and the uses to which these revenues have been put, including cash payments into the United States Treasury.

Rate of return: During the last fiscal year, proceeds from the sale of power amounted to \$88,030,000; operating expense to generate and transmit the power and manage the power business, including depreciation, amounted to \$36,552,000; the difference is \$21,470,000 and is the net earnings of the TVA power system for 1949. These net power earnings represented a ratio of return of 5 percent on the total money invested in the TVA power system—money derived partly from the taxpayers and partly from the consumers of TVA electricity. This 5-percent return was the second highest annual return since the TVA began in 1933.

The highest rate of return in any 1 year was 5½ percent which was achieved in fiscal year 1947. The rate of return in fiscal year 1948 was 4½ percent.

The average annual rate of return over the entire 16 years of TVA's existence is about 4 percent of the average investment in the power system. This includes the period from 1933 to 1940 when TVA was held back in selling its power by lawsuits brought by the private utilities. In some years a lower return must be expected, particularly in the event of very dry weather when we will be required to use less hydro power and more of the higher-cost steam power, but the return has now exceeded 4 percent for seven consecutive years. This rate of return, as I stated, is after an allowance for depreciation, a charge paid by the consumers to make replacements and to keep the property investment intact and useful.

This record of an average rate of return of 4 percent is proof that the users of electricity are paying considerably more than all the cost incurred by TVA in producing and transmitting the power to the retail distribution systems of the cities and rural electric cooperatives who sell the power at retail rates to the ultimate consumers.

Cash payments to the Treasury and use of revenues: The second fact about the financial success of the TVA has to do with the cash picture—the proceeds received from the sale of power, payments made to the Treasury, and the uses which have been made of the balance.

As you know, TVA began retiring its bonded indebtedness (to the Treasury and the RFC) in the fiscal year 1944. In addition, in December 1946 TVA made its first cash payment into the United States Treasury under section 26 of the TVA Act, when for the first time operating proceeds exceeded requirements financed from this source of funds.

During the current fiscal year, TVA will pay \$6,700,000 into the Treasury, of which \$5,500,000 will be paid from power earnings and \$1,200,000 from miscellaneous receipts.

By June 30, 1950, the end of the current fiscal year, TVA's cumulative payments into the Treasury will total about \$54,200,000. This \$54,200,000 will consist of \$16,000,000 for bond retirements, \$29,100,000 paid from power earnings under section 26 of the TVA Act (making a total of \$45,100,000 from power) and \$9,100,000 of nonpower proceeds also paid into the Treasury under section 26.

From the beginning in 1933 through the end of the 1949 fiscal year, revenues from power totaled \$367,000,000. Out of this \$367,000,000 TVA paid out-of-pocket operating expenses (for the power program only) amounting to \$155,000,000. This \$155,000,000 includes over \$18,000,000 representing in lieu tax payments to States and counties as prescribed by Congress in section 13 of the TVA Act, and over \$6,000,000 paid to the Treasury and the RFC as interest on the outstanding bonds (which interest was, of course, in addition to the payments

on principal to the Treasury described above). The balance of the \$155,000,000 went for wages and for coal and other materials and supplies required to operate the TVA power system over the 16-year period.

Taking the total revenues of \$307,000,000 and subtracting operating expenses of \$155,000,000 leaves cash earnings (i. e., net earnings before charges for depreciation) of \$152,000,000. These cash earnings have been used as follows:

\$150,000,000 has been used to make replacements to the power system facilities and to add additional generators and transmission lines to the system as reflected each year in TVA budgets reviewed by the Congress. (In this way, TVA paid for these facilities immediately instead of asking for appropriations and paying back the appropriation over a 40-year period as allowed under the law.)

Thirty-nine million six hundred thousand dollars has been paid to the Treasury. (Adding the payment to be made this year, the figure will reach \$18,100,000 as described above.)

Seven million six hundred thousands dollars represents the value of power inventories (coal, conductor cable, transformers, poles, etc., on hand for use and construction) which were on hand on June 30, 1949.

Five million two hundred thousand dollars represents accounts receivable and cash in the TVA checking account in the Treasury. (This represents all the reserve that was on hand on June 30 to help meet increased operating expenses in case of dry weather and low stream flow.)

As I told you in our recent conversation, this is a record that should reassure the country about the safety and success of the power business in the Tennessee Valley.

Nor does this tell the whole story. You know about the tremendous increase in rural electrification in the Tennessee Valley, the strategic value of TVA power for the atomic energy program and the aluminum and munitions programs during the war, and even now, the millions of dollars worth of generators, turbines, etc., purchased by the TVA from factories in other parts of the country, the millions of dollars spent by electricity consumers in the Tennessee Valley for electric appliances—hot water heaters, ranges, refrigerators, etc.—made in cities outside the Tennessee Valley. These and many other results of the expanded use of electricity in the Tennessee Valley, made possible by appropriations to the TVA by the Congress, add to the working value of the TVA power investment as a good investment for the whole Nation.

On the narrow basis of rate of financial return and cash payments to the Treasury, the TVA power system shows a successful public service, business result. On the broader basis of increased prosperity and national security I believe the results are even more conclusive.

If there are additional facts you would like, I should be glad to supply them.
Sincerely,

GORDON R. CLAPP,
Chairman of the Board.

Summary of amounts appropriated for Tennessee Valley Authority

LAW	NAME OF ACT	CONGRESS	AMOUNT
Public, No. 77.	Fourth Deficiency.	73d	\$50,000,000
Public, No. 412.	Emergency.	do	25,000,000
Public, No. 210.	Second Deficiency.	74th	50,000,000
Public, No. 759.	First Deficiency.	do	50,000,000
Public, No. 151.	Second Deficiency.	73d	50,150,770
Public, No. 334.	Independent Offices.	do	50,000,000
Public, No. 8.	do	75th	50,000,000
Public, No. 459.	do	do	50,000,000
Public Res. 96.	Resolutions (H. J. 246, H. J. 383).	do	25,000,000
Public, No. 28.	Independent Offices.	77th	75,000,000
Public, No. 179.	Resolution (H. J. Res. 194).	do	40,000,000
Public, No. 343.	Third Supplemental.	do	47,000,000
Public, No. 122.	Fourth Supplemental.	do	30,000,000
Public, No. 530.	Independent Offices.	do	138,168,001
Public, No. 91.	do	78th	(1)
Public, No. 258.	do	do	(1)
Public, No. 49.	do	79th	8,648,000
Public, No. 419.	Government Corporations.	do	30,500,000
Public, No. 248.	do	80th	16,200,000
Public, No. 800.	do	80th, 3d Spec.	27,290,061
Public, No. 71.	First Deficiency.	81st, 1st Spec.	2,956,000
Public, No. 366.	Independent Offices.	do	49,350,150
Total amount appropriated.			\$15,971,681

¹ Unexpended balance only.

ADJUSTMENT OF SALARIES FOR WORK ON POWER FACILITIES

Senator CORDON. Do I understand that the basis on the matter of the source from which they receive salaries is that of whether an individual's time is spent on the production and transmission or the disposal of power or not?

Mr. CLAPP. That is correct, Senator, with the addition also of the operation of our reservoirs, for flood control and navigation and power, and the operation of our chemical plants at Muscle Shoals in Tennessee, all of which are covered in section 26.

Senator CORDON. We would probably consider it a corporate enterprise operation. It is, under the law, I presume.

Mr. CLAPP. In a sense it is. The purpose of the chemical plant, of course, is more experimental than anything else.

Chairman McKELLAR. As I understand you, the question is of your time and how it is spent, for instance, in the manufacture of fertilizer, or how it contributes to the business; is that right?

Mr. CLAPP. That is right.

In the House action, a part of the reduction is applied to the request we made for the \$365,000 to take care of the salary increases for those employees whose services are paid for by appropriated funds. The House action, in effect asks the TVA to absorb half of that increase by reductions in programs generally and proposes to appropriate the other half in the supplemental.

Senator FERGUSON. Is this pay increase entirely due to the statute?

Mr. CLAPP. It is due to the statute, Senator, in this respect: The pay increase law does not apply specifically to TVA. As in the past, we worked out a system whereby the same effect is reached in the TVA as provided by law to other Government agencies.

Senator FERGUSON. That is all voluntary?

Mr. CLAPP. It is voluntary on the TVA's part; that is correct.

Senator FERGUSON. Now you tell that Congress did not intend specifically to increase particular people's salaries, and then you come along and you increase all of yours in proportion, is that right?

Mr. CLAPP. We worked out adjustments which were of the same percentage as was applied by statute to the other Government agencies. We have in each case specifically requested the Congress not to make that law applicable to the TVA in mandatory fashion.

Senator FERGUSON. If you are going to follow it, why do you not want it mandatory?

Mr. CLAPP. We would prefer to work out the adjustments to fit the balance within our own salary structure and within our own classification system, we being outside of the civil service and outside the Classification Act. Our actual rates of pay are closely consistent with it in general.

SCHEDULE OF SALARIES FOR TVA

Senator FERGUSON. Have you ever filed your pay schedule with Congress?

Mr. CLAPP. Oh, yes. We do it in our annual reports; we file a complete list of all salaries by name.

Chairman McKELLAR. That was asked for some time ago and you filed it in the name of the employee, the position he or she held, and the amount of salary, if I remember rightly; it has been some time ago. I may not remember right but that is my recollection.

Mr. CLAPP. That is correct, Mr. Chairman. It is a requirement in the TVA Act that we file such a list in our report for all above \$1,500 a year.

Senator FERGUSON. Have you ever filed the report on all of your public relations people?

Mr. CLAPP. Oh, yes; all of our employees, Senator Ferguson, are included in that list if their salary is \$1,500 a year or more.

Senator FERGUSON. What salaries have you under \$1,500?

Mr. CLAPP. I do not believe we have any now. Let me check that.

Chairman MCKELLAR. Could you get the facts as to about how many there were, and you would have no objection, I suppose, to filing the salaries?

Mr. CLAPP. No objection at all.

(The following information was supplied:)

With the exception of temporary employees discussed below, there are presently no employees below the rate of \$1,500 per year.

Chairman MCKELLAR. So we can see the whole picture.

Senator FERGUSON. Do you have what is known as temporary employees?

Mr. CLAPP. Yes, we have construction workers on hourly rates of pay.

Senator FERGUSON. Do you have public-relations people on a temporary status?

Mr. CLAPP. The distinction "temporary" and "permanent" is between those receiving hourly rates of pay and those receiving annual rates of pay. Public-relations information employees are on annual rates of pay. I do not think we have any temporary information employees.

Senator FERGUSON. They would all be disclosed in these reports?

Mr. CLAPP. That is correct.

Chairman MCKELLAR. I asked him for some information which he submitted in a letter and that letter has been put in the record. I hope you will look at it, Senator.

Senator GURNEY. Mr. Chairman, may I ask one or two questions?

Chairman MCKELLAR. Surely, Senator.

INSTALLATION OF NEW GENERATOR UNIT AT JOHNSONVILLE STEAM PLANT

Senator GURNEY. Mr. Clapp, referring to this letter to Chairman Cannon which is provided the committee, as to that \$7,000,000 in category No. 1, is that to build another dam or is that to put in generators?

Mr. CLAPP. That is to add a fourth unit at the New Johnsonville steam plant—

Senator GURNEY. A generator?

Mr. CLAPP. A generator, yes; and to start two more units at a new location.

Senator GURNEY. Are they all generators?

Mr. CLAPP. Yes. Two of the steam units are to be at a new location in a new steam plant, the Widows Creek plant.

Senator FERGUSON. A new steam plant?

Mr. CLAPP. That is correct.

Senator GURNEY. Would the total cost of the steam plant be covered by the \$7,000,000?

Mr. CLAPP. No, not by any means. The \$7,000,000 is to permit us to get started during this fiscal year with commitments to the manufacturers for the equipment and to begin work on the site.

CONTINUANCE OF GENERATOR UNIT REQUESTS IN 1951 AND 1952 APPROPRIATIONS

We include in our 1951 request, which has been heard before the House, additional funds to carry on that work and there will be additional requests for the 1952 fiscal year.

Senator GURNEY. Then this \$7,000,000 is the initial request to build another steam plant similar to the Johnsonville plant. It may not be the same size.

Mr. CLAPP. It is for two units, for a new steam plant of two units at Widows Creek.

NEW CONSTRUCTION, POWER PROGRAM

Chairman McKELLAR. On the justification, you can see there the funds you have been talking about amounting to \$7,000,000 and that it will be used for beginning construction of the following facilities: Unit No. 4 at Johnsonville steam plant, \$1,500,000; then two units at a new steam plant to be located at Widows Creek in northeast Alabama, \$4,500,000; and transmission lines and terminal facilities, \$1,000,000; making up the \$7,000,000.

Mr. CLAPP. That is correct, Mr. Chairman.

TOTAL COST OF WIDOWS CREEK PLANT

Senator FERGUSON. What will be the total cost of this new plant?

Mr. CLAPP. The new Widows Creek plant of two units will be \$36,500,000.

Senator FERGUSON. Did you disclose to Congress, when you first came in for Johnsonville, that you were going to build that plant and it would be immediate?

Mr. CLAPP. We made it clear to Congress that as our loads increased irrespective of national defense requirements, we were probably going to ask for additional steam plants.

Senator FERGUSON. That was not my question. My question was: Did you make it clear that you would be immediately asking for further steam plants over and above Johnsonville?

Mr. CLAPP. We did not, because there was not before us any request for emergency power.

NEW FACILITIES CONSTRUCTED AT REQUEST OF AEC

Senator FERGUSON. When did this request come in that requires this new Widows Creek plant?

Mr. CLAPP. The request was made firmly to us by the Atomic Energy Commission early last fall.

Senator HILL. The new Widows Creek steam plant is primarily for the Atomic Energy Commission, is it not?

Mr. CLAPP. Exclusively so.

Senator HILL. Exclusively.

Senator FERGUSON. Why do they not build it up under their charter?

Mr. CLAPP. They preferred to count upon the power from us.

Senator FERGUSON. Why is that?

Mr. CLAPP. Because, Senator, we can proceed at once to establish another unit at Johnsonville, where we have a plant already under construction, and we can fit this new steam plant into our system in the eastern part of the area to provide capacity for the Oak Ridge expansion program.

Senator FERGUSON. How far do you take this electricity to Widows Creek?

POWER FACILITIES FOR OAK RIDGE

Mr. CLAPP. The Widows Creek plant will supply the area in the general vicinity of the Widows Creek plant which, at the present time, is being supplied in part by the dams and the Watts Bar steam plant close to Oak Ridge. By that rearrangement of power supply, the plants closest to Oak Ridge, Norris Dam, Fort Loudoun Dam, and Watts Bar Dam and steam plant will be able to supply Oak Ridge.

Senator FERGUSON. This electricity from Widows Creek is not going to Oak Ridge?

Mr. CLAPP. Not specifically those kilowatts.

Chairman MCKELLAR. But it is necessary to have the additional amount to supply the demand from Oak Ridge, as I understand it.

Mr. CLAPP. That is right, and the arrangement of the specific location of the power supply and the shifting of loads fits in best with the existing transmission facilities and the dams and steam plants in the eastern part of our area and will provide the most economical supply of power for the Oak Ridge expansion.

Senator FERGUSON. If Oak Ridge had built their plant at Oak Ridge you would have had enough electricity at the location of Widows Creek to supply the requirements there?

Mr. CLAPP. Not to supply Oak Ridge.

Senator FERGUSON. No, the requirement around Widows Creek.

Mr. CLAPP. Yes, if we did not have to supply Oak Ridge with their load.

Senator FERGUSON. Then you would have enough?

Mr. CLAPP. In that case we would not at this time be proposing a Widows Creek plant.

GENERATING CAPACITY AT WIDOWS CREEK PLANT

Senator GURNEY. What is the generating capacity of the two plants at Widows Creek?

Mr. CLAPP. The plant would consist of two units, each one of 112,500 kilowatts, making a total of 225,000 kilowatts.

Senator GURNEY. What is the request in the appropriation? How much electricity are they asking for on that project?

Mr. CLAPP. For this expanded program the Atomic Energy Commission is asking us to supply them with 340,000 kilowatts. The difference between that figure and the figure for the Widows Creek steam plant is made up by the fourth unit at Johnsonville.

Senator CORDON. How much is that?

Mr. CLAPP. 112,500 kilowatts.

Senator GURNEY. You have two units of 112,000 making 225,000 total.

Mr. CLAPP. Plus another unit of 112,500 at New Johnsonville, making a total of 337,500 kilowatts.

Chairman McKELLAR. They are asking for 340,000 kilowatts.

Mr. CLAPP. 340,000, yes.

Senator GURNEY. Then how much have you increased the projected size of Johnsonville on account of the Oak Ridge request?

Mr. CLAPP. By one unit.

Senator GURNEY. Of 112,000?

Mr. CLAPP. That is correct, 112,500.

GENERATING CAPACITY OF JOHNSONVILLE PLANT

Senator GURNEY. Making the total size of the Johnsonville plant how much?

Mr. CLAPP. Four units of 112,500 each, for a total of 450,000 kilowatts.

Senator GURNEY. You are going to have there a tremendous steam capacity in two plants.

Mr. CLAPP. Yes, sir. Although I do not want to get ahead of my story, I would like to say, in order that there may be no misunderstanding, that in the budget request now pending before the House for fiscal year 1951, we are requesting funds to add two more units to the Johnsonville plant—units 5 and 6—not to meet national defense expansion requirements but to take care of the normal load growth that we anticipate in the area.

Chairman McKELLAR. Do you say that you are using all of the power that you create?

Mr. CLAPP. Indeed we are, Senator.

Chairman McKELLAR. And that demand is not falling off?

POWER SITUATION IN TVA AREA

Mr. CLAPP. Not only that, sir, but we are in a very tight power situation. We have been for several years and we will be for several years to come.

Senator GURNEY. Supposing Oak Ridge were to use 340,000 kilowatts for a few years and then suddenly would have no further demand for it. What position would that leave you in?

Mr. CLAPP. It would leave us in this position: That we might be able to pass a year or so in which we would not need to request additional capacity to meet normal load growth.

Senator GURNEY. Have you talked that over with Atomic Energy as to how long they would want that power at Oak Ridge?

Mr. CLAPP. We have discussed the question of term of contract. They are expecting us to be able to supply the power as long as they need it. They do not put a dead line on when they will not need it.

Senator GURNEY. What I was thinking was that you could figure your Johnsonville plant and your Widows Creek plant to take care of your normal loads and you are probably building now to take care of loads at 2 or 3 or 4 or 5 years hence.

If the Atomic Energy did not want that amount of power for a very long period of years you might anticipate using that instead of coming in for additional units for Johnsonville.

Mr. CLAPP. Senator, it would be an extremely risky approach to the power supply problem to do that. I think the fact we must assume is that the Atomic Energy Commission will have a demand upon that power just as long as they need it. For us to make any assumption that they are going to turn off their use in a given year, and for us thereby to miss the beginning of additional installations needed to avoid a power shortage for normal load growth would be a very risky proposition.

Senator FERGUSON. Did you not ask them how long they were going to use it?

Mr. CLAPP. They told us, sir, that it was for an indefinite period.

Senator FERGUSON. Did they make a written application?

Mr. CLAPP. Yes, we have extensive correspondence on the subject and they have firmly requested this power. They have stated that their emergency expansion program in atomic energy at Oak Ridge is dependent upon our ability to supply this power on the dates specified.

Senator GURNEY. What date did they say they wanted the power and will you be able to deliver on that date under the request now made?

Mr. CLAPP. Their request to us is to supply requirements that will begin to increase in September of 1951 and will increase to the total amount they are asking for by July 1952. We will meet those expanding requirements in the interim by squeezing our existing system and by getting temporary additional power from neighboring systems.

If the committee, Mr. Chairman, would like to get further information on the Atomic Energy Commission's requirements, I would prefer that Mr. Williams of the Atomic Energy Commission, who is in the room, answer those questions because he knows more about the reasons behind their requirements than I do.

Chairman MCKELLAR. Do you gentlemen want to ask him any questions?

Senator CORDON. I would like to ask first whether there is any power in the area available other than power from TVA, other generating plants being run by private industry.

Mr. CLAPP. All of the major sources of power generation, Senator, are a part of the TVA system by virtue of acquisitions TVA made from the private utilities.

POWER SUPPLY IN AREAS CONTIGUOUS TO OAK RIDGE

Senator CORDON. I note here in the House hearings, on page 99, Mr. Williams stated that the Atomic Energy Commission had a Mr. Giroux, an engineer from the Office of the Corps of Engineers, investigate the matter to see if there was a possible supply in contiguous areas and he answered saying that a list of power companies had been contacted and they found in the survey that figures ranged from 5.91 mills to as high as 9.82 mills per kilowatt. I take it that is kilowatt-hour.

Senator CORDON. That was available in blocks of considerable amount. Is that correct?

Mr. WILLIAMS. He has stated in another letter also that he had made an investigation, and I believe that is in the same House record.

Senator CORDON. That was in the letter of September 30, 1949?

Mr. WILLIAMS. Yes, sir.

POWER RATES OFFERED TO AEC FROM NEARBY POWER COMPANIES

Senator CORDON. And the next letter you had from them was later than that, November 23, and of which you quoted only this portion of your letter, and I quote:

In accordance with our conversation on October 19 with regard to the cost of power from sources within the transmission distance of Oak Ridge, I had our repairs and utility branch make a brief investigation of the availability of power and the cost thereof in blocks of 50,000 kilowatt-hours * * * I am attaching hereto a copy of a report which I believe is self-explanatory.

That report is not here but, Mr. Williams added:

The enclosures listed are mainly descriptive bulletins, maps, and so forth, which are not attached.

Then it goes on with the statement of Mr. Williams that these sundry power companies had been contacted and that they evidently had offered power at these varying rates, and I want to know if that is correct.

Mr. WILLIAMS. They had indicated that any power that they would furnish would be at these rates but that would be at their system and would have to be, of course, transported over the various systems to Oak Ridge.

Those systems that were contacted were contacted in Virginia, Ohio, Indiana, Michigan, Alabama, North Carolina, Mississippi, Arkansas, and Illinois, and they would not meet our needs unless they were on a firm contract basis. That is, we have to have 24-hour-a-day, 7-day-a-week power. It was indicated to us by Mr. Giroux that if any power could be supplied from these contiguous areas it would have to be backed up by new construction in those areas and new transmission lines from those areas. That was the indication we had.

Senator CORDON. Do you know whether or not in those areas there is an interconnection of the various diverse generating plants?

Mr. WILLIAMS. There is no doubt that all of the various areas have some connections but in this particular instance this is an unusual load. When you are talking in terms of 340,000 kilowatts, that is a very, very big load, and in order to get that power to our plant in Oak Ridge, you would have to firm up transmission lines for many miles, and maybe have to build new ones and heavier ones. And the cost was considerably too high, 6 to 9 mills.

AMORTIZATION RATE ON TVA

Senator CORDON. Do you understand that included in that cost is a 3-percent tax to start with that Uncle Sam gets back and several and diverse other Federal and other taxes?

Mr. WILLIAMS. I believe that total cost for TVA—and they are in a better position to answer this—according to calculations, that cost for TVA even with some amortization and possibly all would be about 3.6 mills.

Senator CORDON. TVA can furnish it more cheaply.

Senator GURNEY. Referring to that 3.6-mill cost, I suppose Mr. Clapp can answer this. You say it would be amortized, over what period of years, please? How many years do you have to use in furnishing that 3.6 mills to cover amortization?

Mr. CLAPP. That is estimated over the life of the plant.

Senator GURNEY. One hundred years? Fifty years?

Mr. CLAPP. It is nearer 40 years.

Senator GURNEY. But it could be 50?

Mr. WESSENAUER. What we usually do is take the various units in the plant, the generators, the piping, and so on, and each of the items is assigned a different life based on experience records of such equipment and depreciated over that period of time. The composite of all of the items in the property would be between 35 and 40 years. That is the usual time that is selected for steam plants.

Senator GURNEY. Three and six-tenths mills will amortize that equipment and the plant?

Mr. WESSENAUER. Yes, sir.

Senator GURNEY. And the transmission?

Mr. WESSENAUER. And the transmission.

Chairman McKELLAR. May I ask the Atomic Energy Commission: Is it not the view of the Atomic Energy Commission that it would be better and safer in order for them to have a constant source of power at a reasonable rate that this power should be produced by the TVA rather than producing it yourselves?

Mr. WILLIAMS. Yes, sir. We had the Sargent & Lundy engineering firm make some studies for us on that, and it would cost us on a very optimistic basis about 3.94 mills. That is the best we could do.

Chairman McKELLAR. As against 3.6.

Mr. WILLIAMS. As against 3.65, to be exact, according to our figures.

With our present plant, as you will recall, we did not depend totally on our steam power plant there for the power operation. The reason why we put in a steam plant in the first place was because we needed a type of power which TVA just did not furnish.

EXPLANATION OF VARIABLE FREQUENCY POWER

Senator CORDON. What do you mean by the "type of power"? What would it be?

Mr. WILLIAMS. It is a variable frequency power, not all at the same frequency.

Chairman McKELLAR. What do you mean by that?

Mr. WILLIAMS. Ordinarily, Mr. Chairman, power is generated, throughout the country, on a 60-cycle basis and that meets all of the usual requirements of the country. But in this particular plant, it was necessary for technical reasons throughout the plant to have power that varied from, say, around 40 cycles up to 120. So our steam power plant is a special plant in that respect and it is put in to take care of portions of the load which TVA could not take care of anyway.

Senator CORDON. That change in cycles is; then, a matter that is handled at the time it is generated or is it after? Is it changed by a transformer?

Mr. WILLIAMS. You can put in a transformer and special rotating transformation equipment. It just adds to the complication of your system and it would be more expensive in the long run.

We went into all of those calculations some years ago.

FACILITIES PLANNED FOR WIDOWS CREEK

Senator CORDON. As far as this plant is concerned, is there any question of firming up any other problem? This is a bid to put in a straight 100 percent steam power plant to generate electric power?

Mr. CLAPP. I think that is the sense of it, Senator Cordon.

Senator CORDON. Then there is this factor involved: that it is being requested by an agency of the Federal Government for use either as to the power generated or its equivalent for Federal purposes.

Mr. CLAPP. That is correct.

You understand, I am sure, that the operation of this plant in the TVA system will involve times when it will be firming up some hydro-power, but by and large it will operate a large portion of the time to carry its own load.

Senator CORDON. What will be the over-all cost of the Widows Creek plant?

Mr. CLAPP. The Widows Creek plant with these two units will cost 36.5 million dollars when completed.

Senator CORDON. You said there were two units; do you contemplate more units at Widows Creek?

Mr. CLAPP. In all probability, it will be necessary at some future date to add units at Widows Creek.

INITIAL CONSTRUCTION PLANNED TO ACCOMMODATE EXPANDED PROGRAM

Senator CORDON. When you begin your construction, will your initial construction be predicated upon a plant of multiple units beyond the two that you put in?

Mr. CLAPP. Not so much the initial construction, Senator, but in the selection of the site we had in mind the possibility of its expansion.

Chairman McKELLAR. How far is this Widows Creek plant from Chattanooga?

Mr. CLAPP. About 30 miles, downstream, on the Tennessee River.

Chairman McKELLAR. How far is it from Birmingham?

Mr. CLAPP. It would be at least 120 miles.

Senator HILL. I would say about 150 miles.

RAILROAD FACILITIES AT WIDOWS CREEK

Senator FERGUSON. Do you have railroad facilities at Widows Creek?

Mr. CLAPP. Yes, sir; they are easily accessible.

Senator FERGUSON. Do you get your coal from Birmingham?

Mr. CLAPP. Most of the coal will come from the Tennessee coal fields immediately to the north.

Senator FERGUSON. How far away?

Mr. CLAPP. Just across the State line, about 15 miles.

Chairman McKELLAR. It is not more than 20.

Senator FERGUSON. Why did they locate this site 15 miles from the coal fields?

FACTORS CONSIDERED IN LOCATION OF POWER PLANT

Mr. CLAPP. These factors had to be satisfied in finding a location for the plant: One was foundation; another was a site on the river, so that we would have adequate water supply for condensing purposes; another was railroad facilities; another factor was the proximity of the coal; and still another factor was the ease and economy with which the power could be taken out of the plant onto the transmission facilities of the TVA system; and still another factor was locating it with the idea in mind that as long as it had to be in the eastern part of the system it ought to be at the most convenient place in relation to the wind-tunnel project so that it could later be used to help supply that operation.

Senator FERGUSON. Has the wind tunnel been definitely stated as going into Tennessee?

Mr. CLAPP. The Defense Department has so advised us.

Senator FERGUSON. When did you get that advice?

Mr. CLAPP. I do not recall the exact date, Senator Ferguson.

Chairman MCKELLAR. It was announced within the last week.

Mr. CLAPP. An announcement was made within the last week, Senator, by Secretary Symington.

Senator FERGUSON. Could I inquire why Oak Ridge does not build this steam plant in connection with their facilities at Oak Ridge?

Mr. WILLIAMS. Why do we not?

Senator FERGUSON. Yes. For security reasons.

Mr. WILLIAMS. In the first place, it would cost the Government more money if we built our plant at Oak Ridge, because we would have to have additional back-up units. By asking TVA to do it, they can build a smaller increment of power and still assure us of a continuous supply than we could in one plant. That is, you would have to depend on some of these units being down part of the time, and we would have to put in additional capacity in order to guarantee power.

That was one reason.

Another reason is that we have a pretty big operation there as it is. And we went through these calculations to see which would be cheaper and we thought it would be cheaper to the taxpayer to have it run by TVA since that is their principal business, and it is not our principal business.

Our present power plant would not have been built, I am quite certain of that, if it had not been that we had to have a special type of power.

Senator FERGUSON. Is it your intention not to build any more power plants for power but to have TVA or some outside power development build them for you?

Mr. WILLIAMS. It would, of course, Senator, depend on the circumstances, but in the case at Oak Ridge that has been the policy from the beginning.

ALTERNATE TRANSMISSION LINES TO OAK RIDGE

Senator FERGUSON. Is there a danger as to security of running these lines that they may be put out of commission, where, if you had them at the plant there, they are much easier protected?

Mr. WILLIAMS. You have several lines coming in to feed these plants and they would have to knock out at least two or three lines at one time.

The TVA system and all of the power systems have alternate feed lines where if one is knocked out we could probably cut down requirements temporarily and run on reduced power and keep the units turning and not injure our plant until they could put the lines back in operation.

We have weighed this and we felt, as we did during the war, that we probably would lose nothing in security by asking TVA to do it.

In the beginning, one reason the plant was located in this area was in order to use the power which TVA furnished.

Chairman McKELLAR. Have they cooperated with you?

Mr. WILLIAMS. They have cooperated with us—

Chairman McKELLAR. In a good business and wholesome way since you have been down there they have cooperated with you?

Mr. WILLIAMS. They have cooperated with us 100 percent. I must say sometimes we enter into some hot and heavy discussions on business matters, but as far as cooperation is concerned, that has been 100 percent.

Chairman McKELLAR. They cooperate with you all the same.

Mr. WILLIAMS. That is right.

COST OF PLANT FOR AEC TO APPEAR IN TVA APPROPRIATION

Senator FERGUSON. This appears in the record now that TVA is having this expansion where, as a matter of fact, it is an actual cost of the Atomic Energy Commission, so if you got \$1,070,000,000 last year, this kind of an item is outside and it is even in your expenses, as a matter of fact; is that not right? To the public, this will appear as an item of TVA rather than Atomic Energy?

Mr. WILLIAMS. No more than the purchase of coal or something like that.

Senator FERGUSON. This is a capital outlay, this is not a purchase of so much coal.

Mr. WILLIAMS. You may be right, Senator, I do not know. I do not know just where this enters into it, but we certainly made it clear to the Congress and it certainly is in the record that for the plant last year we were asking TVA to furnish us that power.

Senator HILL. May I ask a question there, Senator?

If TVA did not supply you with this power and you could not buy it anywhere else, you would have to provide your own plant?

Mr. WILLIAMS. Yes. In fact, we take the view that this is the cheapest way; we think it is the most economical and expeditious way and the most feasible way to get power for this plant.

Senator CORDON. So that we can get an over-all picture of what we are going to be up against here, the next few years, I would like to have somebody indicate how much money we are going to be called upon to expend for the benefit of the Atomic Energy Commission, but through TVA, if TVA is going to furnish this 640,000 kilowatts indicated on page 93 of the hearing, which must be available by July 1952 and thereafter.

Mr. CLAPP. May I give you that figure?

Senator CORDON. Yes; I think we ought to have it.

TOTAL COST OF TWO UNITS AT WIDOWS CREEK AND JOHNSONVILLE PLANTS

Mr. CLAPP. The total cost of these two units at Widows Creek and fourth unit at New Johnsonville, which comprise the 337,500-kilowatt program for the Atomic Energy Commission's requirements will be \$59,000,000. That includes transmission and terminal facilities necessary to get the power out into the system and to its load.

Senator CORDON. If you furnish the balance up to 640,000, what is your cost?

Mr. CLAPP. This total of 640,000 includes the proposed increment of 340,000 plus the load we are already carrying or committed to carry to Oak Ridge.

COMPLETION OF NEW CONSTRUCTION FULFILLS AEC POWER REQUIREMENTS

Senator CORDON. In other words, you are not going to be required to build any more facilities for generating beyond these three generating units totaling 337,500 kilowatts in order to furnish the Atomic Energy Commission its full demand requirements of 640,000 kilowatts by and after July 1952?

Mr. CLAPP. That is correct, Senator.

I should point out that in the discussions before this committee in connection with the initial authorization for New Johnsonville, some 75,000 kilowatts of the Atomic Energy Commission's additional requirements, prior to the new 340,000 kilowatts requirement, were related to a part of the New Johnsonville initial capacity.

Senator CORDON. You were going to ask or are asking in the 1951 budget for some new generating capacity at Johnsonville?

Mr. CLAPP. That is right; we will ask for two more units, but they will not be a part of this present requirement for the atomic energy program.

Senator CORDON. They will, however, feed into the general line and will, I take it, represent at least, to some extent, a reserve for contingencies in the whole area?

Mr. CLAPP. They will feed into our general system and will be justified by the normal growth that is taking place in our load outside of the Atomic Energy Commission requirements.

NUMBER OF GENERATOR UNITS AT JOHNSONVILLE

Senator CORDON. How many generators do you expect to put in Johnsonville all together?

Mr. CLAPP. As I have described it, it would include six units.

Senator CORDON. As you described it. Have you described it fully, or have you put six units after that?

Mr. CLAPP. Senator, to the best of my knowledge, that is probably as large as that plant may be. But I would not want to say that definitely or dogmatically, because it may turn out that as additional requirements come along, especially in the western end of the system, the most economical way to meet those requirements may call for still more units at Johnsonville.

Chairman McKELLAR. Is it not true that your requirements down there have exceeded your expectations at the time these installations were made?

Mr. CLAPP. They certainly have, Senator. The growth is amazing and persistent.

Senator HILL. To a certain extent, would that not apply throughout the United States?

Mr. CLAPP. Of course, Senator.

Senator HILL. Not only to the TVA area but throughout the United States the demand for power has been greatly accelerated far beyond what we thought would be the case 10 or 15 years ago.

Chairman McKELLAR. Especially out West.

Mr. CLAPP. That is right. It is an indication of the growth of the country.

Senator HILL. And the strength of the country.

Mr. CLAPP. Yes, sir.

EFFECT OF STOPPAGES OF COAL ON POWER SUPPLY AT OAK RIDGE

Senator GURNEY. Mr. Clapp, I was thinking now of the stability of the program you advocate here, because atomic energy is very vital at the moment to our national defense. Taking Mr. John L. Lewis and his stoppage of coal being delivered, what provisions have you for that? Do you have natural gas coming into that area that you could fire those boilers with, or do you have any plans for running the coal mines yourself, or what can you tell Congress this week on the stability of the use that you intend to make of these steam plants?

Mr. CLAPP. Senator, we have no plan or desire to get into the operation of coal mines.

Senator GURNEY. You will be taking on that load when you are taking on national security. You are telling Atomic Energy you are going to run all three of them. You are telling them that you are going to run it in there. You have that responsibility as soon as you take a contract from Atomic Energy.

Mr. CLAPP. That is correct, and we have to make certain assumptions about the stability of the country as a whole, to meet those responsibilities. But let me be specific about the rest of the question.

Senator GURNEY. Yes.

Mr. CLAPP. The new Johnsonville steam plant will have access to natural gas.

Senator GURNEY. To run all of its units?

Mr. CLAPP. We believe gas may be obtainable to run all of its units.

Mr. WESSENAUER. Pipe lines go by within 25 miles. Arrangements have not yet been worked out for a gas supply to the plant.

Senator GURNEY. Whether or not they can furnish the gas is another thing.

Chairman McKELLAR. A gas pipe line has been established in Oak Ridge, has it not?

Mr. WILLIAMS. Yes, sir; we have been running on natural gas for a couple of months.

Chairman McKELLAR. That is in operation now, Senator, by a gas line coming from the Southwest and that is not very far from where you are.

Mr. CLAPP. We went into that as one of the factors in the location of the new Johnsonville plant to help carry our loads in the western part of the system.

With respect to the ability of TVA to meet its responsibilities and to prevent these generators going out in times of coal crisis, let me say this: that we maintain stock piles of coal as prudently sized as our judgment permits us to, and larger than our industrial customers maintain. In the event of a national coal shortage brought on by a crippling strike, presumably cuts in loads not affecting national security would take place first and dwindling coal supplies would be applied to maintain those operations which are of utmost importance to national security. TVA, like any other utility system, would be compelled to take steps of that kind to keep Oak Ridge going.

Senator GURNEY. I think that is correct. I was interested to note that natural gas goes by or near Johnsonville. But your study should also indicate as to whether or not the capacity of that pipe line is sufficient to take your load at any moment, or on some notice. And the location of the new Widows Creek plant should have been gone into as a matter of a dual source of power supply, coal supply, or heat supply shall we say. Possibly it would be better to increase the size of Johnsonville rather than build at Widows Creek. What have you to say about that?

Mr. CLAPP. We are adding one of these units at Johnsonville for the purpose of supplying Oak Ridge. But inasmuch as Oak Ridge is in the eastern part of our system, the alternatives were adding transmission capacity as well as units at Johnsonville, to make the power flow from the West to the East or the location of additional power supply in the East; the latter is a more efficient and more secure arrangement.

Chairman McKELLAR. Mr. Clapp, let me ask you another point. As I recall it, Widows Creek was about 25 miles from Chattanooga.

Mr. CLAPP. That is right.

NATURAL GAS PIPE LINE AT CHATTANOOGA

Chairman McKELLAR. As I understand it, this pipe line has a line now running into Chattanooga. I do not know how far the nearest point may be to Widows Creek, but it could not be more than 35 miles from a connection with that pipe line.

Mr. CLAPP. The pipe line for natural gas supply is under construction into Chattanooga at the present time.

Chairman McKELLAR. Yes, and it will be completed shortly and you are not far from it.

Mr. CLAPP. That is right.

Chairman McKELLAR. Widows Creek is not far from that natural gas pipe line.

Mr. CLAPP. That is right.

Senator GURNEY. I do want to caution you now that when you take on atomic energy requests the whole United States of America is interested in this. You must do your best to see that not only the pipe line goes by the plant and is hooked up but also see that the source of supply for that pipe line and pressure in the pipe line and size of it is big enough to handle this tremendous generating plant you have at Widows Creek or you are going to have, and the tremendous plant you are going to have at Johnsonville. That takes long years to get those things fixed. You have got to be able to turn coal off and gas on with a turn of a spigot.

Mr. CLAPP. Senator, we are not overlooking any possibility that will make the operation of these plants as certain as human planning can do it. There is this fact that ought to be mentioned with respect to the TVA system as a whole and its ability to meet emergencies affecting the atomic energy program or the aluminum program or the chemicals program or any urgent national defense or national security operation. The whole TVA system, with all of its capacity and all of its storage of water power as well as coal, could, in times of crisis, where coal supplies or where other fuel supplies were short, cut down its other load to the bone and from its hydro system meet the national defense and internal security operations first, foremost, and above everything else.

We went through an experience in 1940-41 before the United States got into the war when the aluminum industry in the valley was asked to expand quickly before any provision was made to expand power supply. What did we do? We cut down on our other loads, purchased energy from others, and used various other emergency measures. We put in a conservation of electricity program in order to help keep the aluminum industry operating, help permit the Aluminum Co. to take power beyond its contract demand upon the TVA.

And in any part of the country any power system would have to meet those emergencies.

Senator GURNEY. The atomic energy program, as you know, is held in very high regard by the public of the United States at the moment and the furor that would come by stopping that plant would be more than stopping an aluminum plant or something else along that line.

I think that you have got to double your efforts to be sure you keep running when you take on an order from the Atomic Energy Commission.

Mr. CLAPP. We understand that firmly and grimly and are not only doubling our efforts, but redoubling them.

FINANCIAL STATUS OF THE TENNESSEE VALLEY AUTHORITY

Chairman McKELLAR. What encouraged me is a paragraph that I want to read from that letter that I spoke of a while ago:

By June 30, 1950, the end of the current fiscal year, TVA's cumulative payments into the Treasury will total about \$54,200,000. This \$54,200,000 will consist of \$18,000,000 for bond retirements, \$29,100,000 paid from power earnings under section 26 of the TVA Act (making a total of \$45,100,000 from power), and \$9,100,000 of nonpower proceeds also paid into the Treasury under section 26.

It seems to me that this activity has been very successful.

Senator FERGUSON. Does the letter say how much has been drawn, Mr. Chairman?

Chairman McKELLAR. Yes, sir; as I remember it, I think it does. Does it not?

Mr. CLAPP. The figure is some \$800,000,000.

Chairman McKELLAR. Yes; it is \$815,921,481.

Mr. CLAPP. That is for all purposes, Mr. Chairman, and not only power.

Senator FERGUSON. If you were a private concern what would you be paying in taxes to the Federal Government?

Mr. CLAPP. If this were a private utility, Senator Ferguson, the TVA would be paying a corporation income tax of 38 percent of the net earnings.

And we have net earnings and consequently we could pay the 38 percent.

Senator FERGUSON. But you do not.

Mr. CLAPP. We do not, but all of the revenues are the property of the Government.

Chairman McKELLAR. And going into the Treasury.

Senator FERGUSON. In 1950 when you are going to pay this income, how much are you asking for this year?

Mr. CLAPP. For 1950?

Senator FERGUSON. Yes, from the Treasury?

APPROPRIATIONS FOR 1950

Mr. CLAPP. The appropriation that was made for the current fiscal year, was approximately \$49,359,150.

Senator FERGUSON. That is for what?

Mr. CLAPP. That is for all purposes: dams, generators, chemical facilities, mostly capital items, and for annual expenditures in the other TVA activities.

Senator FERGUSON. You are taking out of the Treasury in 1950 \$49,000,000 and you will take out for 1951 how many million?

REQUEST FOR 1951

Mr. CLAPP. Our request for 1951 is about \$108,000,000 including all of the capital outlay required.

Senator FERGUSON. And you are paying in \$54,000,000. That is not a good showing is it?

Mr. CLAPP. I think it is a very good showing.

EARNINGS ON TVA INVESTMENT

Chairman McKELLAR. What is the percent of earnings?

Mr. CLAPP. Our net earnings in relation to the amount invested in the power system have been running between 4 and 5 percent on the investment.

Chairman McKELLAR. It seems to me that is a remarkable record for an institution of this type.

QUESTION OF TAX PAYMENTS

Senator FERGUSON. They do not pay any taxes.

Chairman McKELLAR. They do not pay any taxes, but it is still remarkable.

Senator HILL. Of the \$49,000,000 you expended for this year a lot of that was capital investment going into the plant; is that not true?

Mr. CLAPP. That is true. A large part of it was capital investment.

Senator HILL. From which in the normal course of events you will get a return on these capital investments; is that not true?

Mr. CLAPP. That is right.

Chairman McKELLAR. Let me ask you one other question: Is it not also true that because of this project hundreds of plants have been established, private plants, and they are paying taxes into the Treasury of the United States?

Mr. CLAPP. The whole development of the valley area, Senator, has been accompanied by increased growth of income, with an increase in the relative amounts the taxpayers in the Tennessee Valley are paying toward the cost of government.

FEDERAL POWER TAX

Senator CORDON. You do not pay that 3-percent tax on your power?

Mr. CLAPP. No; we do not, sir.

Senator CORDON. Do you have any idea what that would be?

Mr. CLAPP. No; I do not.

Senator CORDON. Do you know whether it is within a fraction of a mill?

Mr. KAMPMEIER. The 3-percent tax would be around one-tenth of a mill. However, that energy tax applies only to small consumers—residential and small commercial consumers—and therefore on the over-all output it would be something considerably less than a tenth of a mill.

Senator CORDON. You say the regular Federal tax is on residential and small consumers?

Mr. KAMPMEIER. I believe I am correct in saying so; yes, sir.

Senator CORDON. I will check it again. I will not categorically deny that you are right. I doubt very much that you are.

AUTHORIZATION FOR NEW CONSTRUCTION OF TVA PROJECTS ALLOWED BY BASIC ACT

There is one other question that I would like to raise.

Is there any provision in the law that creates and provides for the operation of the continuance of TVA that necessitates an authorization before appropriation can be made to have your new plant at Widows Creek? I do not recall there has ever been any authorization. Is there any requirement that there be an authorization preceding an appropriation?

Mr. CLAPP. Senator, the TVA Act itself takes care of that.

Chairman McKELLAR. Yes; the TVA Act itself takes care of that.

Mr. CLAPP. It authorizes steam plants as well as dams.

Senator FERGUSON. That is your claim.

Senator HILL. In that connection, might I interject that the point of order was raised, you remember, on the Johnsonville steam plant and the then presiding officer of the Senate, Senator Vandenberg, ruled on that point of order that the steam plants were authorized under the basic TVA Act.

Senator FERGUSON. Another Chair could have ruled otherwise.

Senator HILL. No; I would not say that.

Senator CORDON. I do not think Senator Hill reaches the meat of my inquiry. I might raise the point of order on the ground that not as to whether a plant was authorized, but as to whether TVA was exceeding its corporate delegated power in attempting to even get one.

In other words, was it an ultra vires act? That might have been the basis for the decision on the point of order.

Senator Hill. The basis for the decision, as I recall it, was the point of order went to the question as to whether or not the initial construction of the new Johnsonville steam plant was authorized by the basic TVA Act.

Chairman McKELLAR. I remember we had quite a bit of argument on that.

Senator CORDON. I did not know that was in their power.

In the case of flood control or rivers and harbors projects, the law provides that before a specific project can receive an appropriation, that project upon appropriate report must be authorized for construction.

The same thing is true with reference to a Bureau of Reclamation project. I do not know whether the TVA, for instance, by resolution of its board can put itself in a position to have an authorized project here which would be basic for a balance of appropriation, or whether some action of Congress can come in after such act. I wondered what the law was on it.

Mr. CLAPP. The law is that the TVA Act is the authorization, Senator.

If I may go back a bit into some fairly recent history, in connection with the debate and discussion that took place before this same committee with respect to the Johnsonville steam plant—for which we did not seek appropriation on the basis of national defense, but upon the basis of meeting our normal power load—there was outside counsel brought in by the representatives of the private utilities who argued against the point of view that the TVA Act authorized TVA to build steam plants unless they were for national defense purposes.

Senator CORDON. We are not vibrating on the same plane. I do, not question that at all.

Mr. CLAPP. I am sorry if I missed the point.

Senator CORDON. The point is, assuming that your basic structure, the act that sets you up, does authorize you to engage in the business of producing power with a steam plant, let us start with that assumption.

Mr. CLAPP. I see.

Senator CORDON. Now you can do it. The question is, is there needed an intermediate affirmation or authorization by the Congress of your right not to generate electricity with steam, but to construct a specific plant to do that with.

Mr. CLAPP. Senator Cordon, the law, as we understand it, and it has been repeatedly affirmed by the process applied by the Congress, is that we do not need a specific legislative authorization for any new plant.

Senator CORDON. I do not know. I thought we ought to have the matter raised here because I noticed in the language used here something to the effect that three generators were authorized at Johnsonville, and this is the fourth.

Now, that term "authorized" might have been just loosely used for the word "appropriated." The funds were appropriated.

Mr. CLAPP. If I used the word "authorized", it was a loose use of it; I should have said that funds were appropriated for the purpose of constructing three units.

Senator CORDON. I do not recall the authorization at Johnsonville.
Senator FERGUSON. There was not any.

Mr. CLAPP. There was not a specific legislative authorization because none was needed. The TVA Act authorized it.

Senator CORDON. I am inclined to believe your act itself permits the TVA board of directors by their action to authorize a project and that that authorization is an adequate one if, as, and when Congress, pursuant to it, makes an appropriation. But I am not at all sure about it.

Senator HILL. I hope the Senator will go back and get the argument on when the point of order was raised in connection with the Vandenberg decision.

Senator FERGUSON. I never agreed with the Senator's decision. I think it is bad law to have the Appropriations Committee appropriate for these taxable expenditures when in other cases the different committees must authorize the appropriation before the appropriation can be enacted.

I think this is the exception that should not exist.

REDUCTION IN SUPPLEMENTAL REQUEST

Senator CORDON. Mr. Chairman, if I might raise one other question here, I would like to do so.

Chairman MCKELLAR. Yes, sir; go right ahead, Senator.

Senator CORDON. Mr. Clapp has testified with reference to the reduction in the supplemental request made by the House and has requested that the amount be restored on this side and has stated that the reduction was made last year pursuant to a general plan for reduction in construction items by 15 percent with a statement in the report to the effect that any construction agency finding that the cost had not gone down that amount would be permitted to come back for a supplemental this year.

The same situation, of course, was true with reference to the other construction agencies. When the Corps of Engineers just a few days ago was testifying on that same subject, General Pick made the statement in answer to several inquiries, as follows:

We are making every possible effort to complete those projects with the funds provided by the Congress. A preliminary review of the status of those projects indicates that in many cases it will be possible to complete the work with available funds.

If, after reviewing this situation, we find additional funds will be appropriate, request will be made.

That would indicate that the corps, at least in some of its projects—but which ones, of course, are not identified—does feel that it can do a pretty fair job of going forward with either construction within the amount appropriated, which was, as it was in the case of TVA, 15 percent less than was estimated.

EFFECT OF FOLLOWING HOUSE ACTION

I am wondering what would be the result if the Senate failed to make that restoration and I do not want to leave it purely as a matter of disinterested speculation.

We are faced here with a rather desperate situation for the condition of the whole Nation is concerned, and I am one of those who believe

that the time has come to tighten our belts all the way through the appropriative groups and try to get back on some kind of a sound fiscal level and this might be one contribution that should be made by the TVA looking toward that interest.

What would be the result, frankly, other than the fact that you would not get done all you had planned to get done? Other than that, would there be any real substantial irreparable loss to your operations if we did not restore any of the funds that were reduced by the House?

Mr. CLAPP. If the \$5,000,000 is not restored, and the House voted to restore almost all of that amount, it will mean that we will not be able to proceed with the schedule for the new Johnsonville plant which is now under construction and get as much of that job done in this fiscal year as we had planned and which we must get done and should get done if we are to meet the initial operating date of the first unit of that plant.

Senator CORDON. Is that \$5,000,000 all dedicated to that one project?

POSTPONEMENT OF CONSTRUCTION SCHEDULE ON JOHNSONVILLE STEAM PLANT

Mr. CLAPP. No, it is not all dedicated to that.

The situation with respect to the Johnsonville schedule in relationship to that item is this: At the Johnsonville steam plant \$1,115,000 of work has been scheduled for the March to July period based upon securing this supplemental appropriation. If we are not able to get that money to keep construction at Johnsonville on schedule, which was the schedule we had before the Congress at the time that the cut was made, we will have to slow down work on the Johnsonville project.

Senator CORDON. Is there something else you could slow down to get on with the Johnsonville project? This is a case where you are positively faced with something of the nature of what you were faced with in 1941 and if you take that view that Johnsonville is preeminent in your requirements, is there some place else you could slow down?

Mr. CLAPP. Let me explain what that \$5,000,000 also affects.

Senator GURNEY. Let me ask you right there, the House did not cut you below the supplemental by \$5,000,000?

REQUESTED RESTORATION OF HOUSE CUT

Mr. CLAPP. They cut it \$682,500 below our request.

Senator GURNEY. That is all you are asking this committee for in addition to the House figures?

Mr. CLAPP. That is right, Senator. All we are requesting here, as far as the adjustment of the supplemental request is concerned, is the restoration of the amount cut by the House.

But I was talking to the necessity of the \$5,000,000 request for restoration of the major part of the amount by which the Congress reduced our budget last year applicable only to the construction program.

Senator CORDON. You have \$1,115,000 which has been tentatively, or at least scheduled, to Johnsonville between March and July, inclusive, I take it, for the current year; is that right?

Mr. CLAPP. For the current fiscal year.

MISCELLANEOUS EXPENDITURES ON BALANCE OF FUNDS, SOUTH HOLSTON DAM

Senator CORDON. What were you going to use the rest of the \$5,000,000 for?

Mr. CLAPP. The South Holston Dam is approaching completion. This is the critical year in its construction.

Senator CORDON. It is the closure year?

Mr. CLAPP. Yes, sir. We should close the dam this November and fill the reservoir so that power operation will begin at the earliest possible date.

One of the biggest items in that construction schedule for South Holston Dam is the earth and rock fill on the dam proper, and the highway relocation and land purchases at South Holston Dam in the amount of some \$589,000.

Senator CORDON. How much is that?

Mr. CLAPP. \$589,000.

Now, if we have to defer any of that work, we run a serious risk of missing our closure date. If we miss our closure date we get into the rainy months without the gates down and we cannot close the reservoir, nor can we do the earth and rock fill because of weather conditions.

Senator CORDON. That is perfectly clear.

Mr. CLAPP. That protects our power supply on a critical deadline date.

INSTALLATIONS AT PICKWICK AND HALES BAR DAMS

We are also in the process of installing two units, additional hydro-generating units, at Pickwick Dam and two additional generating units, hydro units, at Hales Bar Dam.

Our present schedule contemplates the expenditure of \$1,873,000 on these installations between March and July of 1950, this current fiscal year.

Senator CORDON. Are all of those installations generators?

Mr. CLAPP. Yes, sir.

Senator CORDON. Do you have the generators purchased and ready?

Mr. CLAPP. They are on order.

Now, if the manufacturers cannot go ahead with those units on this schedule that will also delay the initial operating date affecting 120,600 kilowatts of capacity which were in the schedule as we laid it out to the Congress a year ago at the time that this cut was made.

Senator HILL. How much need is there for those units?

Mr. CLAPP. Those units and every unit that we have in our existing program are needed just as quickly as we can get them on the line.

The load requirements are upon us now and the load forecast makes every block of this new power from these installations of critical importance.

DISCUSSION OF APPROPRIATION AS EFFECTING DEFICIT SPENDING

Senator FERGUSON. Notwithstanding that it means deficit spending you say you must have it.

In other words, it is more important that you get this money than the Government's efforts to balance its budget. Do you mean even though it means deficit spending this must be had?

Mr. CLAPP. Senator, the sooner they go in the sooner they will start paying back and earning money for the Government.

Senator FERGUSON. I do not care how much is paid back. You know about that. But you say now that this is more important to the country as a whole than that we balance the budget or attempt to balance it?

Chairman McKELLAR. I do not think he said that.

Senator FERGUSON. I am asking him.

Chairman McKELLAR. Very well, Mr. Clapp; answer the question.

Mr. CLAPP. Senator, the deferral of these items would have no effect upon the balance of the budget in this sense: That it would not reduce the total cost of any of these installations to defer them. As a matter of fact, it might very probably increase them. It would defer the date when they would be useful as an investment to the Government and in earning a return on the investment. Delays would bring on a power shortage in the Tennessee Valley which would cost the Government money in terms of its economy.

Chairman McKELLAR. In terms of its taxes, too, from private industry.

Mr. CLAPP. Yes, sir.

Senator FERGUSON. Well, then, your answer is that it is more important that we go with an unbalanced budget than it is to cut down on this particular year's expenditures?

Mr. CLAPP. I certainly think, Senator, it is more important that these power installations proceed than that they be deferred in order to achieve a balanced budget.

Senator FERGUSON. That is all I have. Very well.

LEVELING OF CONSTRUCTION COSTS IN SUPPORT OF APPROPRIATION CUTS

Senator CORDON. Mr. Clapp, this matter was up to some extent when the engineers were here and the members of the subcommittee were rather probing in their questioning.

Among other things as a result of the questioning at that time, General Pick, Chief of Engineers, said, and I quote:

The cost of dams under construction shows a leveling off. There is no indication of any further upward trend. Cost of concrete dams shows a 5-percent decrease in cost during the past years. These costs are based on 10 major construction items representing 70 percent of the total construction cost of the dams.

He adds:

In recent months we have had a marked increase in the number of bidders on work. This means that competition is more intense and we are more certain of achieving rock-bottom prices from the contractors.

That would indicate that there was some reduction of consequence during the year, and it would occur to me that TVA ought to be able to go along on the basis of the other construction agencies at least to the extent of a 10 percent construction reduction of last year, or at a very floor of 7½ percent, which would be a return at this time of one-half of the original.

Senator GURNEY. Did TVA build these plants on competitive bases, or do you build them yourself?

Mr. CLAPP. We build the plants ourselves and I think that leads to one of the major reasons why the situation as General Pick describes it would not produce the same results in TVA.

What General Pick may be saying is that when they were getting fewer bidders the bids had in them a margin of higher profit for the contractor—

Senator CORDON. I do not think there is any question about that.

FORCE ACCOUNT WORK SHOWS COST TRENDS

Mr. CLAPP. That is the case now when there is stiffer competition. We build our dams by force account.

Senator CORDON. All of them?

Mr. CLAPP. All of them.

And the place where we have an opportunity to reflect savings in the decline in cost of materials is in such raw materials as steel, cement, lumber, small tools, pipes and fittings, and so on.

According to the Engineering News-Record index, which is a composite moving index of all construction equipment, materials, and costs, the index is at a higher point now than it was at the time the Congress assumed a 15 percent reduction would take place last spring. That index is at a higher point now than it was at the time we made our estimates for 1950, which was in August of 1948.

Another point to consider is that because we do our work by force account the items which would reflect any decline in cost would be in the category of supplies and materials, which consist largely of steel, cement, lumber, and so on.

Senator CORDON. Let us go on to what General Pick was talking about. When he said this was true on seven major construction items representing 70 percent of the total construction cost, I do not think he was guessing.

Senator FERGUSON. Are all of your steam plants on force account?

Mr. CLAPP. Yes; we are building the Johnsonville steam plant on that basis.

Senator FERGUSON. Do you get any bids at all to get any yardstick on your force account and how you came out as compared to what you might have done on bids?

Mr. CLAPP. We do not ask for bids because the analyses we make show that in the per-kilowatt cost of installation we are well in line with what other people are building steam plants for.

Senator FERGUSON. Are they lower?

Mr. CLAPP. I would have to relate that to comparable facilities. Our engineers believe that we are building this steam plant cheaper than would be the case with a contractor.

DISCUSSION OF FORCE ACCOUNT WORK AND CONTRACT BIDDING

Senator FERGUSON. You are familiar with the fact that this Congress requires most of these reclamation and different contracts to be built by private bidding, and only allows a certain small percent to be built on force account?

Mr. CLAPP. Yes; I am aware of that general policy, Senator, and we have explained a number of times the economies—

Senator FERGUSON. Do you know why there should be a different policy with the engineers than there is with you?

Mr. CLAPP. For the job that we are expected to do, we are better equipped to build these by force account than the Army engineers would be.

Senator FERGUSON. What is the difference between the dam that you built and the dams that the engineers built?

Mr. CLAPP. Our dams are concentrated in one area. That is one difference. Their projects are scattered all over the country.

Senator FERGUSON. Do you think that makes a difference on force accounts or contract accounts?

Mr. CLAPP. It makes a difference in ability to organize forces efficiently. We have been able to build one dam and as our forces finish they move to another dam and build it.

Senator FERGUSON. Why would you oppose contract bidding?

Mr. CLAPP. Because it would cost the Government more money.

Senator FERGUSON. Have you tried it?

Mr. CLAPP. We have let some of the work out to contract on portions of a project, such as the relocation of a bridge, or relocation of a highway.

Senator FERGUSON. On a small item like that, I can see where it would be larger. When was the last time you took this on the large dams and steam plants?

Mr. CLAPP. We do not take bids on large dams and steam plants.

Senator FERGUSON. You have not been taking them?

Mr. CLAPP. We have not taken them.

Senator GURNEY. Have you had any comparisons that would give you some idea of the unit cost of a cubic yard of concrete in the dams that the engineers are able to get a contractor to bid as compared with the cost of your units in your dams?

Mr. CLAPP. Yes; we have gone into these questions exhaustively from time to time. We made an analysis last year in connection with discussions we had on the House side. It is perfectly clear on the record of our analysis that the TVA has built this system at a cost as low, if not lower, than would have been the case had each dam been open to bidding and let to contract.

There are a lot of reasons why that is an obvious conclusion.

Senator GURNEY. No. 1, you do not have to figure on profit for the contractor.

No. 2, you do not have to figure on the tax being paid by the contractor.

You should build them cheaper.

Mr. CLAPP. Of course, we should build them cheaper. No. 3 is that we can move crews from one project to another. We can shift equipment from one project to another. We can have our design work go hand in hand with the construction work instead of taking a year to design a dam completely in order to ask for bids which may or may not be acceptable.

Senator FERGUSON. Of course, that same rule applies to all Government work. The Government, then, should never take a bid contract; they should do it on the force account, because they save income tax and they save all of these items and they save any profit and they eliminate that work profit; is that not true?

Mr. CLAPP. I do not like to generalize too far on that, Senator. I prefer to limit my general remarks to TVA's experience. TVA's experience is that force-account methods as practiced by the TVA have saved the Government money.

Senator HILL. And the truth of this business is that through the years the Navy Department has built some ships on force account and other ships have been built on contract with private contractors.

Senator FERGUSON. And the difference has been shown that the private contractors have built cheaper.

Senator HILL. I do not know about the difference there. I do not think the difference shows that the dams are being built cheaper.

Senator FERGUSON. I would like to get the evidence and see the figures.

COMPARISON OF COSTS ON FORCE ACCOUNT AND CONTRACT WORK

I think, Mr. Chairman, that he ought to bring his figures in here showing his comparison. He says it costs less so we ought to have the figures to show he compared them.

Chairman McKELLAR. Very well, sir. Will you bring your figures, Mr. Clapp?

(The information requested is as follows:)

As referred to above, an analysis made last year was submitted in the course of House hearings. The analysis appears at pages 853-860 of the House hearings on the independence offices appropriation bill, 1950.

Chairman McKELLAR. There is one thing about it, Mr. Clapp, so far as I know, has never refused to give this committee any figures or any facts that he has. If he has the records he will bring them in, in my judgment.

Mr. CLAPP. Of course I will, Mr. Chairman. We have made an analysis of our own experience with contract work on TVA jobs and we have comparative analyses of cost of similar dams to that of the TVA.

Senator FERGUSON. You have made comparisons with the Army Engineers and Reclamation so you know what the costs are?

Mr. CLAPP. It was as exhaustive and as practicable as we could make it.

Senator FERGUSON. We would like to see it, so we can tell how they run.

Senator GURNEY. Even though you take off a profit that the contractor might make and the taxes that he does pay you still build them cheaper; is that right?

Mr. CLAPP. I believe I said, Senator, as low, if not lower.

Senator GURNEY. Even after taking those off?

Mr. CLAPP. I would want to check that specific question.

Senator GURNEY. I wish the information you furnish us that you would give credit to these contractors who compete in competitive bidding and take in how much taxes they paid or profit they have made on the projects with the Army engineers or Bureau of Reclamation. I think that ought to show up because certainly you are not required to pay taxes or show a profit.

Mr. CLAPP. I do not know whether we could find out how much the contractor's profits are. We could try.

Senator GURNEY. I think there is some information some place.

Chairman McKELLAR. Are there any further questions, gentlemen? It appears that there are none. Thank you very much, Mr. Clapp, we are very obliged to you and these gentlemen for coming down.

Mr. CLAPP. Thank you, Mr. Chairman.

OFFICE OF THE HOUSING EXPEDITER

STATEMENTS OF TIGHE E. WOODS, HOUSING EXPEDITER; JOHN J. MADIGAN, DEPUTY HOUSING EXPEDITER (ADMINISTRATION); ED DUPREE, GENERAL COUNSEL; AND G. WILLIAM COMFORT, DIRECTOR, BUDGET AND FINANCE

SALARIES AND EXPENSES**JUSTIFICATION**

Chairman McKELLAR. We will next hear from the Office of the Housing Expediter.

The justification will be inserted into the record at this point, without objection.

(The justifications referred to are as follows:)

Salaries and expenses, Office of Housing Expediter, 1950 (H Doc. 455)

Request (for 2½ months from April 13 1950).....	\$3,600,000
Appropriation to date.....	17,500,000
.Obligations to Dec. 31, 1949.....	11,652,614
Expenditures to Dec. 31, 1949.....	10,116,678
Employment:	
Average number, current appropriation (9½ months).....	4,512
Number involved this estimate (2½ months).....	3,920
Actual employment, Dec. 31, 1949.....	4,153
Budget estimate next fiscal year: Present act expires June 30, 1950.	

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The appropriation of an additional amount of \$3,600,000 is required to enable the Housing Expediter to carry out the provisions of the Housing and Rent Act of 1949, approved March 30, 1949, during the second half of the fiscal year 1950.

It is understood that when the \$26,750,000 recommended by the President for the fiscal year 1950 was reduced to \$17,500,000, it was not intended to hamper the administration of rent control, but that it was considered desirable to review the situation in January when more definite information would be available with reference to the effects of actions under the decontrol provisions of the law.

Because the Housing and Rent Act of 1949 was a strengthened rent control act, and imposed major additional functions and responsibilities on the Housing Expediter, our staff was necessarily expanding at the beginning of the fiscal year. The Independent Offices Appropriation Act, 1950, was not approved until August 24, 1949, and it was only a few days earlier that we were on notice of the proposed reduction of \$9,250,000, or approximately 35 percent of estimated requirements. Drastic emergency actions were immediately taken to change plans of operation and reduce expenditures, but, as such actions would not be reflected in reduced expenditures for at least 30 days, expenditures for almost 3 months of the fiscal year were necessarily at a much higher rate than the ultimate appropriation would have permitted. Expenditures and obligations for the first quarter were \$6,323,400, or an average of \$2,107,800 per month, and this left only \$11,166,600 remaining of the \$17,500,000 appropriated to cover operations for the remaining 9 months, or an average of \$1,240,733 per month. All possible administrative actions to reduce expenditures have been taken, and these actions together with decontrols have reduced the staff from a peak of 5,462 employees to 4,153 as of December 31, and the monthly cost of operations has been reduced to \$1,650,000. Any further reductions would have made it impossible to have rendered even a modified type of service to the public under the provisions of the Housing and Rent Act. The estimate is based on actual operating costs and the situation as it actually exists at the present time, and it makes provision for a further reduction of 260 employees over the remaining 6 months period as a result of anticipated decontrol actions. The \$3,600,000 requested is considered the minimum additional amount required to administer the provisions of the law during the remainder of the fiscal year 1950.

Obligations by objects, fiscal year 1950

	Appropriation to date, 1950	Supplemental estimate, 1950	Revised total, 1950
01 Personal services.....	\$14,574,262	\$3,122,000	\$11,696,252
Terminal leave.....	820,667	100,000	920,667
Travel.....	578,073	102,500	678,573
Transportation of things.....	90,206	26,100	119,206
Communication services.....	265,858	55,500	320,358
Rents and utility services.....	531,544	53,100	584,644
Printing and duplicating.....	116,356	40,100	156,456
Other contractual services.....	109,978	60,800	230,778
Supplies and materials.....	23,256	6,900	30,156
Equipment.....	7,910	0	7,910
Total obligations.....	17,500,000	3,600,000	21,100,000

Obligations by activities

	Appropriation to date, 1950	Supplemental estimate, 1950	Revised total, 1950
Rent control.....	\$17,313,000	\$3,897,000	\$20,920,000
Veterans' affairs.....	177,000	3,000	180,000
Total.....	17,500,000	3,600,000	21,100,000

Estimated supplemental appropriation, fiscal year 1950

Actual obligations, Dec. 31, 1949.....	811,652,614
Estimated obligations, Jan. 1-June 30, 1950:	
Personal services:	
Staff at Jan. 1, 1950: 4,153 employees at annual salaries of \$16,680,262. Estimated cost for period ending June 30, 1950.....	88,343,181
Less anticipated reductions due to decontrol actions, etc.....	250,745
Overtime pay.....	
Personal services, active duty.....	8,092,386
Terminal leave: Based on an average of \$750 per employee to be separated, plus estimated cost of annual leave of those employees who have completed last day of active duty pending separation.....	25,000
Total personal services.....	8,117,386
Travel: Estimated on basis of cost per traveler for period July 1-Dec. 31, 1949.....	200,000
Other objects: Based on cost experience during period July 1-Dec. 31, 1949.....	830,000
Total estimated obligations, Jan. 1-June 30, 1950.....	9,447,386
Total estimated obligations, fiscal year 1950.	21,100,000
Appropriation, Independent Offices Appropriation Act, 1950.....	17,500,000
Supplemental appropriation required.....	3,600,000

JUSTIFICATION

In justification of the submission of the attached supplemental estimate of additional funds required to finance the administration of the rent control program for the fiscal year 1950, the following statement of facts is presented.

The total amount made available by appropriations for the fiscal year 1949 was \$22,222,100. The Housing and Rent Act of 1949 was a strengthened rent control act, and imposed on the Housing Expediter the responsibility for carrying out major additional functions such as the control of evictions, increased rights of appeal, treble damages, accounting surveys, and included a mandate that there be designated for each defense rental area an employee to assist small landlords and tenants specifying the duties to be performed by such employees. It was estimated that 1,643 additional employees would be required during the fiscal year 1950 to carry out the expressed intent of the Congress, and this estimate gave due consideration to a forecast of probable decontrol actions.

At the beginning of the fiscal year no appropriations had been made for the rent control program, and we started the year on an expanding basis with no information as to the exact amount of money that would be made available except that the President had approved a budget of \$26,750,000. It was not until the latter part of August that word was received that the conferees had agreed to reduce the amount requested for the Office of the Housing Expediter from \$26,750,000 to \$17,500,000, a cut of approximately 35 percent. The appropriation act was passed on August 24. At that time there were 5,462 employees on the pay roll and operating costs were at an annual rate of \$25,237,512. About 2 months of the fiscal year had already elapsed.

The Housing Expediter was then faced with a very difficult problem. The law provides that on or before the beginning of the fiscal year amounts appropriated shall be so apportioned by monthly or other allotments as to prevent expenditures in one portion of the year which may necessitate deficiencies or additional appropriations to complete the service of the fiscal year. On the other hand, statements were made on the floor of the Senate to the effect that in reducing the appropriation there was no intent to hamper the administration of the Rent Control Act, and that consideration would be given to a request for additional funds if needed.

It was apparent that immediate and drastic action was necessary to completely modify and revise plans for administering the rent-control program. The Housing Expediter was authorized to decontrol areas on his own initiative only where a determination could be made that the need for housing had been met. There was, of course, a continuous processing of decontrol actions, but these were mostly in sparsely populated areas where decontrol did not result in material savings. There were other decontrols resulting from the local option provisions of the law which did result in substantial savings, but such savings represented only a small percentage of the reduction of \$9,250,000 in the appropriation. Reductions in operating costs other than those resulting from decontrol actions were necessary.

The operating heads of the field organization were called to Washington for the purpose of discussing ways and means of administering a rent-control program, and, at the same time, reduce operating costs. The following actions were proposed and have been taken: (1) The regional offices were reduced to skeleton staffs, (2) all administrative activities have been centralized in the national office, (3) branch offices have been closed in areas still under control and service has been provided on a circuit rider basis, and (4) the staffs of the remaining offices have been carefully scrutinized and reduced to the minimum number required to perform essential activities.

The net result of these administrative actions taken together with the decontrol actions by State and local authorities, as well as under the Agency's initiative, was reduction of personnel from 5,462 at August 24, 1949, to 4,153 at December 31, 1949, and a reduction in the annual rate of expenditures from \$25,237,512 to \$19,340,000.

The law requires that employees who are separated be paid for their accumulated annual leave in a lump sum. This has already cost \$720,676 during the first half of the fiscal year. The potential annual leave obligation based on actual leave accruals is in excess of \$3,000,000. This eliminates any substantial savings through the separation of employees during the last half of the fiscal year. In some cases it imposes an additional burden on the 1950 appropriation. For example, the State of Alabama is decontrolled effective May 25. The separation of the 43 employees in the State of Alabama on May 25, will require payment from the 1950 appropriation of annual leave computed over periods running into

September, and will cost the 1950 appropriation more money than if the employees had continued on active duty through June 30.

As of December 31, 1949, there remains under control 369 defense rental areas, which according to the 1940 census had a population of 77,486,178 (67.4 percent of the United States total) containing 11,711,856 nonfarm tenant occupied dwelling units (71.2 percent of the United States total).

The attached estimate is a factual estimate based on actual operating costs and actual salaries of employees now on the pay roll with appropriate allowances for the effect of all anticipated decontrol actions during the last half of the fiscal year. All possible administrative actions to reduce expenditures by organizational changes and modifications have already been taken. The additional amount requested includes the cost of the pay increases resulting from the Classification Act of 1949, amounting to \$390,000. Considering the additional cost of terminal leave payments, it is apparent that any reductions in the additional funds required will have a serious effect on the administration of rent control.

The following exhibits are attached in support of this estimate:

Exhibit A. Summary of changes in number of field offices and employment, August 24 to December 31, 1949.

Exhibit B. Comparison of regional offices employment by function, August 24 and December 31, 1949.

Exhibit C. Comparative staffing pattern, April 1 to December 31, 1949.

Exhibit D. Summary of offices closed by decontrol action, April 1 to December 31, 1949.

Exhibit E. Estimated cost of pay increases, fiscal year 1950, Public Law 429, Eighty-first Congress.

Exhibit F. Actual obligations June 1 to December 31, 1949—Estimated obligations January 1 to June 30, 1950.

Exhibit G. Comparison of employment by offices, June 30 and December 31, 1949.

EXHIBIT A—Summary of changes in number of field offices and employment, Aug. 24 to Dec. 31, 1949

	Status at Aug. 24, 1949	Reductions due to administrative action	Reductions due to decontrol actions	Dec. 31 employment at rates prior to Public Law 429	Increase pursuant to Public Law 429	Status at Dec. 31, 1949
Number of field offices:						
Area and branch.....	400	83	47			270
Regional.....	7	1				6
Litigation.....	11	1				10
Total.....	418	83	47			286
Employment:						
Area and branch offices:						
Number.....	4,162	467	268			3,407
Annual salaries.....	\$15,454,939	\$1,636,300	\$1,061,531	\$12,797,018	\$473,573	\$13,270,591
Regional offices:						
Number.....	670	548				122
Annual salaries.....	\$3,006,767	\$2,468,713		\$604,062	\$16,968	\$620,010
Litigation offices:						
Number.....	235	38				197
Annual salaries.....	\$1,015,078	\$148,851		\$860,227	\$27,383	\$893,610
Field accountants:						
Number.....	101	33				78
Annual salaries.....	\$484,965	\$107,207		\$377,758	\$10,842	\$388,600
Departmental service:						
Number.....	294	(+85)				349
Annual salaries.....	\$1,310,301	(+\$154,639)		\$1,164,940	\$45,811	\$1,518,651
OHE total:						
Number.....	5,463	1,021	268			4,183
Annual salaries.....	\$21,365,050	\$4,194,634	\$1,061,531	\$14,108,996	\$877,267	\$16,095,262

EXHIBIT B.—Comparison of regional office employment by function at Aug. 24, 1949, and Dec. 31, 1949, indicating savings resulting from reorganization

	Aug. 24, 1949		Dec. 31, 1949		Reduction during period	
	Number	Annual salaries (rates prior to Public Law 429)	Number	Annual salaries (current rates)	Number	Annual salaries
Immediate office of regional housing expediter.	21	\$194,537	21	\$158,476	7	\$36,061
Advisory board coordinator.....	16	81,947	12	63,640	4	18,347
Information officer.....	20	96,577	18	66,173	7	30,352
Administrative assistant to regional housing expediter.....			24	100,687	+24	+103,467
Administration Division:						
Personnel.....	42	150,645		(1)	42	150,645
Budget and finance.....	80	297,133		(1)	80	297,133
Administrative services.....	81	281,902	27	193,167	54	198,075
Operations.....	139	606,195	5	32,800	134	663,205
Legal.....	20	428,731	14	33,615	76	345,116
Rent investigators.....	113	550,505		(1)	113	550,505
Veterans affairs.....	50	292,421	3	18,950	50	263,571
Total regional offices.....	670	3,060,787	122	820,010	548	2,440,777
Less:						
Increase in staff in national office due to curtailment of regional offices.....					-52	-177,333
Transfer of investigators to area offices.....					-28	-142,660
Net reduction.....					468	2,129,874
Add: Increase in compensation under Public Law 429.....						92,130
Net savings in terms of positions and annual salaries at current rates.....					468	2,223,004

¹ Administrative assistant and clerical assistance for regional housing expediter.² Administrative functions centralized except for records and property administration.³ Rent investigation staff transferred to area offices.

EXHIBIT C.—Comparative staffing pattern period Apr. 1-Dec. 31, 1949

	Apr. 1, 1949		June 30, 1949		Aug. 24, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries	Number	Salaries	Number	Salaries
Rent program:								
Field:								
Regional offices.....	632	\$2,425,925	603	\$2,782,133	611	\$2,787,246	119	\$601,000
Litigation.....	219	589,668	220	628,675	220	1,015,078	197	862,610
Accounting.....	85	414,020	97	479,671	101	584,964	76	388,600
Area offices.....	3,465	12,601,771	2,918	14,545,140	4,162	15,454,939	3,407	13,270,561
Subtotal.....	4,292	16,332,419	4,838	18,706,617	5,109	19,773,228	3,801	15,153,861
Departmental.....	274	1,234,004	292	1,260,225	268	1,273,841	346	1,494,126
Total rent.....	4,566	17,566,423	5,130	19,965,842	5,377	21,046,000	4,147	16,647,987
Veterans' affairs:								
Field.....	364	1,265,750	341	396,183	50	262,821	3	16,950
Departmental.....	10	47,197	6	38,460	6	34,460	3	10,326
Total veterans' affairs.....	374	1,312,947	347	432,643	56	318,981	6	26,276
Grand total OHE.....	4,940	18,880,370	5,220	20,418,487	5,432	21,365,030	4,153	16,666,262

EXHIBIT D.—Summary of offices closed by decontrol actions, Apr. 1 to Dec. 31, 1949

Type of action	Number of offices	Number of employees	Annual salaries
Agency initiative.....	31	71	\$247,792
Advisory board recommendation.....	3	30	110,451
Local option.....	57	243	913,150
State action.....	30	237	880,386
Total.....	121	581	2,151,779

EXHIBIT E.—Estimated cost of pay increases—Public Law 429, 81st Cong., effective Oct. 30, 1949

	1950 (17.5 pay periods)	
	Number	Amount
1. Base pay, permanent and part-time:		
(a) Cost based on employees as of Oct. 30, 1949.....	4,356	\$407,400
(b) Cost for change in number of employees, balance of fiscal year 1950.....	-271	-30,000
(c) Cost of within-grade salary advancements (not more than 2 percent of I (a)).....		8,100
(d) Total, permanent and part-time.....	4,085	385,500
2. Temporary employment.....		1,000
3. Overtime, shift differential, etc.....		3,500
4. Total cost.....		390,000

EXHIBIT F.—Actual and estimated obligations fiscal year 1950

Object class	July 1 to Dec. 31, 1949	Jan. 1 to June 30, 1950	Total fiscal year 1950
01 Personal services.....	\$9,575,866	\$8,117,386	\$17,693,252
Terminal leave.....	720,667	200,000	920,667
02 Travel.....	378,473	300,000	678,473
03 Transportation of things.....	50,306	60,000	110,306
04 Communication services.....	175,518	150,000	325,518
05 Rents and utility services.....	530,644	378,000	904,644
06 Printing and duplicating.....	76,556	80,000	156,556
07 Other contractual services.....	80,778	150,000	230,778
08 Supplies and materials.....	15,156	18,000	30,156
09 Equipment.....	7,910	0	7,910
Total.....	11,652,614	9,447,386	21,100,000

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949

Summary	June 30, 1949		Dec. 31, 1949	
	Number	Salaries ¹	Number	Salaries ¹
Region 1:				
Regional.....	70	\$226,604	25	\$126,761
Area.....	300	1,165,014	313	1,206,120
Total.....	379	1,474,708	338	1,335,881
Region 2:				
Regional.....	106	566,388	81	374,434
Area.....	1,004	3,851,918	1,130	4,326,578
Total.....	1,110	4,418,306	1,211	4,701,012
Region 3:				
Regional.....	101	462,462	27	191,620
Area.....	508	1,947,387	487	1,932,255
Total.....	609	2,409,749	514	2,123,885

See footnote at end of table, p. 115.

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.

Summary	June 30, 1949		Dec. 31, 1949	
	Number	Salaries ¹	Number	Salaries ¹
Region 4:				
Regional.....	196	\$846,906	41	\$196,192
Area.....	758	2,924,857	380	1,582,623
Total.....	944	3,771,763	421	1,778,815
Region 6:				
Regional.....	148	641,999	69	315,376
Area.....	740	2,678,233	635	2,364,975
Total.....	888	3,320,232	694	2,680,351
Region 8:				
Regional.....	184	842,671	66	309,337
Area.....	539	1,993,031	472	1,554,030
Total.....	723	2,837,702	538	2,164,267
Washington area.....	22	100,631
Field total.....	4,825	18,622,131	3,726	14,784,211
Departmental.....	298	1,316,655	349	1,513,451
Accountants, national staff, stationed in field.....	97	479,671	78	388,600
Total Office of the Housing Expediter.....	5,220	20,418,487	6,153	16,686,263

¹ Salary increases under Public Law 429, 81st Cong., effective Oct. 30, 1949, averaged \$130 per employee

REGIONAL FUNCTIONS

Region	Type office	Location	June 30, 1949		Dec. 31, 1949	
			Number	Salaries	Number	Salaries
1	Regional Litigation.....	Boston, Mass.....	54	\$259,037	13	\$72,596
do.....	16	67,657	12	54,375
	Subtotal.....	70	326,694	25	126,761
2	Regional Litigation.....	New York, N. Y.....	144	638,396	28	194,349
do.....	36	141,247	40	179,165
	Philadelphia, Pa.....	16	65,743	16	70,920
	Subtotal.....	196	846,388	81	374,434
3	Regional Litigation.....	Cleveland, Ohio.....	77	357,467	16	91,230
do.....	24	104,965	21	100,360
	Subtotal.....	101	462,432	37	191,620
4	Regional Litigation.....	Atlanta, Ga.....	79	365,001	17	87,337
do.....	20	86,569	20	94,140
	Regional.....	Dallas, Tex. ²	87	365,306	4	14,666
	Subtotal.....	166	846,906	41	190,192
6	Regional Litigation.....	Chicago, Ill.....	81	358,986	27	127,226
do.....	24	100,634	20	87,905
	St. Louis, Mo.....	10	39,451	22	94,075
do.....	33	144,948
	Subtotal.....	148	641,900	69	318,376
8	Regional Litigation.....	San Francisco, Calif.....	143	666,282	20	102,767
do.....	13	56,875	16	72,665
	Los Angeles, Calif.....	22	92,665	24	100,260
do.....	Seattle, Wash.....	6	26,879	6	27,745
	Subtotal.....	184	842,671	66	308,337
	SUMMARY					
	Regional Litigation.....		665	3,038,447	122	620,010
	Total.....		220	928,673	197	808,610
			885	3,967,120	319	1,513,620

¹ Former regional headquarters, OHE region 8.

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Alabama:				
Anniston.....	2	\$7,730	2	\$5,330
Birmingham.....	18	72,643	16	65,215
Dothan.....	1	2,498	1	2,650
Dothan.....	2	8,458		
Florence.....	4	14,658	3	12,810
Gadsden.....	2	8,207	2	8,400
Huntsville.....	1	4,855	1	4,975
Mobile.....	7	22,985	7	20,005
Montgomery.....	8	31,713	7	29,660
Opelika.....	1	4,480		
Selma.....	1	4,854		
Sylacauga.....	2	8,884		
Tuscaloosa.....	2	7,354	2	7,625
Total.....	61	200,522	41	172,160
Arizona: Tucson.	7	27,119		
Arkansas:				
Blytheville.....	2	7,955	3	10,650
El Dorado.....	3	10,655		
Fayetteville.....	2	7,434		
Fort Smith.....	5	19,539	4	18,060
Hot Springs.....	2	9,638		
Jonesboro.....	2	7,455		
Pine Bluff.....	8	12,636	2	8,275
Total.....	20	75,333	9	83,975
California:				
Bakersfield.....	5	18,511	4	16,480
Fresno.....	9	34,195	9	34,705
Long Beach.....	21	78,495	18	69,295
Los Angeles.....	124	434,276	136	527,795
Marysville.....	6	21,235	4	18,530
Merced.....	1	2,724		
Mendocino.....	6	21,612	7	22,275
Monterey Bay.....	7	27,847	7	28,815
Oakland.....	36	137,988	37	143,480
Richmond.....	8	29,843	7	28,535
Riverside.....	2	6,476	1	4,075
Sacramento.....	11	43,321	12	52,910
San Bernardino.....	9	32,187	8	31,305
San Diego.....	15	53,824	12	49,060
San Francisco.....	65	212,715	66	227,175
San Jose.....	8	30,796	11	42,110
San Luis Obispo.....	2	12,121	2	6,775
Santa Ana.....	7	27,646	6	21,330
Santa Barbara.....	4	15,170	4	18,025
Santa Cruz.....	3	9,022	3	10,000
Santa Maria.....	1	3,978		
Stockton.....	8	29,817	6	23,725
Vallejo.....	2	10,480	3	11,050
Ventura.....	3	11,182		
Visalia.....	7	26,387	6	21,800
Total.....	302	1,335,614	280	1,408,040
Colorado:				
Boulder.....	1	2,874	1	2,650
Canon City.....	1	2,874	1	2,735
Colorado Springs.....	2	8,458	4	15,155
Denver.....	28	106,473	31	120,620
Fort Collins.....	1	2,649	1	2,650
Grand Junction.....	2	7,204	1	4,600
Greeley.....	1	2,724	3	10,075
Pueblo.....	5	17,724	5	18,180
Total.....	41	182,390	47	176,660
Connecticut:				
Bridgeport.....	16	55,186	15	55,010
Hartford.....	22	90,702	24	92,850
New Haven.....	14	62,246	14	64,550
New London.....	7	23,264	6	22,500
Waterbury.....	7	28,631	6	27,315
Total.....	67	231,149	65	233,225
Delaware: Wilmington.	11	40,961	9	36,800

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EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Florida:				
Daytona Beach.....	2	\$5,373		
Fort Lauderdale.....	5	20,000		
Fort Pierce.....	2	7,304		
Fort Walton.....	1	4,480		
Gainesville.....	5	19,901	3	\$13,260
Green Cove Springs.....			2	7,750
Jacksonville.....	17	65,492		
Key West.....			2	8,000
Miami.....	27	102,802		
Orlando.....	7	25,597		
Panama City.....	2	7,780	3	13,750
Pensacola.....	5	19,664	5	21,450
St. Petersburg.....				
Tallahassee.....	2	5,298		
Tampa.....	3	13,263	2	8,000
West Palm Beach.....	5	31,974		
	3	11,758		
Total.....	89	343,566	17	72,300
Georgia:				
Albany.....	4	14,433	3	14,550
Americus.....			1	3,950
Athens.....	4	15,933	2	7,330
Atlanta.....	24	90,757	23	94,000
Augusta.....	5	20,056	4	17,800
Bainbridge.....	3	13,027		
Columbus.....	5	19,615	5	20,925
Dalton.....	1	2,598		
Dublin.....	1	4,103		
Gainesville.....				
Macon.....	2	2,649		
Moultrie.....	2	7,555		
Rome.....	2	7,981	2	7,800
Savannah.....	10	37,915	10	38,695
Total.....	60	262,754	56	231,005
Idaho:				
Idaho Falls.....	1	2,574		
Pocatello.....	1	5,453	2	9,000
Total.....	2	8,057	2	9,000
Illinois:				
Aurora.....	5	19,366	5	20,210
Bloomington.....	2	7,720	3	11,825
Carbondale.....			2	7,600
Centralia.....	2	6,426		
Champaign.....	6	20,720	7	25,705
Chicago.....	182	627,097	191	703,650
Crab Orchard.....	2	7,103		
Decatur.....	3	9,853	4	13,025
Joliet.....	7	25,340	7	26,540
La Salle.....	2	7,329	2	7,615
Peoria.....	14	50,993	10	38,785
Quincy.....	3	11,332	2	7,875
Rock Island.....	8	34,286	8	34,850
Rockford.....	9	31,176	10	34,935
Springfield.....	10	39,707	12	46,430
Waukegan.....	5	19,149	5	20,310
Total.....	200	917,707	208	1,001,275
Indiana:				
Anderson.....	11	38,950	8	32,430
Columbus.....	6	22,740	5	17,610
Evansville.....	10	29,834	11	42,685
Fort Wayne.....	8	30,645	7	29,360
Gary.....	15	81,822	14	53,705
Indianapolis.....	24	98,349	24	103,755
Lafayette.....	6	22,564	3	11,140
La Porte.....	2	7,705		
Richmond.....	2	7,329		
South Bend.....	13	51,277	13	53,385
Terre Haute.....	8	29,789	5	19,230
Vincennes.....	2	7,279		
Total.....	107	409,372	90	363,400

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Iowa:				
Ames.....	2	86,376	2	86,925
Burlington.....	5	15,057	4	15,250
Cedar Rapids.....	8	18,204	4	17,025
Des Moines.....	12	45,259	12	45,515
Dubuque.....	3	11,031	3	11,405
Iowa City.....	1	2,724	1	2,978
Sioux City.....	4	16,580	4	17,100
Waterloo.....	6	20,320	5	17,418
Total.....	35	140,682	35	138,920
Kansas:				
Arkansas City.....	2	6,137
Chanute.....	2	8,487
Coffeyville.....	2	6,401
El Dorado.....	2	6,137
Garden City.....	2	2,498	2	8,730
Great Bend.....	2	11,743
Hutchinson.....	4	14,157
Junction City.....	2	7,853	2	7,028
Manhattan.....	1	2,264
Parsons.....	2	8,308
Pittsburg.....	3	13,664
Pratt.....	1	2,876	2	6,600
Salina.....	4	16,663	3	13,228
Topeka.....	6	22,914
Wichita.....	10	37,299	11	42,310
Total.....	35	167,001	30	77,700
Kentucky:				
Bowling Green.....	1	3,709
Hopkinsville.....	1	3,478	2	12,875
Lexington.....	10	41,857	8	21,450
Louisville.....	22	55,343	25	99,810
Paducah.....	2	6,826	2	6,875
Total.....	36	140,001	35	140,710
Louisiana:				
Baton Rouge.....	6	22,860	6	22,650
Hammond.....	1	2,498
Lafayette.....	2	6,225
Lake Charles.....	2	12,265	3	18,978
Monroe.....	2	7,179	3	10,205
New Iberia.....	1	2,974
New Orleans.....	25	66,772	20	114,965
Shreveport.....	8	31,613	7	27,778
Total.....	45	182,337	49	188,490
Maine:				
Bangor.....	3	10,454
Bath.....	4	16,655
Portland.....	15	56,004	13	49,935
Presque Isle.....	2	7,228
Total.....	24	90,961	13	49,935
Maryland:				
Baltimore.....		106,706	49	183,080
Cumberland.....		2,574	1	2,720
Hagerstown.....		6,978	2	7,225
Silver Spring.....		12,632	1	3,100
Total.....	55	192,110	53	196,135
Massachusetts:				
Boston.....	45	108,602	68	267,240
Cambridge.....	37	120,290	39	180,775
Fall River.....	4	14,628	3	10,618
Lowell.....	5	16,404	5	17,185
Lynn.....	19	73,145	20	81,110
New Bedford.....	4	14,900	4	15,060
Pittsfield.....	4	18,761	5	20,780
Springfield.....	13	49,347	16	50,210
Taunton.....	11	44,461	11	45,230
Worcester.....	15	55,117	19	72,170
Total.....	167	617,704	190	720,878

URGENT DEFICIENCY APPROPRIATION BILL FOR 1950

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EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Michigan:				
Ann Arbor.....	3	\$12,611		
Battle Creek.....	2	7,229		
Detroit.....	73	275,669	80	310,475
Grand Rapids.....	8	32,227	7	31,293
Iron Mountain.....	2	7,204		
Jackson.....	2	7,204		
Kalamazoo.....	3	11,584		
Lansing.....	9	35,476	9	37,835
Muskegon.....	2	12,260	4	15,650
Pontiac.....	2	7,179	2	7,840
Saginaw.....	5	17,607	6	24,845
Total.....	112	626,550	111	634,010
Minnesota:				
Brahmer.....	1	2,498		
Duluth.....	10	39,620	10	41,205
Minneapolis.....	33	121,124	38	140,075
Rochester.....	6	23,243	6	24,310
St. Cloud.....	1	2,498		
St. Paul.....	15	64,309	18	64,725
Virginia.....	2	7,354		
Total.....	76	272,676	70	274,306
Mississippi:				
Biloxi.....			2	7,850
Columbus.....		4,354		
Grenada.....	1	2,874		
Greenville.....		2,792		
Greenwood.....	1	18,110	2	8,160
Gulfport.....	4	15,243		
Jackson.....	4	34,094	7	32,615
Meridian.....	3	12,561		
McComb.....	2	7,005	3	11,790
Natchez.....	2	6,476		
Vicksburg.....	2	7,129		
Total.....	28	107,981	14	60,325
Missouri:				
Cape Girardeau.....	2	7,406	2	7,225
Chillicothe.....	3	11,032	2	6,555
Columbia.....	2	7,090	2	7,173
Jefferson City.....	2	7,204	4	14,925
Joplin.....	5	20,493	6	24,470
Kansas City.....	45	171,224	54	207,715
Kirksville.....	2	6,376	2	6,010
Leavenworth.....	1	2,498		
Monett.....	1	2,423		
Rolla.....	1	2,574		
Sedalia.....	2	6,979		
Springfield.....	5	16,960	6	22,565
St. Joseph.....	5	15,211	5	15,755
St. Louis.....	63	221,951	67	246,655
Total.....	180	504,763	150	562,540
Montana:				
Billings.....	4	14,720	4	15,245
Bozeman.....	1	2,498		
Great Falls.....	4	14,233	4	13,095
Helena.....		2,650		
Kalispell.....	1	2,574		
Livingston.....		2,574		
Miles City.....	1	2,498	1	2,730
Missoula.....	2	7,179	1	2,810
Total.....	15	49,226	10	35,880
Nebraska:				
Hastings.....	4	16,389		
Omaha.....	19	72,993		
Lincoln.....	4	16,338		
Total.....	27	105,720	(1)	(1)

* Entire State decontrolled.

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
New Mexico:				
Las Vegas.....	4	\$16,539	2	\$11,425
Reno.....	4	16,539	5	21,925
Total.....	8	33,078	8	33,350
New Hampshire: Manchester.....	11	52,561	8	32,065
New Jersey:				
Atlantic City.....			2	6,230
Camden.....	22	78,410	20	77,805
Newark.....	54	207,622	90	30,254
Trenton.....	8	37,223	8	28,620
Total.....	114	400,255	120	432,909
New York:				
Albany.....	1	2,350		
Albuquerque.....	4	27,721	8	31,550
Carlsbad.....	1	2,574		
Clovis.....	1	2,574		
Hobbs.....	1	2,574		
Las Cruces.....			2	7,800
Roswell.....	6	71,189	1	2,650
Santa Fe.....			1	
Tucumcari.....	1	2,284		
Total.....	17	66,384	11	41,700
North Carolina:				
Asheville.....	6	23,844		
Burlington.....	1	2,649	1	3,650
Chapel Hill.....	1	2,574		
Charlotte.....	5	32,000	9	37,850
Durham.....	5	20,091	6	23,820
Elizabeth City.....			2	
Fayetteville.....	5	2,853		
Gastonia.....	5	18,261	3	11,985
Goldsboro.....	1	3,727		
Greensboro.....	7	20,754	7	30,855
Hickory.....	5	20,367	5	21,260
High Point.....	1	2,649		
New Bern.....	1	4,536		
Raleigh.....	22	6,978	2	7,225
Rocky Mount.....	5	20,367	6	24,130
Salisbury.....	22	7,103		
Wilmington.....	5	13,263	3	13,905
Winston-Salem.....	6	11,132	2	8,875
Total.....	62	243,106	48	197,660
North Dakota: Fargo.....	6	20,245	6	25,165

**EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con
AREA AND BRANCH OFFICES—Continued**

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Ohio:				
Akron.....	18	\$68,108	18	\$57,360
Ashland.....	2	8,100		
Canton.....	10	38,126	11	44,843
Chillicothe.....	2	7,479		
Cincinnati.....	37	140,126	45	167,880
Cleveland.....	53	199,692	55	219,060
Columbus.....	28	117,897	29	127,920
Dayton.....	17	68,006	20	82,955
D Lima.....	2	7,329		
L Lorain.....	3	10,178	2	8,226
M Mansfield.....	5	18,660	4	18,100
M Marion.....	1	2,759		
P Portsmouth.....	2	7,329	2	7,126
S Sandusky.....	2	7,329		
S Springfield.....	2	8,031	1	2,875
S Steubenville.....	2	7,730	2	8,000
T Toledo.....	17	63,718	20	78,000
Y Youngstown.....	10	36,131	11	42,100
Z Zanesville.....	2	7,103		
Total.....	215	823,764	217	861,643
Oklahoma:				
A Ada.....	2	7,120		
A Ardmore.....	2	7,224	2	10,250
B Bartlesville.....	1	2,760	1	2,970
C Chickasha.....	1	2,649		
D Duncan.....	1	2,649		
E Enid.....	2	6,377		
F Lawton.....	5	16,905		
G McAlester.....	2	6,677		
H Muskogee.....	2	6,902		
I Norman.....	1	2,975		
O Oklahoma City.....	14	64,080		
O Okmulgee.....	2	6,802		
P Ponca City.....	2	7,179		
S Shawnee.....	2	7,479		
S Stillwater.....	2	7,179		
T Tulsa.....	18	65,010	16	62,820
Total.....	63	226,329	20	74,040
Oregon:				
A Astoria.....	1	3,226		
C Corvallis.....	1	5,212		
E Eugene.....	3	9,520		
K Klamath Falls.....	1	2,976		
L Longview.....	1	3,100		
M Medford.....	2	7,174		
P Pendleton.....	2	7,404		
P Portland.....	22	79,344	21	83,025
R Roseburg.....	1	2,975		
R Salem.....	2	3,974		
Total.....	35	126,910	21	83,025
Pennsylvania:				
B Bethlehem.....	15	51,913	14	51,745
E Erie.....	16	69,637	15	69,305
H Harrisburg.....	14	54,440	15	60,365
J Johnstown.....	10	38,026	13	41,000
L Lancaster.....	11	38,665	8	34,900
P Philadelphia.....	55	204,837	68	257,500
P Pittsburgh.....	45	151,448	60	223,240
R Reading.....			4	15,605
S Scranton.....	24	54,846	23	53,920
W Williamsport.....	10	36,669	12	43,310
Y York.....			1	2,650
Total.....	201	720,561	235	904,700
Rhode Island:				
N Newport.....	3	10,656	3	11,320
P Providence.....	23	85,186	27	97,640
Total.....	26	96,142	30	108,960

EXHIBIT Q.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICE—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
South Carolina:				
Charleston.....	6	\$26,765	6	\$26,930
Columbia.....	8	31,850
Florence.....	3	6,662
Greenville.....	3	13,848
Spartanburg.....	2	7,028	2	9,200
Sumter.....	1	4,078
Total.....	21	83,183	9	90,103
South Dakota:				
Aberdeen.....	2	7,354	1	2,875
Rapid City.....	3	12,636	2	8,330
Sioux Falls.....	6	33,718	4	16,400
Total.....	11	53,608	7	27,008
Tennessee:				
Bristol.....	5	20,015
Chattanooga.....	14	54,004
Clarksville.....	3	11,708	1	4,875
Columbia.....	1	2,649
Jackson.....	1	16,704
Knoxville.....	4	19,810
Memphis.....	13	49,810
Nashville.....	17	58,180	15	62,910
Total.....	31	152,504	15	85,095
Texas:				
Austin.....	6	21,500
Beaumont.....	7	24,613
Big Spring.....	7	7,991
Bryan.....	2	11,583
Corpus Christi.....	1	18,915
Corsicana.....	5	7,730
Dallas.....	2	51,181
El Paso.....	15	30,438
Fort Worth.....	8	50,703
Galveston.....	16	18,636
Greenville.....	4	9,000
Houston.....	3	74,853
Laredo.....	21	10,936
Longview.....	3	19,915
Lubbock.....	5	19,162
McKinney.....	5	2,724
Midland.....	1	3,175
Odessa.....	1	4,229
Palestine.....	1	2,574
Pampa.....	2	12,461
San Antonio.....	18	69,340
Sherman.....	5	19,300
Temple.....	1	3,727
Terrell.....	2	7,054
Victoria.....	3	11,833
Waco.....	6	24,193
Watahachie.....	1	2,709
Wichita Falls.....	4	14,432
Total.....	154	870,566	(?)	(?)
Utah:				
Logan.....	1	2,574
Ogden.....	4	14,784
Price.....	2	6,627
Provo.....	2	7,806
Salt Lake City.....	9	34,764
Total.....	18	66,553	(?)	(?)
Vermont: Burlington.....	11	39,117	7	32,530
Virginia:				
Arlington.....	8	34,273	9	40,330
Charlottesville.....	2	7,656	3	12,075
Clifton Forge.....	1	2,498
Danville.....	4	14,081	4	14,100
Fredericksburg.....	1	2,549	1	3,100

* Entire State decontrolled.

EXHIBIT G.—Comparison of employment, June 30, 1949 with Dec. 31, 1949—Con.
AREA AND BRANCH OFFICES—Continued

Location	June 30, 1949		Dec. 31, 1949	
	Number	Salaries	Number	Salaries
Virginia—Continued				
Harrisonburg	1	\$2,649		
Newport News	2	32,388	3	612,778
Norfolk	14	57,807	15	64,650
Petersburg	2	13,639	3	10,810
Lexington	1	4,606		
Lynchburg	2	8,087	4	18,910
Richmond	11	44,848	12	52,850
Roanoke	7	26,354	9	38,680
Staunton	3	11,734	3	12,918
Williamsburg	1	6,107		
Winchester	2	7,254	1	2,650
Total	64	259,494	67	241,285
Washington:				
Bellingham	1	2,874	2	7,600
Everett		2,874	1	2,720
Mount Vernon		2,874	1	8,038
Olympia	2	9,102		
Pasco		8,028	1	8,198
Port Angeles		2,724		
Pullman		2,724		
Seattle	20	103,547	37	164,180
Spokane	10	28,601		
Tacoma	7	22,931	7	34,144
Walla Walla	3	11,694	5	19,980
Wenatchee	1	2,724		
Yakima	6	24,144		
Total	63	230,218	84	206,984
West Virginia:				
Beckley	2	6,577	2	6,950
Bluefield	2	20,390	6	23,675
Charleston	2	26,832	11	39,445
Clarksburg	2	10,630	2	8,226
Huntington	9	32,643	10	37,830
Martinsburg	1	4,480		
Morgantown	6	25,447	4	18,310
Parkersburg	2	7,250		
Welch	2	7,250		
Wheeling	16	61,341	16	63,645
Total	54	202,698	81	195,080
Wisconsin:				
Beloit	2	7,404		
Eau Claire	3	10,580		
Green Bay	10	26,816		
Kenosha	2	7,430		
La Crosse	6	24,220		
Madison	9	35,225		
Milwaukee	41	139,198		
Oshkosh	2	8,332		
Racine	2	6,976		
Sheboygan	1	2,975		
Wausau	1	2,975		
Total	79	244,123	(1)	(1)
Wyoming:				
Casper	4	14,533	2	8,530
Cheyenne	2	12,787	4	15,940
Laramie	1	2,574	1	2,730
Sheridan	1	2,649	1	2,810
Total	9	32,543	8	30,010
Alaska:				
Anchorage	3	14,134	1	8,750
Fairbanks	2	11,983	2	9,937
Juneau	4	25,733	3	20,344
Total	9	51,850	6	36,031
Puerto Rico: San Juan	15	87,821	15	92,983
Grand total	3,918	14,543,390	3,407	13,270,561

¹ Entire State decontrolled.

GENERAL STATEMENT

Chairman McKELLAR. Very well, Mr. Woods, you may proceed.
Mr. Woods. Thank you.

AMOUNT REQUESTED

Mr. Chairman, and members of the committee: I appreciate the privilege of appearing before this committee to explain the supplemental estimate of \$3,600,000 required to complete the financing of the Office of the Housing Expediter through June 30, 1950.

The Housing and Rent Act of 1949, approved March 30, 1949, strengthened rent control and imposed on the Housing Expediter the responsibility for a number of additional functions, among the most important of which were the control evictions, increased rights of appeal, and the designation of employees to assist small landlords and tenants.

REQUEST FOR ADDITIONAL EMPLOYEES TO COMPLY WITH EXISTING STATUTES

Appropriations for operations under the Housing and Rent Act of 1943 were at an annual rate of approximately \$21,829,000. It was estimated that a little over 1,500 additional employees would be required to carry out the provisions of the Housing and Rent Act of 1949.

The bulk of these additional employees were needed to provide assistance to small landlords and tenants and to control evictions—about 500 for the first function and 800 for the second.

BACKGROUND OF APPROPRIATIONS

Two appropriations were made available for the first 3 months of operation of the 1949 act. The combined appropriations were at an annual rate of \$23,400,000. The first appropriation was a stopgap fund under the First Deficiency Appropriation Act, 1949, the amount of which was determined prior to the passage of the Housing and Rent Act of 1949.

The second part was made available by the Second Deficiency Appropriation Act, 1949, which was not approved until June 23, 1949.

At the beginning of the fiscal year 1950, no appropriation had been made for the administration of the Housing and Rent Act of 1949. We continued to assume our new duties under the 1949 act and to add the necessary personnel as quickly as possible.

By August 24, when the Independent Offices Appropriation Act, 1950, was passed, we were operating at an annual expenditure rate of about \$25,237,500. The appropriation of \$17,500,000 in that act represented a cut of approximately 35 percent from the \$26,750,000 recommended by the President.

Moreover, it was considerably less than the annual rate of appropriation of \$23,400,000 for the period from April through June 1949, the first 3 months of operation under the 1949 act.

It was even less than the annual rate of appropriation of \$21,829,000 for operations under the 1948 act, when the work load was substantially lighter.

ANNUAL RATE OF EXPENDITURES MISCALCULATED BECAUSE OF APPROPRIATION CUT

Since we had already spent or obligated \$6,323,000 for the first quarter of the fiscal year, 1950, only a little over \$11,000,000 was actually available on the 1st of October 1949.

As you know, the law provides that on or before the beginning of the fiscal year amounts appropriated shall be so apportioned by monthly or other allotments as to prevent expenditures in one portion of a year which may necessitate deficiencies or additional appropriations to complete the operations during the fiscal year.

This provision meant that the remainder of the fiscal year would have to bear more than its proportionate share of the cut in expenditures since nothing could be done that would result in any substantial savings in the \$6,323,000 already spent or obligated for the first quarter of the year.

The appropriation thus provided for an annual rate of expenditure of less than \$15,000,000 for the remainder of the fiscal year 1950.

We were immediately faced with a very serious financial problem in carrying out the additional functions and duties imposed by law.

Statements were made on the floor of the Senate to the effect that in reducing the appropriations there was no intention of hampering the effective administration of rent control.

DISCUSSION OF ACQUIESCENCE OF CONGRESS FOR SUBMISSION OF DEFICIENCY REQUEST

Senator O'Mahoney made the following statement on August 19, 1949:

It is understood, however, by the conferees on the part of the House and the conferees on the part of the Senate that if the Housing Expediter were unable to make a sufficient reduction of personnel and of expenditures, in other words, if the demand for rent control in the United States continued, it would be without objection upon the part of the committee if he should submit later a request for a deficiency appropriation. The committee on conference felt that in January, for example, it would be much clearer whether or not the appropriation could be cut.

There never was any intention of the part of the conferees of the Senate or upon the part of the conferees of the House that by the denial of funds the operation of the law should be prevented.

In order to confirm that understanding, I yesterday and again today conferred with the gentleman from Texas, the Honorable Albert Thomas, chairman of the conferees on the part of the House, and he confirmed the impression I have just related to the Senate. That was the feeling of the House conferees.

There was one possible alleviating factor in the situation and that was the savings to be obtained as a result of decontrol. Although the amount of such savings could not be determined accurately, since it depended in part upon changes in the housing situation in the future and in part upon the decisions of governing bodies of cities, towns, and villages, and State legislatures, it was extremely unlikely that these savings would be large enough to offset the reduction in our appropriation.

It was, therefore, clear that we would have to take drastic and rigid economy measures in order to carry out the additional functions and duties imposed by the 1949 act.

Mr. Chairman and members of the committee—

Senator FERGUSON. The House always makes a report from the Congress, does it not?

Mr. Woods. I do not know, Senator, and I am not familiar enough with the procedure.

Senator FERGUSON. They do, as a matter of fact.

Do you know whether or not they put in that report this so-called understanding with you?

Mr. Woods. That, I do not know.

Mr. DUPREE. The actual figure is not even in the report, Senator.

Senator FERGUSON. Was it a fact that they were to come back for more money?

Mr. DUPREE. I think not.

Mr. Woods. You see, there was no time for hearing.

Senator FERGUSON. I do not understand that Congress would give private information to the Administrator of the agency telling him what they would do in the future when the Congress itself does not get the same kind of fact. I cannot understand how an agency could get an understanding that they were not to cut their expenses within the amount given to them, but get an understanding with Congress that they could come back and get the money and spend right along as if they had gotten the whole appropriation and then come back like you are coming back now and ask for more money.

I do not understand that kind of thing.

Senator MAYBANK. Would the Senator mind my saying something?

Senator FERGUSON. I would like to have an explanation for it on the record.

Senator MAYBANK. I do not know anything except this: I talked to Senator O'Mahoney about it.

Senator FERGUSON. I happen to be on Independent Offices and I happen to be the ranking minority member. I have never heard of this thing.

Senator MAYBANK. I was going to lead up to this: It was our thought on the committee as I remember it, and if I am wrong you can correct me, that this rent control had been extended until June with State and city provisions that they could decontrol. Nobody knew how much they were going to do it.

The House goes through and puts in that they have to have additional people in all of the areas of the United States to look after the landlords and tenants.

REDUCTION IN EXPENDITURES ANTICIPATED UNDER RENT DECONTROL PROVISION

Frankly, I am not here to defend the Housing Expediter or anything of that kind. He does not need me to defend him. The situation was such that when we passed this appropriation nobody knew whether the States and cities would take advantage of that provision, and in many instances they did.

It did cut his expense materially and caused some decontrol.

Senator FERGUSON. But he comes back here and says he had an understanding with the Congress and I happen to be the ranking minority member of the Independent Offices Subcommittee.

Mr. Woods. Senator, this statement was not made to me; it was made on the floor of the Senate.

Senator MAYBANK. Senator O'Mahoney made the statement.

Mr. Woods. It was on the floor of the Senate; it was not made to us.

Senator FERGUSON. That is what I was trying to get at. I thought you said you went back to check with these men today.

Mr. Woods. No, I was quoting from Senator O'Mahoney's statement made on the floor August 19, 1949. That was the quotation I was reading.

Senator GURNEY. That was after or before the conference report was adopted?

Senator MAYBANK. That was before.

Senator GURNEY. Or was it in connection with the presentation of the conference report by Senator O'Mahoney?

Mr. Woods. I think it was in connection with the presentation. It was before the conference report was agreed upon.

Senator FERGUSON. Is this the amount of money you asked for before?

Mr. Woods. No.

SUMMARY OF APPROPRIATION REDUCTIONS COMPARED TO DEFICIENCY REQUEST

Senator FERGUSON. How much did you ask for before last year?

Mr. Woods. We asked for \$26,750,000.

The Senate Appropriations Committee cut that by about 10 percent.

Mr. MADIGAN. The Bridges amendment on the floor of the Senate was adopted reducing it a further 10 percent.

Mr. Woods. So that when it went to conference it was approximately twenty-one-million-six-hundred-and-sixty-seven-thousand-dollars-odd.

Senator MAYBANK. \$21,000,000 did you say?

Mr. Woods. \$21,667,500.

Senator MAYBANK. It was cut from \$26,000,000 to \$21,000,000.

Senator FERGUSON. And you want three and a half more?

Mr. Woods. Then it was cut further to \$17,500,000 on the House side in conference.

Senator FERGUSON. Now, you want 3½ million more?

Mr. Woods. Yes, sir; three six.

Senator FERGUSON. \$3,600,000.

Mr. Woods. Yes, sir.

Senator GURNEY. If you get it you will have had a total of twenty-million-some-odd-thousand dollars?

Mr. Woods. Yes.

Senator GURNEY. You asked for \$21,000,000?

Senator MAYBANK. As against \$26,000,000?

Chairman MCKELLAR. You asked for \$26,000,000, and you got \$21,000,000?

Mr. Woods. We asked for \$26,750,000 and we got \$17,500,000. We are asking for an additional \$3,600,000.

Chairman MCKELLAR. That will make it \$21,000,000?

REDUCTION OF EMPLOYEES UNDER RENT DECONTROL

Senator FERGUSON. Are you anticipating on this now that you will gradually reduce the amount or is this to run you full force up until the end of the term?

Mr. Woods. This is to run us full force taking into consideration that we probably would be able to reduce through decontrol actions about 250 employees from now until June 30.

Senator GURNEY. Will that take care of the terminal leave requirements in case you close up July 1?

Mr. Woods. No, sir.

Mr. MADIGAN. There is no liquidation in this figure.

Senator FERGUSON. There is a reduction of 250 employees anticipated.

Mr. Woods. This \$3,600,000 contemplates that with the present work load going on to June 30 we will have a reduction of about 250 employees because of the various kinds of decontrol actions.

Senator MAYBANK. How many have you cut so far?

Mr. Woods. About 1,300.

Senator MAYBANK. You have already cut off 1,300.

The facts are that nobody knew around here in August or September what effect the law that was passed was going to have. Any State and any city has got a right to go out under the law. How many have gone out?

Mr. Woods. I have that later in my statement, Senator. About 703 decontrol actions have taken place.

Senator MAYBANK. By the people themselves?

Mr. Woods. No, by all different types. There are four different types of decontrol actions.

Senator MAYBANK. 1,300 employees have been cut out?

Mr. Woods. Not all of them by decontrol. One group went out by decontrol and one group by consolidation of offices and one group by practically the elimination of regional offices. In that way we were able to reduce about 1,300 people.

Senator MAYBANK. And you can reduce 250 more?

Mr. Woods. Yes, sir.

Senator MAYBANK. And that would mean 1,550.

Senator GURNEY. Out of a total of how many?

Mr. Woods. From 5,462.

AMOUNT FOR TERMINAL LEAVE PAY

Senator CORDON. Did you say that terminal leave is not provided for in this?

Mr. Woods. No, sir.

Senator CORDON. On page 1 of your justification where you justify by objects, terminal leave is the second one listed. You set up \$820,667 in a regular appropriation and you would have \$100,000 out of this supplemental if you get it, setting up \$920,667. Certainly that is included in this.

Mr. MADIGAN. That, Senator, is only the terminal leave involved where we have reduced these one-thousand-three-hundred-odd employees and they had terminal leave. But I understood your question to be as to whether or not there was anything included for terminal leave come June 30 for the remaining approximately 4,000.

Senator CORDON. I assumed that that is what this was for.

Mr. MADIGAN. No, sir.

Senator CORDON. You have \$1,000,000 for these people to quit?

Mr. MADIGAN. Yes, sir. That is only for those that have gone out and those estimated to go prior to June 30 next.

Senator FERGUSON. Certainly something ought to be done in relation to this terminal leave proposition.

Mr. MADIGAN. I agree with you, Senator.

Senator CORDON. Is it in the statute that a man gets the terminal leave?

Mr. MADIGAN. Yes sir; since the 1936 Leave Act which has been amended since then, with annual leave being a right rather than a privilege as it was before that, it is something that is due them.

**EXCLUSION OF TERMINAL LEAVE PAYMENTS ON TRANSFER TO
GOVERNMENT AGENCY**

Senator CORDON. Suppose he takes another Government job?

Mr. MADIGAN. The leave is transferred to the other agency.

Senator CORDELL. Does he get terminal leave?

Mr. MADIGAN. No, sir; the other agency picks up his leave credit. That is transferred to the other agency but insofar as the United States is concerned, the obligation still prevails.

Mr. Woods. But the agency he transfers from does not have to pay it.

Senator FERGUSON. What percentage does he get? Suppose a man worked for a year?

Mr. MADIGAN. It is the accumulation, Senator, of the unused leave at 26 days a year and that is accumulated. It was for 60 days but during the war it was upped to 90 days. Then it was changed again but there are still many who happened to have on a certain date in 1947 as much as 90 days' leave to their credit.

Senator FERGUSON. This is giving the man the opportunity not to take his leave so that he gets it as an added incentive.

Mr. MADIGAN. I think that in the temporary agencies it probably is a dominant factor. It is a sort of a cushion between the present job and the time before they get another one.

Senator FERGUSON. Do you set up your personnel so that they normally would take their leave?

Mr. MADIGAN. That is right.

Senator FERGUSON. And then if they do not take their leave they get it at the end?

Mr. MADIGAN. That is right.

Senator FERGUSON. And the cost to the Government is just \$1,000,000 more?

Mr. MADIGAN. That is correct. And of course, this represents only the amount for those who have already gone.

Mr. Woods. Most of these people of ours, Senator, that have piled up large amounts of leave, piled it up during the war when we discouraged them from actually taking leave and they have carried it along.

I think generally most of the agencies now are taking leave, which is the right thing. They should take a certain amount of vacation.

Senator CORNIN. Mr. Woods, in fairness to the people who work for the Government, who stayed on Government pay rolls during the war when many of them could have left and gone to two or three times the salaries that they were making, is it not fair to say that most of them cut down on annual leave, which is their regular vacation period, and for which they could get pay and they stayed on Government pay rolls for that time not to accumulate annual leave but for the same patriotic reason that other people were serving their Government?

Mr. Woods. Yes, sir; I think that is true.

Senator CORDON. I think that is generally true.

Mr. MADIGAN. This carries on, this leave being accumulated, they are entitled to be paid for it if they do not take it.

Senator FERGUSON. Do you have any figures as to how much is for leave this year that was not taken?

Mr. MADIGAN. That was not taken, sir? We could give that to you for the record.

Senator FERGUSON. We want it for the record.

I would like it for last year and this year, the two fiscal years.

TOTAL AMOUNT OF TERMINAL LEAVE CREDITS ACCUMULATED

Mr. MADIGAN. It happens that, in carrying over as we have to January 1, we recently computed the value of the leave which is on the books and that ran about \$2,800,000, as I recall it.

Senator FERGUSON. What you are doing now, not what they did back in the war.

Mr. MADIGAN. That is a current proceeding. That is the leave to the credit of those on the pay roll.

Senator FERGUSON. How much is that?

Mr. COMFORT. As of January 1, the value of the leave to the credit of all employees at that time was \$2,815,019.22.

Senator FERGUSON. How much of that \$2,000,000 is for this year now?

Mr. MADIGAN. That is an obligation right now, Senator, as of January.

Senator FERGUSON. Was that accumulated this year?

Mr. MADIGAN. That is accumulated over the years. It might be 5 years.

Senator FERGUSON. What is it for last year and what is it for this year? Can you give me the allowance?

Mr. MADIGAN. We could ascertain it but it would be quite a chore to compute each one.

Mr. DUPREE. Does the Senator want the additional leave built up last year?

Senator FERGUSON. Yes.

Mr. DUPREE. The additional leave built up in dollars for last year over and above the amount we were obligated the year before.

(The following information was supplied:)

As indicated above, it would be necessary to check each of the more than 4,000 individual records to furnish the information requested and the interval available in handling the transcript does not permit such action. However, as the leave information is maintained on a calendar-year basis it is possible to furnish the following summary:

	Number of employees	Hours of accrued annual leave	Value of leave ¹	Average leave balance per employee (hours)
Jan. 1, 1949.....	4,819	1,640,821	\$3,160,156
Accrual—Based on average employment for year.....	4,824	1,003,302	1,916,470	340.4
Subtotal.....	2,643,913	5,076,625
Less leave taken, or paid as terminal leave during year.....	1,208,706	2,208,568
Jan. 1, 1940.....	4,183	1,380,208	2,846,963	323.3

¹ Value of leave for comparison purposes is shown at current salary rates. Actual leave value at Jan. 1, 1949, was \$3,000,234.

In view of the fact that a large number of employees had the maximum amount of leave which could be carried over on January 1, 1949, considerably more leave was taken in the calendar year 1949 than in some earlier years as otherwise the annual leave not taken would be lost, since no further amount could be added to the maximum carried over on January 1, 1949.

Senator CORDON. What is your experience, whoever is in charge of personnel in the agency, as to whether or not your regular employees are taking their annual vacation leave year by year?

Mr. MADIGAN. I think in our agency there has been a definite trend to take the minimum amount of leave because of the uncertainty of employment. That is, with an agency that goes on for 8 or 9 months or 15 months as in the present instance, they take short vacations.

Senator CORDON. But consciously they are endeavoring to hold that cushion against the event that they might find themselves out of a job?

Mr. MADIGAN. That is right, sir.

Senator CORDON. Would you say that 80 percent of your employees do not take the annual leave which accrues to them during the year?

Mr. MADIGAN. I would not say it would be that high; but I would hazard a guess that more than half of the people do not take what would be the normal vacation; that is, which they would take if in Interior, Agriculture, Commerce, or one of the continuing establishments, because of having that in mind.

Senator FERGUSON. Who determines whether a man or a woman takes leave?

ANNUAL LEAVE A MATTER OF RIGHT, NOT PRIVILEGE

Mr. MADIGAN. Well, it is left very largely to the employees, as to their asking for it. Sometimes they ask for it, and it is not administratively feasible to let them go at a particular time. The organization has a measure of control over it; and yet, on the other hand, since it is a right, and not a privilege as it was prior to 1936, the employees can pretty much insist on taking leave.

Senator FERGUSON. Or not taking it, as the case may be?

Mr. MADIGAN. Or not taking it. Of course, we do undertake to advise people to take periods of leave, when we think that they are staying on the job too consistently, because all of us know that a break is beneficial to the individual as well as to the service.

Chairman McKELLAR. Are there further questions?

Mr. Woods. May I proceed, Mr. Chairman?

Chairman McKELLAR. Yes.

ECONOMIES AND SAVINGS ACHIEVED

Mr. Woods. I should like to summarize the economies and savings which we achieved. First, we completely abolished one of our seven regional offices and materially reduced the staff in the remaining six offices. This resulted in an over-all reduction of 548 employees with annual salaries of \$2,449,715. However, certain functions formerly carried on in the regional offices had to be assumed by the national office and by area offices, with some increase in personnel, primarily in the lower grades but without additional supervisory employees. The net reduction amounted to 468 employees with annual salaries

of \$2,129,874. This figure is based upon the salaries then prevailing. The savings at current salary rates would, of course, be greater.

CONSOLIDATIONS AND ELIMINATIONS OF AREA OFFICES

Second, we made a complete survey of our area and branch offices. In every area remaining under rent control we had the obligation of providing service for both landlords and tenants. We examined our operations in detail, however, to determine the rock-bottom minimum to which our service could be reduced. As a result of this study, considerable consolidation and elimination of offices took place. In some cases two area offices were consolidated, eliminating one office; in other cases an area office was changed to a branch office and, with substantially reduced personnel, was placed under the supervision of another area office. In many areas, branch offices were closed and service rendered on a circuit-rider basis by establishing rent stations open to the public only on certain specified days of the week. In many offices where consolidation and the other similar changes which I have described could not be made, we ordered reductions in personnel. As a result of these economies there was an over-all reduction of 467 employees with annual salaries of \$1,626,390. However, this reorganization has meant less adequate service to landlords and tenants, and has resulted in complaints from many areas.

Senator GURNEY. May I interrupt?

Mr. Woods. Yes, Senator.

AREAS TOTALLY DECONTROLLED UNDER RENT ACT

Senator GURNEY. I notice in Nebraska and Utah and Wisconsin and Texas they have decontrolled entirely. That is in that information you furnished in the justification.

Mr. Woods. Yes, sir.

Senator GURNEY. And one State, Alabama, will decontrol May 25, under State law.

Mr. Woods. Yes.

Senator GURNEY. Are there any other States to add to those five?

Mr. Woods. No, sir. There is an action pending in Virginia before the State Senate today, actually. There were actions in that connection a couple of weeks ago. There was an action by the Georgia Legislature. They voted to retain Federal rent control. And the same thing in Mississippi.

As far as I know, there are no other State actions pending.

Senator GURNEY. Then we have five, with the possibility of Virginia. And I am a neighbor to Nebraska; and I have not heard any howl from Nebraska. I live right over the line. I am wondering what the experience was. Certainly you have gone into those five States, or those four States, to see how much rents went up after decontrol went into effect, but when I thumb through your testimony, here, I do not see any allusions to it.

SURVEY OF DECONTROLLED AREAS MADE BY BUREAU OF LABOR STATISTICS

Mr. Woods. I have some evidence, Senator, as to what has happened in areas where they have been decontrolled.

Senator GURNEY. In these four States?

Mr. Woods. At least Texas.

We do not have any information as of this date on Nebraska, but we are having the Bureau of Labor Statistics make a survey for us in Omaha, which should be completed within about 2 or 3 weeks.

Senator GURNEY. What do you have now?

Mr. Woods. Well, we had the Bureau of Labor Statistics make surveys for us in seven cities which had been decontrolled: Dallas and Houston, in Texas, and Knoxville, Jacksonville, Topeka, Spokane, and Salt Lake City. In those cities, which were decontrolled, this was the experience: Of course, as to Dallas and Houston, Dallas was a local-option decontrol which took place prior to the State decontrol action, and Houston went out by the State decontrolling. All of the others were local-option actions. And we found that the rent increases were rather exorbitant in those cities.

Senator FERGUSON. Well, now, give us the figures. What do you mean "rather exorbitant?"

Mr. Woods. In Dallas, the average percentage rent increase was 36.1 percent. In Knoxville it was 25.7 percent.

Now these are the units we asked the Bureau of Labor Statistics to survey for us: What has happened to rents in units free to rise, in other words, units that were decontrolled by this action and not units in which they were prohibited from a rent increase, or not units which had already been decontrolled and had received high rents? These figures are: for Dallas, 26 percent; Knoxville, 25.7 percent; Jacksonville, 25.8 percent; Houston, 40 percent; Topeka, 30 percent. As to Spokane, that was one that we decontrolled ourselves. There the increase was 19 percent. And Salt Lake City was 16 percent.

However, the thing that bothered us, Senator, was the fact that the worst increases took place in the lowest-priced units. For example, in Dallas 41 percent of the units in the under-\$30 group were increased; in the \$30 to \$49.99 group, 21 percent; in the \$50-and-over group, 13.6 percent. As to Houston, in the under-\$30 group the average percent increase was 45 percent.

Senator MAYBANK. Does it not cost just as much to keep up a small unit, from the standpoint of painting and fixing up?

Mr. Woods. I do not know why it is, Senator.

Senator MAYBANK. I mean, when it comes to painting a room, the costs are the same, whether it is a \$30-a-month unit or a \$40-a-month unit, or one with a higher rental than that.

Mr. Woods. I feel that the answer is that there was less to select from among those units, and the people had to stay and take the rent increases.

Senator MAYBANK. I am sorry for people who have their rent increased, but I think when you increase a unit in monetary value by painting and repairing, it would probably cost as much to paint and fix the plumbing in a \$30, \$40, or \$50 unit as in a \$100 unit. I was just wondering if that were true.

Senator FERGUSON. Is it not true that these rents would not go up any more if people were allowed to charge what they wanted to charge? And that would place every landlord on the same basis, whether he was building, or had an old building.

Senator GURNEY. These statistics were prepared by the Bureau of Labor Statistics?

Mr. Woods. Yes, sir.

Senator GURNEY. Were they taken immediately after decontrol set in?

Mr. Woods. No. There was another thing we found in this survey. The surveys were made all about the same time, but the decontrol dates varied. For example, comparing Dallas and Houston, when the survey had been made, Dallas had been decontrolled for about 5 months. Houston had been decontrolled 1 month. The increases were more widespread in Dallas than in Houston. In other words, a lot of people feel that if you decontrol, rents may go up for the first month or so, but then they will level off. These surveys, I feel, showed that that is not true; that they keep on going up.

Here are two cities in the same State, where the people are probably a lot alike, and where they have the same types of buildings.

DETERMINATION OF A DANGEROUS RENT INCREASE

Senator MAYBANK. What about the places where you did decontrol, the 20 percent?

Mr. Woods. Well, that I would say is on the dangerous list. We are going to make another study of Spokane.

Senator FERGUSON. What do you mean by dangerous?

Mr. Woods. Well I feel that if a city has a rent increase going up to 25 percent, for an over-all rent increase that is too much.

Senator FERGUSON. You mean with the inflation that we have had since 1942 a 20- to 25-percent increase is exorbitant?

Mr. Woods. Yes, sir; I do.

Senator FERGUSON. I do not know how you figure it on the present value of the dollar. How do you figure it? How much has there been in inflation generally on all costs?

Mr. Woods. That is not the true picture, Senator, because these places have also had other increases.

Senator FERGUSON. How do you know that they have had increases?

Mr. Woods. Because we have given them to them under rent control.

Senator FERGUSON. Well, how much have they had?

Mr. Woods. Well, we are granting increases—

Senator FERGUSON. No, no. You are talking about a particular town, Spokane.

Mr. Woods. Well, I would have to check.

Senator FERGUSON. Do you not think you ought to check and bring the accurate figures here, so that we can tell?

Mr. Woods. Senator, you are talking about the effects of decontrol.

Senator FERGUSON. Sure. You are bringing this in here to show that we ought to keep rent control. And I want the figures accurate.

Mr. Woods. I didn't plan to come into this hearing, Senator—

Senator FERGUSON. Then why are you giving us this?

Senator GURNEY. I asked for them.

Mr. Woods. The Senator asked for them.

Senator FERGUSON. You mean beforehand?

Mr. Woods. Just a few minutes ago. We have got those figures, and I will be glad to supply them.

(The information on Spokane was supplied as follows:)

There were 24,636 registered units. Increases were granted on 10,910 of these units. The increases averaged \$4.85 per unit per month. The increases in the 10,910 units averaged 23.8 percent. In addition 2,978 units were covered by leases involving a 15-percent increase.

Senator FERGUSON. What are these figure for?

Mr. Woods. As to these figures, the Senator asked what has happened in decontrolled areas. These figures, I believe, the Banking and Currency Committee, when hearings on extension of rent control start, are going to ask me for in connection with what has happened in areas which have been decontrolled. If nothing has happened, it ought to all go off.

Senator GURNEY. When you do give your testimony to the Banking and Currency Committee, please do not seek to justify your request for continuance of rent control on what happened in a few large cities. Take the towns of 5,000. What has happened there?

Mr. Woods. We have those figures.

Senator GURNEY. Just because the rents went up in the largest cities in the State does not mean it was not of general benefit to the State. I do not know what the story would be, but I can imagine that in the large centers of population in each State there would be more demand for what housing they have got than there might be in smaller communities.

Mr. Woods. We will have figures on the smaller communities, but I did not have them with me today, because I didn't know the subject was coming up.

REDUCTION IN 1950 APPROPRIATIONS

Senator MAYBANK. Senator, the only reason I said what I did was that last year in our committee the appropriation was cut 10 percent, and it was cut 10 percent on the floor, and then the House cut it again, and when it came to the conference committee there was a cut of some \$9,000,000.

Is that right?

Mr. Woods. That is right, I would like to go into the effects of decontrol, which is the next thing in my statement, if I may.

Chairman McKELLAR. All right, sir. Go right ahead.

ACCOUNTING SURVEYS ELIMINATED

Mr. Woods. Third, we eliminated accounting surveys. At the legislative hearings early in 1949, considerable dissatisfaction was expressed because we were unable to provide information concerning the financial position of landlords on a national basis. We had requested additional personnel to conduct accounting surveys during the fiscal year 1950. In view of the need for drastic economy, however, we were forced to drop these surveys and to use all available accountants for processing the heavy workload of landlords' petitions under the new fair net operating income provision of the 1949 act.

Fourth, in many large offices where the work load and backlog were particularly heavy, we made decisions quickly without the customary inspections in many cases.

EFFECTS OF DECONTROL

Finally, there were the savings from decontrol. The Housing and Rent Act of 1949 provides four methods by which areas or portions of areas may be decontrolled. First, the Housing Expediter may decontrol on his own initiative when he finds that the demand for rental housing has been reasonably met. Second, a local rent advisory board may recommend decontrol to the Housing Expediter when it finds that the demand for rental housing has been reasonably met. Such recommendations are approved and carried into effect if the board has held a public hearing after appropriate notice and if the record of evidence presented at the public hearing substantiates the board's findings and recommendation. Third, the governing body of any incorporated city, town, or village may pass a resolution to terminate rent control. The Housing Expediter must end rent control in that city, town, or village, provided the following conditions have been met. A public hearing was held after appropriate notice; as a result of the public hearing the governing body found that there no longer was such a shortage in rental housing as to require rent control; and the Governor of the State has approved the resolution. Fourth, any State may by law declare that Federal rent control is no longer necessary in any part of the State, or it may substitute State for Federal rent control. In either case Federal rent control is terminated.

Senator Ferguson. Right there: Has any State substituted State for Federal rent control?

Mr. Woods. One, Senator, Wisconsin.

DISCUSSION OF RECONTROL PROVISION FOR DECONTROLLED AREAS

In the legislative hearings last year I recommended that the Housing Expediter be given the right to recontrol decontrolled areas when necessary. I stated at that time that there would be many areas where the evidence would be inconclusive on the extent to which the demand for rental housing had been met. I also said that if the authority to recontrol were put in the law I would not hesitate to decontrol in all doubtful cases. The Housing and Rent Act of 1949 did provide the authority to recontrol when an area was decontrolled on the initiative of the Housing Expediter or on the recommendation of a rent advisory board—except in cases decided by the Emergency Court of Appeals. Since April 1, 1949, I have carried out a vigorous decontrol policy, ordering decontrol on our own initiative in all doubtful cases. Fortunately, I have had to decontrol only three areas: Part of Somerset County, Pa.; Americus, Ga.; and Harrodsburg, Ky. In each of these areas the local rent advisory board found that widespread, large, and unwarranted rent increases had occurred after decontrol, and recommended the reestablishment of Federal rent control.

NUMBER OF DECONTROL ACTIONS

Between April 1, 1949 and January 26, 1950, a total of 703 decontrol actions were taken which removed rent control from approximately 2,916,000 rental dwelling units. We took 484 of these actions on our own initiative, thereby decontrolling 1,206,000 rental units. Thus, our own actions accounted for 69 percent of the total actions.

and 41 percent of the total number of units decontrolled. A total reduction of 71 employees with annual salaries of \$247,792 resulted from decontrol on our own initiative.

RENT DECONTROL UNDER LOCAL OPTION

Local option decontrol accounted for 208 actions and 798,000 rental units, and State action for 0 actions and 838,000 rental units. Decontrol by local option and State action resulted in a reduction of 480 employees with annual salaries of \$1,793,538. Five decontrol actions involving 74,000 rental units were taken on the recommendation of local rent advisory boards with a resulting reduction of 30 employees having annual salaries of \$110,461. Thus, the total savings from decontrol amounted to 581 employees with total annual salaries of \$2,151,779.

ADDITIONAL FUNCTIONS IMPOSED BY RENT ACT OF 1949

I have already referred to the additional functions and responsibilities imposed by the Housing and Rent Act of 1949 which have increased our work load. First, there is control over evictions, the very heart of the enforcement of rent control. It is essential that we make all decisions in eviction cases not only carefully, but as quickly as possible, if we are to give just and equitable treatment to both landlords and tenants.

Second, there is the requirement to designate consultants for small landlords and tenants. The Congress clearly indicated that these consultants were not only to supply landlords and tenants with all necessary information concerning their rights and obligations, but that they were to assist in the preparation of applications for rent adjustments and eviction certificates.

Third, there is authority for either landlord or tenant to appeal from the decision of the area rent director. Prior to the present act only landlords could make such appeals.

Fourth, there is the provision for adjustments to provide a fair net operating income to landlords. The processing of cases under this provision is technical and requires the services of accountants.

Fifth, there is the recontrol of certain hotel accommodations in New York City and Chicago and of other housing accommodations previously decontrolled under the 1948 act.

Sixth, there is the provision that rent adjustments may be granted only when the landlord certifies that he is maintaining all services provided as of the date determining the maximum rent and that he will continue to maintain such services so long as the adjustment continues in effect. This provision frequently requires detailed investigation when the services provided are in dispute.

WORK-LOAD INCREASE UNDER RENT CONTROL ACT OF 1949

These additional functions and responsibilities were clearly reflected in a substantial increase in the work load of the area rent offices. During the first 9 months under the present act—April through December 1949—we received 1,778,814 landlord and tenant cases as compared with 1,116,464 similar cases during the preceding 9 months.

an increase of 59 percent. In addition, the total number of consultations, hearings, field inspections and incoming telephone calls increased 17 percent from 10,005,828 in the last 9 months under the 1948 act to 11,704,136 during the first 9 months under the present act. In other words, the total volume of work has increased during this period despite the 703 decontrol actions which decontrolled 2,916,000 rental units since April 1, 1949.

WORK LOAD IN AREA RENT OFFICES

These figures do not show the full effect of increased work load on the offices which continued in operation. This may be seen from an examination of increased work load in the 23 principal area rent offices. During the first 9 months under the 1949 act these offices received 68 percent more landlord and tenant cases than during the previous 9 months—994,321 cases as compared with 590,783. At the same time the number of consultations, hearings, field inspections, and incoming telephone calls increased 38 percent—from 4,526,594 to 6,263,273.

It became necessary to increase the personnel in the larger area offices in order to cope effectively with the increased work load. The number of employees in these 23 principal offices, for example, rose from 1,832 in March 1949 to 1,941 in December 1949. Thus, the increased work load due to additional functions and responsibilities necessarily offset in part the savings achieved through decontrol and through administrative reorganization and streamlining.

NET EFFECT OF REDUCTIONS AND INCREASED WORK LOAD

The net effect of our economy measures, our decontrol efforts, local and State decontrol actions, and our increased work load was a reduction in personnel from 5,462 at the end of August 1949 to 4,153 at the end of December 1949, a decrease of 1,309 persons or 24 percent, and a reduction in the number of area and branch offices from 400 to 270. Operating costs were reduced from an annual rate of \$25,237,512 at the end of August to an annual rate of \$19,340,000 at the end of December 1949.

DEFICIENCY REQUEST BASED ON ACTUAL OPERATING COST

I submit that we have done everything possible to effect economies and at the same time fulfill the minimum requirements of the Housing and Rent Act of 1949. The estimate of \$3,600,000 required for the remainder of the fiscal year 1950 is based on our actual operating costs, with an allowance for further reduction of 250 employees as a result of decontrol actions during the remainder of the fiscal year. No one can say how much decontrol will be possible between now and June 30.

LIQUIDATION COSTS UNDER DECONTROL AND AMOUNT FOR PAY INCREASE

However, it should be remembered that when employees are separated the law requires that they be paid for all of their accumulated annual leave. For many people this may amount to several months' pay. Therefore, in the coming months there will be more and more

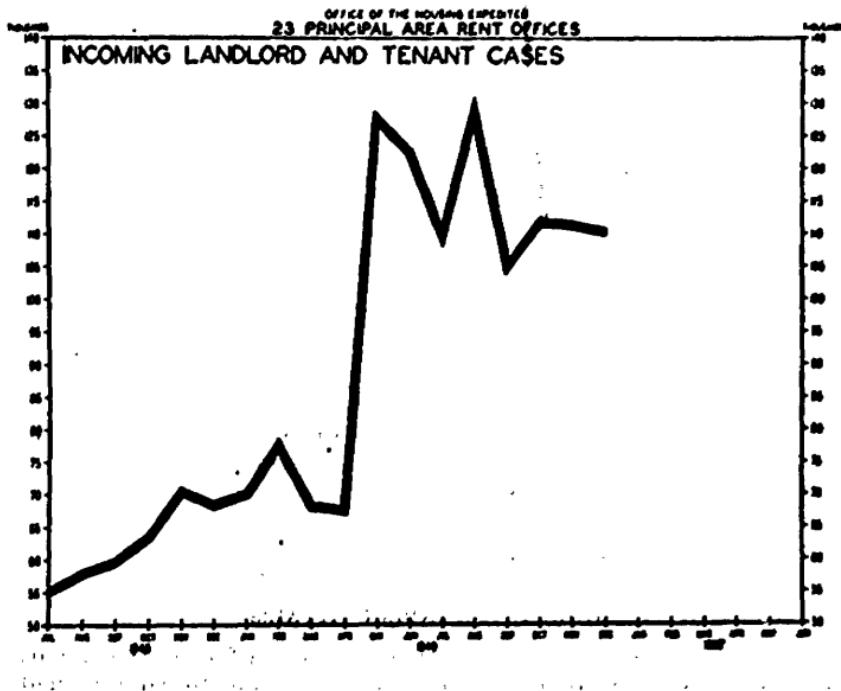
cases where it will cost more money from the 1950 appropriation to separate an employee than to carry him on active duty through June 30. For example, the State of Alabama will be decontrolled by a State law effective May 25, 1950. The annual leave of the 43 employees in Alabama will be computed over a period running well into the fiscal year 1951, but the full amount must be paid from the 1950 appropriation. During the first half of the fiscal year we actually paid out approximately \$720,000 for annual leave, and this is normally an expense of liquidation for which no provision was made in the 1950 estimates. The amount requested also includes \$390,000 for increased rates of pay resulting from the Classification Act of 1949 for which no provision was made in the 1950 estimates.

It is my considered judgment that the sum of \$3,600,000 represents the minimum required for the remainder of this fiscal year in order to administer the Housing and Rent Act of 1949 in the 353 areas with approximately 11,000,000 rental units which are now under rent control.

Mr. Chairman, I only have one other thing. I do not believe in trying to press the committee and show them a lot of charts, but I have two, which I would like to show you, which will indicate why we could not reduce our people more. I would like to, if I may, just take a second or two and explain what they are.

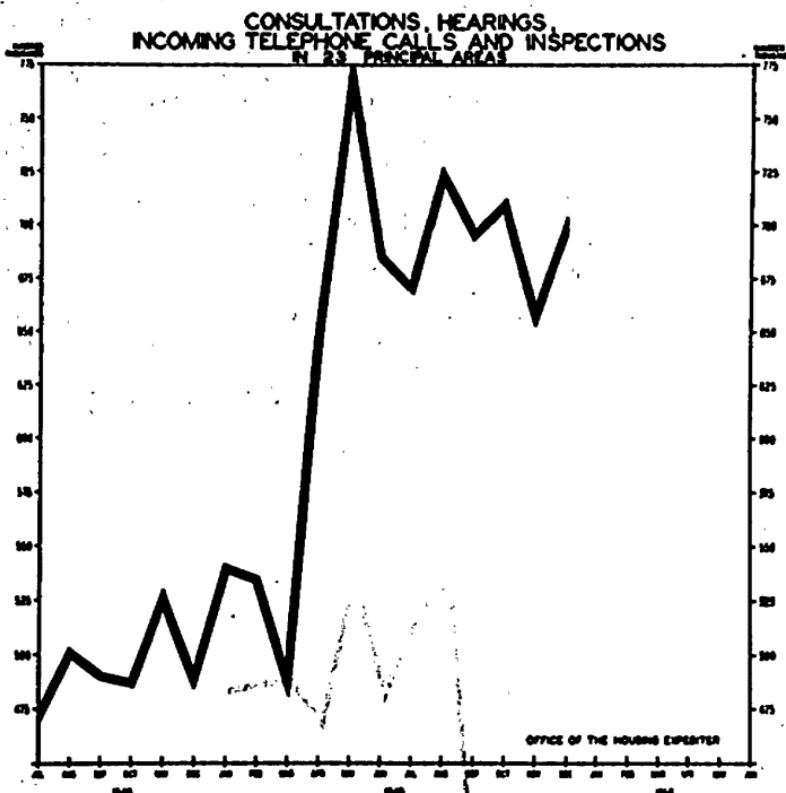
This is the way our work went up in April of 1949, practically straight up. As soon as people knew what the new act was going to be, both landlords and tenants, knowing that there was going to be a further rent control act, just swamped us with work. That was just on landlord and tenant cases.

(The chart on landlord and tenant cases follows:)



The other one shows other workload in the office, which is worse. I do not mean to be facetious, but I know you have seen these jokes about charts where the red line goes all the way out of the picture. Well, this almost does that. This chart covers consultations, hearings, incoming telephone calls, and inspections, just in our 23 largest offices. This date is March. March and April were the months in which this line just shot up, especially in our largest offices, so badly that we hardly knew where to turn.

(The workload chart follows:)



Of course, then we had to begin, when we got the news on our appropriation, to start chopping them down.

Thank you, Senators. I will be very glad to answer any questions. Chairman McKELLAR. Have you any questions, gentlemen? If not, we are very much obliged to you. Thank you very much.

DEPARTMENT OF INTERIOR

BUREAU OF INDIAN AFFAIRS

Chairman McKELLAR. The Bureau of Indian Affairs of the Department of Interior has submitted statements pertaining to requests made

of the Bureau earlier in the hearings. These statements shall be inserted in the record at this point.

(The statements follow:)

(See p. 38)

REPORT ON THE STATUS OF EMPLOYMENT PROGRAM INITIATED WITH THE \$100,000 INCLUDED IN THE APPROPRIATION, "SALARIES AND EXPENSES, FIELD ADMINISTRATION," CONTAINED IN THE INTERIOR DEPARTMENT APPROPRIATION ACT, 1950

Owing to the late passage of the Interior Department Appropriation Act (October 12, 1949), plans for an employment program were not completed until November. Despite this delay, we believe a sound start has been made in providing means for placing employable Indians in permanent jobs.

Placement units have been established in Aberdeen, Billings, Minneapolis, and Portland, each of which is headed by a placement officer who will be assisted by three other employees. These officers are:

Robert C. Bennett (Aberdeen), GS-12.....	\$6,400
George T. Barrett (Billings), GS-12.....	\$6,400
Kent Fitzgerald (Minneapolis), GS-12.....	\$6,400
George P. LaVatta (Portland), GS-12.....	\$6,400

These offices will serve Indian populations in the respective areas as follows:

<i>Area offices</i>	<i>Population</i>
Aberdeen:	
Cheyenne River.....	3,846
Crow Creek.....	1,753
Flandreau School.....	281
Fort Berthold Agency.....	2,018
Pine Ridge Agency.....	10,090
Rosebud Agency.....	9,891
Sisseton Agency.....	3,177
Standing Rock Agency.....	4,824
Turtle Mountain Consolidated Agency.....	7,586
Winnebago Agency.....	4,864
	47,330
Billings:	
Blackfeet Agency.....	5,164
Crow Agency.....	2,488
Flathead Agency.....	3,630
Fort Belknap Consolidated Agency.....	1,805
Fort Peck Agency.....	3,116
Northern Cheyenne Agency.....	1,719
Wind River Agency.....	2,697
	20,619
Minneapolis:	
Consolidated Chippewa Agency.....	14,711
Great Lakes Consolidated Agency.....	16,927
Menominee Agency ¹	2,551
Red Lake Agency.....	2,484
Pipestone School.....	993
	37,666
Portland:	
Colville Agency.....	4,431
Fort Hall Agency.....	2,106
Klamath Agency.....	1,547
Northern Idaho Agency.....	2,346
Tabolah Agency.....	3,125
Tulalip Agency.....	4,245
Umatilla Agency.....	1,303
Warm Springs Agency.....	875
Yakima Agency.....	3,415
	23,393
Total.....	129,008

¹ Census report 1945 not submitted; 1944 figures used.

A conference was had with our own workers to define and discuss policies, procedures, and relationships with existing employment agencies, employer groups, and community agencies, so as to insure uniformity of policies and relationships among the employment officers, all of whom are Indians. It was agreed at this meeting that the first effort should be in the direction of making an inventory of the skills available among the employable Indians on the various reservations. This is important in order that discussion with prospective employers could be had in terms of definite numbers of available employables in specific skills.

Although the program has been under way less than 4 months, reports from the placement officers indicate that agreements have been worked out with State employment services in a number of States in order to insure that the activities of those State agencies are not duplicated by the efforts of the Bureau's placement officers. Reports do not show that any substantial numbers of employment opportunities have been developed for Indians, but this is due in large part to the fact that the demand for labor of all kinds in the areas in which our offices are located is not heavy during the winter months. Many of our Indians are without skills in a particular trade with the result that employment opportunities for that type of labor do not develop until the spring of the year.

It is expected that this program will be in full operation within the next 2 or 3 months when employment opportunities begin to develop and that substantial placements can be made by these officers with a showing of a considerable number of Indians placed by the end of the year.

Beginning with the fiscal year July 1, 1950, the budget for the program is as follows:

Personal services:

Placement officers, GS-12, at \$6,400	4
Assistant to placement officer, GS-9, at \$4,600	4
Clerks, GS-4, at \$3,100	4
Clerk-stenographers, GS-3, at \$2,650	4
01 Total personal services	\$67,000
03 Per diem and travel	8,000
03 Transportation of things	400
04 Communications	800
05 Rents and utilities	3,200
07 Contractual services	2,000
08 Supplies and materials	400
09 Equipment (cars, typewriters, and filing cabinets)	8,000
11 Grants, subsidies, and contributions	10,200
Total	100,000

(See p. 43.)

The following table reflects the number of employables included in the relief case load for the respective months and the percentage that number represents of the total case load.

Employables on relief

Month	Total case load	Number of employables	Percent
July	707	15	1.8
August	2,577	153	5.9
September	2,001	186	9.3
October	2,439	122	4.9
November	2,681	160	6
December	4,193	376	9
January	5,718	1,026	11.7
February	17,000	3,194	12.9

A geographic distribution of the foregoing numbers of employables is as follows:

Number of employable persons on relief roll by months for fiscal year 1950

Siste and agency	July	August	September	October	November	Decem- ber	Janu- ary	Febru- ary ¹
Total	13	153	166	122	166	378	1,026	3,194
California: Sacramento..	2	6	5	4	8	9	28	36
Mississippi: Choctaw..	0	0	1	1	0	1	0	0
Montana	0	30	38	19	5	36	333	1,319
Blackfeet.....	0	0	0	0	0	0	0	488
Fort Belknap Consolidated.....	0	0	0	0	0	0	223	173
Fort Peck.....	0	0	0	0	0	0	2	279
Northern Cheyenne.....	0	30	38	19	5	36	106	179
Nebraska: Winnebago.....	4	17	0	0	0	0	121	300
Nevada: Carson.....	1	2	2	2	4	6	13	12
North Dakota.....	1	83	115	77	105	174	280	430
Fort Berthold.....	1	0	2	4	2	14	26	20
Standing Rock.....	0	83	112	73	101	97	164	200
Turtle Mountain.....	0	0	1	0	2	63	91	200
Oklahoma: Five Civilized Tribes.....	0	1	1	1	2	2	2	2
South Dakota.....	6	5	4	18	42	150	240	1,203
Cheyenne River.....	0	0	0	0	0	0	0	400
Crow Creek.....	2	2	2	12	18	47	45	10
Flandreau.....	0	0	0	0	0	0	0	12
Pine Ridge.....	0	0	0	0	0	3	55	250
Rosebud.....	0	0	0	0	0	0	0	221
Sisseton.....	2	2	2	6	24	100	140	100

¹ Estimated.

The percentage of employable Indians included in our estimated case load of 17,000 persons for February is 12.9 percent, which represents 3,194 persons. Also included in the February estimate are their 9,120 dependents, making a total of 12,314 persons added to the case load due to unemployment during the severe winter weather. Under usual winter weather conditions, 33½ percent of these employables would be assisted, if necessary, by tribal relief funds, now exhausted, on their respective reservations of Blackfeet, Fort Peck, and Cheyenne River. For relief purposes, an unemployable person is considered to be a minor, a widow with dependent children, or a person so mentally or physically handicapped as to preclude possibility of his self-support.

(Whereupon, at 4:35 p. m., February 17, 1950, the committee concluded the hearings.)

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