

If overall responsibility for these actions is delegated by the agency head, it should be assigned to a senior official reporting directly to the agency head.

If legislation is needed in order to carry out the purposes of this Circular, agencies should prepare necessary legislative proposals for review in accordance with Bureau of the Budget Circular No. A-19.

9. Effective date: This Circular is effective on March 31, 1966.

CHARLES L. SCHULTZE,
Director.

Mr. STAATS. Are you addressing the question to me?

Representative CURTIS. Yes, to you, because we have this before us in our hearings—we had this in our hearings last year,² and I know the General Accounting Office has been following this with interest, too.

Mr. STAATS. This is correct, Mr. Chairman. The area of decision-making as to when the Government engages in a commercial or industrial type activity as against going into the commercial market for the same item of services is one we have had a great deal of interest in, and it obviously involves cost consideration in a great many cases.

The Budget Circular A-76 in its present form was issued on March 3, 1966. It was accompanied by a very strong statement of policy by the President at the time the Budget Circular was approved, in which he emphasized that we must seek very feasible way—I'm reading from his statement—"to reduce the cost of carrying out the governmental programs."

He also pointed out, however, that "we must remember that our budgetary costs, our current out-of-pocket expenditures, do not always provide a true measure of the cost of Government activities. This is often true when the Government undertakes to provide for itself a product or service which is obtainable from commercial sources."

I will not read the whole statement.

Chairman PROXMIRE. Without objection, the full statement will be printed in the record at this point.

Mr. STAATS. Very fine.

(The memorandum referred to follows:)

PRESIDENT JOHNSON'S MEMORANDUM ON GOVERNMENT COMMERCIAL
INDUSTRIAL ACTIVITIES

EXECUTIVE OFFICE OF THE PRESIDENT,
Washington, D.C., March 3, 1966.

MEMORANDUM FROM THE PRESIDENT TO HEADS OF DEPARTMENTS AND AGENCIES

Each of you is aware of my determination that this administration achieve maximum effectiveness in the conduct of day-to-day operations of the Government.

We must seek in every feasible way to reduce the cost of carrying out governmental programs. But we must remember that our budgetary costs—our current out-of-pocket expenditures—do not always provide a true measure of the cost of Government activities. This is often true when the Government undertakes to provide for itself a product or a service which is obtainable from commercial sources.

At the same time, it is desirable, or even necessary, in some instances for the Government to produce directly certain products or services for its own use. This action may be dictated by program requirements, or by lack of an acceptable commercial source, or because significant dollar savings may result.

² Hearings, 1966, p. 137.