

There are some legal questions involved. The subject of the Federal Government's facilities being used by State and local governments has come under some discussion in the Commission on Government Procurement which as you know, is just getting underway with its study. And the expectation is that the Commission will come to the Congress with some recommendations as to how the Federal Government's facilities for procurement could be used by State and local governments, particularly where there is grant-in-aid money involved and, of course, grant-in-aid funds are very substantial, as you know, running more than \$25 billion a year.

The GSA, the General Services Administration, has already taken steps in this direction, which appear very promising. So, in principle, I would see no reason why this would not be a profitable line of study, even if it meant that it would have to ask Congress for some legislation to overcome some legal problems that would be involved with Federal Government using its funds, you might say, in advance to procure stocks and then reselling them to States and local governments.

Mr. GORDON. It could be done in another way. For example, a State can request the Federal purchaser to order drugs for the State. That is all the Federal Government has to do. The drugs could be sent directly to the State, which would pay the manufacturer directly. It would be just a question of the Federal Government ordering on behalf of the State or municipality.

Are there any legal objections to that particular method?

Mr. SHNITZER. I think, Mr. Gordon, that there may be some substantial question about it. We note that there are some specific statutes which authorize in a given instance an agency of the Federal Government to make procurements on behalf of local governments. The Federal Highway Act, 23 U.S.C. 308(b), is an instance. Our feeling is that if it is necessary for the statute to include such a provision, we believe that there may be a good reason for having some doubt about whether or not absent such a specific provision that it could be done because it may be regarded as utilizing a government facility for something other than the purposes intended by Congress.

Senator NELSON. I think part of the shared taxes program we are talking about.

Mr. SHNITZER. It could very well be.

Senator NELSON. Thank you very much, Mr. Staats, for a very informative and valuable presentation to the committee. If we have some further questions that occur to us after we examine the records, I take it we can submit the questions and you will supply the answers for the record.

Mr. STAATS. We will be very happy to respond.

Senator NELSON. Our next hearing will be on February 1, with the AID and Public Health Service as witnesses.

(Thereupon, at 12:10 p.m., the hearing was recessed, to reconvene on Monday, February 1, 1971.)

(The complete prepared statement and appendixes submitted by Mr. Staats follows:)