Mr. MORRIS. Items 7 and 10 are illustrations, sir, of approvals, and we in our text did cite the case of the 10,000 contract technicians formerly procured under contract, who will now be converted to civil service.

TAXES AS AN ELEMENT OF COST

Representative CURTIS. Yes.

Well, those are good.

Now, if I may, for the record, quarrel a bit with the failure of A–76 to include local taxes as one of the cost items. The private sector bears these.

But I want to relate local taxes to what services they procure—sewage, water, police protection, fire protection, traffic, schools, parks, recreation. All of these are—whether you are doing it through the private sector or whether it is the Government doing it itself—these are services that are part of the cost of operation.

Furthermore, the burden it places on local communities when you put Government installations in an area and withdraw them from the tax base—they don't bear their fair share of the cost of sewers—and if it is public water—certainly police protection and fire protection, and these costs are real costs.

To not have this as one of the factors in the cost accounting that lies at the base of determining whether Government shall do it in-house or whether it shall be contracted out to the private sector is quite vital.

So this is simply for the record, but also to pass on to the Defense Department, who, if they will examine it from their angle, I think might agree.

The whole theory of the impacted school area bill was on the assumption that if the Federal Government moved into a community, and withdrew from the tax base certain property, that would be from school revenues, and yet the personnel gains the benefit from having a good school system—therefore pay in lieu of taxes. I think that illustrates the logic and the great importance of this factor.

RELATION OF $15 BILLION CONTRACTOR-HELD INVENTORY ON TAX BASE

This moves me now to this other area of $15 billion of Government property that is used—industrial plant, materiel, special tooling, and so forth—which I think—and this I don't know, and have asked the GAO to get me information, and anyone who can give it to me—I think is largely withdrawn from the property tax base as well as the merchant and manufacturers tax—I am referring now to inventory of material—which your private sector pays the local taxes on.

Now, there may be some communities, through their laws, that have been able to get at it through the rental provisions.

Have you a comment on that?

STATES MAY TAX USE OR POSSESSION OF GOVERNMENT PROPERTY BY CONTRACTORS

Mr. MORRIS. Sir, we did attempt to check into this briefly. It is our understanding that a State may tax a contractor's use or possession of Government-owned property if it enacts legislation authorizing such