

Mr. STAATS. That is correct; yes. So far as I know there is no legislation on the statute books which governs the discount rate on any program.

Senator JORDAN. Except for the statutes having to do with water resources development.

Mr. STAATS. Of course, that is not a statute. That was an executive branch action, and it was incorporated in a Senate report or Senate-issued document.

I think you could correctly interpret that as having the agreement of the Senate Interior Committee. But it was not a legislative action on the part of Congress as a whole.

Senator JORDAN. I think it is important to bring out that such implementation of the technique of discounting as is presently done is wholly by administrative order and without being based on legislation.

Mr. STAATS. To the best of my knowledge there is no legislation on the subject.

Senator JORDAN. In your opinion, the wisest course to follow is to see if we can get some voluntary compliance before we even start talking about legislation.

Mr. STAATS. I think the danger would be to try to enact into law a specific fixed rate. I think there would have to be room for flexibility.

Senator JORDAN. Yes.

Mr. STAATS. You could not, it seems to me, specify a fixed rate.

If the concept could be written into a law which would still recognize the need for variations in individual situations, that should be done.

Senator JORDAN. Which would still permit the flexibility that the system would require in its application by the several departments.

Mr. STAATS. Yes. I think this would be the area where you would have difficulty at this point in time, that is in being very specific about what flexibility under what circumstances, you would permit in given programs. That would be the problem.

Senator JORDAN. Thank you, sir.

Chairman PROXMIRE. I would like to ask you, Mr. Staats, something that I think can give us part of the answer to this difficulty we have in the Federal Government with its great divergency in applying the discount factor.

Why, of all of the subagencies of the Defense Department is the Corps of Engineers the only one that has this  $3\frac{1}{4}$  percent or  $3\frac{1}{8}$  discount rate, meaning a return of  $3\frac{1}{8}$  percent on the investment in that area, where all the rest of the Defense Department has 10 percent, virtually all the rest?

Mr. STAATS. Well, I think—

Chairman PROXMIRE. After all, the Defense Department knows what it is doing; it has pioneered in this area and has a clear rationale for applying opportunity costs.

They made a fine response, and yet in the Corps of Engineers they have an exception.

Mr. STAATS. The Corps of Engineers follows a different rate because it was agreed on for all the water resource development programs in 1962.

The purpose was to get the consistency of the discount rate to be employed by the Interior Department, the TVA, the Corps of Engi-