Answer. There is no one proper reporting level within agencies for all laboratory directors, nor is it possible to state what precise specified flexibility or discretion all laboratory directors should be allowed. The organizational location of an agency's laboratory directors in relation to the agency head must necessarily depend upon the size and complexity of the agency's missions and programs and the laboratory's role in their accomplishment. As a management principle, the Bureau favors as few administrative layers as are consistent with adequate management control.

The principal research agencies, DOD, AEC, and NASA, have realistically faced up to the problem of multiple administrative layering. DOD has created its Office of Laboratory Management with its three service counterparts to serve as focal points for the review of agency-wide laboratory problems and requirements. The contract laboratories of AEC now report to the AEC General Manager and NASA laboratories report to an associate administrator. In Commerce, the Director of the National Bureau of Standards reports to an assistant secretary, and in NSF the Director of the National Center for Atmospheric Research reports to the director of a major program division. The actions taken thus far to reduce the adverse effects of layering are considered steps in the right direction.

Question 9. Dr. Weinberg, Director of the Oak Ridge National Laboratory pointed out that the redeployment of Federal laboratories can run into difficulty if there is no fiscal flywheel to smooth out fluctuations or delays in funding. Speaking of experience with NASA, he said:

"However, with non-AEC funds we have much less flexibility. If because of a red-tape error, funds from NASA are delayed three weeks we are in serious difficulty if we do not close out the NASA-supported work—even though three weeks later it is to be resumed. Obviously some financial flywheel must be provided. I would think an overhead charge assessed against all research at the laboratory and designated as the laboratory director's overhead account could be used as a fiscal flywheel to smooth out fluctuations. . . ."

What is your view on the need for such a fiscal flywheel for laboratory directors? What would be necessary to put one into effect?

Answer. There are two aspects to the problem Dr. Weinberg describes—flexibility of operations for in-house laboratories and smoothness of operations for contractor laboratories when both have multiple sources of funding. In the case of the in-house laboratory, the Bureau believes that the requirement for a fiscal flywheel is minimal. The bulk of in-house laboratory operations for any one agency is usually financed by the parent agency which is responsible for adequately supporting these operations. In the case where an in-house laboratory depends upon several program managers whose allocation decisions regarding available resources are based more on programmatic requirements than institutional support, the laboratory conceivably may encounter some difficulty in maintaining a constant or fully predictable level of funding. Discretionary funds and reprogramming authority can mimimize the effects of fluctuations which might occur under such circumstances. This likewise dictates that program and budget reviews should include an appropriate institutional review to assure that decisions regarding laboratory support are made in the context of the laboratory's agency-wide relationship. Work performed for other agencies is normally done on a cost reimbursable basis with few problems encountered on transferring funds.

Contractor laboratories may have some difficulty in maintaining orderly operations, if they perform work for a number of sponsors. Unanticipated funding delays could cause management problems if contingency resources are not available. It is our understanding that management fees have been used in emergency situations. The Bureau believes that many of the benefits of a "fiscal flywheel" for contractor laboratories can be achieved by the sponsoring agency insuring that the laboratory contract incorporate sufficient administrative flexibility and permit the director to program his funds to cover such emergencies.

Question 10. Section 8 of Executive Order 10521 directed agency heads to encourage and facilitate the sharing with other Federal agencies of major equipment and facilities. It also directed that a Federal agency should procure major equipment or facilities only after taking suitable steps to ascertain that the need cannot be met adequately from existing inventories of its own or other agencies. To what extent were these provisions superseded by Executive Order 10807 which established the Federal Council? To what extent does Section 8 still apply?