

the regional boards were unable to cope with the increased number of assignments. As a result, the pending backlog of 938 assignments has already reached critical proportions. In view of the fact that new assignments involve a proportionately greater number of refunds, a further increase in productivity cannot be forecast. Unless the Board obtains the additional people requested, it will fall further behind in 1969.

In addition to the foregoing, there is a need at Headquarters for at least 5 additional positions because of current amendments to the Renegotiation Act which will impose additional burdens on the Board's staff. The Committee on Finance has completed its consideration of H.R. 17324 to extend and amend the Renegotiation Act of 1951, and has reported favorably thereon with certain amendments. These are substantially the same as the amendments which have already passed the House, and therefore will undoubtedly become law. The major changes pertinent here involve the standard commercial article exemption. First, a new requirement provides that contractors who self-apply the standard commercial article exemption must report this fact to the Board where such self-application brings the contractor below the \$1 million floor. Heretofore such contractors have not been required to submit a report. Obviously, the new provision will require additional staff for policing purposes. Another amendment provides that an article cannot qualify for exemption unless the price charged the Government does not exceed the lowest price at which the article is sold in similar quantity for civilian, commercial or industrial use. This new provision in the exemption will also require additional personnel.

The Renegotiation Act expressly provides that, unless the Board completes a case within 2 years from the date renegotiation is commenced, the contractor is discharged of all liability. By this limitation provision Congress recognized that expeditious settlement is of great importance to the defense industry; for dividend, credit and other corporate purposes, a business concern should know its final profit position as soon as possible after the close of its fiscal year. The 2-year period for completion may be extended by agreement with the contractor, but such extensions should be the exception and not the rule. Therefore we must have additional personnel if we are to comply with the clear mandate of Congress.

The Board's need for additional personnel has been recognized by the Congress in recent appropriation legislation. The Board requested a \$480,000 increase in its appropriation for 1969. The House approved a \$400,000 increase, but the Senate, after the passage of the Revenue and Expenditure Act, granted the full amount. The issue is now in conference.

The purpose of the increased appropriation for fiscal 1969 was to enable the Board to increase its staff to 210. Unless this request is approved, the Board will be required to reduce its staff from 185—the number of employees now on its rolls—to 173.

Although the Renegotiation Board is not a revenue-collecting agency, it has always recovered for the Government far more than it has cost the taxpayer. It can be stated unequivocally that if we are permitted to employ more people, we will recover more excessive profits in 1969 and 1970 than we would have with the present staff. Refusal to the Board of the people it needs to carry on its work cannot be justified in the name of economy.

We consider this an urgent request and your favorable consideration will be appreciated.

Sincerely yours,

LAWRENCE E. HARTWIG, *Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 21, 1968.

HON. LAWRENCE E. HARTWIG,
Chairman, Renegotiation Board,
Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of July 26, 1968, requesting the assignment to the Renegotiation Board of 37 full-time permanent personnel vacancies beyond those to which you would be entitled by the operation of Section 201 of the Revenue and Expenditure Control Act (Public Law 90-364, approved June 28, 1968) has been carefully examined.

After considering your needs, along with requests from other agencies, I have concluded that it is impossible at this time to assign to the Renegotiation Board any of the additional vacancies which you have requested.