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SENATE

REPORT
No. 1523

EXTENDING FOR 1 YEAR CERTAIN PROVISIONS OF SECTION 100 OF THE SERVICEMEN'S READJUSTMENT ACT OF 1944, AS AMENDED, RELATING TO THE AUTHORITY OF THE ADMINISTRATOR OF VETERANS' AFFAIRS TO ENTER INTO LEASES FOR PERIODS NOT EXCEEDING 5 YEARS

JUNE 7 (legislative day, JUNE 1), 1948.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 2774]

The Committee on Finance, to whom was referred the bill (S. 2774) to extend for 1 year certain provisions of section 100 of the Servicemen's Readjustment Act of 1944, as amended, relating to the authority of the Administrator of Veterans' Affairs to enter into leases for periods not exceeding 5 years, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

EXPLANATION OF THE BILL

The purpose of the bill is to extend to June 30, 1949, the authority of the Administrator of Veterans' Affairs to enter into leases for space for offices of the Veterans' Administration for periods not exceeding 5 years. The present authority expires June 30, 1948. The original authority was contained in Public Law 424, Seventy-ninth Congress, and was extended for an additional year by Public Law 94, Eightieth Congress.

The authority here sought to be extended was first granted in an effort to assist the Administrator in providing space for the offices of the Veterans' Administration in connection with its decentralization program. A shortage of space still exists and there is, apparently, no substantial reason for assuming that the shortage will be materially reduced during the next 12 months.

The Veterans' Administration has been following a policy of consolidating activities where practicable, and the number of separate buildings containing field offices has been reduced from 1,685 to 1,251 during the present fiscal year.

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A careful survey is now being made to determine the relative value of the numerous field offices. The Administrator will survey during the next few months a large number of the offices now in existence and some reduction may be expected upon completion of this investigation.

The enactment of the proposed legislation is not expected to result in any additional cost to the Government, and it is quite probable that failure to extend the authority would result in an increase in the expenditure of public funds.

The letter from the Administrator of Veterans' Affairs requesting this legislation is as follows:

VETERANS' ADMINISTRATION,
Washington, D. C., May 27, 1948.

HON. ARTHUR H. VANDENBERG,
President pro tempore of the Senate,
Washington 25, D. C.

DEAR MR. PRESIDENT: There is transmitted herewith draft of a bill to amend section 100 of the Servicemen's Readjustment Act of 1944, as amended, which the Veterans' Administration recommends be enacted into law.

The purpose of the proposed bill is to extend for 1 year the provisions of the second paragraph of section 100 of the Servicemen's Readjustment Act of 1944, as amended by Public Law 424, Seventy-ninth Congress, approved June 22, 1946, and Public Law 94, Eightieth Congress, approved June 14, 1947, which authorize the Administrator of Veterans' Affairs to enter into 5-year leases, notwithstanding the fact that appropriations are not presently available for the entire period and further to permit such leases to be made free from the restrictions of the so-called Economy Act of 1932 (47 Stat. 412) approved June 30, 1932, as amended (47 Stat. 1517), prohibiting entering into any lease where the annual rental rate, in cases of rentals above \$2,000 per annum, exceeds 15 percent of the fair market value of the premises at date of the lease, or where the amount of alterations, repairs, and improvements to be made at Government expense exceeds 25 percent of the first year's rental. This authorization under existing law will expire June 30, 1948.

In 1946, in an effort to make the services of the Veterans' Administration readily available to the more than 17,000,000 veterans and their dependents, the Administrator of Veterans' Affairs undertook a decentralization program which involved the establishment of numerous field offices throughout the country. To prevent this program from being seriously hampered by the acute shortage of office space which then existed throughout the country, the Congress conferred upon the Administrator of Veterans' Affairs the authority contained in Public Law 424, Seventy-ninth Congress. The following year, since such shortage of office space continued, the Congress, by Public Law 94, Eightieth Congress, extended for another year the provisions of Public Law 424 so as to assist the Administrator of Veterans' Affairs in consolidating certain of the offices established under the decentralization program and also to assist him in establishing outpatient medical-treatment clinics in certain leased premises. To date such shortage continues to exist and there appears to be no substantial reason for assuming that such shortage will be materially relieved during the next 12 months. Accordingly it is anticipated that the Administrator of Veterans' Affairs will have the same difficulty in securing rental space during the fiscal year 1949, as required by the special authorizations above referred to.

During the present fiscal year the Veterans' Administration has endeavored to consolidate activities where practicable and release or relocate space wherever justified by efficiency or economy of operations. As a result, the number of separate buildings containing Veterans' Administration field offices has been reduced from 1,685 to 1,251. In order to effect this reduction, it has been necessary to negotiate a total of 157 leases involving approximately 1,000,000 square feet of space. In view of the general shortage of office space, it would have been extremely difficult for this agency to have carried out the numerous consolidations without the existing authority contained in section 100 of the Servicemen's Readjustment Act of 1944, as amended.

The Veterans' Administration is continuously reviewing its extensive field activities and will endeavor further to consolidate its offices during the coming fiscal year whenever such action appears to be fully justified from the standpoint

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of efficiency and economy. A careful survey is now being made to determine the relative value to the agency of its numerous field offices. Upon the completion of such survey and a determination of the essentiality of certain offices, action may be taken to release and relocate a considerable portion of the office space presently leased. In such event, a continuation of the existing authority relative to the execution of leases will be necessary in view of the present real-estate conditions.

Further, of the 15,000,000 square feet of space under the control of the Veterans' Administration approximately 1,770,000 square feet are at former military and naval installations which the Veterans' Administration occupies on a temporary basis. In view of the current situation with respect to national defense and the plans for expansion of military and naval activities, the Veterans' Administration may be required to vacate a substantial number of these locations during the coming year. Such action necessarily would result in considerable increase in the leasing activities of the agency and in additional need for the mentioned statutory leasing authority.

During the present fiscal year in accordance with the policy of the Congress to provide veterans with the best possible medical care in keeping with the highest professional standards, the Veterans' Administration has completed some 68 projects involving the expansion or installation of out-patient medical treatment clinics. Without the special authorizations contained in section 100, supra, it would have been impossible for the Veterans' Administration to have undertaken 70 percent of such projects because alterations under existing conditions cannot be made for 25 percent of the annual rental. During the coming fiscal year, it is planned to undertake 75 more such projects of which approximately 53 will involve alteration in leased space.

It is believed that the enactment of the proposed legislation would not result in any additional cost to the Government. On the other hand, in the light of savings resulting from operations under the authority of Public Law 424 and Public Law 94, it is probable that failure to extend such authority would result in an increase in the expenditure of public funds.

For the foregoing reasons, it is respectfully requested that the proposed legislation be introduced and given early consideration for enactment.

In view of the impending adjournment of the Congress, there has not been sufficient time to ascertain from the Bureau of the Budget the relationship of the proposed legislation to the program of the President.

Sincerely yours,

CARL R. GRAY, Jr., *Administrator.*

The committee is in accord with the purposes of the bill and recommends its enactment.

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